Sabina

GOLD & SILVER CORP.

Condensed Consolidated Financial Statements

(unaudited)

First Quarter ended March 31, 2013

SABINA GOLD & SILVER CORP.

Condensed Consolidated Statements of Financial Position
(Expressed in thousands of Canadian dollars)

	March 31, 2013 (unaudited)	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents (note 4)	$ 104,237	$ 51,394
Short-term investments	-	65,000
Accounts receivable (note 5)	1,909	1,981
Inventory	4,544	3,115
Prepaid expenses	1,738	1,242
Total current assets	112,428	122,732
Non-current assets:		
Available-for-sale investments (note 6)	52	72
Property and equipment (note 7)	15,213	10,669
Mineral properties (note 8)	190,066	175,809
Hackett silver royalty (note 9)	34,754	34,754
Reclamation deposits	359	359
Total non-current assets	240,444	221,663
Total assets	$ 352,872	$ 344,395
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 10,743	$ 2,552
Flow-through share premium liability (note 12)	-	308
Capital and other taxes payable	2	2
Total current liabilities	10,745	2,862
Non-current liabilities:		
Provision for site reclamation	2,151	2,151
Deferred income tax liability (note 15)	34,475	33,887
Total non-current liabilities	36,626	36,038
Total liabilities	47,371	38,900
Equity:		
Share capital (note 10)	330,268	330,121
Contributed surplus	22,272	18,734
Accumulated other comprehensive loss	(144)	(128)
Retained deficit	(46,895)	(43,232)
Total equity	305,501	305,495
Total liabilities and equity	$ 352,872	$ 344,395

Nature of operations (note 1)
Commitments (note 14)

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

Approved on behalf of the Board:

"Robert Pease" Director ***"Terry Eyton"*** Director

SABINA GOLD & SILVER CORP.

Condensed Consolidated Statements of Comprehensive Loss
(unaudited)
(Expressed in thousands of Canadian dollars, except per share amounts)

	Three months ended March 31, 2013	2012
Expenses:		
Administration and general	$ 139	$ 92
Depreciation	11	12
Insurance	37	35
Interest and other	15	7
Listing, transfer and shareholder	301	271
Professional services	194	192
Salaries	570	446
Share-based payments (note 11)	2,490	3,061
Travel	107	96
	3,864	4,212
Loss from operating activities	(3,864)	(4,212)
Net finance income:		
Interest income	459	589
Amortization of flow-through premium (note 12)	308	1,128
	767	1,717
Income (loss) before income taxes	(3,097)	(2,495)
Income tax recovery (expense):		
Deferred (note 15)	(566)	(1,677)
Loss for the period	(3,663)	(4,172)
Other comprehensive income:		
Unrealized gain (loss) on available-for-sale investments, net of tax (note 6)	(16)	2
Comprehensive loss	$ (3,679)	$ (4,170)
Basic and diluted loss per share	$ (0.02)	$ (0.02)
Weighted average number of common shares outstanding	173,575,923	161,010,288

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

SABINA GOLD & SILVER CORP.

Condensed Consolidated Statement of Changes in Equity
(unaudited)
(Expressed in thousands of Canadian dollars)

	Three months ended March 31, 2013	2012
Share capital:		
Balance, beginning of period	$ 330,121	$ 297,336
Shares issued during the period, net of issue costs	-	764
Fair value of options exercised	172	619
Deferred income tax effect of shares issuance costs	(25)	-
Balance, end of period	330,268	298,719
Contributed surplus:		
Balance, beginning of period	18,734	15,454
Fair value of share-based payments of options vesting	2,490	3,061
Fair value of share-based payments capitalized to mineral properties	1,220	1,164
Fair value of options transferred to share capital	(172)	(619)
Balance, end of period	22,272	19,060
Accumulated other comprehensive income:		
Balance, beginning period	(128)	(80)
Unrealized gains (losses) on available-for-sale investments, net of tax	(16)	2
Balance, end of period	(144)	(78)
Retained earnings:		
Balance, beginning of period	(43,232)	(29,104)
Loss for the period	(3,663)	(4,172)
Retained deficit, end of period	(46,895)	(33,276)
Total shareholders' equity	$ 305,501	$ 284,425

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

SABINA GOLD & SILVER CORP.

Condensed Consolidated Statements of Cash Flows
(unaudited)
(Expressed in thousands of Canadian dollars)

	Three months ended March 31, 2013	2012
Cash provided by (used in) operating activities:		
Loss for the period	$ (3,663)	$ (4,172)
Adjustments for:		
Depreciation	11	12
Deferred income tax expense	566	1,677
Interest income	(459)	(589)
Amortization of flow-through premium liability	(308)	(1,128)
Share-based payments	2,490	3,061
	2,300	3,033
Accounts receivable	(528)	(583)
Inventories	(1,429)	(7,225)
Prepaid expenses	(496)	(643)
Accounts payable and accrued liabilities	8,191	7,561
Capital and other taxes payable	-	(13)
Cash used in operating activities	4,375	(2,042)
Interest received	1,059	1,167
Net cash used in operating activities	5,434	(875)
Cash flows provided by (used in) investing activities		
Expenditures on deferred exploration, net of recoveries	(12,404)	(8,788)
Expenditures on property and equipment	(5,187)	(542)
Redemption/(purchase) of short-term investments	65,000	(3,053)
Purchase of reclamation deposits	-	8,000
Net cash generated/(used) in investing activities	47,409	(4,383)
Cash flows provided by (used in) financing activities		
Issuance of common shares for cash, net of issue costs	-	764
Net Increase (decrease) in cash and cash equivalents	52,843	(4,494)
Cash and cash equivalents, beginning of period	51,394	80,009
Cash and cash equivalents, end of period	$ 104,237	$ 75,515

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

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 mineral properties are the Back River Project and the Wishbone Project, both of which are located in Nunavut, Canada.

The financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company is in the process of exploring its mineral property interests and has not yet determined whether its mineral property interests contain economically recoverable mineral reserves. The underlying value and the recoverability of the amounts recorded as mineral properties is 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 has prepared a cash flow forecast and believes that it has sufficient funds to continue operations for at least the next twelve months.

2. Basis of preparation:

(a) Statement of compliance:

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including International Accounting Standard 34 – Interim Financial Reporting.

They do not include all of the information required for full audited annual financial statements.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 6, 2013

(b) Basis of measurement:

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for financial instruments classified as available-for-sale financial assets, which are measured at fair value, and provision for site reclamation, which is recorded at management’s best estimate. In addition these condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(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.

2. Basis of preparation, continued:

(d) Use of estimates and judgments:

The preparation of the condensed consolidated interim financial statements in conformity with IFRSs 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 areas requiring the use of management estimates relate to the determination of the impairment of mineral properties, the provision for site reclamation, share-based payments, deferred income tax assets and rates for amortization of plant and equipment. 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.

3. Future changes in accounting standards:

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended March 31, 2013 or have become effective for periods beginning on or after January 1, 2013, and have been considered in preparing these condensed consolidated interim financial statements. The Company's assessment of the impact of these new standards and amendments is detailed below.

IFRS 9, Financial Instruments

This standard is set to replace IAS 39, *Financial Instruments: Recognition & Measurement*. IFRS 9 details new requirements for classifying and measuring financial assets. The standard becomes effective for annual periods beginning on or after January 1, 2015 with early adoption allowed. The implementation of this standard is expected to have an impact on the Company; however, the extent of the impact has not yet been determined.

The following standards are assessed not to have any impact on the Company's financial statements:

- IFRS 10 Consolidated Financial Statements for accounting periods on or after January 1, 2013;
- IFRS 11 Joint Arrangement for accounting periods on or after January 1, 2013;
- IFRS 12 Disclosures of Involvement with Other Entities for accounting periods on or after January 1, 2013;
- IFRS 13 Fair Value Measurement for accounting periods on or after January 1, 2013; and
- IAS 27 Separate Financial Statements for accounting periods on or after January 1, 2013
- IAS 28 Investments in Associates and Joint Ventures

(Tabular dollar amounts expressed in thousands of Canadian dollars)

4. Cash and cash equivalents:

	March 31, 2013	December 31, 2012
Bank balances	$ 2,187	$ 294
Redeemable investments	102,050	51,100
Cash and cash equivalents	$ 104,237	$ 51,394

5. Accounts receivable:

	March 31, 2013	December 31, 2012
GST receivable	$ 887	$ 462
Interest receivable	913	1,514
Other trade receivables	109	5
Total trade and other receivables	$ 1,909	$ 1,981

6. Available-for-sale investments:

The fair values of available-for-sale investments for the Company's shares of Mega Precious Metals Inc. ("Mega Precious") are as follows:

Cost	**2013**	**2012**
Balance at January 1	$ 179	$ 140
Additions	-	-
Balance at March 31	$ 179	$ 140
Accumulated unrealized holding gains (losses)		
Balance at January 1	$ (107)	$ (52)
Changes in value	(20)	2
Balance at March 31	$ (127)	$ (50)
Carrying value		
At January 1	$ 72	$ 88
At March 31	$ 52	$ 90

The fair value of these investments has been determined by reference to their quoted closing bid price at the reporting date.

(Tabular dollar amounts expressed in thousands of Canadian dollars)

7. **Property and equipment:**

Cost		Exploration camp and equipment		Office and equipment		Total
Balance at January 1, 2013	$	13,734	$	528	$	14,262
Additions		5,180		7		5,187
Balance at March 31, 2013		18,914		535		19,449
Accumulated amortization						
Balance at January 1, 2013	$	(3,380)	$	(213)	$	(3,593)
Additions		(632)		(11)		(643)
Balance at March 31, 2013		(4,012)		(224)		(4,236)
Carrying value						
At January 1, 2013	$	10,354	$	315	$	10,669
At March 31, 2013	$	14,902	$	311	$	15,213

Cost		Exploration camp and equipment		Office and equipment		Total
Balance at January 1, 2012	$	4,352	$	504	$	4,856
Additions		3,044		9		3,053
Balance at March 31, 2012		7,396		513		7,909
Accumulated amortization						
Balance at January 1, 2012	$	(1,596)	$	(165)	$	(1,761)
Additions		(210)		(12)		(222)
Balance at March 31, 2012		(1,806)		(177)		(1,983)
Carrying value						
At January 1, 2012	$	2,756	$	339	$	3,095
At March 31, 2012	$	5,590	$	336	$	5,926

(Tabular dollar amounts expressed in thousands of Canadian dollars)

8. Mineral properties:

The following is a summary of exploration and development costs incurred related to the Company's mineral properties:

	Three months ended March 31, 2013	2012
Summary – All Properties		
Balance, beginning of period	$ 175,809	$ 112,085
Exploration and other expenditures	14,257	10,162
Acquisition costs	-	542
Balance, end of period	$ 190,066	$ 122,789

The following is a summary of exploration and development costs incurred by property:

	2013	2012
Back River (Nunavut)	$ 164,013	$ 99,875
Wishbone (Nunavut)	15,712	9,755
Red Lake (Ontario)	8,837	8,777
Cook Lake (Manitoba)	-	3,763
Nipigon (Ontario)	1,504	619
	$ 190,066	$ 122,789
Back River (Nunavut)		
Balance, beginning of period	$ 149,797	$ 92,191
Additions:		
Drilling	4,623	2,056
Economic assessment	3,093	285
Environmental assessment	1,258	680
Geology & geophysics	251	250
Management & administration	146	418
Property maintenance	6	15
Stock-based compensation	1,220	934
Support	2,011	1,992
Transportation	976	845
Depreciation	632	209
	14,216	7,684
Balance, end of period	$ 164,013	$ 99,875

(Tabular dollar amounts expressed in thousands of Canadian dollars)

8. Mineral properties, continued:

	Three months ended March 31, 2013	2012
Wishbone (Nunavut)		
Balance, beginning of period	$ 15,705	$ 9,342
Additions:		
Drilling	-	13
Geology & geophysics	7	47
Management & administration	-	115
Stock-based compensation	-	231
Support	-	4
Transportation	-	3
	7	413
Balance, end of period	$ 15,712	$ 9,755
Red Lake (Ontario)		
Balance, beginning of period	$ 8,820	$ 7,389
Additions:		
Drilling	-	819
Geology & geophysics	-	5
Management & administration	13	13
Property maintenance	4	9
	17	846
Acquisition costs	-	542
Balance, end of period	$ 8,837	$ 8,777
Cook Lake (Manitoba)		
Balance, beginning of period	$ -	$ 2,997
Additions:		
Drilling	-	737
Geology & geophysics	-	28
Management & administration	-	1
	-	766
Balance, end of period	$ -	$ 3,763
Nipigon (Ontario)		
Balance, beginning of period	$ 1,487	$ 166
Additions:		
Geology & geophysics	17	453
	17	453
Balance, end of period	$ 1,504	$ 619

8. Mineral properties, continued:

(a) Back River and Wishbone (Nunavut)

The Back River project is comprised of the George and Goose (including the Llama and Umwelt) gold deposits.

The Wishbone property covers a large portion of the Hackett River Greenstone Belt and hosts the Hackett River project. The combined properties total approximately 3,000 square km and cover a largely unexplored highly prospective greenstone belt.

On May 31, 2011, the Company completed the purchase of certain royalties on the Back River and Wishbone projects. The royalty required payment of 1.5% of the value of minerals mined until the royalty payments aggregated $5,000,000 after which the royalty decreased to 0.75%. The buyback was completed through the purchase of all issued and outstanding shares of R.A. Olson Consulting Ltd. ("RAOCL") for $4.5 million in cash and the issue of 750,000 common shares of the Company. A value of $5.19 million has been attributed to the shares based on their market value at the time of issue.

The Back River project is subject to net smelter return ("NSR") royalties payable to various parties. The George Lake property is subject to four royalties. Royalty 1 pays 0% on the first 800,000 ounces and pays 5% (gross before deductions) after the first 800,000 ounces of gold produced after deducting Royalties 2 and 3. Royalty 2 pays 1.5% and Royalty 3 pays 0.7% until a total of $5 million has been paid on each royalty; after $5 million each, Royalties 2 and 3 drop by 50%. The Company owns Royalty 2. Royalty 4 pays 0.45% until a total of $7.5 million has been paid after which this royalty also drops by 50%. After eliminating Royalty 2, and depending on gold price and gold production, royalties payable could range from 0.35% to 0.7% on the first 800,000 ounces and 3.5% to 4.25% thereafter.

The Goose property, which includes the Goose, Llama, Umwelt, Boot, Needle and Boulder claims, has 3 royalties payable to various parties. Royalty 1 pays 0% on the first 400,000 ounces and pays 5% (gross before deductions) after the first 400,000 ounces of gold produced after deducting Royalties 2 and 3. Royalty 2 pays 1.5% and Royalty 3 pays 0.7% until a total of $5 million has been paid on each royalty; after $5 million Royalties 2 and 3 each drop by 50%. The Company owns Royalty 2. After eliminating Royalty 2, and depending on gold price and gold production, royalties payable could range from 0.35% to 0.7% on the first 400,000 ounces and 3.5% to 4.25% thereafter.

(b) Red Lake and Thunder Bay Properties (Ontario)

(i) Newman-Madsen, Red Lake:

The Company owns a 100% interest in the Newman-Madsen property. Previously, Sabina had a 50% joint venture interest in the Newman-Madsen property with Premier Gold Mines Ltd. ("Premier"). On January 17, 2012, Sabina completed the purchase of Premier's interest in the joint venture for a cash payment of $500,000 and a 0.5% NSR royalty on the Property granted to Premier. In 2009, the Company and Premier completed an option agreement with Mega Precious which granted to Mega Precious an option to acquire 100% of the East My-Ritt portion of the property for $250,000 in cash and 0.5 million Mega Precious shares. Mega Precious must incur exploration expenditures totalling $1.2 million over a 5-year period.

8. Mineral properties, continued:

(b) Red Lake and Thunder Bay Properties (Ontario), continued

(ii) Golden Sidewalk, Red Lake:

The Company owns 100% of its 18 leasehold patent claims on the Golden Sidewalk property. There are no royalties or carried interests attached to the property. The property is located in Skinner township, 67 km east-northeast of Red Lake.

(iii) Skinner, Red Lake:

Sabina owns a 100% interest in the 14 claim, 2,900 hectare Skinner property. The property is in Skinner township, 69 km east-northeast of Red Lake and adjacent to and immediately south of Sabina's Golden Sidewalk property. Premier has a 7.5% net profit interest capped at $450,000. Franco-Nevada Corporation holds a 1% net smelter return royalty and a local prospector holds another 2% net smelter return interest which can be purchased by Sabina subject to certain conditions.

(iv) Redaurum, Red Lake:

Pursuant to an option agreement with Goldcorp Inc., the Company has a 20% interest carried to production on the Redarum property located in Red Lake and in close proximity to the past producing Madsen Gold Mine.

(c) Cook Lake (Manitoba):

Sabina had an option agreement dated November 29, 2010 to earn a 100% interest in the Cook Lake properties with Xstrata Canada Corporation, Xstrata Copper Canada Division ("Xstrata Copper"). To earn the 100% option, Sabina had to make a $100,000 cash payment to Xstrata Copper (paid) and incur $10 million total exploration expenditures over a five year period, ending November 29, 2015. Xstrata Copper has retained a back-in option; an NSR in the event that the back-in is not exercised; and a right of first refusal for off-take and marketing agreements.

In the fourth quarter of 2012, the Company completed a review of the Cook Lake results and decided to not continue exploration efforts on the Cook Lake property. Accordingly, costs aggregating $3,794,000 relating to Cook Lake were written-off. On January 15, 2013 notice was given to Xstrata Copper indicating that the Company had terminated the option agreement as per the terms of the agreement. Expenditures on the property exceeded the committed expenditures required under the agreement resulting in no additional commitment on the part of the Company.

(d) Nipigon (Ontario)

Sabina owns a 100% interest in the 107 claim, 25,000 ha Nipigon project located approximately 100km north of Thunder Bay, Ontario. The Nipigon project is located along the same iron formation that hosts the Beardmore-Geraldton gold camp.

(Tabular dollar amounts expressed in thousands of Canadian dollars)

9. Hackett silver royalty:

The Hackett River project is located approximately 480 km northeast of Yellowknife and approximately 60 km from the Back River project.

On October 4, 2011 the Company completed the sale of the Hackett River property and certain claims on the Wishbone project to Xstrata Zinc for cash consideration of $50 million along with Sabina reserving a silver production royalty (the "Hackett Silver Royalty") equal to 22.5% of the first 190 million ounces of payable silver from the current resource at Hackett River and other properties (the "Properties") and 12.5% of all payable silver from the Properties thereafter at no future cost to Sabina. Additionally, Xstrata Zinc has agreed to incur not less than $50 million on exploration expenditures on the Properties over a four year period with a view of completing a NI 43-101 compliant feasibility study. If the feasibility study has not been completed by the fourth anniversary of the sale, Xstrata Zinc can elect to incur additional expenditures of not less than $10 million by each of the next three anniversaries. If at any of the fourth to seventh anniversaries Xstrata Zinc has not met the spending requirements and has not completed the feasibility study, Xstrata Zinc may elect to pay Sabina the shortfall, failing which, upon notice to Xstrata Zinc, Sabina may exercise a right to buy back the Properties for a cash purchase price equal to 100% of the expenditures incurred by Xstrata Zinc. Xstrata Zinc can pre-empt Sabina's buy back right by electing to pay an advance royalty of $75 million.

Allocation of selling price		
Cash received, net of transaction costs	$	45,558
Hackett River mineral properties		(73,106)
Wishbone mineral properties		(6,586)
Capital assets, net		(997)
Elimination of provision for site reclamation		377
Subtotal		(34,754)
Allocation to Hackett Royalty	$	34,754

Due to the contingent nature of the Hackett Silver Royalty, the value of the royalty has been assigned based on the residual value of cash proceeds and net carrying value of the assets rather than fair value based on potential future cash flows.

10. Capital and other components of equity:

Authorized number of common shares

At March 31, 2013 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:

(Tabular dollar amounts expressed in thousands of Canadian dollars)

10. Capital and other components of equity, continued:

	2013		2012	
	# of shares	$	# of shares	$
Issued and outstanding as at January 1	173,532,149	330,121	160,638,183	297,336
Issued on exercise of share options	45,283	-	500,454	764
Tax effect on share issuance	-	(25)	-	-
Fair value of options exercised	-	172	-	619
Issued and outstanding as at March 31	173,577,432	330,268	161,138,637	298,719

Issuance of common shares

The Company did not issue any shares in the period ended March 31, 2013 aside from the share option exercise noted above.

11. Share based payments:

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

	2013			2012		
	Share options		Average exercise price	Share options		Average exercise price
Outstanding at January 1	10,253,410	$	2.81	9,253,410	$	2.53
Exercised during the period	(200,000)		2.05	(715,000)		2.32
Cancelled during the period	(15,000)		2.72	-		-
Granted during the period	2,965,000		2.75	2,685,000		3.83
Outstanding as at March 31	13,003,410	$	2.80	11,223,410		2.86
Exercisable at March 31	13,003,410	$	2.80	11,223,410	$	2.86

The following table summarizes the outstanding options as at March 31, 2013 by year of expiry.

Year	Number		Average exercise price
2013	1,816,000	$	1.13
2014	1,270,000		1.00
2015	1,681,000		1.42
2016	2,416,410		5.09
2017	2,855,000		3.61
2018	2,965,000		2.75
Total	13,003,410	$	2.84

(Tabular dollar amounts expressed in thousands of Canadian dollars)

11. Share based payments, continued:

Employee compensation cost

During the three months ended March 31, 2013, the Company recorded $3,710 thousand (2012 - $4,226 thousand) in share based payment costs, of which $2,490 thousand (2012 - $3,061 thousand) is presented as an operating expense in the statement of comprehensive loss and $1,220 (2012 - $1,165 thousand) 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 fair values at grant date of the share-based payment plans are the following: a risk-free interest rate of 1.24% (2012 – 1.87%); a divided yield of 0% (2012 – 0%); an expected volatility of 68.1% (2012 – 70.7%) and expected lives of stock options of 3 years (2012 – 3 years). The weighted average fair value of options granted in the period was $1.25 (2012 - $2.54).

Warrants and brokers compensation options

At March 31, 2013 the following warrants and brokers' compensation options were outstanding:

Special purchase warrants:

In addition to the warrants listed above, the following special purchase warrants have been issued in relation to the acquisition of the Back River assets that are exercisable upon certain conditions being met.

(i) 5 million Series A Special Unit Warrants; and

(ii) 5 million Series B Special Unit Warrants.

The Series A Special Unit Warrants are exercisable for no additional consideration upon a decision to proceed to a feasibility study or proceed to production on the Back River Assets and in consideration of other events. The Series B Special Unit Warrants are exercisable for no additional consideration upon a positive production decision on the Back River Assets and in consideration of other events. The Special Unit Warrants are exercisable to receive one common share and one-half of one common share purchase warrant. One whole share purchase warrant entitles the holders to purchase one common share at a price of $1.07 per share until June 9, 2014.

12. Flow-through share premium liability:

	2013	2012
As at January 1	$ 308	$ 1,128
Amortization (i)	(308)	(1,128)
As at March 31	$ -	$ -

(i) In the period the Company incurred $3,313 thousand of flow-through eligible expenditures. These expenditures relate to the financing completed in June 2012 of $35,100 thousand, satisfying the requirements of the Income Tax Act (Canada) related to the flow-through financing.

(Tabular dollar amounts expressed in thousands of Canadian dollars)

13. Related parties:

Key management personnel compensation

In addition to their salaries, the Company also provides non-cash benefits to directors and executive officers. Directors and executive officers also participate in the Company's share option program (note 10).

Certain executive officers are subject to a mutual term of notice of 24 months. Upon resignation at the Company's request, they are entitled to termination benefits up to 24 months' gross salary.

Key management personnel compensation is comprised of:

	For the three months ended,	
	March 31, 2013	March 31, 2012
Salaries, severance and benefits	$ 819	$ 496
Stock-based compensation, non-cash	2,265	2,773
	$ 3,084	$ 3,269

14. Commitments:

The Company is obligated under operating lease agreements for the rental of its corporate head office in North Vancouver and the rental of its offices in Thunder Bay, Ontario. Minimum rental payments in each of the next three years are as follows:

2013	109
2014	130
2015	72
	$ 311

(Tabular dollar amounts expressed in thousands of Canadian dollars)

15. 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 deferred tax assets as follows:

		March 31, 2013		December 31, 2012
Tax loss carry forwards	$	5,360	$	4,660
Financing costs		1,498		1,683
Provision for closure and reclamation		581		581
Other		21		17
Flow-through share effect on mineral properties		(42,384)		(41,489)
Mineral properties		492		663
Property and equipment		(43)		(2)
Deferred tax liabilities	$	(34,475)	$	(33,887)

As at March 31, 2013, no deferred tax assets are recognized on the following temporary differences as it is not probable that sufficient future taxable profit will be available to realize such assets.

		March 31, 2013		December 31, 2012
Corporate minimum taxes carried forward	$	293	$	293
Unrecognized deferred tax assets	$	293	$	293

The Company has tax loss carry forwards at March 31, 2012 of $22.2 million (December 31, 2012 - $17.3 million) that expire in 2032 and 2033.

The Company's tax expense is comprised of the following:

	For the three months ended			
		March 31, 2013		March 31, 2012
Deferred tax expense	$	566	$	1,677
Income tax expense	$	566	$	1,677

The provision for income taxes differs from the amount calculated using the Canadian federal and provincial statutory income tax rates of 27.0% (2011 – 28.5%) as follows:

	For the three months ended			
		March 31, 2013		March 31, 2012
Expected tax expense (recovery)	$	(920)	$	(673)
Share based compensation and other permanent items		592		522
Flow-through renunciation		894		1,828
Other		-		-
Income tax expense	$	566	$	1,677

The following Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations 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 period ended March 31, 2013. The MD&A was prepared as of May 6, 2013 and should be read in conjunction with the Company's annual audited financial statements and related notes for the years ended December 31, 2012 and 2011. All figures are in Canadian dollars unless otherwise stated. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Overview

Sabina is an emerging precious metals company focused on the objective of becoming a mid-tier gold producer through acquisition, exploration and development of mineral resource properties. The Company's flagship assets are its Back River gold project, its prospective Wishbone grassroots exploration project, and its silver royalty on the Hackett River project and certain Wishbone claims, all located in Nunavut, Canada. The Company also has exploration properties in the Red Lake gold camp and Nipigon, both in Ontario.

Q1 2013 Highlights:

- The Company had cash and cash equivalents of $104.2 million at March 31, 2013.

- For the quarter ended March 31, 2013, the Company reported a loss of $3.7 million or $0.02 per share.

- On February 15, 2013, the Company announced an updated resource estimate for Back River. The new mineral resource is comprised of measured and indicated resources of 24.2 million tonnes grading 6.0 g/t for 4.7 million ounces of gold, and inferred resources of 7.7 million tonnes grading 7.8 g/t for 1.9 million ounces of gold. Remodelling from first principles was conducted on all deposits and in combination with 2012 drilling, resulted in increasing overall confidence and grade, and added approximately 740,000 ounces (or 13%) of gold in all categories.

  - In February, the Company announced its work program for the Back River project. The 2013 work program plans for approximately 45,000-50,000 metres of drilling which includes: infill; geo-technical; geo-mechanical and exploration of high-potential greenfields targets. Objectives of the 2013 work program are:

    - To complete all work needed to support a prefeasibility study ("PFS") on the project;
    - If the PFS is positive, to commence a feasibility study ("FS") on the project for completion in the second half of 2014;
    - To complete necessary baseline environmental studies needed to support the filing of a draft EIS by the end of 2013;
    - To drill test remaining high potential targets on the Goose claim block with a view to adding open pit ounces in and around the existing deposits; and
    - To drill test high priority exploration targets at the George, Boot and Boulder claim blocks.

- The Goose exploration camp opened on January 22, 2013 with the George exploration camp opening February 8, 2013. Drilling commenced at the Goose project area and at the George project area in mid- to late-February. As of March 31 five drill rigs were drilling out of the Goose camp and three drill rigs were drilling out of the George camp with over 9,000 meters drilled in 31 drill holes; no significant assay results had been received by the end of the first quarter. Subsequent to the quarter, on April 30, 2013, the Company announced initial drill results, including positive assays from infill drilling on the Llama deposit. Highlights of results includes hole 13GSE271 returning 9.66 g/t Au over 25.0 m and hole 13GSE269 returning 1,572 g/t over 0.90 m and 8.29 g/t over 24.40 m in the proposed pit.

- Subsequent to the quarter, on May 2, 2013, Glencore Xstrata plc (formerly Xstrata plc) ("Xstrata"), reported updated mineral resources for the Hackett River project as at December 31, 2012; a total of 82 million tonnes of mineral resources were reported in the mineral resource statement comprised of measured resources of 25 million tonnes (Zn 4.2%, 0.6 Pb%, 0.5 Cu%, Au 130 g/t, Ag 0.3 g/t) and inferred resources of 57 million tonnes (Zn 3.0%, 0.5 Pb%, 0.4 Cu%, Au 100 g/t, Ag 0.2 g/t). This compares to Xstrata's prior year resource of a total of

61 million tonnes comprised of measured resources of 20 million tonnes (Zn 4.7%, 0.6 Pb%, 0.4 Cu%, Au 140 g/t, Ag 0.3 g/t) and inferred resources of 41 million tonnes (Zn 4.0%, 0.6 Pb%, 0.4 Cu%, Au 100 g/t, Ag 0.2 g/t).

Results of Operations

Back River, Nunavut

On June 9, 2009, the Company completed the acquisition of the Back River and Wishbone properties in Nunavut, Canada (collectively known as the Back River Assets) from Dundee Precious Metals Inc. ("DPM"). The Back River Assets were acquired for $7.0 million in cash and 17 million common shares on closing of the transaction. Additional shares and warrants would be issued upon successful completion of certain development milestones (see below in Liabilities and Contingencies section for details of contingent shares and warrants).

The Back River Project ("the Project") is located approximately 520 km NE of Yellowknife and 70 km south of Bathurst Inlet. It is comprised of 45 Federal Mineral Leases and 16 Federal Mining Claims covering approximately 58,179 hectares. The project is divided into Goose, George, Boot, Boulder, Needle, Del and Bath. The Goose property hosts the Goose, Llama and Umwelt gold deposits. The George property, located 50 km to the northwest, hosts the George gold deposits.

On February 15, 2013, the Company announced its updated resources for Back River (summarized below) incorporating the results from the 2012 drilling campaign. The associated Technical Report was filed on April 2, 2013 and is entitled, Back River Gold Property, Nunavut Territory Canada, and can be found at www.sedar.com or on the Company's website at www.sabinagoldsilver.com.

Classification	*Location*	*Tonnes (kt)*	*Au (g/t)*	*Ounces (koz)*
Open Pit Measured	Goose	2,168	4.4	304
Open Pit Indicated	Goose	4,616	4.1	609
	Llama	3,085	5.8	577
	Umwelt	4,780	5.6	867
Total Open Pit Indicated		**12,481**	**5.1**	**2,053**
Total Open Pit M&I		**14,649**	**5.0**	**2,357**
Underground Indicated	Goose	998	7.2	232
	Llama	501	7.2	115
	Umwelt	3,817	8.4	1,026
	George	4,230	6.8	925
Total Underground Indicated		**9,546**	**7.5**	**2,298**
Total M&I OP + UG		***24,195***	***6.0***	***4,655***
Open Pit Inferred	Goose	156	3.4	17
	Llama	23	5.6	4
	Umwelt	134	3.4	15
Total Open Pit Inferred		**313**	**3.6**	**36**
Underground Inferred	Goose	298	6.7	65
	Llama	780	7.7	192
	Umwelt	1,926	9.9	612
	George	4,348	7.3	1,015
Total Underground Inferred		**7,352**	**8.0**	**1,884**
Total Inferred OP + UG		***7,665***	***7.8***	***1,920***

Notes:

1. CIM definition standards were used for the Mineral Resources.
2. The Qualified Persons are Dinara Nussipakynova, P Geo. and Andrew Fowler MAusIMM CP (Geo) both of AMC Mining Consultants (Canada) Ltd.
3. Open pit Mineral Resources are constrained by an optimized pit shell at a gold price of $1500 oz Au.
4. The cut-off grade applied to the open pit resource is 1.0 g/t Au and the underground is 4.0 g/t Au.

5. Metallurgical recovery varies with gold grade. For example, for the average grade of the open pits recoveries ranges between 88-89%.
6. The George Mineral Resources (LCP - North, LCP - South, Locale 1, Locale 2, GH & Slave) were estimated within mineral domains expanded to a minimum width of 2 m.
7. Using drilling results to December 31, 2012.
8. Numbers may not add due to rounding.

Back River Project Development

In May 2012, the Company completed a preliminary economic assessment ("PEA"). Based on positive results of the PEA, in August 2012, the Company initiated a PFS, engaging Tetra Tech WEI Inc. to act as the lead consultant responsible for overall delivery of the PFS, process and infrastructure design, operating and capital expenditures and economic modelling; AMC Consultants Ltd. ("AMC"), responsible for geology and mining and Knight Piésold Consultants Ltd. ("KP"), responsible for tailings design, geo-technical, and hydrogeology.

Work on the PFS continued in Q1 2013 with completion on schedule for Q3 2013. Key efforts in Q1 included completion of metallurgical testwork leading to a freezing of the process flowsheet; preliminary pit and underground mining designs; logistics planning; and infrastructure layout/design.

The Back River site was opened for the season in late January in order to begin the season's resupply and facilitate a drilling start in late February. In addition to exploration drilling, significant geo-technical, geo-mechanical and condemnation drill programs are planned for the 2013 season to support a FS planned to begin in Q4 2013, assuming completion of a positive PFS.

A number of camp improvements are currently underway including completion of an airstrip and expansion of bulk fuel containment. A quarry has been established and a mobile crushing plant commissioned in close proximity to the Goose camp to provide crushed rock/gravel for the continued construction of an all-weather airstrip at Goose Camp. Crushed rock/gravel will also be used to facilitate longer term fuel storage and additional improvements to camp safety. The airstrip will be a 900 meter long, all-weather airstrip capable of servicing a Buffalo or Dash series equivalent aircraft. The airstrip is expected to be completed and in service by the end of May or early June.

In June, 2012, the Company submitted a preliminary project description ("PPD") for the Back River Project to NIRB and other required permitting authorities and Inuit organizations. The PPD marked the commencement of the environmental assessment phase of the Project. Following a review of the submission, NIRB recommended to the Minister of Aboriginal Affairs and Northern Development that the Project should advance to a Part 5 or Part 6 Screening. The Minister of Aboriginal Affairs and Northern Development Canada has concurred with NIRB's screening decision dated September 25, 2012 recommending that the Back River Project move forward to a Part 5 regional public review.

In 2012, the Company collected environmental and socio-economic baseline data in the Project area. This data will be used with information collected over previous years to determine potential effects, both positive and negative, of the proposed Project. Some additional data is planned to be collected in 2013 to provide supplemental information and address potential alternatives to infrastructure locations. The Company also began a program of community and government engagement, involving meetings, presentations and community and site visits. Additionally, the Company has begun initial discussions with the local Inuit organization, the Kitikmeot Inuit Association (KIA), the surface land owners, on long-term surface access and Inuit impact and benefits ("IIBA") as required by the Nunavut Land Claims Agreement.

Back River Exploration Results

Exploration work at Back River during the first quarter of 2013 was focused on; program planning for George and Goose, mobilization to camps of personnel and equipment, fuel resupply and commencement of drilling. The 2013 drilling program, in support of the ongoing PFS and potential feasibility study, anticipates a combination of infill, geo-technical and extension drilling at the Llama, Umwelt and George deposits as well as drill testing of exploration targets proximal to the existing deposits on the Goose, George Boulder and Boot properties.

Drilling commenced at the Goose project area and at the George project area in mid- to late-February. As of March 31 five drill rigs were drilling out of the Goose camp and three drill rigs were drilling out of the George camp with over 9,000 meters drilled in 31 drill holes.

In the Goose project area preliminary drilling has been focused on infill drilling at the Llama deposit and geo-mechanical drilling at the Llama and Umwelt deposits. Near deposit exploration drilling has been focused on a number of targets located near the Goose deposit; with three drill holes completed at the Hook target, two at the Resurgence target and one at the Boomerang target. In the George project area drilling is focused on further defining and exploring mineralized zones associated with and extensional to the Local 2 deposit. At the end of the quarter, results from assays were pending. Subsequent to the quarter, on April 30, 2013, the Company announced initial drill results, including positive assays from infill drilling on the Llama deposit. Highlights of results includes hole 13GSE271 returning 9.66 g/t Au over 25.0 m and hole 13GSE269 returning 1,572 g/t over 0.90 m and 8.29 g/t over 24.40 m in the proposed pit.

Hackett River Silver Royalty, Nunavut

The Hackett River project consists of approximately 10,637 hectares and is located approximately 480 km northeast of Yellowknife and approximately 60 km from the Back River project.

On October 4, 2011 the Company completed the sale of the Hackett River property and certain claims on the Wishbone project to Xstrata Canada Corporation, Xstrata Zinc Canada Division ("Xstrata Zinc") for cash consideration of $50 million along with Sabina reserving a silver production royalty (the "Hackett Silver Royalty") equal to 22.5% of the first 190 million ounces of payable silver from the current resource at Hackett River and other properties (the "Properties") and 12.5% of all payable silver from the Properties thereafter at no future cost to Sabina. Additionally, Xstrata Zinc has agreed to incur not less than $50 million on exploration expenditures on the Properties over a four year period with a view of completing a NI 43-101 compliant feasibility study. If the feasibility study has not been completed by the fourth anniversary of the sale, Xstrata Zinc can elect to incur additional expenditures of not less than $10 million by each of the next three anniversaries. If at any of the fourth to seventh anniversaries Xstrata Zinc has not met the spending requirements and has not completed the feasibility study, Xstrata Zinc may elect to pay Sabina the shortfall, failing which, upon notice to Xstrata Zinc, Sabina may exercise a right to buy back the Properties for a cash purchase price equal to 100% of the expenditures incurred by Xstrata Zinc. Xstrata Zinc can pre-empt Sabina's buy back right by electing to pay an advance royalty of $75 million.

Xstrata Zinc is continuing to advance the project. Key project accomplishments in 2012 were: completion of 51,500 meters of diamond drilling, including 43,500 meters of exploration both near known deposits and on new targets and 8,000 meters of geotechnical and metallurgical drilling; baseline environmental studies; and, commencement of a pre-feasibility study. Xstrata is currently active on the project in 2013 working at Hackett River and proposed infrastructure sites.

As noted above, subsequent to the quarter on May 2, 2013, Xstrata reported updated mineral resources for the Hackett River project as at December 31, 2012; a total of 82 million tonnes of mineral resources were reported in the mineral resource statement comprised of measured resources of 25 million tonnes (Zn 4.2%, 0.6 Pb%, 0.5 Cu%, Au 130 g/t, Ag 0.3 g/t) and inferred resources of 57 million tonnes (Zn 3.0%, 0.5 Pb%, 0.4 Cu%, Au 100 g/t, Ag 0.2 g/t). This compares to Xstrata's prior year resource of a total of 61 million tonnes comprised of measured resources of 20 million tonnes (Zn 4.7%, 0.6 Pb%, 0.4 Cu%, Au 140 g/t, Ag 0.3 g/t) and inferred resources of 41 million tonnes (Zn 4.0%, 0.6 Pb%, 0.4 Cu%, Au 100 g/t, Ag 0.2 g/t).

Xstrata is not an issuer in Canada and therefore is not obliged to file a 43-101 technical report on the new resource. As Hackett River is a material asset to Sabina, securities regulations require that Sabina complete its own resource estimate and corresponding technical report on the project. This is under way and expected to be published later this month.

Red Lake, Ontario Properties

The Company owns or has a partial interest in four Red Lake properties: Newman-Madsen (100%), Golden Sidewalk (100%), Skinner (100%) and Redaurum (20% carried interest). Recent activities have been focused on the Newman-Madsen property.

Newman-Madsen

On January 17th, 2012, the company announced that under the terms of a 50/50 joint venture agreement dated June 8, 2010, it had completed a purchase agreement to acquire Premier Gold Mines Ltd's 50% interest in the Newman-Madsen property for a cash payment of $500,000 and a 0.5% net smelter return royalty on the property.

The Newman-Madsen property is composed of 46 patented mining claims located in the Red Lake Mining Division of Ontario, 3.5 km southwest of the Town of Red Lake and 4.5 km northeast of Claude Resources Ltd's Madsen Mine. Eight of these claims are currently under option to Mega Precious Metals (East My Ritt Option).

During the first quarter of 2013 the company began a 40 km airborne IP survey on a portion of the project area. Survey data will be used to further asses and aid in geologic assessment of the property and definition of possible drill targets.

Golden Sidewalk

The Golden Sidewalk property is composed of 18 leasehold patent claims. There are no royalties or carried interests attached to the Golden Sidewalk property. The Golden Sidewalk Property, hosting the past-producing Bathurst Mine, is located within the Birch-Uchi greenstone belt. No new work has been completed or planned on this property during 2013.

Skinner

The Skinner property is composed of 14 mineral claims. The property is adjacent to and immediately south of Sabina's Golden Sidewalk property. Premier has a 7.5% net profit interest capped at $450,000. Franco-Nevada Corporation holds a 1% net smelter return royalty and a local prospector holds another 2% net smelter return interest which can be purchased by Sabina subject to certain conditions. No new work has been completed or planned on this property during 2013

Redaurum

The Redaurum property is located within close proximity to the past producing Madsen Gold Mine. As a result of an option agreement with Goldcorp, the Company has a 20% carried interest to production on the Redaurum property.

Nipigon, Ontario

In the fall of 2011, the Company staked 107 mineral claims covering over 25,000 hectares in an area approximately 100 km north of Thunder Bay, Ontario. The Nipigon Project is 100% owned by the Company and is located along the same iron formation that hosts the Beardmore-Geraldton gold camp. This prospective trend has historic gold production of over 4.5 million ounces of gold from four mines: the McLeod-Cockshut, Hard Rock and Mosher mines in Geraldton, and the Leitch Mine in Beardmore.

In early 2012, a 2,200 km airborne (VTEM) survey was completed which identified a number of prospective conductors. In the second half of 2012, a number of these targets were drill tested in 13 drill holes for a total of 3,746 m. Targeting was focused on zones with both geophysical and geological characteristics with potential for the presence of mineralized iron formation. All assays have been received with no anomalous gold values being returned. Geologic assessment of the property continues.

Summary of Results

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

		2013 Q1		**2012 Q4**		**2012 Q3** (1)		**2012 Q2** (2)
Revenue/other income	$	459	$	569	$	633	$	572
Earnings/(loss)		(3,663)		(4,999)		(4,614)		(343)
Per share	$	(0.02)	$	(0.03)	$	(0.03)	$	(0.00)
		2012 Q1		**2011 Q4**		**2011 Q3**		**2011 Q2**
Revenue/other income	$	589	$	645	$	511	$	581
Earnings/(loss)		(4,172)		(1,319)		(2,591)		(3,002)
Per share	$	(0.02)	$	(0.01)	$	(0.02)	$	(0.02)

Notes:

(1) During the three months ended September 30, 2012 the Company's reported loss of $4,614 thousand includes recognition of flow-through premium amortization of $2,058 thousand related to spending qualifying exploration expenditures. As well, the Company also recognized a deferred income tax expense of $5,784 thousand, again related to the renunciation of the qualifying exploration expenditures.

(2) During the three months ended June 30, 2012, the Company had no amortization of a flow-through premium and, reduced deferred income tax expense related to flow-through expenditures. Previous quarters, including Q2 2011 ($3,080 thousand) included amortization of the flow-through premium and significant deferred income tax expense (Q2 2011 - $4,959).

Overall Performance

For the quarter ended March 31, 2013, the Company reported a net loss of $3.7 million compared to a loss of $4.2 million in 2012. The decrease of $0.5 million was the net result of lower deferred income tax expense and lower share based payment expense partially offset by increased salaries, decreased amortization of flow-through premium and decreased interest income.

Q1 operating expenses were $3.9 million compared to $4.2 million for the same period 2012. In Q1 2013, the Company had decreased share based compensation payments of $0.5 million compared to the same period in 2013 due to primarily to a decrease in the option value. Approximately 10% more share purchase options were granted and vested at an average option value of $1.25 in 2013 compared to $1.58 in the same period in 2012. Partially offsetting was an increase in salaries of $0.1 million due to general increases in salaries.

Interest income in Q1 2013 was $0.5 million compared to $0.6 million in Q1 2012, lower by 22% due to lower average cash balances ($111.9 million in 2013 versus $155.7 million in 2012) offset by a higher realised interest rate which increased to 1.64% from 1.51%.

The total flow-through premium income recognized in Q1 2013 was $0.3 million compared to $1.1 million in the same period in 2012. Deferred income tax expense was $0.6 million in Q1 2013 compared to $1.7 million in 2012. The difference on both, flow-through premium and deferred income tax expense was the result of differences in the amount of flow-through financings and timing of renunciation of flow-through eligible expenditures.

The primary costs incurred by the Company are associated with exploration and evaluation of its mineral properties and are deferred until the properties are placed into production, sold or abandoned. In Q1 2013, total deferred expenditures were $14.3 million compared to $10.2 million in 2012. The increase of $4.1 million resulted from increased activity on the Back River Project, which increased by $6.5 million and was partially offset by reduced activity on other projects.

Exploration expenditures totaled $14.2 million on Back River in Q1 2013 (2012 $7.7 million) due to increased exploration, environmental and economic assessment activity at Back River. Direct drilling costs increased by $2.6 million due primarily to increased drill meters (7,244 meters in Q1 2013 compared to 4,082 meters in 2012) including a significant component of infill and geo-technical drilling supporting the ongoing PFS. Environmental assessment expenditures increased by $0.6 million due to collection of environmental baseline data and continuation of the regulatory permitting process. Economic assessment expenditures increased by $2.6 million related to work ongoing for the completion of the PFS.

Exploration activity outside of the Back River project was limited as the Company focused its efforts on advancing its flagship project. Exploration expenditures totaled $7 thousand on Wishbone in Q1 2013 (2012 - $0.4 million); Red Lake had expenditures of $17 thousand (2012 - $0.8 million); and, Nipigon of $17 thousand (2012 - $0.5 million). The work program for 2013 envisions work done on these projects to occur later in Q3 and Q4, 2013. Cook Lake had expenditures of $nil (2012 - $0.8 million) as a decision was made to no longer continue with the project.

Liquidity and Capital Resources

The Company had cash and cash equivalents of $104.2 million at March 31, 2013 compared to cash and cash equivalents of $116.4 million at December 31, 2012.

On June 26, 2012, the Company completed a bought-deal financing. The offering was comprised of 11,896,750 flow-through common shares at $2.90 per share, including an over-allotment option for total gross proceeds of the offering of approximately $34.5 million. A cash commission equal to 5.0% of the gross proceeds was paid to the syndicate of underwriters. Additionally, the Company completed a non-brokered equity placement on the same terms as the brokered placement; 206,759 flow-through shares at $2.90 per share for additional gross proceeds of approximately $0.6 million. The gross proceeds of the flow-through financings must be used to incur Canadian exploration expenditures as defined by the Income Tax Act (Canada) by December 31, 2013. As at March 31, 2013, the Company had incurred the full amount of flow-through eligible expenditures satisfying the commitment.

The Company believes it has sufficient cash resources and liquidity to sustain its planned activities through 2013. The future exploration and development of the Back River project may require the Company to raise additional capital through a combination of project debt and equity financings. The Company's strategy will be to use equity financing to fund exploration activities and the maximum amount of project debt available to build mining infrastructure until sufficient cash flow is generated from mining operations.

Financial Instruments

The fair values of the Company's financial instruments consisting of cash and cash equivalents, guaranteed investment certificates, accounts receivable, and accounts payable and accruals approximate their carrying values because of their short terms to maturity. The fair value of the marketable securities included in available for sale investments is determined with reference to quoted market prices.

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial assets measured at fair value consist of available-for-sale investments with a fair value of $52 thousand at March 31, 2013 ($72 thousand – December 31, 2012) which are classified as Level 1.

Liabilities and Contingencies

On June 9, 2009, the Company completed an asset purchase agreement to acquire the Back River Assets from DPM for the following consideration:

(i) At closing, $7.0 million in cash and 17 million common shares (approximately 18.8% of the number of outstanding common shares post-transaction);
(ii) 5 million Series A Special Unit Warrants; and,
(iii) 5 million Series B Special Unit Warrants.

The Series A Special Unit Warrants are exercisable for no additional consideration upon a decision to proceed to a feasibility study or proceed to production on the Back River Assets and in consideration of other events. The Series B Special Unit Warrants are exercisable for no additional consideration upon a positive production decision on the Back River Assets and in consideration of other events. The Series A and Series B Special Unit Warrants are exercisable to receive one common share and one-half of one common share purchase warrant. One whole share purchase warrant entitles the holders to purchase one common share at a price of $1.07 per share until June 9, 2014.

The Company has the legal obligation to reclaim exploration camps for which it holds water licenses and exploration and mining agreements. The Company has issued deposits totalling approximately $0.3 million in relation to these obligations and has recognized a provision for site reclamation of $2.2 million. In 2012 the provision was increased by $0.3 million for increased disturbance at the Back River Project.

On October 4, 2011, in recognition of Inuit rights under the Nunavut Land Claims Agreement, the Company signed a memorandum of understanding with the Kitikmeot Inuit Association ("KIA") for the creation of a development trust (the "Trust") whereby Sabina would establish and contribute to the Trust from funds received on its silver royalty on the Hackett River project. The Trust would provide short and long term benefits to the Inuit of the Kitikmeot region, including training and education initiatives and infrastructure projects that would serve to support sustainable economic development in the region.

Under the terms of the agreement, the Trust would receive 3% of Sabina's net proceeds from the silver royalty on the Hackett River and Wishbone properties sold to Xstrata Zinc. The Trust would be comprised of a maximum of six trustees of which a majority would be KIA appointees with at least one Sabina appointee. Funds contributed to the Trust would be allocated by the Trustees to initiatives that provide benefits to the Kitikmeot region. A portion of the Trust funds would be retained for allocation after mine or project closure. Payments may be made to the Trust in shares at Sabina's election and subject to regulatory approval. To kick off the initiative, prior to creation of the Trust, Sabina paid approximately $1.4 million to an existing KIA fund which provides for development and community initiatives in the region.

Contractual Obligations

The Company is obligated under operating lease agreements for the rental of its corporate head office in North Vancouver and the rental of its exploration offices in Ontario, which expire in the next three years. Minimum rental payments, net of income from sublease, in each of the next three years are as follows:

(thousands of Canadian dollars)		
2013	$	109
2014		130
2015		72
	$	311

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements, no capital lease agreements, and no long-term debt obligations.

Outlook

The Company's strategic plan is to focus on exploring and developing its primary assets in Nunavut, the Back River and Wishbone projects, with the objective of becoming a mid-tier gold producer. The Company intends to aggressively complete development and environmental work on the Back River Project in order to advance the project to production.

To this end, the 2013 program is focussed on work to complete the on-going PFS and support a potential subsequent FS. The PFS is on track to be completed by the end of Q3 2013. At the same time, the Company will continue to move forward with baseline environmental studies to support the completion of a draft environmental impact statement by year end.

At the same time as the Company advances the development of the Back River Project, it will continue to explore its Nunavut properties focused primarily on adding value in and around existing resources, exploiting high potential satellite targets and greenfields discovery concepts. The exploration program for 2013 is balanced to optimize and support the completion of the PFS and FS studies, to provide options and alternatives for possible production sequences and to test target concepts where there is the possibility of significant new discovery. The Company has planned a total of 45,000-50,000 meters of drilling in 2013 including infill, geo-technical and geo-mechanical drilling as well as exploration of high potential greenfield-type targets. Back River Project expenditures are estimated to be approximately $63 million in 2013, including exploration, development, environmental and site infrastructure activities.

Following the completion of the PFS, if successful, the Company plans to commence a FS and estimates that the study would take approximately one year to complete. Concurrent with this work, the Company anticipates that it would continue to complete work necessary for a final EIS and any required regulatory licences and permits. If the project successfully passes each of these stages, a decision to proceed to mine construction could be made shortly thereafter. Based on preliminary estimated timelines, a production decision may be possible in 2015. Detailed construction timelines have not yet been developed for the Project; however, preliminary guidance in the PEA was that mine construction may be completed over a two-year period.

The Company continues to evaluate gold projects outside of Nunavut. Geologic assessment is ongoing on the Company's 100% owned Newman-Madsen property in Red Lake and additional work is planned in 2013. The Company also plans to follow up on its 100% owned gold project in the Nipigon area of Ontario which was staked in late 2011 and is analogous to the Back River project.

Transactions with Related Parties

For the quarter ended March 31, 2013, the Company had no transactions with related parties. As of December 31, 2011 the common director of the Company and Morton Law LLP. ceased to be a director of Morton Law LLP. This ended the related party relationship between the Company and Morton Law LLP.

Critical Accounting Estimates

The preparation of the Company's consolidated financial statements requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities; the disclosure of contingent assets and liabilities; as well as the reported expenses during the reporting period. Such estimates and assumptions affect the determination of the potential impairment of long-lived assets and the determination of stock-based compensation and deferred income taxes. Management re-evaluates its estimates and assumptions on an ongoing basis; however, due to the nature of estimates, actual amounts could differ from its estimates. The most critical accounting policies upon which the Company depends are those requiring estimates of reserves and resources, future recoverable products and assumptions of future commodity prices.

Accounting for Exploration and Development Costs

Exploration expenditures related to mineral properties are deferred only if it is probable that these costs will be recovered from future operations. The carrying values of mineral properties are assessed at the balance sheet date to determine whether any persuasive evidence exists that the properties may be permanently impaired. The Company's progress in its development activities towards its planned operations is a key factor to be considered as part of the ongoing assessment of the recoverability of the carrying amount of capital assets and deferred exploration and development costs. If there is persuasive evidence of impairment, the asset is written down to its estimated net recoverable value. Deferred acquisition, exploration and evaluation expenditures totalled $190.7 million at March 31, 2013 ($175.8 million – December 31, 2012).

Asset Retirement Obligations

The Company recognizes the fair value of a future asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the acquisition, construction, development and/or normal use of the assets. The Company concurrently recognizes a corresponding increase in the carrying amount of the related long-lived asset which is amortized over the life of the asset. The fair value of the asset retirement obligation is estimated using the expected cash flow approach that reflects a range of possible outcomes discounted at a credit-adjusted risk-free interest rate. Subsequent to the initial measurement, the asset retirement obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. Any changes in the obligation that results from changes in estimated cash flows are recognized as adjustments of the carrying amount of the related long-lived asset and are amortized over the remaining life of the asset.

At March 31, 2013, the Company had a provision for site reclamation of $2.2 million in relation to the Back River exploration camps. Key activities required to be carried out and used in estimating the costs include: removal of Back River exploration camps, reclamation of site pads, re-vegetation as needed and post-closure site monitoring.

Stock-based Compensation

Stock-based compensation is accounted for using the fair value method. Under the fair value method, compensation cost is measured at fair value of the options at the date of grant and is expensed over the vesting period of the award. The Company estimates the fair value using the Black-Scholes option pricing model.

Future Changes in Accounting Standards

Future Accounting Pronouncements

Certain new accounting standards and interpretations have been published for the March 31, 2013 reporting period. The following standards are assessed not to have any impact on the Company's financial statements:

- IFRS 10 Consolidated Financial Statements for accounting periods on or after January 1, 2013;
- IFRS 11 Joint Arrangement for accounting periods on or after January 1, 2013;
- IFRS 12 Disclosures of Involvement with Other Entities for accounting periods on or after January 1, 2013;
- IFRS 13 Fair Value Measurement for accounting periods on or after January 1, 2013;
- IAS 27 Separate Financial Statements for accounting periods on or after January 1, 2013; and
- IAS 28 Investments in Associates and Joint Ventures.

IFRS 9 Financial Instruments: effective for accounting periods commencing on or after January 1, 2015 is expected to have an impact on the Company; however, the extent of the impact has not yet been determined.

Disclosure Controls and Procedures ("DC&P")

Requirements of NI 52-109 include conducting an evaluation of the effectiveness of DC&P. Management conducted an assessment of the effectiveness of the DC&P in place as of March 31, 2013 and concluded that such procedures are adequate and effective to ensure accurate and complete disclosures in filings. Any system of control over disclosure procedures, particularly for junior exploration companies, no matter how well designed and implemented, has inherent limitations and may not prevent or detect all inaccuracies. These limitations include limited personnel available for such work, geographical logistics and human error among others. The Board of Directors assess the integrity of the public financial disclosures through the oversight of the Audit Committee.

Internal Control Over Financial Reporting ("ICFR")

Requirements of NI 52-109 include conducting an evaluation of the effectiveness of ICFR. Management conducted an assessment of the effectiveness of the ICFR in place as of March 31, 2013 and concluded that such procedures are adequate and effective to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements in compliance with International Financial Reporting Standards. Any system of internal control over financial reporting, no matter how well designed and implemented, has inherent limitations and may not prevent or detect all misstatements. The Board of Directors assess the integrity of the public financial disclosures through the oversight of the Audit Committee.

Outstanding Share Data

As at May 6, 2013, there were 173,577,432 common shares outstanding. There were options and warrants outstanding to purchase an aggregate of 13,003,410 common shares. The options were granted to certain of the Company's executive officers, directors, and employees.

Additional Information

Sabina is a Canadian public mineral 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 from the System for Electronic Data Analysis and Retrieval (SEDAR) website at www.sedar.com and on the Company's website at www.sabinagoldsilver.com.

Risks and Uncertainties

Exploration and Development of Mineral Resource Properties

The mineral exploration business is risky and most exploration projects will not become mines. Commercial development of any Sabina property will occur only if sufficient quantities of minerals with a sufficient average grade are discovered. If a mineral discovery is made, substantial financial resources will be required to establish ore reserves, develop processes to extract metal from the ore and develop mining and processing facilities at a given site. The value of Sabina's silver royalty on the Hackett River property is dependent on, among other factors, the ability of Xstrata to define sufficient quantities of minerals that can be economically produced.

Due to the location of the Hackett River Project and the Back River Project, there is presently no infrastructure available to explore or, if a production decision with respect to any of such Projects is ultimately made, develop or engage in production from these Projects. As a result of the lack of infrastructure, access to these Projects is limited. However, no assurance can be given that any of the Company's projects in Nunavut will be sufficiently commercially viable to support the capital cost of developing the facilities to increase their accessibility.

Calculation of Reserves, Resources and Metal Recoveries

There is a degree of uncertainty attributable to the calculation and estimates of reserves and resources and the corresponding metal grades to be mined and recovered. Until reserves or resources are actually mined and processed, the quantities of mineralization and metal grades must be considered as estimates only. Any material change in the quantity of mineral reserves, mineral resources, grades and recoveries may affect the economic viability of the Company's properties. To date, the Company has not established reserves on any of its mineral properties.

Title to Assets

Although the Company has received title opinions for properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. The Company's claims may be subject to prior unregistered agreements or transfers and title may be affected by unidentified or unknown defects. The Company has conducted as thorough an investigation as possible on the title of properties that it has acquired to confirm that there are no other claims or agreements that could affect its title to the concessions or claims. If title to the Company's properties is disputed it may result in the Company paying substantial costs to settle the dispute or clear title and could result in the loss of the property, which events may affect the economic viability of the Company.

Uncertainty of Funding

The ability of Sabina to continue as a going concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. Sabina's principal sources of financing are the issuance of common shares, entering into option agreements, selling investment securities or selling interests in its mineral properties. Sufficient funding for future exploration and development of its properties may not be available when and as required. Failure to obtain financing on a timely basis could cause the Company to forfeit all or parts of its interests in mineral properties or reduce or terminate its operations.

Precious and Base Metal Price Fluctuations

The ability of the Company to raise funds to continue exploration of the mineral properties in which it has an interest will be significantly affected by changes in the market prices of precious and base metals. Prices for precious and base metals fluctuate on a daily basis, have historically been subject to wide fluctuations and are affected by numerous factors beyond the control of the Company such as the level of interest rates, the rate of inflation, central bank transactions, world supply of precious and base metals, foreign currency exchange rates, international investments, monetary systems, speculative activities, international economic conditions and political developments. The effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not being able to continue its planned exploration programs. Declining market prices for these metals could materially adversely affect the Company's operations and financial condition.

Government Regulation

The Company is in compliance with all material regulations applicable to its exploration activities. Existing and possible future government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards could cause additional expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted. Before production can commence on any properties, the Company must obtain regulatory and environmental approvals. There is no assurance that such approvals can be obtained on a timely basis or at all. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations.

Competitive Conditions

The profitability of any prospect is dictated by the market for minerals, which is influenced by many factors including changing production costs, supply and demand, inflation, and the political environment. The Company's success is also dependent on the knowledge and expertise of its management and employees and their ability to identify and advance attractive exploration projects and targets. The competition for highly qualified personnel is strong and there is no guarantee that the Company will be able to retain or attract such personnel.

Forward Looking Statements

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 statements. By their nature, forward-looking statements are 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 statements. 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 statements 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 statements, whether as a result of new information, future events or otherwise except as required by applicable law.