



Condensed Consolidated Interim Financial Statements  
(unaudited)

Three and Six Months Ended June 30, 2022 and 2021

# SABINA GOLD & SILVER CORP.

Condensed Consolidated Interim Statements of Financial Position  
(unaudited)  
(Presented in thousands of Canadian dollars)

	June 30, 2022	December 31, 2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 118,630	\$ 25,571
Short-term investments	40,000	-
Accounts receivable	3,431	526
Exploration supplies	5,396	5,647
Prepaid expenses and deposits	1,958	578
	169,415	32,322
Marketable securities	288	64
Property and equipment (note 4)	227,771	155,134
Mineral properties (note 5)	486,733	408,399
Construction financing asset (note 13)	24,918	-
Hackett silver royalty	34,754	34,754
Other assets (note 6)	15,180	13,304
<b>Total assets</b>	<b>\$ 959,059</b>	<b>\$ 643,977</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 71,050	\$ 9,992
Flow-through share premium liability (note 10)	-	1,896
Current portion of lease obligations	400	425
Current portion of loan obligations (note 7)	3,633	28,733
	75,083	41,046
Community funding obligation	2,075	2,072
Lease obligations	-	186
Loan obligations (note 7)	8,246	9,966
Construction financing liability (note 13)	2,849	-
Provision for site reclamation	5,134	5,134
Deferred income tax liability (note 12)	41,017	37,029
<b>Total liabilities</b>	<b>134,404</b>	<b>95,433</b>
Equity:		
Share capital (note 8)	888,053	621,249
Contributed surplus	31,183	30,181
Deficit	(94,581)	(102,886)
<b>Total equity</b>	<b>824,655</b>	<b>548,544</b>
<b>Total liabilities and equity</b>	<b>\$ 959,059</b>	<b>\$ 643,977</b>

Nature of operations (note 1)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Approved on behalf of the Board:

"Bruce McLeod" Director

"Tony Walsh" Director

# SABINA GOLD & SILVER CORP.

Condensed Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss)

(unaudited)

(Presented in thousands of Canadian dollars, except share and per share amounts)

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
			(note 13)	
Expenses:				
Administration and general	\$ 336	\$ 144	\$ 512	\$ 337
Depreciation	114	114	228	228
Insurance	156	76	303	131
Listing, transfer and shareholder	539	231	1,061	551
Professional services	555	621	4,973	874
Salaries	657	448	1,221	980
Share-based payments (note 9)	586	748	1,330	1,147
Travel	55	2	61	2
	2,998	2,384	9,689	4,250
Loss from operating activities	(2,998)	(2,384)	(9,689)	(4,250)
Net finance income:				
Interest income	637	62	721	113
Financing expense	(77)	-	(1,106)	-
Unrealized gain on change in fair value of construction financing obligations (note 13)	70,081	-	21,670	-
Amortization of flow-through premium (note 10)	-	3,089	1,896	3,495
Unrealized (loss) gain on change in fair value of marketable securities	(270)	29	(128)	10
Gain on disposition of assets	-	-	372	87
Foreign exchange gain	231	-	680	-
	70,602	3,180	24,105	3,705
Income (loss) before income taxes	67,604	796	14,416	(545)
Deferred income tax expense (note 12)	(18,589)	(2,393)	(6,111)	(2,433)
Income (loss) and comprehensive income (loss)	\$ 49,015	\$ (1,597)	\$ 8,305	\$ (2,978)
Income (loss) per share				
Basic	\$ 0.09	\$ (0.00)	\$ 0.02	\$ (0.01)
Diluted	\$ 0.09	\$ (0.00)	\$ 0.02	\$ (0.01)
Weighted average number of common shares outstanding				
Basic	532,999,540	347,931,883	429,686,297	337,270,111
Diluted	538,690,322	347,931,883	435,727,895	337,270,111

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

# SABINA GOLD & SILVER CORP.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(unaudited)

(Presented in thousands of Canadian dollars)

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
			(note 13)	
Share capital:				
Balance, beginning of period	\$ 858,626	\$ 608,960	\$ 621,249	\$ 570,462
Shares issued for cash	29,663	-	271,570	39,230
Share issue costs	(666)	(158)	(7,863)	(2,264)
Stock options exercised for cash	-	-	252	-
Fair value of options transferred to share capital	-	-	472	805
Fair value of restricted share units transferred to share capital	250	373	250	373
Deferred income tax effect of share issuance costs	180	42	2,123	611
Balance, end of period	888,053	609,217	888,053	609,217
Contributed surplus:				
Balance, beginning of period	30,710	28,888	30,181	29,014
Fair value of share-based payments included in operating expenses	586	748	1,330	1,147
Fair value of share-based payments capitalized to mineral properties	137	151	394	431
Fair value of options transferred to share capital	-	-	(472)	(805)
Fair value of restricted share units transferred to share capital	(250)	(373)	(250)	(373)
Balance, end of period	31,183	29,414	31,183	29,414
Deficit:				
Balance, beginning of period	(143,596)	(96,238)	(102,886)	(94,857)
Income (loss) for the period	49,015	(1,597)	8,305	(2,978)
Balance, end of period	(94,581)	(97,835)	(94,581)	(97,835)
Total equity	\$ 824,655	\$ 540,796	\$ 824,655	\$ 540,796

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

# SABINA GOLD & SILVER CORP.

Condensed Consolidated Interim Statements of Cash Flows

(unaudited)

(Presented in thousands of Canadian dollars)

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
			(note 13)	
Cash provided by (used in) operating activities:				
Income (loss) for the period	49,015	(1,597)	8,305	(2,978)
Adjustments for:				
Depreciation	114	114	228	228
Deferred income tax expense	18,589	2,393	6,111	2,433
Net interest expense (income)	(159)	(62)	385	(113)
Unrealized gain on change in fair value of construction financing obligations (note 13)	(70,081)	-	(21,670)	-
Unrealized foreign exchange loss	1,004	-	517	-
Unrealized (loss) gain on change in fair value of marketable securities	270	(29)	128	(10)
Gain on disposition of assets	-	-	(372)	(87)
Amortization of flow-through premium liability	-	(3,089)	(1,896)	(3,495)
Share-based payments	586	748	1,330	1,147
	(662)	(1,522)	(6,934)	(2,875)
Accounts receivable	(1,422)	(919)	(2,963)	(918)
Exploration supplies	903	(7)	251	(555)
Prepaid expenses and deposits	1,190	(278)	(1,380)	(274)
Accounts payable and accrued liabilities	(2,180)	(186)	(889)	(1,137)
	(2,171)	(2,912)	(11,915)	(5,759)
Net interest (paid) received	(200)	291	(327)	348
Net cash used in operating activities	(2,371)	(2,621)	(12,242)	(5,411)
Cash flows provided by (used in) investing activities:				
Expenditures on deferred exploration	(26,469)	(11,367)	(38,604)	(15,052)
Expenditures on property and equipment	(37,479)	(12,525)	(50,240)	(13,866)
Community funding deposit account (note 6)	(2)	(1)	(3)	(3)
Reclamation deposits (note 6)	-	(1)	(1,854)	(2,141)
Other deposits (note 6)	-	(225)	-	(225)
Net (purchases) proceeds of short-term investments	-	15,000	(40,000)	21,000
Proceeds on disposition of assets	-	-	20	-
Net cash used in investing activities	(63,950)	(9,119)	(130,681)	(10,287)
Cash flows provided by (used in) financing activities:				
Shares issued, net of share issue costs (note 8)	28,997	(157)	263,959	36,966
Lease obligation payments	(101)	(162)	(211)	(260)
Lease obligation funding	-	3,165	-	3,165
Loan obligation payments (note 7)	(26,632)	-	(27,349)	-
Standby fee payments (note 13)	(417)	-	(417)	-
Restricted cash (note 8)	1,740	-	-	-
Net cash provided by financing activities	3,587	2,846	235,982	39,871
Net increase (decrease) in cash and cash equivalents	(62,734)	(8,894)	93,059	24,173
Cash and cash equivalents, beginning of period	181,364	57,053	25,571	23,986
Cash and cash equivalents, end of period	118,630	48,159	118,630	48,159

Supplemental cash flow information (note 14)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

# SABINA GOLD & SILVER CORP.

Notes to Condensed Consolidated Interim Financial Statements

(Tabular amounts presented in thousands of Canadian dollars, except for share amounts)

For the three and six months ended June 30, 2022 and 2021

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## 1. Nature of operations

Sabina Gold & Silver Corp. (the "Company" or "Sabina") was incorporated in June 1966 under the laws of the Province of British Columbia. On October 28, 2009 the Company changed its name from Sabina Silver Corporation to Sabina Gold & Silver Corp. The Company's principal business activity is the exploration and development of mineral property interests. The Company's principal assets are the Back River gold project ("Back River Project") and its silver royalty on the Hackett River project, both of which are located in Nunavut, Canada.

The financial statements have been prepared on a going concern basis with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Management has forecasted its cash requirements for the next twelve months and based on its operating cash requirements, required flow through spending and current debt obligations, the Company has sufficient funds to execute the Company's operating and construction plan beyond the end of the next twelve months. Furthermore, completion of the project financing during Q1 2022 (note 13) is anticipated to provide the Company sufficient funds to execute its construction plan to build the Goose Mine.

The Company has completed a feasibility study for the Goose Mine at its Back River Project, which demonstrates positive economics and has advanced the environmental assessment on the project. The underlying value and the recoverability of the amounts recorded as mineral properties and silver royalty are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of the mineral properties, and future profitable production or proceeds from the disposition of the mineral property interest.

The Company may experience continuing and additional business interruptions, expenses and delays relating to COVID-19, which could have a material adverse impact on the Company's business, operating results, financial condition and the market for its securities. As at the date of these financial statements, the duration of the business disruptions and related financial impact of COVID-19 cannot be reasonably estimated.

## 2. Basis of presentation

### a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements (IAS 34, Interim Financial Statements) and do not contain all the information required for annual financial statements. These interim financial statements follow the same accounting policies and methods of application of the most recent annual audited financial statements, inclusive of the new accounting policy for derivatives as described in note 3 of these condensed consolidated interim financial statements. Accordingly, they should be read in conjunction with the most recent annual audited financial statements of the Company.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on August 11, 2022.

### b) Basis of measurement and consolidation

These condensed consolidated interim financial statements include the financial results of Sabina and its wholly owned subsidiary, Sabina Back River Ltd. All significant intercompany balances and transactions are eliminated on consolidation.

These condensed consolidated interim financial statements have been prepared on the historical cost basis except for financial instruments classified as fair value through profit or loss financial assets, being marketable securities, and share-based compensation, which are measured at fair value, and provision for site reclamation, which is recorded at management's best estimate of the present value of costs to be incurred in the future. Additionally, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

# SABINA GOLD & SILVER CORP.

Notes to Condensed Consolidated Interim Financial Statements

(Tabular amounts presented in thousands of Canadian dollars, except for share amounts)

For the three and six months ended June 30, 2022 and 2021

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c) Functional and presentation currency

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency. All tabular financial information presented in Canadian dollars has been rounded to the nearest thousand.

d) Use of estimates and judgments

The preparation of these condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Significant judgment is applied in the determination of the Company's ability to continue as a going concern and in assessing if there are indicators of impairment with respect to its mineral properties and associated property and equipment and the Hackett silver royalty. Significant areas requiring the use of management estimates relates to the determination of the recoverable amount of an asset if an impairment indicator exists, the provision for site reclamation, share-based payments, and the fair values of derivatives and other financial liabilities. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Fair values of derivatives and other financial liabilities

The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. Management uses its judgment to select a method of valuation and make estimates of specific model inputs that are based on conditions, including market, existing at the end of each reporting period. Refer to note 13 for further details on the methods and assumptions associated with the measurement of the construction financing liabilities.

e) New accounting standards

There were no new or amended IFRS pronouncements effective January 1, 2022 that impacted the Company's interim financial statements.

### 3. New significant accounting policies

Derivatives

Derivative instruments, including embedded derivatives, are recorded at fair value through profit or loss and, accordingly, are recorded on the statement of financial position at fair value. Unrealized gains and losses on derivatives are recorded in profit or loss for the year. Fair values for derivative instruments are determined using valuation techniques, with assumptions based on market conditions existing at the statement of financial position date or settlement date of the derivative. Derivatives embedded in non-derivative contracts are recognized separately unless they are closely related to the host contract.

# SABINA GOLD & SILVER CORP.

Notes to Condensed Consolidated Interim Financial Statements

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## 4. Property and equipment

Cost	Pre-development infrastructure and equipment	Exploration camp and equipment	Office and equipment	Total
Balance at January 1, 2022	\$ 165,219	\$ 24,776	\$ 2,283	\$ 192,278
Additions	76,156	-	-	76,156
Balance at June 30, 2022	\$ 241,375	\$ 24,776	\$ 2,283	\$ 268,434
<b>Accumulated depreciation</b>				
Balance at January 1, 2022	\$ (13,372)	\$ (22,301)	\$ (1,471)	\$ (37,144)
Current depreciation	(3,117)	(174)	(228)	(3,519)
Balance at June 30, 2022	\$ (16,489)	\$ (22,475)	\$ (1,699)	\$ (40,663)
<b>Carrying value</b>				
At January 1, 2022	\$ 151,847	\$ 2,475	\$ 812	\$ 155,134
At June 30, 2022	\$ 224,886	\$ 2,301	\$ 584	\$ 227,771

## 5. Mineral properties

The following is a summary of cumulative exploration and evaluation costs incurred:

Summary - by property	June 30, 2022	December 31, 2021
Back River (Nunavut)	\$ 482,045	\$ 403,711
Wishbone (Nunavut)	4,688	4,688
	\$ 486,733	\$ 408,399

The following is a detailed continuity of cumulative exploration and evaluation costs incurred at Back River:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
<b>Back River (Nunavut)</b>				
Balance, beginning of period	\$ 417,357	\$ 377,811	\$ 403,711	\$ 373,764
Additions:				
Surface access rights	516	582	1,163	583
Drilling and camp support	1,530	2,908	2,522	3,577
Detailed engineering and pre-development activities	61,124	9,270	72,022	11,827
Environmental and permitting	955	641	1,463	857
Geology and geophysics	151	131	280	280
Management and administration	138	43	254	91
Property maintenance	50	2	62	13
Share-based payments (note 9)	137	151	394	431
Depreciation	87	116	174	232
	64,688	13,844	78,334	17,891
Balance, end of period	\$ 482,045	\$ 391,655	\$ 482,045	\$ 391,655



# SABINA GOLD & SILVER CORP.

Notes to Condensed Consolidated Interim Financial Statements

(Tabular amounts presented in thousands of Canadian dollars, except for share amounts)

For the three and six months ended June 30, 2022 and 2021

## 6. Other assets

	June 30, 2022	December 31, 2021
Reclamation deposits	\$ 11,687	\$ 9,834
Community funding deposit account	2,075	2,072
Deposits on equipment financing loans	1,193	1,173
Deposits to secure corporate credit card facility	225	225
	<u>\$ 15,180</u>	<u>\$ 13,304</u>

During the six months ended June 30, 2022, the Company increased its reclamation deposits by \$1.9 million (2021 - \$2.1 million).

## 7. Loan obligations

The Company financed certain pre-development activities and mobile equipment with the combination of a senior secured facility and equipment financing loans. Details are as follows:

	Senior secured facility	Equipment financing loans	Total
Balance at January 1, 2022	\$ 25,356	\$ 13,343	\$ 38,699
Principal payments	(25,764)	(1,585)	(27,349)
Effect of foreign exchange	408	121	529
Balance at June 30, 2022	<u>\$ -</u>	<u>\$ 11,879</u>	<u>\$ 11,879</u>
Current portion	-	3,633	3,633
Non-current portion	-	8,246	8,246
Balance at June 30, 2022	<u>\$ -</u>	<u>\$ 11,879</u>	<u>\$ 11,879</u>

On August 30, 2021, Sabina entered a US\$20 million senior secured credit facility (the "Facility"), which was funded with an advance of US\$20 million on September 17, 2021. The Facility had a term of one year and fixed interest rate of 5.25%, with the principal and capitalized interest due in full any time before or on the earlier of the maturity date (September 17, 2022) and the closing date of certain future non-equity financings. The Facility had a minimum nine-months interest payable on termination. The loan was secured by most of the Company's assets, excluding Hackett and Wishbone as well as the equipment acquired under financing loans. On May 6, 2022, Sabina repaid the Facility with a payment of US\$20.8 million, which was inclusive of the minimum nine-months interest that was payable on early repayment.

## 8. Share capital

At June 30, 2022, the authorized share capital of the Company was comprised of an unlimited number of common shares without par value. The number of issued and outstanding common shares is as follows:

	2022		2021	
	# of shares	\$	# of shares	\$
Issued and outstanding as at January 1	356,333,336	621,249	326,564,790	570,462
Shares issued for cash	191,698,764	271,570	20,117,640	39,230
Share issue costs	-	(7,863)	-	(2,264)
Issued on exercise of stock options	254,563	252	1,177,878	-
Issued on settlement of restricted share units	148,332	-	206,667	-
Fair value of options exercised	-	472	-	805
Fair value of restricted share units settled	-	250	-	373
Deferred income tax effect of share issue costs	-	1,943	-	611
Issued and outstanding at June 30	<u>548,434,995</u>	<u>887,873</u>	<u>348,066,975</u>	<u>609,217</u>

# SABINA GOLD & SILVER CORP.

Notes to Condensed Consolidated Interim Financial Statements

(Tabular amounts presented in thousands of Canadian dollars, except for share amounts)

For the three and six months ended June 30, 2022 and 2021

The first tranche of the Orion and Wheaton financings (note 13) closed on February 11, 2022, resulting in the issuance of 46,209,769 common shares of the Company to Orion and 12,322,605 common shares of the Company to Wheaton for gross proceeds of \$76.1 million.

The second tranche of the Orion and Wheaton financings closed on March 7, 2022, resulting in the issuance of 16,905,354 common shares of the Company to Orion and 4,508,094 common shares of the Company to Wheaton for gross proceeds of \$27.8 million. Concurrently, the first tranche of Zhaojin's financing also closed, resulting in the issuance of 8,784,310 common shares of the Company resulting in gross proceeds of \$11.4 million. Zhaojin's payment to Sabina in March 2022 included the additional cash of \$1.7 million representing Zhaojin's funding for the second tranche. Given that shareholder approval was required for the second tranche, this \$1.7 million is classified as restricted cash at March 31, 2022, and was subsequently reclassified to cash following shareholder approval on May 25, 2022.

On March 30, 2022, the Company completed a bought deal prospectus financing of 71,000,000 common shares at a price of \$1.55 per common share for gross proceeds of \$110.1 million. In conjunction, the underwriters exercised their over-allotment option to purchase up to an additional 15% or 10,650,000 Common Shares at \$1.55 per share for total gross proceeds (including the over-allotment) of \$126.6 million. Costs associated with this financing totaled \$6.7 million, resulting in net proceeds of \$119.9 million.

The third tranche of the Orion and Wheaton financings closed on May 31, 2022, resulting in the issuance of 9,617,569 common shares of the Company to Orion and 2,564,685 common shares of the Company to Wheaton for gross proceeds of \$15.8 million. Concurrently, the second tranche of Zhaojin's financing also closed, resulting in the issuance of 1,338,565 common shares of the Company resulting in gross proceeds of \$1.7 million.

On June 13, 2022, the Company completed a private placement financing of 7,797,831 common shares to Zhaojin at a price of \$1.55 per common share for gross proceeds of \$12.1 million. These shares were issued as part of Zhaojin's election to participate in the bought deal prospectus financing that was completed on March 30, 2022. Costs associated with this financing totaled \$0.2 million, resulting in net proceeds of \$11.9 million.

## 9. Share-based payments

### a) Share purchase options

The number and weighted average exercise prices of outstanding share options are as follows:

	2022		2021	
	Number of options	Average exercise price	Number of options	Average exercise price
Outstanding as at January 1	11,267,750	\$ 1.55	10,964,250	\$ 1.36
Exercised during the period	(656,250)	1.25	(1,886,500)	0.79
Forfeited or expired during the period	(1,307,750)	1.39	-	-
Granted during the period	2,510,000	1.59	2,285,000	1.85
Outstanding at June 30	11,813,750	1.60	11,362,750	1.55
Not vested at June 30	(3,716,945)	1.61	(3,592,500)	1.53
Exercisable as at June 30	8,096,805	\$ 1.59	7,770,250	\$ 1.56

As permitted under the Company's Stock Option Plan, an option holder may choose to exercise options as stock appreciation rights ("SARs") with no cash proceeds. In such a case, the difference between the number of options exercised and the number of shares issued is included in forfeited or expired options in the table above.

During the six months ended June 30, 2022, a total of 656,250 options were exercised (2021 – 1,886,500 options), of which 200,000 options were exercised for cash (2021 – none) and 456,250 options (2021 – 1,886,500 options) were exercised as SARs, resulting in the issuance of 54,563 common shares (2021 – 1,177,878 common shares).

During the six months ended June 30, 2022, the Company granted 2,510,000 options (2021 – 2,285,000) at a weighted average exercise price of \$1.59 per option (2021 – \$1.85 per option), and a term of 5 years and vest over 3 years (25% at date of grant and 25% at each of the next three anniversary dates).

# SABINA GOLD & SILVER CORP.

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(Tabular amounts presented in thousands of Canadian dollars, except for share amounts)

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The following table summarizes the outstanding options as at June 30, 2022 by year of expiry:

Year	Number of options	Average exercise price
2022	50,000	\$ 2.30
2023	2,365,000	2.06
2024	2,140,000	1.25
2025	2,257,500	1.21
2026	2,502,500	1.78
2027	2,498,750	1.59
Outstanding at June 30, 2022	11,813,750	1.60
Not vested at June 30, 2022	(3,716,945)	1.61
Exercisable at June 30, 2022	8,096,805	\$ 1.59

## Employee compensation cost

During the six months ended June 30, 2022, the Company recorded \$1.2 million (2021 - \$1.2 million) in share-based payment costs for stock options, of which \$0.9 million (2021 - \$0.8 million) is presented as an operating expense in the consolidated statement of comprehensive loss and \$0.3 million (2021 - \$0.4 million) is capitalized to mineral property costs

## Inputs for measurement of grant date fair values

The grant date fair values of share options were measured based on the Black-Scholes option pricing model. The weighted average inputs used in the measurement of the grant date fair values for stock options granted during the six months ended June 30, 2022 are as follows: a risk-free interest rate of 1.80% (2021 - 0.93%); a dividend yield of 0% (2021 - 0%); an expected volatility of 53% (2021 - 61%) and expected lives of stock options of 5 years (2021 - 5 years).

The weighted average fair value of options granted during the six months ended June 30, 2022 was \$0.77 per option (2021 - \$0.95 per option). The expected volatility is estimated by considering historic average share price volatility.

## b) Restricted share units

	2022		2021	
	Number of RSUs	Average price	Number of RSUs	Average price
Outstanding as at January 1	188,333	\$ 1.64	-	\$ -
Granted during the period	275,000	1.63	320,000	1.79
Settled in shares during the period	(148,332)	1.68	(206,667)	1.81
Outstanding as at June 30	315,001	\$ 1.61	113,333	\$ 1.77

During the six months ended June 30, 2022, the Company granted 275,000 RSUs (2021 - 320,000) at a grant price of \$1.63 per RSU (2021 - \$1.79 per RSU) which vest over 3 years (one-third one month following date of grant and one-third at each of the first and second anniversaries of the date of grant).

## Employee compensation cost

During the six months ended June 30, 2022, the Company recorded \$0.3 million (2021 - \$0.4 million) in share-based payment costs for RSUs, of which \$269 thousand (2021 - \$388 thousand) is presented as an operating expense in the consolidated statement of loss and comprehensive loss and \$58 thousand (2021 - \$24 thousand) is capitalized to mineral property costs.

# SABINA GOLD & SILVER CORP.

Notes to Condensed Consolidated Interim Financial Statements

(Tabular amounts presented in thousands of Canadian dollars, except for share amounts)

For the three and six months ended June 30, 2022 and 2021

## c) Deferred share units

On June 29, 2022, the Company made an initial grant of deferred share units (“DSUs”) to Directors as part of its compensation program for key management personnel. DSUs do not require the payment of any monetary consideration to the Company. Instead, they represent the right to receive common shares, or a payment representing common shares, following the retirement or death of the Director. The option to settle the DSUs in common shares or cash is at the Company’s election, and the Company intends to settle the DSUs with common shares issued from treasury.

DSUs are share-based payments, which are measured at the grant date fair value and amortized over their applicable vesting periods. The offset to the recorded cost is to contributed surplus, and ultimately any amounts in contributed surplus are transferred to share capital upon settlement of the DSUs with common shares.

	2022	
	Number of DSUs	Average price
Outstanding as at January 1	-	\$ -
Granted during the period	150,000	1.07
Settled in shares during the period	-	-
Outstanding at June 30	150,000	\$ 1.07

## Employee compensation cost

During the six months ended June 30, 2022, the Company recorded \$161 thousand (2021 - \$nil) in share-based payment costs for DSUs, which is presented as an operating expense in the consolidated statement of loss and comprehensive loss.

## d) Back River share consideration

In connection with the original asset purchase dated June 9, 2009 to acquire the Back River assets from Dundee Precious Metals, the Company agreed to provide future equity consideration in the event certain milestones related to the project were met. At June 30, 2022, the remaining consideration consists of 5 million common shares of the Company, which would be issuable upon the exercise of 5 million warrants for \$nil consideration and a positive production decision for the Back River Project.

## 10. Flow-through premium liability

	2022		2021	
January 1	\$	1,896	\$	5,058
Amortization		(1,896)		(3,495)
June 30	\$	-	\$	1,563

In October 2021, the Company completed a private placement flow-through financing of 7,200,821 flow-through common shares at a price of \$1.87 per common share for gross proceeds of \$13.5 million, which must be used to incur Canadian exploration expenditures as defined by the Income Tax Act (Canada) by December 31, 2022. The flow-through premium liability of \$3.0 million set up from this financing has been amortized as the funds are spent on qualifying expenditures. At June 30, 2022, the Company had incurred all of the \$13.5 million of eligible flow through expenditures related to this financing.

# SABINA GOLD & SILVER CORP.

Notes to Condensed Consolidated Interim Financial Statements

(Tabular amounts presented in thousands of Canadian dollars, except for share amounts)

For the three and six months ended June 30, 2022 and 2021

## 11. Related parties

Key management personnel, comprised of directors and officers, received compensation as follows:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Salaries and benefits	\$ 467	\$ 457	\$ 941	\$ 915
Share-based payments	704	771	1,310	1,141
	\$ 1,171	\$ 1,228	\$ 2,251	\$ 2,056

## 12. Income taxes

The tax effects of temporary differences between amounts recorded in the Company's accounts and the corresponding amounts as computed for income tax purposes gives rise to the following deferred tax assets and liabilities:

	June 30, 2022	December 31, 2021
Deferred tax assets/(liabilities)		
Tax loss carry forwards	\$ 65,569	\$ 58,785
Financing costs	3,073	1,511
Provision for closure and reclamation	1,386	1,386
Other	105	4
Flow-through share effect on mineral properties	(67,381)	(65,102)
Mineral properties	(22,452)	(21,195)
Property and equipment	(15,159)	(12,418)
Construction financing obligations	(6,158)	-
Net deferred tax liabilities	\$ (41,017)	\$ (37,029)

Sabina has tax loss carry forwards at June 30, 2022 of approximately \$242.8 million expiring from 2031 to 2042 (December 31, 2021 – \$217.7 million).

The income tax expense differs from the expected amount calculated using the combined Canadian federal and provincial statutory income tax rates as follows:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Income (loss) before income taxes	\$ 67,604	\$ 796	\$ 14,416	\$ (545)
Canadian federal and provincial tax rates	27.0%	27.0%	27.0%	27.0%
Expected income tax (expense)/recovery	(18,253)	(215)	(3,892)	147
Share-based payments and other permanent differences	(329)	636	67	635
Flow-through renunciation	-	(2,809)	(2,279)	(3,210)
Other	(7)	(5)	(7)	(5)
Deferred income tax expense	\$ (18,589)	\$ (2,393)	\$ (6,111)	\$ (2,433)

# SABINA GOLD & SILVER CORP.

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## 13. Construction financing obligations

On February 8, 2022, the Company announced the completion of a construction financing package totaling approximately US\$530 million in aggregate (the "Financing"). It is anticipated that the Financing will fund construction and development of the Goose Mine at Sabina's 100% owned Back River Project in Nunavut, Canada (the "Project").

The Financing is comprised of:

- US\$225 million senior secured debt facility with Orion Mine Finance ("Orion");
- US\$75 million gold prepay facility with Orion;
- Gold metal offtake agreement with Orion;
- US\$125 million gold stream arrangement with Wheaton Precious Metals Corp. ("Wheaton");
- US\$95 million private placement of Sabina common shares with both Orion and Wheaton to be subscribed over three tranches (note 8); and
- US\$10 million private placement of Sabina common shares with Zhaojin International Mining Co., Ltd. ("Zhaojin") to be subscribed over two tranches (note 8).

In connection with the Financing, Sabina executed final documentation with Orion Fund III (Mt) LLC, a limited liability company managed by Orion with respect to: (i) the provision of a senior secured project finance debt facility in the principal amount of US\$225 million and a gold prepay facility in the amount of US\$75 million, (ii) an offtake agreement to purchase 100% of the annual refined gold production from the Project, and (iii) the purchase, on a private placement basis, of US\$75 million of Sabina common shares.

Concurrently, Sabina executed final documentation with Wheaton with respect to: (i) a definitive precious metal purchase agreement under which Wheaton will pay Sabina an upfront payment of US\$125 million to acquire payable gold production from the Project (the "Stream Arrangement"), and (ii) the purchase, on a private placement basis, of US\$20 million of Sabina common shares.

### Credit Facility – Orion

- US\$225 million senior secured debt facility;
  - To be funded in four equal tranches and available from the date the gold prepay facility is fully drawdown until December 31, 2024;
  - Interest rate of LIBOR + 5.0-8.0%, based on the timing of the drawdown;
  - Principal and accrued interest is repayable in 20 quarterly instalments commencing on September 30, 2025 until the maturity at June 30, 2030; and
  - Standby fees are payable on a quarterly basis and are calculated at 1% of the undrawn balance of the facility, with total standby fees payable capped at US\$4.5 million over the term of the facility.
- US\$75 million gold prepay facility;
  - To be funded to two equal tranches and available subsequent to the Stream Arrangement being drawn; and
  - Delivery period will commence September 30, 2025 for a total of 15 quarters at 7,250 oz of refined gold per quarter.
- Gold metal offtake agreement;
  - Applies to sales on 100% of the refined gold production on 5 million ounces of refined gold delivered from the Project. The quantity reduces to 20% thereafter; and
  - Orion to pay Sabina for refined gold based at ~99% of prevailing market prices.

### Stream Arrangement - Wheaton

- Applies only to the Goose property and not to any other properties on Back River Gold district;
- US\$125 million upfront payment (the "Deposit") for 4.15% of the gold production from the Project dropping to 2.15% after delivery of 130,000 ounces and dropping to 1.5% after delivery of 200,000 ounces;
- The Deposit is to be paid in four equal installments during construction, based on the remaining capital to be spent prior to the senior debt facility and the gold prepay facility being drawn; and
- Wheaton will make ongoing payments equal to 18% of the spot gold price, until the Deposit has been reduced to zero, thereafter increasing to 22% of the spot gold price upon delivery.

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## Equity Financings

- Orion agreed to subscribe for 72,732,692 shares of Sabina at a price of C\$1.30 for aggregate proceeds of approximately \$95 million (US\$75 million).
- Wheaton agreed to subscribe for 19,395,384 shares of Sabina at a price of C\$1.30 for aggregate proceeds of approximately \$25 million (US\$20 million).
- The private placement to Orion and Wheaton was completed in three tranches. The final tranche, which is subject to approval of Sabina shareholders pursuant to the policies of the TSX, closed in Q2 2022.
- The private placement to Zhaojin was completed in two tranches.
- Prior to the advance of funding under the Orion credit facilities and the Wheaton stream arrangement, Sabina is to fund US\$95 million in additional third-party equity investment and repay the US\$20 million senior secured facility (note 7) in accordance with its terms. This funding was completed by way of a bought deal prospectus financing that closed on March 30, 2022 (note 8).

## Accounting implications of the construction financing obligations

The Company completed its analysis of the construction financing package in Q2 2022 resulting in the gold prepay and gold stream being accounted for as derivative instruments. The Company measures these obligations at fair value through profit and loss. They are re-measured at fair value at each statement of financial position date, with changes in the fair value being recorded in profit and loss.

### Debt facility

- The senior secured debt facility is a loan commitment until such time as the Company draws upon the facility, at which point it will be accounted for at amortized cost. The initial fair value of the debt facility loan commitment of \$6.5 million was calculated using the Hull-White model and is a level 3 fair value measurement which is not revalued at each subsequent reporting period.

### Gold prepay obligation

- The Company has determined that the gold prepay obligation is a derivative instrument linked to gold commodity prices and interest rates. The Company has measured the gold prepay obligation in its entirety at fair value through profit and loss. The gold prepay obligation will be re-measured at fair value at each statement of financial position date, with changes in the fair value being recorded in profit and loss. The \$82.7 million fair value of the gold prepay obligation was calculated using a Monte-Carlo simulation and is a level 3 fair value measurement. For the three and six months ended June 30, 2022, the change in fair value of the gold prepay obligation was a gain of \$28.3 million (2021 – \$nil) and a loss of \$3.0 million (2021 – \$nil), respectively.

### Gold offtake

- The initial fair value of the offtake agreement commitment was calculated using the estimated future gold production and the future gold prices and is a level 3 fair value measurement. The initial \$26.1 million fair value is primarily due to the present value of the discounted gold price and is not revalued at each subsequent reporting period.

### Stream obligation

- The Company has determined that the stream obligation is a derivative instrument linked to gold commodity prices and interest rates. There is no initial fair value amount to record as it was determined that the terms of the contract at inception represented market rates. The Company has measured the stream obligation in its entirety at fair value through profit and loss. The stream obligation will be re-measured at fair value at each statement of financial position date, with changes in the fair value being recorded in profit and loss. The fair value of the stream obligation was calculated using the estimated future gold deliveries and the future gold prices and is a level 3 fair value measurement. For the three and six months ended June 30, 2022, the change in fair value of the stream obligation was a gain of \$41.7 million (2021 – \$nil) and a gain of \$24.7 million (2021 – \$nil), respectively.

The initial fair value of the debt facility, gold prepay and gold offtake gave rise to a financing premium loss on recognition of \$102.3 million. Since the fair values of the debt facility, gold prepay and gold offtake were not determined using a valuation that only uses data from observable markets, the loss on initial recognition has been deferred and will be recognized in income as follows:

Instrument	Basis of amortization
Senior debt facility	Included as part of the calculation of the effective interest rate
Gold prepay	Units of delivery
Gold offtake	Units of production

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The Company has recorded a construction financing asset and liability as follows:

	Orion		Wheaton		TOTAL
	Debt facility	Gold prepay	Gold offtake	Gold stream	
Fair value, February 7, 2022	\$ 6,455	\$ (82,679)	\$ (26,089)	\$ -	\$ (102,313)
Fair value adjustments					
Three months ended March 31, 2022	-	(31,360)	-	(17,051)	(48,411)
Three months ended June 30, 2022	-	28,340	-	41,741	70,081
	-	(3,020)	-	24,690	21,670
Financing premium deferred loss	9,833	70,298	22,182	-	102,313
Standby fees paid	401	-	-	-	401
Foreign exchange	267	(436)	(61)	228	(2)
<b>Balance, June 30, 2022</b>	<b>\$ 16,956</b>	<b>\$ (15,837)</b>	<b>\$ (3,968)</b>	<b>\$ 24,918</b>	<b>\$ 22,069</b>

Construction financing asset (Wheaton)	\$ 24,918
Construction financing liability (Orion)	\$ (2,849)
<b>TOTAL</b>	<b>\$ 22,069</b>

## Adjustment to Finance income (expense) for the three months ended March 31, 2022

The Company's previously reported results for the three months ended March 31, 2022 and as at March 31, 2022 did not include the change in fair value of the gold prepay and gold stream. As such, the previously reported finance income (expense), deferred income tax recovery (expense), net loss and net loss per share for the three months ended March 31, 2022 have been restated in these financial statements as follows:

	Finance income (expense)	Deferred income tax recovery (expense)	Net loss	Net loss per share
Previously reported	\$ 1,914	\$ (593)	\$ (5,370)	\$ (0.01)
Adjustment	(48,411)	13,071	(35,340)	(0.09)
Restated	\$ (46,497)	\$ 12,478	\$ (40,710)	\$ (0.10)

The impacts to total assets, total liabilities and deficit previously reported for March 31, 2022 as a result of the restatement related to the fair value change of the gold prepay and gold stream are as follows:

	Total assets	Total liabilities	Deficit
Previously reported	\$ 886,808	\$ 105,728	\$ (108,256)
Adjustment	-	35,340	(35,340)
Restated	\$ 886,808	\$ 141,068	\$ (143,596)

The restatement had no impact on the cashflow statement for the three months ended March 31, 2022 other than the loss for the period should have been reported as (\$40,710); the non-cash adjustment for the deferred income tax recovery should have been a deduction of (\$12,478); and there should have been a non-cash addback for the unrealized loss on change in fair value of construction financing obligations of \$48,411.



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## 14. Supplemental cash flow information

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Change in accounts payable and accrued liabilities related to mineral property costs	\$ 37,993	\$ 2,209	\$ 39,159	\$ 2,173
Change in accounts payable and accrued liabilities related to the purchase of property and equipment	10,385	4,091	22,799	3,945
Depreciation capitalized to property and equipment (note 4)	1,559	1,171	3,117	2,342
Depreciation capitalized to mineral property costs (note 5)	87	116	174	232
Share-based payments capitalized to mineral property costs (note 9)	137	151	394	431
Fair value of stock options transferred to share capital upon exercise (note 8)	-	-	472	805
Fair value of restricted share units transferred share capital upon settlement (note 8)	250	373	250	373

This Management's Discussion and Analysis ("MD&A") of Sabina Gold & Silver Corp. ("Sabina" or "the Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the three and six months ended June 30, 2022. The MD&A was prepared as of August 11, 2022 and should be read in conjunction with the unaudited condensed consolidated interim financial statements of the Company for the three and six months ended June 30, 2022 and the audited consolidated financial statements for the year ended December 31, 2021, which are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All figures are in Canadian dollars unless otherwise stated.

## **Overview**

Sabina is an emerging precious metals company focused on becoming an intermediate gold producer through the exploration and development of its mineral resource properties. The Company's flagship asset is its permitted 100% owned Back River gold project ("Back River Project" or the "Project"). The Company also owns a silver royalty on the Hackett River project. Both projects are located in Nunavut, Canada.

The Company continues to closely assess and monitor the COVID-19 situation as it evolves and has undertaken measures to mitigate associated risks, including establishing pre-deployment monitoring and testing, and procedures and protocols to safeguard employees while on site.

As noted in the Risks and Uncertainty section of this MD&A, certain global developments have resulted in additional risk factors that have the potential to introduce uncertainty in the Company's future operations. During the construction phase of the Back River Project, changes in general economic conditions, the financial markets, inflation and interest rates and in the demand and market price for our costs, such as diesel fuel, steel, concrete, electricity and other forms of energy, mining equipment, and fluctuations in exchange rates are factors of particular note. Advancements of the Goose Mine development at the Company's Back River Project are progressing. Of the \$610 million capital estimate for the Project according to the 2021 Updated Feasibility Study ("UFS"), \$218 million was identified as direct equipment and material purchases. At as June 30, 2022, Sabina has procured, or has committed agreements to procure, approximately 75% of these identified purchases. Reconciliations on purchases have seen an average overall inflationary escalation of 14% since March of 2021, with a 20% escalation on purchases in 2022. The Company continues to monitor these potential impacts with a strategy of pre-planning and accelerating procurement efforts to reduce exposure to inflationary impacts. Efforts are now focused on securing the remaining 25% of the direct purchases.

## **Q2 2022 Highlights:**

- The Company ended the quarter with cash and cash equivalents and short-term investments of \$158.6 million.
- In relation to the equity component of the construction financing package that was announced by the Company on February 8, 2022, comprising of the US\$95 million private placement of Sabina common shares with both Orion Mine Finance ("Orion") and Wheaton Precious Metals Corp. ("Wheaton") and the US\$10 million private placement of Sabina common shares with Zhaojin International Mining Co., Ltd. ("Zhaojin"):
  - On May 31, 2022, the third and final tranche of the Orion and Wheaton financings closed, resulting in the issuance of 9,617,569 common shares of the Company to Orion and 2,564,685 common shares of the Company to Wheaton for gross proceeds of \$15.8 million.
  - On May 31, 2022, the second and final tranche of Zhaojin's financing closed, resulting in the issuance of 1,338,565 common shares of the Company resulting in gross proceeds of \$1.7 million.
- On June 13, 2022, pursuant to the shareholder agreement between the Company and Zhaojin, and in respect of the bought deal prospectus financing that Sabina closed on March 30, 2022, Zhaojin elected to maintain its 9.9% shareholding in Sabina and the Company completed a private placement financing of 7,797,831 common shares to Zhaojin at a price of \$1.55 per common share for gross proceeds of \$12.1 million.
- On May 6, 2022, Sabina repaid the US\$20 million Sprott bridge loan with a payment of US\$20.8 million, which was inclusive of the minimum nine-months interest that was payable on early repayment.

- During the quarter, the Company engaged in the following activities:
  - Advanced various initiatives related to project execution, including both a CAT train resupply program and an airlift campaign to the Goose project site, ongoing procurement related to the summer sealift season and associated logistics of getting materials and equipment to the port facility, sub-base activities for the winter ice road ("WIR") for 2023, and continued efforts to move engineering work packages forward in order to help facilitate the delivery of long lead items next year.
  - Completed a spring exploration drill program at Goose of 1,886 meters over 10 holes, including one geomechanical hole at the base of the Umwelt open pit for rock property data collection.
- For the three and six months ended June 30, 2022, the Company reported net income of \$49.0 million or \$0.09 per share and \$8.3 million or \$0.02 per share, respectively. The reported net income is driven primarily by the unrealized gains on the change in fair value of the construction financing obligations, with after-tax amounts of \$51.2 million and \$15.8 million for the three and six months ended June 30, 2022, respectively.

## **Results of Operations**

### **Back River, Nunavut (100% ownership)**

The Back River Project is located approximately 520 km northeast of Yellowknife and 70 km south of Bathurst Inlet, and is comprised of 54 Federal Mineral Leases, 16 Federal Mining Claims covering a total of 62,819.64 hectares. It is divided into the Goose, George, Boot, Boulder, Del and Bath properties, with the Goose property hosting the Goose Main, Llama, Nuvuyak, Echo and Umwelt gold deposits, and the George property (located approximately 50 km northwest of Goose) hosting six known gold deposits.

### ***Back River Project Development***

During Q2 2022, project development activities were focused on:

- Completed the CAT train program to bring materials from the port facility to Goose project site (44 loads to Goose, with an additional 8 loads of fuel to the George exploration camp), which will enable critical earthwork construction during H2 2022;
- Completed approximately 11 kms of sub-base preparation at critical sections along the WIR;
- Finalized the sealift carriers for the 2022 program and commenced delivery of materials and equipment to the eastern and western consolidation points for the shipping season;
- Completion of an airlift campaign to bring in critical supplies and equipment related to both the underground activities as well as earthworks scope;
- Ongoing efforts from the engineering design team to ensure design completion for the various work packages, with a particular focus on procuring long lead equipment for the 2023 sealift program; and
- Finalized the FLSmidth major procurement purchase order for all process equipment procurement packages, paying particular attention to the long lead items to ensure timely delivery to site.

### ***Back River Project Exploration***

During Q2 2022, Sabina completed its planned exploration drill program at Goose, with 1,886 meters carried out between March and April. Drilling was focused on targeting the interface between the planned open pit and the down plunge zone at the V2 Zone at Umwelt. This year's drilling has demonstrated that the higher grade of the V2 zone has been extended up plunge into the lower portions of the open pit, with the added confidence in this higher-grade mineralization serving to inform further optimization of the Umwelt mine plan.

Results from the spring program include the following:

- Drill hole 22GSE607, which returned 12.59 g/t Au over 45.05 m including 21.33 g/t Au over 23.15 m, and 30.38 g/t Au over 8.00 m;
- Drill hole 22GSE610, which returned 21.87 g/t Au over 15.10 m including 46.40 g/t Au over 4.20 m;
- Drill hole 22GSE611, which returned 12.64 g/t Au over 20.35 m, and 16.22 g/t Au over 10.57 m including 40.00 g/t Au over 3.90 m, and 7.41 g/t Au over 12.60 m including 20.86 g/t Au over 4.00 m in three sequential zones.

To the end of Q2 2022, underground operations have advanced the underground ramp to 875 meters from the portal, with total cumulative development of 1,080 meters inclusive of underground support infrastructure such as remucks, sumps and cut-outs. It is anticipated that the first exploration drilling positions will be in place H2 2022 for the commencement of the first phase of underground drilling.

Other exploration work for 2022 includes a summer field program for the George project, which is located 60 km north of the Goose project. George currently has a mineral resource estimate of 1.2 M oz @ 5.34g/t Au in the Indicated category and 1.1M oz @ 6.12g/t Au in the Inferred category. The five week field program will consist of re-logging of select historic drill core sections and mapping and rock sampling for evaluation and modeling of drill targets outside of the current George resource areas. The objective of returning to George exploration is to demonstrate the potential for additional discovery and resource growth towards definition of a stand-alone secondary development site for Sabina at Back River.

Mr. Angus Campbell, P. Geo. and Vice-President, Exploration and Mr. Vincy Benjamin, P.Eng., Director, Project Development are Qualified Persons under the terms of NI 43-101 and have reviewed the technical content of this MD&A for the Back River Project and approved its dissemination.

### **Back River Project Community and Social Responsibility**

#### *Environment, Social Responsibility and Governance ("ESG")*

As the Company evolves into a gold producer, it is committed to strong governance policies with a long-term view to maximize returns and mitigate economic risk. To this end, the Company is focused on mandates that: minimize potential negative impacts to the environment and people; transform the gold at the Back River Project into mutual economic success and sustainability; and provide accountability on all levels.

In 2020, the Company began formally reporting on its ESG commitments and achievements by publishing its inaugural Sustainability Report. Given the nature of the Company's operations, the Sustainability Report is updated every two years until activities increase and more data is available to report on. During the first half of 2022 the Company continued to advance towards finalizing its next Sustainability Report, which is expected to be published in Q3 2022.

### **Summary of Results**

Quarterly results are impacted by the timing and quantum of unrealized gains (losses) in the change in fair value of the construction financing obligations, share-based payments, the amortization of flow-through share premium liability, and associated tax impacts.

(Expressed in thousands of dollars, except per share amounts)

	2022	2022	2021	2021	2021	2021	2020	2020
	Q2	Q1*	Q4	Q3	Q2	Q1	Q4	Q3
Total assets	\$ 959,059	\$ 886,808	\$ 643,977	\$ 642,828	\$ 597,526	\$ 589,960	\$ 555,134	\$ 562,741
Income/(loss)	49,015	(40,710)	(2,659)	(2,392)	(1,597)	(1,381)	(1,186)	(1,008)
Per share	\$ 0.09	\$ (0.10)	\$ (0.01)	\$ (0.01)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

\* The Company completed its analysis of the construction financing package in Q2 2022 resulting in the gold prepay and gold stream being accounted for as derivative instruments. The Company measures these obligations at fair value through profit and loss. They are re-measured at fair value at each statement of financial position date, with changes in the fair value being recorded in profit and loss.

The Company's previously reported results for the three months ended March 31, 2022 and as at March 31, 2022 did not include the change in fair value of the gold prepay and gold stream. As such, the previously reported Q1 2022 net loss of \$5.4 million has been restated. As a result, the Q1 2022 net loss has been increased by \$35.3 million to \$40.7 million and the Q1 2022 net loss per share has been increased by (\$0.09) to (\$0.10) to reflect the unrealized loss on the change in fair value of construction financing obligations. Additionally, the previously reported March 31, 2022 total liabilities of \$105.7 million have been restated. As a result, the March 31, 2022 total liabilities have been increased by \$35.3 million to \$141.0 million to reflect the unrealized loss on the change in fair value of construction financing obligations. Refer to note 13 of the unaudited condensed consolidated interim financial statements of the Company for the three and six months ended June 30, 2022.

**Overall Performance**

For the three months ended June 30, 2022, the Company's net income was \$49.0 million compared with a net loss of \$1.6 million during the comparative quarter in 2021, the increase driven primarily by unrealized gains in the change in fair value of the construction financing obligations, partially offset by lower amortization of flow-through premium liability as well as higher tax expense on the unrealized gains.

For the six months ended June 30, 2022, the Company's net income was \$8.3 million compared with a net loss of \$3.0 million during the comparative period, the increase driven primarily by unrealized gains in the change in fair value of the construction financing obligations, partially offset by higher operating expenses as well as higher tax expense on the unrealized gains.

Operating expenses for the six months ended June 30, 2022 were \$9.7 million compared to \$4.3 million in the comparative period in 2021. Period-over-period (favourable)/unfavourable variances are summarized below:

<b>Expense</b>	<b>Variance (\$ millions)</b>	<b>Description</b>
Administration and general	0.2	Increases in rent and IT sustainment costs in 2022.
Insurance	0.2	Higher cost in 2022 due to increase in insurance rates combined with increases in coverage for additional activities.
Listing, transfer and shareholder	0.5	Additional listing fees associated with the 2022 prospectus financing.
Professional services	4.1	Additional advisory fees associated with the process to secure construction financing.
Salaries and severance	0.2	Increase in headcount related to growth of the Company as it ramps up development of the Back River Project.
Share-based payments	0.2	Increase in the number of options granted in 2022 combined with an increase in expense associated with the vesting of restricted share units ("RSUs").

For the six months ended June 30, 2022, net finance income was \$24.1 million compared to \$3.7 million in the comparative period in 2021. The increase was due primarily to unrealized gains in the change in fair value of the construction financing obligations of \$21.7 million, partially offset by \$1.6 million less amortization of flow-through premium liability.

For the six months ended June 30, 2022, deferred tax expense was \$3.7 million higher than in the comparative period in 2021 as a result of the tax expense from the higher pre-tax operating income in the current period.

Capitalized exploration and evaluation expenditures for the six months ended June 30, 2022 were \$78.3 million compared to \$17.9 million in 2021. Period-over-period increases/(decreases) are summarized below:

<b>Capitalized Exploration and Evaluation Expenditures</b>	<b>Variance (\$ millions)</b>	<b>Description</b>
Surface access rights	0.6	Increase of \$0.5 million in the annual fee to KIA following the announcement of the construction financing package in Q1 '22.
Drilling and camp support	(1.1)	Smaller drilling campaign in 2022 vs. the prior year.
Detailed engineering and pre-development activities	60.2	Increase in underground ramp development combined with other pre-development activities at Goose.
Environmental and permitting	0.6	Additional activities related to community relations and water monitoring

**Outlook**

Sabina's strategic plan is focused on exploring and developing its primary asset, the 100% owned Back River Project, with the objective of becoming a mid-tier gold producer. The UFS, released in February 2021, demonstrates the positive economics of the Project on a greater scale and over a longer 15-year mine life than the previous study.

With the completion of a US\$530 million construction financing package, the Company will continue to advance on its target for first gold in Q1 2025.



- Gold metal offtake agreement;
  - Applies to sales on 100% of the refined gold production on 5 million ounces of gold delivered from the Project. The quantity reduces to 20% thereafter; and
  - Orion to pay Sabina for refined gold based at ~99% of prevailing market prices.

**Stream Arrangement - Wheaton**

- Applies only to the Goose property and not to any other properties on Back River Gold district;
- US\$125 million upfront payment (the "Deposit") for 4.15% of the gold production from the Project dropping to 2.15% after delivery of 130,000 ounces and dropping to 1.5% after delivery of 200,000 ounces;
- The Deposit is to be paid in four equal installments during construction, based on the remaining capital to be spent prior to the senior debt facility and the gold prepay being drawn; and
- Wheaton will make ongoing payments equal to 18% of the spot gold price, until the Deposit has been reduced to zero, thereafter increasing to 22% of the spot gold price upon delivery.

**Equity Financings**

- Orion agreed to subscribe for 72,732,692 shares of Sabina at a price of C\$1.30 for aggregate proceeds of approximately \$95 million (US\$75 million).
- Wheaton agreed to subscribe for 19,395,384 shares of Sabina at a price of C\$1.30 for aggregate proceeds of approximately \$25 million (US\$20 million).
- The private placement to Orion and Wheaton was completed in three tranches.
  - The first tranche closed on February 11, 2022, resulting in the issuance of 46,209,769 common shares of the Company to Orion and 12,322,605 common shares of the Company to Wheaton for gross proceeds of \$76.1 million.
  - The second tranche closed on March 7, 2022, resulting in the issuance of 16,905,354 common shares of the Company to Orion and 4,508,094 common shares of the Company to Wheaton for gross proceeds of \$27.8 million.
  - The third tranche, which was approved by Sabina's shareholders on May 25, 2022, closed on May 31, 2022, resulting in the issuance of 9,617,569 common shares of the Company to Orion and 2,564,685 common shares of the Company to Wheaton for gross proceeds of \$15.8 million.
- The private placement to Zhaojin was completed in two tranches.
  - The first tranche closed on March 7, 2022, resulting in the issuance of 8,784,310 common shares of the Company for gross proceeds of \$11.4 million.
  - The second tranche closed on May 31, 2022, resulting in the issuance of 1,338,565 common shares of the Company resulting in gross proceeds of \$1.7 million.
- Prior to the advance of funding under the Orion credit facilities and the Wheaton stream arrangement, Sabina to fund at least US\$95 million in additional third-party equity investment and repay the previously announced US\$20 million Sprott bridge loan in accordance with its terms.
  - This funding was completed by way of a bought deal prospectus financing for 81,650,000 common shares at a price of \$1.55 per common share for gross proceeds of \$126.6 million that closed on March 30, 2022. This was further supplemented by Zhaojin exercising its right to participate in the financing, with the Company completing a private placement financing of 7,797,831 common shares to Zhaojin at a price of \$1.55 per common share for gross proceeds of \$12.1 million.
  - On May 6, 2022, Sabina repaid the US\$20 million Sprott bridge loan with a payment of US\$20.8 million, which was inclusive of the minimum nine-months interest that was payable on early repayment.

Based on the financings completed during the first 6 months of 2022, the Company has sufficient funds to execute its operating and construction plan beyond the end of 2023.

**Contractual Obligations**

<i>(all figures in \$ millions)</i>	TOTAL	Less than 1 year	1-3 years
Loan obligations	\$ 11.9	\$ 3.6	\$ 8.3
Lease obligations	0.4	0.4	-
Accounts payable and accrued liabilities	71.1	71.1	-
Community funding obligation	2.1	-	2.1
<b>TOTAL</b>	<b>\$ 85.5</b>	<b>\$ 75.1</b>	<b>\$ 10.4</b>



### **Financial Instruments**

The fair values of the Company's financial instruments consisting of cash and cash equivalents, short-term investments, accounts receivable, accounts payable and accruals, and loan obligations approximate their carrying values because of their short terms to maturity. The fair values of the Company's reclamation deposits, community funding deposit account, equipment financing loan deposits and deposits to secure a corporate credit card facility are not expected to differ materially from their carrying values given the interest rate being received. The fair value of marketable securities is determined based on quoted market prices. The fair value of the gold prepay obligation with Orion is calculated using a Monte-Carlo simulation. The fair value of the gold stream obligation with Wheaton is calculated using the estimated future gold deliveries and the future gold prices.

### **Liabilities and Contingencies**

To date the Company has the legal obligation to reclaim exploration camps for which it holds water licenses and exploration and mining agreements and has recorded a provision for site reclamation of \$5.1 million. The Company has issued total security deposits of \$11.7 million related to these obligations, with the difference between the provision and the funding representing future planned disturbances.

### **Critical Accounting Estimates**

The preparation of the Company's consolidated financial statements requires management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

See Critical Accounting Estimates in the Company's 2021 annual MD&A as well as note 3 of the annual 2021 audited consolidated financial statements and note 3 of the Q2 2022 condensed consolidated interim financial statements for detailed discussions of the areas in which critical accounting estimates are made.

Estimates, judgments, and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

### **Disclosure Controls and Procedures and Internal Control Over Financial Reporting**

Sabina's management is responsible for establishing and maintaining adequate disclosure controls and procedures and internal control over financial reporting. Any system of internal controls, no matter how well designed, has inherent limitations. As a result, even those systems determined to be effective can only provide reasonable assurance regarding the preparation and presentation of our financial statements. There have been no changes in our disclosure controls and procedures and internal control over financial reporting during the six months ended June 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Due to inherent limitations associated with any such controls and procedures, management recognizes that, no matter how well designed and implemented, they may not prevent or detect all inaccuracies on a timely basis. These limitations include limited personnel available for such work, geographical logistics and human error among others. The Board of Directors assesses the integrity of the public financial disclosures through the oversight of the Audit Committee.

### **Outstanding Share Data**

As at August 11, 2022, there were 548,434,995 common shares outstanding and there were options and warrants outstanding to purchase an aggregate of 16,813,750 common shares as well as 315,001 RSUs and 150,000 deferred share units that the Company expects to settle with common shares issued from treasury.



## **Risks and Uncertainties**

Certain global developments have resulted in additional risk factors that have the potential to introduce uncertainty in the Company's future operations, particularly during the construction phase of the Back River Project, namely:

- Changes in general economic conditions, the financial markets, inflation and interest rates and in the demand and market price for our costs, such as diesel fuel, steel, concrete, electricity and other forms of energy, mining equipment, and fluctuations in exchange rates, particularly with respect to the value of the U.S. dollar and Canadian dollar.
- Uncertainties resulting from the war in Ukraine, and the accompanying international response including economic sanctions levied against Russia, which has disrupted the global economy, created increased volatility in commodity markets (including oil and gas prices), and disrupted international trade and financial markets, all of which have an ongoing and uncertain effect on global economics, supply chains, availability of materials and equipment and execution timelines for project development.

For full details on the risks and uncertainties affecting the Company, please refer to the Company's audited annual consolidated financial statements and notes, annual MD&A and annual information form for the year ended December 31, 2021. These documents may be obtained or viewed on the SEDAR website at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.sabinagoldsilver.com](http://www.sabinagoldsilver.com).

## **Additional Information**

Sabina is a Canadian public mineral development and exploration company listed on the TSX Exchange trading under the symbol "SBB" and is a reporting issuer in British Columbia and Alberta. Additional information relating to the Company may be obtained or viewed on the SEDAR website at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.sabinagoldsilver.com](http://www.sabinagoldsilver.com).

## **Forward Looking Information**

This MD&A provides management's analysis of Sabina's historical financial and operating results and provides estimates of Sabina's future financial and operating performance based on information currently available. Actual results will vary from estimates and the variances may be significant. Readers should be aware that historical results are not necessarily indicative of future performance.

Certain information set forth in this MD&A, including management's assessment of the Company's future plans and operations, contains forward-looking information. By their nature, forward-looking information is subject to numerous risks and uncertainties, some of which are beyond the Company's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be inaccurate and, as such, undue reliance should not be placed on forward-looking information. Sabina's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur or, if any of them do so, what benefits Sabina will derive there from. Sabina disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise except as required by applicable law