



**SABINA GOLD & SILVER CORP.**

**ANNUAL INFORMATION FORM  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**MARCH 27, 2014**

**SUITE 202, 930 WEST 1ST STREET  
NORTH VANCOUVER, BC V7P 3N4**

## TABLE OF CONTENTS

	Page
PRELIMINARY NOTES .....	2
FORWARD-LOOKING INFORMATION .....	2
CORPORATE STRUCTURE .....	3
GENERAL DEVELOPMENT OF THE BUSINESS .....	3
2011 .....	4
2012 .....	5
2013 .....	5
2014 .....	6
BUSINESS OF THE COMPANY .....	6
BACK RIVER ASSETS .....	7
Acquisition of the Back River Assets .....	7
Description of the Back River Property .....	9
HACKETT RIVER SILVER ROYALTY .....	21
Acquisition of the Hackett River Project .....	21
Sale of the Hackett River Project .....	21
Description of the Hackett River Project .....	23
OTHER PROPERTIES .....	29
Wishbone Project, Nunavut .....	29
Red Lake Area, Ontario .....	31
Manitoba .....	33
RISK FACTORS .....	34
Risks Related to the Business of the Company .....	34
Risks Related to the Common Shares .....	39
DIVIDENDS .....	40
DESCRIPTION OF CAPITAL STRUCTURE .....	40
MARKET FOR SECURITIES .....	40
Trading Price and Volume .....	41
Prior Sales .....	41
DIRECTORS AND EXECUTIVE OFFICERS .....	41
Cease Trade Orders, Bankruptcies, Penalties or Sanctions .....	47
Conflicts of Interest .....	48
LEGAL PROCEEDINGS AND REGULATORY ACTIONS .....	48
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS .....	48
TRANSFER AGENT AND REGISTRAR .....	48
MATERIAL CONTRACTS .....	49
INTERESTS OF EXPERTS .....	49
AUDIT COMMITTEE .....	50

## PRELIMINARY NOTES

All financial information in this Annual Information Form (“**AIF**”) of Sabina Gold & Silver Corp. (the “**Company**” or “**Sabina**”) is prepared in accordance with International Financial Reporting Standards for financial periods commencing after December 31, 2010 and Canadian generally accepted accounting principles for prior financial periods.

All dollar amounts in this AIF are expressed in Canadian dollars unless otherwise indicated.

In this AIF, the definitions of mineral resources are those used by the Canadian securities administrators and conform to the definitions utilized by the Canadian Institute of Mining, Metallurgy and Petroleum (“**CIM**”) in the "CIM Standards on Mineral Resources and Reserves – Definitions and Guidelines" adopted on August 20, 2000 and amended December 11, 2005.

All information in this AIF is as of December 31, 2013 unless otherwise indicated.

## FORWARD-LOOKING INFORMATION

This AIF contains "forward looking information" within the meaning of applicable Canadian securities legislation. Such forward looking information concerns the Company's anticipated operations in future periods, planned exploration and development of its properties, and plans related to its business and other matters that may occur in the future. This information relates to analyses and other information that is based on expectations of future performance and planned work programs. Statements concerning mineral resource estimates may also be deemed to constitute forward looking information to the extent that they involve estimates of the mineralization that will be encountered if a mineral property is developed.

Forward looking information is subject to a variety of known and unknown risks, uncertainties and other factors which could cause actual events or results to differ from those expressed or implied by the forward-looking information, including, without limitation:

- exploration hazards and risks;
- risks related to exploration and development of natural resource properties;
- uncertainty in the Company's ability to obtain funding;
- precious and base metal price fluctuations;
- passive nature of royalty on the Hackett River Project (as defined herein);
- recent market events and conditions;
- risks related to the uncertainty of mineral resource calculations and the inclusion of Inferred Mineral Resources in economic estimation;
- risks related to governmental regulations;
- risks related to obtaining necessary licenses and permits;
- risks related to the Company's business being subject to environmental laws and regulations;

- risks related to the Company's mineral properties being subject to prior unregistered agreements, transfers, or claims and other defects in title;
- risks relating to competition from larger companies with greater financial and technical resources;
- risks relating to the Company's inability to meet its financial and other obligations under agreements to which it is a party;
- ability to recruit and retain qualified personnel;
- risks related to the Company's directors and officers becoming associated with other natural resource companies which may give rise to conflicts of interests; and
- other risks described in this AIF under the heading "Risk Factors".

The foregoing list is not exhaustive of the factors that may affect the Company's forward-looking information. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the forward-looking information. The Company's forward-looking information is based on beliefs, expectations and opinions of management on the date the statements are made and the Company does not assume any obligation to update forward-looking information if circumstances or management's beliefs, expectations or opinions change, except as required by law. For the reasons set forth above, investors should not place undue reliance on forward-looking information.

## **CORPORATE STRUCTURE**

The Company was incorporated under the *Company Act* (British Columbia) on June 7, 1966 under the name of Sabina Industries Limited. The name of the Company was changed to New Sabina Resources Limited on March 23, 1984, to Sabina Resources Limited on December 17, 1987, to Sabina Silver Corporation on October 17, 2005 and to Sabina Gold & Silver Corp. on October 28, 2009. On July 31, 2008, Sabina transitioned under the *Business Corporations Act* (British Columbia).

The Company's head office is located at Suite 202, 930 West 1st Street, North Vancouver, British Columbia, Canada V7P 3N4 and its registered office is located at Suite 1200, 750 West Pender Street, Vancouver, British Columbia, Canada V6C 2T8.

The Company has one subsidiary, Sabina Back River Ltd., an Alberta company which is wholly-owned.

## **GENERAL DEVELOPMENT OF THE BUSINESS**

Prior to 2006, the Company was a junior mineral resource exploration company with properties in Ontario and British Columbia. In January 2006, the Company earned a 100% interest (subject to certain royalties) in the Hackett River silver zinc project (the "**Hackett River Project**") located in Nunavut, Canada. See "Acquisition of the Hackett River Project". In June 2009 the Company acquired a 100% interest in the Back River gold project (the "**Back River Property**" or "**Back River Project**") and the Wishbone Greenstone Belt (the "**Wishbone Project**") in Nunavut, Canada. See "Acquisition of the Back River Assets". In November 2011, the Company completed the sale of the Hackett River Project to Xstrata Canada Corporation, Zinc Canada Division ("**Xstrata**") (which is now Glencore Canada Corporation ("**Glencore**")) for cash and a royalty on silver produced from the Hackett River Project. See "Sale of the Hackett River Project". The Nunavut projects continue to make up the Company's main assets with estimated cumulative exploration expenditures of \$195,867 million spent on the Back River Property and \$14,507 million on the Wishbone Project since 2009. Approximately

\$9.3 million is planned to be spent on the Back River Property in 2014 including drilling, environmental and engineering work.

The accumulated total drilling over the Back River Property reached 519,509 metres in 2,383 holes as of December 31, 2013. Of this approximately 37% of the metres are at George and 54% are at the Goose with the remaining drilling being carried out at other Back River claim blocks.

Below is a description of how the Company's business has developed over the last three completed financial years.

## 2011

On March 1, 2011 the Company completed a bought deal public offering qualified by short form prospectus of 10,454,650 Common Shares at \$5.50 per share and 6,061,000 flow-through Common Shares at \$6.60 per share for total proceeds of \$97.5 million, pursuant to an underwriting agreement dated February 14, 2011. The Company paid the underwriters a 5% cash commission. In addition the Company completed a non-brokered offering of 19,825 Common Shares at \$5.50 per share and 188,515 flow-through Common Shares of \$6.60 per share for gross proceeds of \$1.4 million.

On March 9, 2011, the Company announced an updated resource estimate for the Llama and Umwelt deposits situated on the Goose Property of the Back River Project.

On March 23, 2011, the Company announced that it had entered into a memorandum of understanding (the "**NRC MOU**") with the Nunavut Resources Corp. ("**NRC**") pursuant to which the parties agreed to co-operate and work together to investigate infrastructure development opportunities in the Kitikmeot Region of Nunavut. The Company committed up to \$2 million of which \$200,000 was advanced in seed funding for the NRC. NRC was, at the time, a newly created Inuit-owned organization designed to provide Inuit with opportunities to participate in the ownership and management of infrastructure and natural resources in Nunavut through direct equity investment and joint venture partnerships with industry. The NRC MOU expired in August, 2012.

On June 2, 2011, the Company announced it had signed a definitive agreement with Glencore to sell the Hackett River Project and part of the Wishbone Project for \$50 million in cash and reservation of a fully carried silver production royalty equal to 22.5% of first 190 million ounces of silver product and 12.5% thereafter. The transaction included other commitments by Glencore to advance the Hackett River Project and was formally completed on November 14, 2011.

In connection with the sale to Glencore, on May 30, 2011 Sabina purchased all of the issued shares of R. A. Olson Consulting Ltd. ("**RAOC**") for consideration of \$4,500,000 in cash and 750,000 common shares of the Company ("**Common Shares**"). RAOC owned a production royalty on the value of the minerals mined on certain of Sabina's Back River Project properties as well as on the Wishbone Project. The production royalty was 1.5% until the royalty payments aggregated \$5 million, after which it was reduced to 0.75%. Following the transaction the corporate name of RAOC was changed to Sabina Back River Ltd.

On September 20, 2011, the Company announced an update to the Goose deposit mineral resource estimate.

On October 4, 2011 the Company announced it had entered into a memorandum of understanding with the Kitikmeot Inuit Association ("**KIA**") for the creation of a development trust (the "**Trust**"). Initial payments to the Trust included \$1.4 million and a commitment of 3% of Sabina's net proceeds from the silver royalty retained by Sabina on the Hackett River and Wishbone properties sold to Xstrata. At the same time the Company and the KIA signed another MOU for long term land use on the Back River and Wishbone Properties.

On October 24, 2011, the Company announced that, effective November 14, 2011, Mr. Rob Pease would replace Anthony Walsh as President and Chief Executive Officer. Mr. Walsh had expressed his desire to retire earlier in the year. Mr. Pease has been involved with mineral exploration and mine development projects worldwide for the past 30 years.

On November 21, 2011, the Company announced a third mineral resource estimate update for the Back River Property.

## 2012

On May 29, 2012, the Company announced the completion of a Preliminary Economic Assessment (“**PEA**”) of the Back River Project completed by SRK Consulting (Canada) Inc. The PEA contemplated a scenario with concurrent open-pit and underground mining operations delivering mineralized material from the Llama, Umwelt, Goose and George deposits to a centralized 5,000 tonne per day (“**tpd**”) processing facility located near the Umwelt deposit. Based on the PEA, gold production is projected to average ~300,000 oz/year over 12.3 years for total production of 3,677,000 oz Au, beginning in late 2016 or early 2017.

Following the announcement of the PEA, pursuant to an agreement dated June 26, 2012, on June 26, 2012 the Company completed a bought deal financing of 11,896,750 Flow-through Common Shares at \$2.90 per share for total proceeds of \$34,500,575 for which a 5% commission was paid. In addition to the brokered offering, the Company also sold, on a non-brokered basis and on the same terms as the brokered placement, 344,827 flow-through shares at \$2.90 per share for gross proceeds of \$999,998.30

On June 26, 2012, Sabina filed a preliminary Project Description (“**PPD**”) and applications for a Type A Water License and associated Land Use Permit with the Nunavut Water Board (“**NWB**”), Aboriginal Affairs and Northern Development Canada (“**AANDC**”), and the Nunavut Impact Review Board (“**NIRB**”) which triggered the Environmental Assessment Process with the NIRB. On December 19, 2012, the Company announced that the Honourable John Duncan, Minister of AANDC, concurred with the NIRB screening decision dated September 25, 2012 recommending that the Back River Property proceed to a Part 5 regional public review. In August 2012, the Company initiated a Pre-Feasibility Study (“**PFS**”) on the Back River Project. The Company engaged: Tetra Tech WEI Inc., 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., responsible for tailings design, geotechnical and hydrogeology.

## 2013

On February 15, 2013, the Company announced an updated mineral resource estimate for the Back River Property. The new mineral resource estimate is comprised of measured resources of 2.168 million tonnes grading 4.4 grams per tonne (“**g/t**”) for 304,000 ounces of gold, indicated resources of 22.0 million tonnes grading 6.1 g/t for 4.35 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. The updated NI 43-101 technical report titled “Back River Gold Property, Nunavut Canada”, was filed on SEDAR on March 28, 2013.

On June 10, 2013, the Company completed a non-brokered private placement of 14,742,867 flow-through Common Shares at a price of \$1.40 per share for gross proceeds of \$20,604,014.

On October 9, 2013, the Company announced the results of the PFS on the Back River Property. The PFS is based on a conventional open pit (“**OP**”) mine supplemented by underground (“**UG**”) operations that feed a 5,000 tpd whole ore leach process plant. Operations are designed to produce an average of 287,000 ounces Au per year over the life of mine (“**LOM**”). The Project would be built over a 24-month period at an initial capital cost of \$605 million with an estimated payback of 3.3 years from the start of operations. The PFS projects a post-tax internal rate of return (IRR) of 16.5% and a net present value (NPV at 5% discount rate) of \$290 million, producing gold at approximately \$685 per oz Au (cash costs including royalties). Based on the positive results of the PFS, the Company made a decision to progress the to the preparation of a Feasibility Study (“**FS**”) on the Project.

At the same time the Company issued Common Shares and share purchase warrants to DPM upon the exercise of Series A Special Warrants previously issued by the Company to DPM as partial consideration for Sabina’s acquisition of the Back River Property. See "Acquisition of the Back River Assets". The terms of the Series A Special Warrants provided that they were deemed to be exercised as a result of a decision made by the Board of Directors of Sabina to proceed with the preparation of a FS on all or part of the Back River Property. As such decision was made by the Board, the Series A Special Warrants were automatically exercised and the Class A Units, consisting of 5,000,000 Common Shares and share purchase warrants exercisable until June 9, 2014 to acquire 2,500,000 Common Shares at a price of \$1.07 per Common Share, were issued to DPM.

## **2014**

On January 22, 2014, the Company filed a Draft Environmental Impact Statement (“**DEIS**”) on the Back River Project with the NIRB and the NWB. Copies of the DEIS was also filed with relevant regulatory authorities, Inuit groups, communities and other interested parties over the next month. The NIRB and NWB reviewed the DEIS for conformity and a positive conformity decision was reached and announced on February 12, 2014. Following this decision, reviewers can participate in the information request and technical review phases of the process which is expected to continue for much of 2014. The date of a Final Environmental Impact Statement will be determined at the end of the technical review phase.

On March 4, 2014, the Company announced an updated resource estimate for the Back River Project completed by AMC. This new estimate consists of a Measured Mineral Resource of 10.4 million tonnes grading 5.2 g/t for a contained 1,761,000 ounces Au, an Indicated Mineral Resource of 17.9 million tonnes grading 6.1 g/t for a contained 3,536,000 ounces Au and an Inferred Mineral Resource of 8.2 million tonnes grading 7.3 g/t for a contained 1,927,000 ounces Au.

## **BUSINESS OF THE COMPANY**

Sabina is an emerging gold development company focused on the acquisition, exploration and development of mineral resource properties. The Company is primarily focused on the Back River Project located in Nunavut in the Canadian Arctic. Sabina also holds a royalty of 22.5% on the first 190 million ounces and 12.5% thereafter on silver produced at the Hackett River Project, which was sold to Glencore in November 2011. The Company also has the grassroots exploration Wishbone Project, also in Nunavut and interests in several properties in the Red Lake area of northwestern Ontario, in particular a 100% interest in the Newman-Madsen property.

The Company had approximately 35 full-time employees as at December 31, 2013.

The following sections entitled "Back River Assets", "Hackett River Silver Royalty" and "Other Properties" describe the Company's mineral resource properties. The Company considers its Back River Project and its royalty interest in the Hackett River Projects to be its only material mineral properties.

## BACK RIVER ASSETS

### Acquisition of the Back River Assets

The Back River Assets consist of two main components, the original Back River Project hosting the George and Goose iron formation hosted gold deposits and a recent new project area, the Wishbone Project. The combined properties total approximately 1,080 square km and cover a largely unexplored highly prospective greenstone belt.

Pursuant to an asset purchase agreement dated March 27, 2009 (as amended, the “**Back River Agreement**”) between the Company and DPM, on June 9, 2009 the Company acquired the Back River Assets from DPM for the following consideration: (i) \$7 million in cash, (ii) 17 million Common Shares, (iii) Series A special warrants (“**Series A Special Warrants**”) exercisable to acquire, for no additional consideration, 5,000,000 class A units (“**Class A Units**”), and (iv) Series B special warrants (“**Series B Special Warrants**”) exercisable to acquire, for no additional consideration, 5,000,000 class B units (“**Class B Units**”).

The Series A Special Warrants were for a term of 35 years and were exercised as a result of a positive decision being made by the board of directors of Sabina to proceed with the preparation of a feasibility study (as defined in National Instrument 43-101 Standards of Disclosure for Mineral Projects (“**NI 43-101**”)) on all or part of the Back River Assets.

The Series B Special Warrants will be exercisable for a term of 35 years for no additional consideration, at such time as any of the following events shall occur:

- (a) a positive decision being made by the board of directors of Sabina (or the operator or majority owner of the Back River Project if not the Company) to bring all or any part of the Back River Project into production;
- (b) a consolidation, amalgamation, merger or takeover of Sabina with, into or by another body corporate that results in the acquisition of at least 66 2/3 of the outstanding Common Shares for cash consideration or, if for non cash consideration, as long as the acquisition price is at least a 25% premium to the volume weighted average trading price of the Common Shares on the TSX, for the five consecutive trading days ending on the trading day prior to the first public announcement of such consolidation, amalgamation merger or take over; or
- (c) the transfer of the undertaking or assets of Sabina as an entirety or substantially as an entirety to another corporation or entity that is subject to shareholder approval of Sabina.

Each Class A Unit consists of one Common Share and one half of one class A share purchase warrant (“**Class A Warrants**”). Each whole Class A Warrant is exercisable until June 9, 2014 to purchase one Common Share at a price of \$1.07 (the “**Exercise Price**”). Each Class B Unit will consist of one Common Share and, if applicable, one half of one class B share purchase warrant (“**Class B Warrants**”). Each whole Class B Unit Warrant will be exercisable until June 9, 2014 to purchase one Common Share at the Exercise Price.

Pursuant to the Back River Agreement, DPM and Sabina entered into certain ancillary agreements. The following is a description of each of the ancillary agreements.

#### *Equity Participation Agreement*

The Equity Participation Agreement grants to DPM the right to participate (the “**Participation Right**”) in any equity securities issued pursuant to a financing of Sabina (an “**Equity Financing**”), or equity



securities issued by Sabina in connection with the acquisition of any shares or assets of a third party (an “**Acquisition Transaction**”). In particular, DPM may exercise its Participation Right to maintain up to its Pro Rata Interest (as defined below) of the equity securities to be issued in an Equity Financing or Acquisition Financing (calculated after giving effect to the proposed issue of equity securities).

In the event of any Equity Financing or Acquisition Transaction, Silver Wheaton will have the first right to exercise its participation rights under a participation rights agreement dated December 21, 2006 (the “**Silver Wheaton Participation Rights Agreement**”) following which DPM will have the right, on a one-time basis in respect of that Equity Financing or Acquisition Transaction, to exercise the Participation Right after giving effect to any exercise by Silver Wheaton of its participation right under the Silver Wheaton Participation Rights Agreement.

The Participation Right will terminate in the event that DPM ceases to beneficially own at least 10% of the number of Common Shares outstanding (calculated on an undiluted basis).

For purposes of the Equity Participation Agreement, "Pro Rata Interest" means, on any given date, the ownership interest of DPM in Sabina, expressed as a percentage, and calculated as follows: (i) the number of outstanding Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised by DPM (before giving effect to the exercise, conversion or exchange of any securities exercisable for, convertible into, or exchangeable for, Common Shares, including the Series A and Series B Special Warrants and the Class A and Class B Warrants) on such date; divided by (ii) the aggregate number of outstanding Common Shares (before giving effect to the exercise, conversion or exchange of any securities exercisable for, convertible into or exchangeable for Common Shares, including the Series A and Series B Special Warrants and the Class A and Class B Warrants) on such date.

#### *Nomination Rights Agreement*

The Nomination Rights Agreement grants to DPM the right, as long as DPM holds at least 15% of the outstanding Common Shares, to nominate two directors to the board of Sabina and, as long as DPM holds at least 10% of the outstanding Common Shares, to nominate one director to the board of Sabina. Jonathan Goodman and David Fennell are DPM's current nominees on the Sabina board.

#### *Qualification Rights Agreement*

The Qualification Rights Agreement grants to DPM the right to request the qualification of Common Shares owned by DPM for distribution by prospectus, at DPM's expense (unless such qualification for distribution is part of a public distribution being made by Sabina), as long as DPM holds more than 20% of the outstanding Common Shares or is otherwise considered a “control person” as such term is defined under the *Securities Act* (Ontario).

#### *Standstill Agreement*

Pursuant to the Standstill Agreement, DPM agreed that until June 9, 2013, DPM would not, either directly, through a subsidiary or with any third party acting jointly or in concert with DPM, without the prior written consent of Sabina (which consent may be given or withheld by Sabina in its sole discretion), acquire any Common Shares (other than pursuant to the Back River Agreement and the ancillary agreements) if, after giving effect thereto, its direct or indirect beneficial ownership of Common Shares would exceed 18.8% (calculated on an undiluted basis), provided that the foregoing would not apply:

- (a) from the time of the announcement, and for the duration, of a take-over bid made by an offeror, other than DPM, to all or substantially all of the shareholders of Sabina to purchase at least 50% of the number of Common Shares then outstanding; or

- (b) if DPM makes a takeover bid to all or substantially all of the shareholders of Sabina to purchase all Common Shares then issued and outstanding, which takeover bid is open for acceptance for a period of at least the minimum period required by Canadian securities laws.

### **Description of the Back River Property**

The following description of the Back River Property is the Summary contained in the technical report dated effective March 4, 2014 titled “Mineral Resource Update for the Back River Gold Property, Nunavut, Canada” (the 2014 Study or the “**Back River Report**”). The entire Back River Report, a copy of which may be found on SEDAR at [www.sedar.com](http://www.sedar.com), is incorporated by reference into this AIF and should be consulted for details beyond those provided herein.

“This is an updated Mineral Resource statement on the Back River Project (the “Project” or the “Property”), located in the southwestern part of Nunavut Territory, Canada. Sabina Gold & Silver Corp. (“Sabina”) commissioned AMC Mining Consultants (Canada) Ltd. (“AMC”) to complete the updated Mineral Resource estimates on the project and to disclose these estimates in a technical report in accordance with NI 43-101 Standards of Disclosure for Mineral Projects, Companion Policy 43-101CP and Form 43-101F1.

This 2014 Study also reproduces the results of the scope, design features, and economic viability of the Project as published by Tetra Tech WEI Inc. (Tetra Tech) in the “Technical Report and Prefeasibility Study for the Back River Gold Property” (the 2013 Study) dated October 9, 2013. With the exception of the Mineral Resource estimates and supporting sections, the 2013 Study is still considered current and has been reproduced in full in this 2014 Study.

It is important to note that, with the exception of the Mineral Resource estimates and supporting sections, the information from the 2013 Study that is reported herein is based on the earlier March 31, 2013 Mineral Resource estimates. The 2013 Study was not updated to consider the new Mineral Resource estimates presented in this 2014 Study.

The concept proposed for the Project in the 2013 Study is based on a conventional open pit mine supplemented by underground operations that feed a 5,000 t/d whole ore leach process plant. The Project would be built over a 24-month period at an initial capital cost of \$605 million. The mine life is forecasted to be 8.4 years, with the first gold doré scheduled to be poured in Q4 2017.

The Project contains a Measured and Indicated Resource of 28.4 Mt at 5.8 g/t gold, containing 5.30 Moz gold. The Proven and Probable Mineral Reserves (based on the March 2013 Mineral Resources) total 15.0 Mt at 5.69 g/t gold, containing 2.74 Moz gold.

Based on the 2013 test results and the historical test results, a combination of gravity separation and cyanide leach processes is proposed for the Project. Concentrate from the gravity separation circuit would be leached separately by intensive cyanide leaching. The life-of-mine (LOM) gold recovery in the 2013 Study averages 88.0%. A simple and conventional single line process flowsheet was selected, which can be operated and maintained effectively in an arctic environment. The production schedule was developed through strategic scheduling of the mining areas to provide early delivery of higher grade open pit material while minimizing initial capital expenditures. Gold production will average 287,000 oz per year in doré bullion over the 8.4-year mine life.

Based on the base case gold price and exchange rate, the estimated pre-tax internal rate of return (IRR) is 21.8%, the net present value (NPV) is \$471 million at a 5.0% discount rate, and the payback period is 3.0 years. The estimated post-tax IRR is 16.5%, the NPV is \$290 million, and the payback period is 3.3 years. A gold price of US\$1,350/oz was used for the base case, in consideration of the

near-term spot prices, and consensus long term gold prices, as of September 3, 2013. A constant exchange rate of 0.95 (US\$/Cdn\$) was used in all financial scenarios. All currencies in this report are provided in Canadian Dollars, unless otherwise specified.

The tailings storage facility (TSF) has been designed to contain 10 Mm<sup>3</sup> of material in a lined facility. The design and location of the TSF, adjacent to the process plant and the Llama and Umwelt open pits, would help to minimize the Project footprint and allow for effective water management of the TSF at closure.

The Project is currently accessed and supplied by air using a combination of seasonal ice roads and all-weather airstrips at both the Goose and George sites. During the construction phase and throughout the LOM, equipment, supplies, and fuel would be transported to a port facility constructed on Bathurst Inlet. Material would be transported from this facility to site via an annually constructed 160 km-long winter road. Off-site infrastructure-related direct costs account for 14.2% of the initial direct capital costs.

A project description was submitted in June 2012 to regulatory agencies, and in December 2012, the Minister's decision was that a Part 5 review should be conducted. A Draft Environmental Impact Statement (DEIS) was submitted to the Nunavut Impact Review Board (NIRB) in January 2014. Upon completion of a conformity review, the DEIS was formally accepted by the NIRB in February 2014. There are no known environmental aspects limiting the development of the Project.

### *Introduction*

Sabina engaged the following principal consultants to define the scope, design features and economic viability of the Project:

- Tetra Tech – processing, on-site infrastructure, capital costs, operating costs, financial analysis, and report preparation
- AMC – geology and mining
- EBA, a Tetra Tech Company (EBA) – off-site infrastructure
- Knight Piésold Ltd. (Knight Piésold) – TSF design, geotechnical, and water management
- G&T Metallurgical Services Ltd. (G&T) – metallurgical test work
- Rescan Environmental Services Ltd. (Rescan) – environmental assessment
- Merit Consultants International Inc. (Merit) – capital cost review and project execution plan
- PricewaterhouseCoopers LLP (PwC) – taxation.

The 2013 Study is based on a conventional open pit mine supplemented by underground operations that feed a 5,000 t/d whole ore leach process plant, which has been designed to produce on average 287,000 oz gold per year in doré bullion over an 8.4 year mine life.

### *Project Location and Access*

The Project is located in the southwestern part of Nunavut Territory, Canada. It is situated approximately 520 km northeast of Yellowknife, Northwest Territories, 225 km east of the closed Lupin Mine, 50 km southeast of the Glencore Xstrata (Xstrata) Hackett River Project, and 80 km southeast of tidewater access on Bathurst Inlet. The Project is currently accessed and supplied by air using a combination of seasonal ice and all-weather airstrips at both the Goose and George sites.

During the construction phase and throughout the LOM, equipment, supplies, and fuel will be transported to a port facility constructed on Bathurst Inlet utilizing ocean-going ice-class vessels from the Canadian east coast (80%) and barges from Hay River, NWT (20%), during the summer shipping season. Material will be staged in a laydown area at the port facility and transported to the Goose site via an annually constructed a 160 km-long winter road. Employees will work on a fly-in/fly-out rotation and will be housed in a fully catered camp.

### *Project Ownership and History*

The Project is controlled 100% by Sabina, and is subject to net smelter return (NSR) royalties payable to various third parties on both the Goose and George sites, in addition to a net profits royalty payable to the Crown, which is deductible from income taxes.

The Project has had several owners since exploration began in 1982. Most recently, Dundee Precious Metals (DPM) operated the Project from 2005 until its purchase by Sabina in 2009. Periods of intensive exploration were conducted by Homestake Minerals Development (Homestake Minerals) from 1987 to 1992, by Arauco Resources Corp (Arauco) in 1997, and by Kinross Gold Corp. (Kinross), Miramar Mining (Miramar), and DPM continuously from 1999 to the present. There has been no recorded production from any of the Project's deposits.

### *Geology and Mineralization*

The Project consists of gold mineralization that is associated with quartz veins, silicification, and shearing. The gold mineralization occurs within silicified and variably sulphidized iron formation and, to a lesser extent, meta-sedimentary units that appear to have a spatial association with narrow porphyritic felsic dykes and mudstones wherever these units are present. Gold mineralization is located within two principle areas of the Back River Property: the Goose site and the George site.

The Goose site includes four main deposits that contain predominantly structurally controlled gold mineralization: Goose Main, Echo, Umwelt, and Llama. Gold mineralization is predominantly hosted within the lower iron formation and, to a much lesser degree, the underlying sediments. The Goose Main, Umwelt, and Llama deposits are associated with anticlinal structures that have been structurally thickened and disrupted, and cut by axial planar felsic dykes, which apparently trace the fluid pathways and are related to mineralization. The Echo deposit is associated with gentle folding cross cut by a planer felsic dyke. Mineralization is spatially associated with the felsic dyke.

The George site gold mineralization is located within an oxide iron formation near the stratigraphic base of this unit and includes six main deposits: Locale 1, Locale 2, Slave, GH, and Lone Cow Pond North (LCP-North) and Lone Cow Pond South (LCP-South). Less significant gold mineralization is also hosted within a silicate iron formation. Gold-bearing zones are associated with sulphide concentrations in the iron formation, and are commonly accompanied by increased quartz veining and attendant alteration of the surrounding rocks.

### *Mineral Resource Estimates*

The Property contains an estimated Measured and Indicated Resource of 28.4 Mt at 5.8 g/t gold, containing 5.30 Moz gold (Table 1.1).

The Mineral Resource for the Goose deposits was reported using a conceptual open pit design at a 1.0 g/t cut-off value and a conceptual underground mine design at a 3.5 g/t cut-off value (4.5 g/t at the Umwelt deposit) assuming a gold price of US\$1,500/oz. The Mineral Resource for the George

deposits was reported using a conceptual open pit design at a 1.0 g/t cut-off value and a conceptual underground mine design at a 4.0 g/t cut-off value assuming a gold price of US\$1,500/oz.

The Mineral Resource estimate is based on geologic block models that incorporated:

- 847 drillholes (for a total of 236,932 m and 119,914 assays) at the Goose site on the Llama, Umwelt, Echo, and Goose Main deposits
- 630 drillholes (for a total of 115,007 m and 48,275 assays) at the George site on the LCP-North, LCP-South, Locale 1, Locale 2, GH, and Slave deposits.

Mineralized domains were constructed to constrain the estimates using a 0.3 g/t gold threshold for both the Goose and George sites. Capping was employed where required, and varied by deposit. Data density and geological knowledge allowed for Indicated and Inferred Resources to be classified at all deposits, with Measured Resources also classified at the Goose Main, Llama, and Umwelt deposits.

**Table 1.1 Summary of Estimated Mineral Resources (as of February 28, 2014)**

Classification	Tonnes (kt)	Au (g/t)	Metal (koz Au)
Measured	10,446	5.24	1,746
Indicated	17,907	6.14	3,536
Measured and Indicated	28,354	5.81	5,297
Inferred	8,179	7.33	1,927

Notes: CIM definitions were used for the Mineral Resources.  
 Ms. D. Nussipakynova, P.Geo. and Dr. A. Fowler, Ph.D., MAusIMM, CP (Geo), both from AMC and Qualified Persons under NI 43-101, take responsibility for the Mineral Resource estimates.  
 Open pit Mineral Resources are constrained by an optimized pit shell at a gold price of US\$1,500/oz. The cut-off grade applied to the open pit Resources is 1.0 g/t gold.  
 The underground cut-off grade is 4.0 g/t gold for all George Mineral Resources (LCP-North, LCP-South, Locale 1, Locale 2, GH, and Slave), 3.5 g/t gold for Goose Main, Echo, and Llama, and 4.5 g/t for the Umwelt deposit.  
 The George Mineral Resources were estimated within mineral domains expanded to a minimum width of 2 m for the underground Resources.  
 Drilling results up to December 31, 2013 are included. The numbers may not add due to rounding.

*Mineral resources that are not mineral reserves do not have demonstrated economic viability. Mineral resource estimates do not account for mineability, selectivity, mining loss and dilution. These mineral resource estimates include inferred mineral resources that are normally considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves. There is also no certainty that these inferred mineral resources will be converted to measured and indicated categories through further drilling, or into mineral reserves, once economic considerations are applied.*

### **Mineral Reserve Estimates**

Mineral Reserve estimates for the Property are based on the Mineral Resource estimates up to March 31, 2013, and are reported here as per the 2013 Study.

The Mineral Reserves were developed by examining each deposit to determine the optimum practicable mining method. Cut-off grades (COGs) were then determined based on benchmarking and the adopted mining method. Two mining methods were chosen: open pit mining and underground mining using post pillar cut-and-fill.

**Table 1.2 Total Estimated Mineral Reserves for the Back River Property (as of May 1, 2013)**

Area	Classification	Tonnes (kt)	Au (g/t)	Contained Au (koz)
Total Open Pit	Proven	1,890	4.56	277
	Probable	10,935	5.40	1,900
Total Underground	Proven	-	-	-
	Probable	2,165	8.11	564
<b>Total Back River Property</b>	<b>Proven</b>	<b>1,890</b>	<b>4.56</b>	<b>277</b>
	<b>Probable</b>	<b>13,100</b>	<b>5.85</b>	<b>2,464</b>

Notes: Mineral Reserves were prepared under the supervision of Mr. H.A. Smith P.Eng. of AMC who is a Qualified Person under NI 43-101.  
For the open pit Mineral Reserve estimate, a 1.52 g/t COG was used for the Goose deposits and a 2.00 g/t COG was used for the George deposits.  
A COG of 6.00 g/t was used for the underground Mineral Reserve estimate, based on an operating cost estimate of \$231.30/t.  
A gold price of US\$1,250/troy ounce is assumed.  
Mineral Reserves are based on Measured and Indicated Mineral Resources only. An exchange rate of Cdn\$1.00 to US\$1.00 is assumed.  
Dilution and recovery factors are discussed in Section 15.0.

Both the Mineral Resource and Mineral Reserve estimations take into consideration on-site operating costs (mining, processing, site services, general and administration), geotechnical analysis for both open pit wall angles and underground stope size, metallurgical recoveries, and selling costs in determining cut-off grades. In addition, the Mineral Reserves incorporate allowances for mining recovery and dilution, and overall economic viability.

### *Metallurgy*

Multiple historical test work programs have been completed on the Project mineralization including comminution, process mineralogy and gold recovery by gravity concentration, flotation, and cyanidation. Significant mineralogical characterization studies have also been conducted focusing on gold occurrence in various mineral samples across the deposits.

In early 2013, a comprehensive metallurgical test program was conducted to further assess the metallurgical performance of the mineralization to support the prefeasibility study. The test work indicated that the mineral samples produced from five different mineralization zones/deposits responded well to gravity concentration, flotation, and cyanidation. The 2013 test results were comparable to the results produced from the historical test programs.

Based on the 2013 test results and the historical test results, a combination of gravity separation and cyanide leach processes is proposed for the Project. The concentrate from the gravity separation circuit is leached separately by intensive cyanide leaching. Although flotation can recover gold reasonably well from the gravity concentration tailings, this process is not recommended for the Project because of the potential for gold loss into the flotation tailings.

The 2013 test results are summarized as follows:

- Whole ore leach (carbon-in-leach) showed slightly better metallurgical recoveries when compared to a flotation/regrind/cyanidation circuit.
- Gold recoveries by gravity concentration were from 31.8 to 56.8%
- An average Bond ball mill work index (BWi) of 14.2 kWh/t was determined, indicating moderate hardness in terms of grinding requirements

Test work results were used to determine the relationship between mill feed grade and metallurgical recoveries for each of the deposits (Table 1.3).

**Table 1.3 Gold Recovery Projections**

Mineral Zone	Head Grade (g/t Au)	Estimated Gold Recovery (%)
Llama	6.30	84.4
Umwelt Pit	5.65	85.2
Goose Main	4.47	92.3
George	4.96	87.3
Umwelt Underground	8.11	90.3
<b>LOM</b>	<b>5.69</b>	<b>88.0</b>

### *Mining Operations*

Conventional open pits combined with underground mining are projected to provide the process plant feed at a nominal rate of 5,000 t/d or 1.8 Mt/a. Annual mine production of ore and waste is profiled to peak at 25.3 Mt/a from the open pits, with a LOM waste to ore stripping ratio of 13.2:1. Ore production from underground mining is profiled to peak at 540 kt/a, and would be used to supplement the feed from the open pits. The production schedule in Table 1.4 was developed through strategic scheduling of the mining areas to provide early delivery of higher grade open pit material from the Umwelt and Llama deposits while minimizing initial capital expenditures.

**Table 1.4 Strategic Schedule for Underground and Open Pit**

Deposit	Unit	Pre-production	Years 1 to 4	Years 5 to 9	Total
Umwelt Pit	kt	1,228	3,035	0	4,263
Llama Pit	kt	0	2,565	0	2,565
Goose Main Pit	kt	0	2,412	2,310	4,722
George Pits	kt	0	0	1,274	1,274
Umwelt Underground	kt	0	342	1,822	2,164
<b>Total Ore Mined</b>	<b>Kt</b>	<b>1,228</b>	<b>8,354</b>	<b>5,406</b>	<b>14,989</b>
<b>Average Annual Recovered Metal</b>	<b>Koz</b>	<b>0</b>	<b>327.8</b>	<b>250.3</b>	<b>287.2</b>
Plant Feed	Kt	0	7,026	7,963	14,989
Head Grade	g/t Au	0	6.67	4.82	5.69
Recovery	%	0	87.0	89.3	88.0

Key design factors in the mine operations plan include:

- a smooth transition through open pit and underground mining areas to ensure consistent feed and optimizing grade to the process plant throughout the mine life
- a focus on feeding higher grade, near-surface, open pit material to the process plant early in the mine life while deferring more capital-intensive underground mining activities

- stockpiling lower grade (1.5 to 2.5 g/t) open pit material for blending with higher grade underground material later in the mine life
- the storage of potentially acid generating (PAG) waste rock in annually frozen 3 m lifts, capped with non-potentially acid generating (NPAG) waste rock.

Open pit mining operations would be carried out with an initial equipment fleet comprising two 76 mm ore drills, two 152 mm waste drills, one 11 m<sup>3</sup> front end loader, one 13 m<sup>3</sup> front end loader, one 96 t haul truck, and six 136 t haul trucks. This fleet would be supplemented with back-up graders, and track and rubber-tired dozers. A 5 m bench height has been selected for mining in ore and a 10 m bench height has been selected for mining in waste.

Underground mining operations would be carried out using post pillar cut-and-fill (PPC&F) mining techniques. Underground mining would be completed with a combination of two-boom jumbos, 14 t load-haul-dump (LHD) vehicles, and 40 t trucks.

### *Mineral Processing*

The 5,000 t/d process plant would utilize conventional crushing, grinding, gravity concentration, cyanidation by carbon-in-leach (CIL), and gold recovery from loaded carbon to produce gold doré. The overall design philosophy was to select proven equipment with a simple and conventional single line flowsheet that can be operated and maintained effectively in an arctic environment.

The process plant would include the following:

- one three-stage crushing circuit with a jaw crusher, a standard cone crusher, and a short head cone crusher
- one mill feed surge bin with a live capacity of 2,500 t
- grinding/gravity circuit:
  - one 5.2 m-diameter by 8.6 m-long 3.7 MW ball mill
  - two centrifugal gravity concentrators
- cyanide leaching and carbon adsorption circuit:
  - one 18.5 m-diameter high-rate thickener
  - one 14.5 m-diameter by 14.5 m-high leach tank
  - six 14.5 m-diameter by 14.5 m-high CIL leach tanks equipped with in-tank carbon transferring pumps and screens
- carbon stripping and reactivation circuit
- gold electrowinning and refining circuit.

Run of mine ore would be crushed to 80% passing 10 mm, transported by conveyance to a 2,500 t surge bin and then ground to 80% passing 100 µm. The gravity concentration integrated in the grinding circuit is expected to recover approximately 40% of the gold; an intensive leach unit would extract gold from the gravity concentrate. The cyanide leaching and carbon adsorption circuit would produce gold-loaded carbon, which would be washed by a diluted acid solution and eluted using a conventional Zadra pressure stripping process. The gold in the pregnant solution will be recovered by electrowinning. The gold sludge produced from the electrowinning circuit would be smelted to produce gold doré bullion. The gold doré bars produced would be shipped by air transport offsite.



The residue from the leach circuit will be sent to a cyanide destruction circuit employing a sulphur dioxide/air process to destroy the residual weak acid dissociable cyanide. The treated residue slurry will then be pumped to the lined TSF for storage.

Based on assumptions used in the 2013 Study, the LOM gold recovery would average 88.0%.

#### *Tailings Storage Facility (“TSF”)*

The TSF has been designed to contain 10 Mm<sup>3</sup> of material in a lined facility; the following requirements have been taken into account for the design of the TSF:

- permanent, secure, and total confinement of milled tailings within an engineered disposal facility
- control, collection, and removal of free draining water from the tailings during operations for recycling as process water, to the maximum practical extent
- the inclusion of monitoring features for all aspects of the facility to ensure performance goals are achieved, and design criteria and assumptions are met
- staged development of the facility in order to distribute capital expenditures over the life of the Project and minimize operational costs associated with tailings disposal.

The geomembrane-faced rockfill TSF embankment would be constructed in four stages over the LOM (Year -1, Year 1, Year 4, and Year 7) using a downstream method of construction. The HDPE liner will be installed on top of a bedding layer, and is comprised of a textured HDPE geomembrane with a non-woven geotextile overlay and underlay. An ice protection layer would be constructed on top of the liner in a single 1 m lift with nominal compaction.

The design and location of the TSF, adjacent to the process plant and the Llama and Umwelt open pits, would help to minimize the Project footprint and allow for effective water management of the TSF at closure.

#### *Environmental and Permitting*

The design of the Project includes a comprehensive water management plan for construction, operations, and closure. No untreated surface water will be discharged from the mine site to local streams during operations. All Project components will be decommissioned and reclaimed according to best industry practices, and territorial and federal regulations. The closure plan employs proven practices that include appropriate long-term management of PAG/metal leaching materials and any affected waters. The objective of final reclamation for the Project is to return the site to a productive condition on completion of mining activities.

New and modified mining projects in Nunavut are subject to environmental assessment (EA) and review prior to certification and issuance of permits to authorize construction and operations. The primary environmental review and approval process applicable to the Project is the territorial EA administered by the Nunavut Impact Review Board (NIRB). A Project Certificate, if recommended by NIRB, may be issued by the Minister of Aboriginal Affairs and Northern Development Canada (AANDC) at the conclusion of the EA process, which represents government approval and allows the proponent to pursue the necessary regulatory authorizations needed to construct and operate the Project.

In June 2012, Sabina submitted a project description and applications to the NIRB, Nunavut Water Board, and AANDC. In December 2012, NIRB received the Minister of AANDC’s decision that a Part 5

review should be conducted. On April 30, 2013, NIRB issued guidelines for the Preparation of an Environmental Impact Statement (NIRB File No. 12MN036). A DEIS was submitted to the NIRB in January 2014. Upon completion of a conformity review, the DEIS was formally accepted by the NIRB in February 2014.

Based on the information available and the proposed design, there are no environmental aspects limiting the development of the Project.

### *Community Sustainability*

Sabina is an active member of the Kitikmeot Region community with a regional office in Cambridge Bay (established in 2012). Sabina has also developed and advanced a Community Engagement and Consultation Program where local communities have been engaged and consulted through Project planning activities. Sabina strives to ensure engagement with all residents of the local communities and will continue to advance its community engagement program during the EA and permitting process for the Project, and throughout the development and operation of the mine. The results of the community engagement program was also integrated into Sabina's DEIS and Final Environmental Impact Statement (FEIS) processes moving forward.

Sabina plans to maximize local employment and contracting opportunities, and will work with community partners on training programs to prepare local residents for employment. Specifically, Kitikmeot Inuit will be given first opportunities for Project-related jobs, particularly those communities located nearest the Project. The total workforce may reach up to approximately 600 people across the Project during the operations phase, excluding drivers and contractors for supply haulage and ore transport from the George site to the Goose site on seasonal winter roads. The construction workforce will average 450 workers, and will peak at 500.

### *Initial Capital Cost*

The total estimated initial capital cost for the design, construction, installation, and commissioning of the Project is \$605 million, as shown in Table 1.5, at an exchange rate of 0.95 (US\$/Cdn\$). The expected accuracy range of the capital cost estimate is +25%/-15%.

**Table 1.5 Capital Cost Summary**

<b>Description</b>	<b>Capital Cost (\$ million)</b>
<b>Direct Costs</b>	
Overall Site	16
Mining	98
Ore Handling	24
Process	68
TSF and Water Management	30
On-site Infrastructure	55
Airstrip	3
Port Facility	21
External Access Roads	24
<b>Sub-total Direct Costs</b>	<b>339</b>
<b>Indirect Costs</b>	

Project Indirects	156
Owner's Costs	28
Contingency	82
<b>Total Capital Cost</b>	<b>605</b>

### Operating Costs

On-site operating costs are estimated to be \$101.29/t of ore processed as shown in Table 1.6. The expected accuracy range of the operating cost estimate is +25%/-15%.

**Table 1.6 LOM Average Operating Cost Summary**

<b>\$000/a</b>		<b>\$/t milled</b>	<b>\$/oz</b>
Mining	77,325	43.33	269.26
Milling	42,958	24.08	149.59
G&A	25,970	14.55	90.43
Surface Services*	12,014	6.73	41.83
Tailings Management	1,844	1.03	6.42
Freight Costs (Ocean/Port/Ice Roads)**	15,253	8.55	53.12
Ore Hauling (George to Goose Site)***	5,387	3.02	18.76
<b>Total</b>	<b>180,751</b>	<b>101.29</b>	<b>629.41</b>

Notes: \*Including surface services at the Goose, George, and port sites.

\*\*Excluding fuel freight costs, which are included in the operating cost estimates in related areas.

\*\*\*Ore haulage from the George site to the Goose site only in Years 7 to 9.

Off-site costs, including refining charges and the costs for direct delivery of gold doré bullion to the global market, are excluded from the on-site operating expenditures. These costs have been included in the financial analysis as a charge against gold revenues.

### Economic Analysis

An economic evaluation was prepared for the Project based on a pre-tax financial model. For the 9-year mine life and 15.0 Mt Mineral Reserve, the following pre-tax financial parameters were calculated using the base case gold price:

- 21.8% IRR
- 3.0-year payback on the \$605 million initial capital
- \$471 million NPV at a 5% discount rate.

Sabina commissioned PwC in Vancouver, BC to prepare tax calculations for use in the post-tax economic evaluation of the Project with the inclusion of applicable income and mining taxes.

The following post-tax financial results were calculated for the base case:

- 16.5% IRR
- 3.3-year payback on the \$605 million initial capital
- \$290 million NPV at a 5% discount rate.

A gold price of US\$1,350/oz was used in the base case, in consideration of the near-term spot prices, and consensus long term gold prices as of September 3, 2013.

In addition to the base case, four alternate cases were provided, based on different gold price scenarios, as shown in Table 1.7 and Table 1.8. A constant exchange rate of 0.95 (US\$/Cdn\$) was used in all scenarios.

**Table 1.7 Summary of the Pre-tax Economic Evaluations**

Unit		Base Case	-\$200/oz	-\$100/oz	I-\$100/oz	I-\$200/oz
Gold	US\$/oz	<b>1,350</b>	1,150	1,250	1,450	1,550
NPV (at 5%)	Cdn\$ million	<b>471</b>	143	307	635	799
IRR	%	<b>21.8</b>	10.8	16.6	26.5	30.9
Payback	years	<b>3.0</b>	4.5	3.7	2.7	2.4

**Table 1.8 Summary of the Post-tax Economic Evaluation**

Unit		Base Case	-\$200/oz	-\$100/oz	I-\$100/oz	I-\$200/oz
Gold	US\$/oz	<b>1,350</b>	1,150	1,250	1,450	1,550
NPV (at 5%)	Cdn\$ million	<b>290</b>	67	179	401	511
IRR	%	<b>16.5</b>	7.9	12.5	20.4	23.9
Payback	years	<b>3.3</b>	4.8	4.0	2.9	2.6

In addition to the \$605.1 million initial capital, the estimated LOM sustaining capital is \$225.5 million, and the reclamation and closure costs are \$84.7 million.

#### *Project Execution Schedule*

The Project execution schedule includes the following key milestones:

- engineering and environmental approvals/permitting: -
  - submit DEIS – Q1 2014
  - complete feasibility study – Q3 2014
  - select EPCM firm and begin detailed engineering – Q3 2014
  - submit FEIS – Q4 2014
  - receive Project Certificate – Q3 2015
  - receive type A water licence – Q3 2016
- site preparation and pre-construction:
  - long lead procurement – Q1 2015
  - initial sealift procurement – Q1/Q2 2015
  - expand Goose airstrip – Q2 2015
  - complete initial sealift to Bathurst Inlet – Q3 2015
  - construct Bathurst Inlet port – Q3/Q4 2015
  - initial winter road from Bathurst Inlet to Goose – Q4 2015/Q1 2016

- install construction camp – Q1/Q2 2016
- construction and commissioning:
  - begin open pit mining and TSF construction – Q3 2016
  - construct site infrastructure – Q1 2016 through Q3 2017
  - commission process plant – Q3/Q4 2017
  - pour first gold – Q4 2017...

In 2014, optimization studies and metallurgical testing were completed prior to launching on the FS. It is likely the schedule above as laid out in the PFS will experience some pressure and the first gold pour will likely be delayed beyond 2017.

*“...Interpretation and Conclusions*

In 2013, Sabina completed a drill program consisting of 65,364 m in 350 drillholes on five of the 10 deposits located at the George and Goose sites. This drilling resulted in a significant conversion of Indicated Mineral Resources to Measured Mineral Resources as well as the delineation of the first Mineral Resource on the Echo deposit. Although the impact of the new Mineral Resource estimate on the 2013 Study has not yet been assessed, it is expected to be positive.

Based on the findings of the 2013 Study, it has been concluded that the Project would be economically viable under the base case financial parameters. It has been recommended to Sabina to proceed to the feasibility study phase.”

## HACKETT RIVER SILVER ROYALTY

### Acquisition of the Hackett River Project

The Hackett River Project was acquired pursuant to a Memorandum of Understanding dated November 24, 2003 (the "**Hackett River Agreement**") between the Company and Cominco Mining Partnership ("**CMP**"), a partnership of Teck Cominco Metals Ltd. and its wholly owned subsidiary, Cominco Nova Scotia Company. The Hackett River Agreement granted to the Company an option to earn a 100% interest in the Hackett River Project by spending \$7 million on exploration within a five year period. On January 12, 2006 Sabina exercised the option and earned a 100% interest in the Hackett River Project subject to certain back in rights of CMP (which were not exercised). The property is subject to a 2% net smelter return royalty in favour of CMP and a 10% net profit interest royalty capped at \$2,000,000 in favour of Etruscan Resources Ltd. The Hackett River Agreement also granted the partnership a right of first refusal (the "**ROFO**") to purchase 50% of all products derived from the Hackett River Project.

On December 13, 2010, the Company entered into an extinguishment agreement (the "**Extinguishment Agreement**") with the partnership pursuant to which the ROFO was extinguished in consideration of 100,000 Common Shares and 100,000 special warrants of the Company (the "**Special Warrants**"). The Special Warrants were exercisable for no further consideration to acquire 100,000 Common Shares upon the occurrence of certain events by December 30, 2015. The Special Warrants were exercised in December 2011 upon completion of the sale of Hackett River to Glencore.

### Sale of the Hackett River Project

Recognizing that it had two potentially world class projects and given the size and complexity of the Hackett River Project, in the fall of 2010 Sabina engaged BMO Capital Markets to look for a strategic partner on the project. The objective of this strategy was to allow Sabina to focus on developing its gold assets, potentially enabling production sooner at the smaller scale Back River Property, while at the same time continuing to push the Hackett River Project forward. Glencore expressed interest in the Hackett River Project early in the process and was aggressive in completing due diligence and making a bona-fide offer in the spring of 2011.

On June 1, 2011, the Company entered into a definitive agreement (the "**Hackett Agreement**") to sell the Hackett River Project and certain claims included in the Wishbone Project (the "**Sold Properties**") to Glencore for cash consideration of \$50 million. As well, Sabina reserved a silver production royalty (the "**Hackett Royalty**") equal to 22.5% of the first 190 million ounces of payable silver from the current resource at the Sold Properties and 12.5% of all payable silver from the Sold Properties thereafter.

Following formal closing, which occurred on November 14, 2011, Glencore is required to spend not less than \$50 million on the Sold Properties ("**FS Expenditures**") with a view to completing a National Instrument 43-101 compliant feasibility study by the fourth anniversary of the completion date of the transaction. If the feasibility study has not been completed by this date, Glencore can elect to incur additional FS Expenditures of not less than \$10 million by each of the next three anniversaries.

If at any of the fourth, fifth, sixth or seventh anniversaries, Glencore has not met the spending requirement and has not completed the feasibility study, Glencore may elect to pay Sabina the shortfall, failing which, upon notice to Glencore, Sabina may exercise a right to buy back ("**Buy**

**Back Right**”) the Sold Properties for a cash purchase price equal to 100% of the FS Expenditures incurred by Glencore. The Buy Back Right also applies if Glencore has not by the seventh anniversary of the completion date publicly announced a definitive decision to begin construction of a mine within 12 months following such seventh anniversary.

If Sabina exercises the Buy Back Right, Glencore may elect to pre-empt the Buy Back Right and retain the Properties by paying to Sabina an advance royalty payment of \$75 million in three instalments of \$25 million over three years.

The Hackett Royalty is contained in a separate silver royalty agreement (the “**Royalty Agreement**”) made as of October 3, 2011 which sets out the terms for the calculation and payment of the Hackett Royalty and other rights relating thereto. Under the Royalty Agreement, the obligation to pay the Hackett Royalty arises from the date on which Glencore is entitled to receive payment for the sale of silver from the Sold Properties under sales contracts entered into by Glencore from time to time. The Hackett Royalty payable is equal to 22.5% of the gross value (being, generally speaking, the ounces of silver sold multiplied by the silver market price less deductions for actual charges incurred by Glencore specifically with respect to such silver) on the first 190 million ounces of silver produced in the aggregate from what is defined in the Royalty Agreement as the "Known Resource" or otherwise from the Sold Properties (subject to set off against, and potential repayment of, any Excess Royalty described below), and 12.5% of the gross value of any additional silver mined from the "Known Resource" or elsewhere on the Sold Properties.

The "Known Resource" is a 3-D block model completed for the purposes of the Hackett Agreement consisting of the existing Hackett River mineral resources, derived from the PEG Study (see "Description of the Hackett River Project"), and additional tonnage of approximately 10% as assessed by Glencore based on its review of the 2010 drilling on the Hackett River Project.

A reconciliation of the silver produced and Hackett Royalty paid as it relates to the Known Resource will be completed once the Known Resource has been completely mined out. Once reconciled, if it is determined that less than 190 million ounces was mined and milled from the Known Resource and consequently the Hackett Royalty was paid at 22.5% on ounces of silver that were not produced from the Known Resource (“**Excess Ounces**”), Sabina must repay to Glencore an amount equal to, generally speaking, 10% of the gross value of such Excess Ounces (the “**Excess Royalty**”). Any Excess Royalty will be repaid by Sabina to Glencore by way of a set off against future 12.5% royalty payments payable to Sabina. The right to set off against future royalty payments is Glencore's sole means to recover any Excess Royalty made until such time as Glencore has permanently ceased mining operations on the Sold Properties whereupon Glencore may notify Sabina to repay any unrecovered Excess Royalty in cash within 180 days of such notice.

Under the Royalty Agreement, Glencore will have a right of first refusal (the “**Glencore ROFR**”) if Sabina receives an offer to purchase the Hackett Royalty from an arm's length third party that Sabina wishes to accept. The Glencore ROFR, however, does not apply to a sale of the Hackett Royalty to (i) certain purchasers named in the Royalty Agreement, or (ii) subject to the prior approval of Glencore, not to be unreasonably withheld, to a purchaser with a market capitalization greater than \$500 million. In addition, the Glencore ROFR does not apply to the acquisition of Sabina, unless at the relevant time the Hackett Royalty represents all or substantially all of Sabina's assets.

Silver Wheaton agreed that the December 21, 2006 agreement between Silver Wheaton and the Company pursuant to which Silver Wheaton was granted a right of first refusal over any silver sale (other than trade sales in the ordinary course of business) by Sabina from the Hackett River Project did not apply to the Hackett Agreement. However, in connection with entering into the Hackett Agreement, Sabina agreed, among other things, that Silver Wheaton's right of first refusal will include the sale or assignment by Sabina of the Royalty Agreement.

### **Description of the Hackett River Project**

The following description of the Hackett River Project has been reproduced from the summary contained in the technical report dated effective July 31, 2013 titled "Sabina Gold & Silver Corp. Hackett River Property Royalty, NI 43-101 Technical Report Nunavut Canada" (the "**Hackett River Report**") jointly prepared by Sabina and AMC in connection with Sabina's royalty interests (not direct ownership) on the property. The entire Hackett River Report, a copy of which may be found on SEDAR at [www.sedar.com](http://www.sedar.com), is incorporated by reference into this AIF and should be consulted for details beyond those provided herein.

"Mining companies are not (typically) required and, as a matter of practice, do not normally disclose detailed information to companies which hold a royalty interest in their operations unless legally mandated to do so. The royalty holder therefore, is limited in the amount of information and details it can disclose to that which is available in the public domain. Glencore is not a reporting issuer in Canada and is therefore not required to publish any information it considers proprietary. Glencore has made certain portions of the resource estimate documentation available to Sabina and allowed an employee of Glencore to sign off as a Qualified Person ("QP") in regard to those portions.

The technical report, additionally, relies upon general information available in the public domain including: Xstrata annual reports and various older technical reports many of which are available on the SEDAR website. The most recent public report (prior to the July 2013 report) PEG Mining Consultants Inc., 2009: Preliminary Economic Assessment (Update) NI 43-101 Report, Hackett River Project, Nunavut Canada Amended July 26, 2010, ("**PEG 2009 PEA**") posted to SEDAR was completed for Sabina while it still owned the project. It is not generally regarded as current and only cited where data is relevant and current.

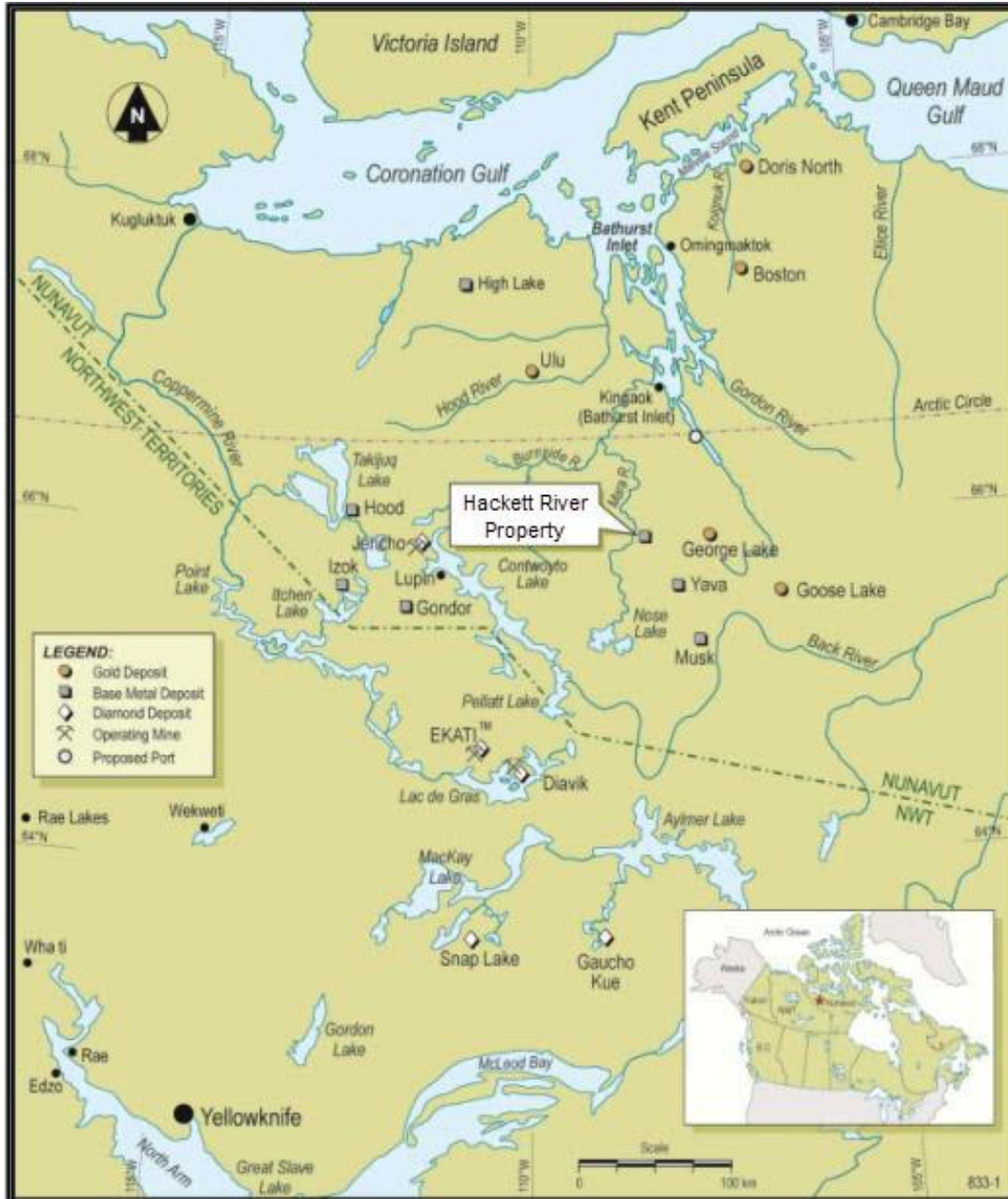
#### *Property Description and Location*

The Hackett River Project is located in Nunavut, Canada, approximately 480 km northeast of Yellowknife and 105 km south-southwest of Bathurst Inlet, which is located on the Arctic Ocean. The approximate centre of the property is at 65° 55' North Latitude, 108° 30' West Longitude. It is located in the Kitikmeot Region of Nunavut and falls within the jurisdiction of the West Kitikmeot Planning Region. The nearest major settlements are Kugluktuk (360 km northwest) and Cambridge Bay (380 km northeast). Other major communities in the region include Gjoa Haven (617 km), Kugaruuk (846 km), Taloyoak (742 km) and Yellowknife, NWT (485 km).



The location of the Property is shown in Figure 1.1 which has been taken from the PEG 2009 PEA.

Figure 1.1 Location of Hackett River Property



### Ownership

The Project comprises nine mineral leases totalling 30,271 acres or 12,250 hectares and 132 claims totalling 264,671 acres or 107,109 hectares. On November 14, 2011, the leases and claims were transferred to Xstrata after the closing of the sales agreement to sell the Properties to Xstrata subject to a royalty interest.

### *Geology, Mineralization and Deposit Type*

The Property is located in the Slave Province of Nunavut within an Archean greenstone belt. The Hackett volcanogenic massive sulphide deposits are hosted by intermediate to felsic meta-volcanic rocks. There are four deposits that occur along a six kilometre NNW folded linear trend with the Jo Zone deposit in the southeast, next the Main Zone deposit, next the Boot Lake deposit, and finally the East Cleaver deposit in the northwest.

### *Exploration and Drilling*

The deposits were discovered in 1969 and various companies have explored the property up to the present. Up to the end of 2012, a total of 784 holes have been drilled for a total of 179,875 metres. The work has estimated Mineral Resources in four separate deposits: Jo Zone, Main Zone, Boot Lake and East Cleaver. Glencore continues to actively explore and evaluate the property.

### *Resource Estimate*

This mineral resource estimate was completed by Glencore (previously Xstrata) under the JORC code and was reported by Glencore on May 3, 2013 in its annual report of mineral resources and reserves as at December, 31, 2012. These have been reviewed by AMC and are stated here in accordance with NI 43-101 thus conforming to the CIM Definition Standards.

### Mineral Resource Estimate – Hackett River Deposits

	Mt	Zn %	Pb %	Cu %	Ag g/t	Au g/t
Indicated	25	4.2	0.6	0.5	130	0.3
Inferred	57	3.0	0.5	0.4	100	0.2

1. Source: Xstrata R&R Report (as of December 31, 2012)
2. Mineral resources, which are not mineral reserves, do not demonstrate economic viability.
3. Glencore's normal data verification procedures have been employed in connection with the estimations.

There are no Mineral Reserves defined on the project..."

*Mineral resources that are not mineral reserves do not have demonstrated economic viability. Mineral resource estimates do not account for mineability, selectivity, mining loss and dilution. These mineral resource estimates include inferred mineral resources that are normally considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves. There is also no certainty that these inferred mineral resources will be converted to measured and indicated categories through further drilling, or into mineral reserves, once economic considerations are applied.*

Glencore has subsequently announced an updated mineral resource estimate on the Hackett River project which can be found at <http://www.glencorexstrata.com/assets/Investors/GLEN-2013-Resources-Reserves-Report.pdf>. Sabina does not consider the change in estimate over 2012 material.

*“...Mineral Processing and Metallurgical Testing*

Batch testing of various bulk Cu/Pb and sequential flotation flowsheets concluded that the optimum flowsheet in terms of maximising recoveries, especially lead and silver, to acceptable concentrate grades was bulk Cu/Pb flotation followed by separation of Pb from Cu in the bulk concentrate and Zn flotation on the tails.

Further testing of this flowsheet, including locked cycle work, resulted in the average metal recoveries and concentrate grades used for the PEA as listed in Tables 1.2 and 1.3.

**Table 1.2 Projected Average Metal Recoveries – Combined Products (PEG 2009 PEA)**

Combined Products	Million Tonnes	% Recovery				
		Cu	Au	Ag	Pb	Zn
Main Zone	24.4	76.3	51.5	77.6	85.3	91.6
Boot Lake	13.6	76.9	58.9	74.3	85.8	89.8
East Cleaver	23.1	70.9	56.6	78.5	83.9	93.8
Weighted Average	61.1	74.4	55.0	77.2	84.9	92.0
Economic Model		74.5	55.0	77.0	85.0	92.0

**Table 1.3 Projected Average Concentrate Grades – Combined Products (PEG 2009 PEA)**

All Products	Million Tonnes	Concentrate Grade, %		
		Cu	Pb	Zn
Main Zone	24.4	23.4	45.7	57.3
Boot Lake	13.6	23.2	55.3	55.9
East Cleaver	23.1	24.1	53.3	54.9
Weighted Average	61.1	23.6	50.7	56.1
Economic Model		23.5	51.0	56.0

The metallurgical testing also examined the potential deleterious elements in the concentrates and the main conclusions are:

- Elevated levels (1,700 to 2,400 ppm) of cadmium were noted in all of the zinc concentrates produced.
- Mercury levels exceeded 10 ppm in nine of the 20 concentrates tested.
- High silica concentrations were observed in a number of locked cycle products.

The proposed process plant is a conventional crushing/grinding/flotation operation, although AMC has noted that the SAG mill circuit for grinding requires further testwork to support its application on this deposit.

### *Mining Methods*

The PEG 2009 PEA envisioned a combination of open pit and underground mining. For the open pits PEA level open pit criteria were used to develop open pits for the Main Zone, East Cleaver and Boot Lake deposits. The PEG 2009 PEA looked at the geotechnical and ground support required for an underground mine at the Boot Lake deposit and the suitability for sub-level caving (SLC).

The PEG 2009 PEA considered two mining rates of 10,000 and 12,000 tpd for the open pits, and up to 5,000 tpd for the underground operation.

This information is no longer regarded as current.

### *Recovery Methods*

The PEG 2009 PEA outlined an optimum flow sheet to produce a saleable concentrate for zinc, lead and copper with an emphasis on optimizing silver recovery. A conventional crushing/milling/flotation operation was envisaged and presented minimal technological risk.

The process plant was designed on a base case 10,000 tpd operation and the engineering is based on this rate. Subsequent financial analysis suggests a 12,000 tpd capacity is more economic and therefore capital costs and operating costs were factored to accommodate this increase in throughput.

This information is no longer regarded as current.

### *Project Infrastructure*

Hackett River is a remote site and two principal routes will be used to supply any future mine. Goods and concentrate will move by marine transport and road, and air transport will be used for personnel, perishable goods and emergency transport. A deep water port in Bathurst Inlet will be needed to allow transport of materials in to and out of site along an overland route to the mine.

The proposed port is located approximately 75 km north of the mine site by air. It will need to be designed to handle up to 56,000 dwt capacity ocean going vessels during an estimated 120 day ice free shipping season.

The PEG 2009 PEA proposes a 96 km all season road to be constructed from the port to the mine site. The road will allow truck transport of concentrate to the port. Air transport, estimated at 2,600 tonnes per year, will require a 2,000 metre airstrip with GPS approach capabilities.

There is no further information available from Glencore on this issue.

### *Market Studies and Contracts*

There is no available information from Glencore on this issue.

### *Environmental Studies, Permitting and Social or Community Impact*

The Project is located in the West Kitikmeot Region of Nunavut and will require the development of an open pit and underground mine complex, the construction of tailing and waste storage areas, construction of a road to a port facility on Bathurst Inlet and other related infrastructure.

The Project will be subject to an environmental assessment and regulatory review. The Nunavut Land Claims Act ("NLCA") created the Nunavut Territory in 1997. Under the NLCA surface and subsurface rights for some parcels of land have been entrusted to the Inuit. The Designated Inuit Organization under the NLCA is Nunavut Tunngavik Inc ("NTI") and it retains administration of the subsurface mineral rights for Inuit Owned Lands ("IOL"). Surface rights for IOL are vested from NTI to the Regional Inuit Associations ("RIA"). All other surface and subsurface rights in Nunavut are managed by the Crown through AANDC except for communities within the territory. The communities and municipalities are within Commissioners lands and are managed by the Government of Nunavut ("GN").

NTI holds the principle that the development of mineral resources will be supported and promoted if there will be long term economic and social benefits for the Inuit of Nunavut.

Five management boards were created within the NLCA and these Institutes of Public Government include representatives of NTI, the Crown and the GN and are responsible for resource management in Nunavut. Several Federal Acts apply and these include the *Fisheries Act* and the *Navigable Waters Act*.

The environmental regulatory process that will apply to the project includes territorial environmental assessment administered by the NIRB, water licensing administered by the NWB and authorization from Canada Department of Fisheries and Oceans and listing under Schedule 2 of the Metal Mine Effluent Regulations (*Fisheries Act*) for disposal of tailings in a natural water body. An IIBA will need to be negotiated with RIA and land leases (Inuit-owned and Crown) will be required.

Sabina commenced collecting baseline environmental data in 2007; however the current status is not known.

### *Capital and Operating Costs*

There is no available current information from Glencore on this issue.

### *Economic Analysis*

The economic analysis shown in the PEG 2009 PEA is regarded as no longer current.

### *Conclusions and Recommendations*

The Property contains four massive sulphide deposits that occur over a 6.6 km strike distance and from west to east are the East Cleaver, Boot Lake, Main Zone, and Jo Zone deposits. The deposits are typical polymetallic base metal volcanogenic massive sulphide deposits and are notable for their high silver content. The deposits are hosted in Archean age volcanic rocks within the Hackett River Greenstone belt in the Nunavut portion of the Slave Craton.

The deposits were discovered in 1969 and explored by several companies including Cominco and Teck prior to Sabina acquiring the property in 2003. Sabina sold the Properties to Xstrata in 2011 subject to a silver royalty. Xstrata continued to explore and evaluate the Hackett River deposits with programs in 2012, and Glencore in 2013. This work continues to increase the knowledge and confidence in resource estimates reducing the overall risk to the project.

Exploration, largely drilling, has continued to expand and better define the four deposits since the last two resource estimates in 2011 and 2009. Drilling prior to 2009 totalled 408 drillholes for 86,177 metres and drilling now totals 784 holes for 179,875 metres. The current Xstrata 2012 resource estimate used the additional drilling from 2009 through 2012 and increased the size of the deposits.

The comparison to the 2009 figures shows a reduction in Indicated Mineral Resource (46.3 Mt to 25.0 Mt), and a large increase in the Inferred Mineral Resource, (15.9 Mt to 57.0 Mt). The change in Indicated has been explained as being due to a different method of classification, and the increase in Inferred is due to drilling, new metal prices and new cut-off grades.

For Sabina, with a silver royalty of 22.5% on the first 190 million ounces of silver produced and 12.5% on any additional production, the Indicated Mineral Resource estimate of 25 Mt of 130g/t silver and the Inferred Mineral Resource estimate of 57 Mt of 100 g/t silver (both 2009 resource estimates) represent a material asset to the company.

Recommendations from previous resource reports have noted the need to acquire more bulk density data. The collection of pycrometer bulk density data by Xstrata on all the 2012 assay samples has increased the reliability of the density model.

The PEG 2009 PEA evaluated the economic viability of the deposits under a reasonable set of technical and economic variables at that time. This PEA envisioned a 16 year, 12,000 tpd open pit and underground mine with a 97km long road to Bathurst Inlet that will carry supplies and fuel into the mine and concentrate out. This study is no longer regarded as current. Since Sabina is the royalty holder and is not in a position to know the extent of the work undertaken by Glencore since the sale of the Hackett River Project to Glencore, it is unable to make recommendations in regard to the Project.

## **OTHER PROPERTIES**

### **Wishbone Project, Nunavut**

#### *Description of the Wishbone Project*

The Wishbone Project was initially comprised of a series of 180 mining claims covering a district-scale land package over the highly prospective extension of the Hackett River Greenstone belt that hosts the Hackett River VMS project.

With the sale of the Hackett River project to Xstrata, Sabina retained 48 of these claims along the south eastern portion of the greenstone belt that cover a number of iron formation hosted targets with geology analogous to that found at Back River.

In August 2011, a new highly favourable gold trend was identified by Sabina on these retained Wishbone claims at the Lucky 7 target. As a result of this discovery, Sabina staked 73 new

claims to the east and south of the existing property. The Wishbone project now consists of 121 mining claims covering 79,166 ha.

The Back River Property is located 60km to the east of Wishbone. The Wishbone Project covers volcanoclastic rocks of the Hackett River Group, which is part of a larger group of volcanic rocks collectively referred to as the Hackett River Greenstone Belt consisting of largely volcanic rocks of varying composition which differs from the largely sedimentary rocks in the Back River Property including George Lake and Goose Lake.

Limited exploration work was completed in the area during the 1970s and early 1980s following the discovery of a massive sulphide deposit, at what is now Hackett River. Work included airborne and ground geophysics over numerous gossan zones in the area, along with detailed mapping and soil geochemistry surveys. The bulk of this work was carried out by Cominco Ltd. and Noranda Inc. DPM staked the initial Wishbone claims and commenced exploration work in 2007. They completed a time-domain electromagnetic (VTEM) and magnetic geophysical survey over a portion of the Wishbone Project which generated 198 anomalies of which 112 warranted follow-up. DPM completed limited preliminary ground investigation of selected anomalies which given the geological setting would be considered to be base metal exploration targets rather than gold exploration targets. Moderate to high potential exists to define a mineral resource within the Wishbone Project. The Company considers the Wishbone Project to be an early stage grassroots exploration prospect.

#### *Geological Mapping and Prospect Evaluation*

A geological mapping and prospect evaluation program was conducted throughout the summers of 2009 and 2010. This program focused on high potential VMS, gold and kimberlite targets that were identified by an evaluation of the extensive VTEM survey that covers most of the southern portion of the property.

A focus was to evaluate the volcanic stratigraphy and alteration immediately surrounding the Hanimor dome. The Hanimor dome is thought to be a synvolcanic intrusion that supplied heat and metals to the Hackett River deposits. Very limited previous work approximately 13 km to the east of the Hackett deposits, at the May and Watson prospects, encountered interesting mineralization during scout drilling by Cominco in 1971.

#### *Geophysics*

In 2010 a new VTEM survey was flown over the Hackett River property and a portion of the Wishbone claims immediately to the north of the earlier VTEM survey flown by DPM in 2008. This survey defined a number of new high quality targets, particularly at the eastern end of the property immediately to the east of the Hanimore Dome.

#### *2011 Wishbone Exploration Results*

The Company completed 11,629 meters of drilling in 2011 on the Wishbone properties for total expenditures of \$8.8 million. Work initially began in the Bullwinkle area and then relocated to the Rocky area in July returning to Bullwinkle in September. Both areas are underlain by folded oxide and silicate iron formations. The iron formations in the Rocky area are locally very highly sulphidized with abundant pyrite and pyrrhotite.

The highlight of the program has been the discovery at Lucky 7 in the Bullwinkle area, in an altered fault gouge zone with shearing, quartz veining and up to 5% pyrite and pyrrhotite.

At Rocky, numerous wide, low grade intersections have been returned in pyrrhotite-rich silicate and oxide iron formation.

A total of 33 holes and 7479m were drilled on the Wishbone property in 2012. Drilling continued to outline low grade gold zones found in 2011 at the Lucky 7 and Rocky targets. As no higher grade zones were discovered, further drilling has been put on hold and will not be conducted in 2013.

Mapping, prospecting and till sampling were also completed over several areas on Wishbone with encouraging results at the Dark Side, Hawaii and Hawaii South prospects. Field work is recommended for Wishbone in 2013 in order to better outline targets and further evaluate the claims staked in 2011.

Roughly \$6,000,000 was spent on all Wishbone work (including drilling and field programs) in 2012.

A 10 day mapping and sampling program was completed at Wishbone during 2013 with no significant results.

A similar program of focussed mapping and sampling is planned for 2014.

## **Red Lake Area, Ontario**

### ***Newman-Madsen***

In October 2004, the Company entered into an option and joint venture agreement with Premier Gold Mines Limited ("**Premier**") on the Newman-Madsen property, an early stage exploration project located in the Red Lake Mining Division of north-western Ontario. The Company initially made a \$50,000 payment and funded its share of exploration costs on the property with Premier as the operator to earn a 50% joint venture interest in the property subject to a 3% net smelter return royalty and a 10% net profits royalty on part of the property.

On February 10, 2009, the Company and Premier entered into a letter of intent (the "**Skybridge LOI**") with Skybridge Development Corporation ("**Skybridge**") which granted to Skybridge an option to acquire 100% of the East My-Ritt property portion of the Newman-Madsen property. Under the terms of the Skybridge LOI, the Company and Premier would receive \$200,000 in cash and 1.5 million Skybridge shares. The payment of cash and shares would occur in five equal distributions over a four-year period, with the first payment due upon signing a definitive agreement. The Company and Premier would retain a 0.5% net smelter royalty on the property as well as the right to jointly buy out the existing underlying royalty provisions on the property. The existing underlying royalty provisions are comprised of a 3% net smelter royalty on all eight claims and a 10% net profits interest on six claims. Additionally, the purchasers must incur exploration expenditures totalling \$1.2 million over a five-year period. In May 2009, Skybridge merged with Mega Silver Resources ("**Mega Silver**") and Sabina will receive 600,000 Mega Silver shares under the Skybridge LOI.

On January 16, 2012, Sabina purchased Premier's 50% joint venture interest for a cash payment of \$500,000 and a 0.5% net smelter return royalty on the property. As a result of



Sabina's purchase of Premier's 50% interest in the Newman-Madsen property, Sabina will now be entitled to Premier's interest in the Skybridge LOI.

The Newman Madsen property is comprised 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 Clause Resources Ltd's. Madsen Mine. Eight of these claims are currently under option to Mega Precious Metals (East My Ritt Option).

#### *2011 Newman Madsen Exploration Summary*

The Company completed 3,039 metres of drilling in 2011 on the property for total expenditures of \$398,000. This drilling took place in early 2011 and focussed on exploring for mineralized structures within the mafic volcanics that underlie the western half of the property. No significant assay results were returned although a number of potentially mineralizing structures were defined. During the fall, geological mapping and prospecting took place to further evaluate the property in anticipation of a winter drill campaign in 2012.

#### *2012 Newman Madsen Exploration Summary*

In 2012, the Company completed 4,332 metres of drilling in 13 holes during the first quarter on the Newman-Madsen property. The focus was on exploring for mineralized structures within the mafic volcanics that underlie the western half of the property, extensions of the Buffalo West Zone and the Madsen Mine trend. No significant assay results were returned although a number of potentially mineralized structures were defined. Geologic assessment of the property continues.

In 2013 a 40 km IP survey was completed as well as a two week mapping and sampling program. Results of the survey work have better defined areas of geological interest that may lead to the definition of drill targets. Management is evaluating the best options for further exploration and advancement of the project.

#### ***Golden Sidewalk***

Sabina owns 100% of 18 leasehold patented claims, known as the Golden Sidewalk property, located in Skinner Township in the Red Lake Mining District of north-western Ontario. 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. Gold was discovered on the Golden Sidewalk property in 1926. The property produced high-grade gold specimens from several different locations during limited sporadic production from 1928 to 1937.

Among the more recent high grade discoveries is the "Joe Vein" first discovered in preliminary surface trenching work by Sabina in late 2004. Compilation of the current and historical data along with limited drilling was completed in 2006. Further reconnaissance work was undertaken in 2007, including surface mapping as well as inspection of old workings at the Bathurst Mine shaft. A drilling program of 2,472 meters in 23 core holes was completed in March 2008. Drilling intersected gold mineralization in the primary target "Bathurst Mine Horizon" and also discovered a second horizon with potential high-grade gold mineralization. The diamond drilling of the "Bathurst Mine Horizon" and the new "Upper Bathurst Mine Horizon" confirmed the presence of multiple gold bearing structures with further potential along strike and at depth. No work has been done on the property since 2010 and no work is planned for 2014.

### **Skinner**

Sabina owns a 100% interest in 14 claims, covering 2,900 hectares, known as the Skinner property, located in the Red Lake Gold camp adjacent to and immediately south of the Golden Sidewalk property. Sabina optioned the property in June 2004 from Wolfden Resources Ltd. (now Premier), which retained 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 (1% of which can be purchased by Sabina for \$1,200,000, while the other 1% is subject to a right of first refusal granted to Sabina).

Compilation of historic data has been completed and geophysics surveys, geochemistry, geological mapping and limited mechanical stripping and diamond drilling were carried out by Sabina during 2005 and 2006. Additional geological mapping and prospecting programs were completed during 2007 on staked claims adjoining the north of the property where historic gold occurrences are noted and geophysical surveys indicated complex structure. In addition, detailed work on historic information was completed to evaluate the significant historic high grade gold occurrences on the property.

In 2008, drilling intersected a gold mineralized structure along the edge of an ultramafic unit. The discovered ultramafic unit is located under an arm of Narrow Lake. At present, only two holes have tested the mineralized structure, both returning anomalous gold values. These holes were successful in discovering gold mineralization in an east-west trending structure (the "**Blind Zone**") with gold mineralization occurring along a sheared contact between a gabbro sill and ultramafic unit. The 2009 drill program consisted of 10 holes totalling 2,045 meters and was completed in February 2009. No work has been done on the property since 2010 and the project is currently under review to assess if any work in 2014 is justified.

### **Redaurum**

Goldcorp Inc. ("**Goldcorp**") commenced exploration activities in 2003 on the Company's 80% owned Redaurum property in accordance with the terms of an option agreement effective April 30, 2003. The remaining 20% interest in the Redaurum property was held by Claude Resources Inc. ("**Claude**"). Under the option agreement, Goldcorp earned a 50% interest in the property from Sabina's 80% interest only (reducing Sabina's interest to 30%) by making cash payments to Sabina totaling \$100,000 over a three year period ended April 30, 2006 and incurring exploration expenditures on the Redaurum property totaling \$2,000,000 over a four year period ended April 30, 2007. Upon Goldcorp earning its initial 50% interest in the Redaurum property, Sabina was deemed to have transferred a 5% interest to Claude in return for Claude having waived a right of first refusal granted to it by Goldcorp. Sabina then elected to have Goldcorp fund all further expenditures on the Redaurum property up to production in return for an additional 5% interest, leaving Sabina with a 20% interest carried to production.

The Redaurum property is located within one of the major Red Lake deformation zones and in close proximity to the past producing Madsen Gold Mine. The Redaurum Property is underlain by several ultramafic rock units and extensive quartz carbonate veining, which are important features of Goldcorp's Campbell and Red Lake producing gold mines.

### **Nipigon Project**

In the fall of 2011, the Company staked 107 mineral claims covering over 25,000 ha in an area approximately 100 km north of Thunder Bay, Ontario. The Nipigon Project is 100% owned and

is located along the same iron formation that hosts the Beardmore-Geraldton gold camp. There has been little exploration along this prospective trend that has produced 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.

The setting of these four deposits and the geology of the belt are identical to the Back River area which will allow Sabina to apply its extensive technical knowledge and exploration toolbox on the Nipigon Project.

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 metres. 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.

## **Manitoba**

### ***Cook Lake Project (Option from Xstrata Copper Canada)***

Pursuant to an agreement made as of November 29, 2010, Sabina had an option to earn up to a 100% interest in the Cook Lake properties by having made an initial payment of \$100,000 and by completing exploration work totalling \$10 million over a five year period. The Cook Lake properties consist of 78 claims totalling 4,938 hectares located in the Snow Lake region of northern Manitoba adjacent to the north and west of the newly discovered Lalor deposit owned by HudBay Minerals Inc. Work commenced in January 2011 with line-cutting, ground EM and diamond drilling.

A total of \$3.8 million of exploration work has been done on the property which includes 8,139 metres of drilling in 11 drill holes. Following an assessment of results, the Company determined that it had not identified sufficient potential for an economic mineral system. Consequently, on January 15, 2013, the Company provided notice to Xstrata Copper Canada terminating the option agreement and the Company wrote off all related deferred costs on the project.

## **RISK FACTORS**

Investors should carefully consider all of the information disclosed in this Annual Information Form prior to investing in the securities of the Company. In addition to the other information presented in this Annual Information Form, the following risk factors should be considered when evaluating an investment in such securities.

### **Risks Related to the Business of the Company**

#### ***Exploration Hazards and Risks***

Natural resource exploration generally involves a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. These risks include, but are not limited to, the following; environmental hazards, industrial accidents, third party accidents, unusual or unexpected geological structures or formations, fires, power outages, labour disruptions, floods, explosions, cave ins, landslides, acts of God, periodic interruptions due to inclement or hazardous weather conditions, earthquakes, delays in

transportation, inaccessibility to property, restrictions of courts and/or government authorities, other restrictive matters beyond the reasonable control of the Company, and the inability to obtain suitable or adequate machinery, equipment or labour. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration of precious and base metals, any of which could result in work stoppages, asset write downs, damage to or destruction of equipment and other facilities, damage to life and property, environmental damage and possible legal liability for any or all damages. The Company may become subject to liability for pollution, or hazards against which it cannot insure or against which it may elect not to insure. Any compensation for such liabilities may have a material, adverse effect on the Company's financial position.

The Company's property, business interruption and liability insurance may not provide sufficient coverage for losses related to these or other hazards. Insurance against certain risks, including certain liabilities for environmental pollution, may not be available to the Company or to other companies within the industry at reasonable terms or at all. In addition, the Company's insurance coverage may not continue to be available at commercially acceptable premiums, or at all. Any such event could have a material adverse affect on the Company's business.

### ***Exploration and Development of Natural Resource Properties***

There is no assurance that the exploration programs on the Company's current or future natural resource properties will result in the discovery of new resources or lead to the development of a commercially viable orebody.

The business of exploration for minerals involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines.

The economics of developing gold, silver and base metal properties are affected by many factors including capital and operating costs, variations of the tonnage and grade of ore mined, and fluctuating mineral markets.

Depending on the prices of gold, silver or base metals, the Company may determine that it is impractical to continue exploration or to commence development of a mineral property. Substantial expenditures are required to discover an orebody, to establish resources and reserves, to identify the appropriate metallurgical processes to extract metal from ore, and to develop the mining and processing facilities and infrastructure. The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond the Company's control and which cannot be accurately foreseen or predicted, such as market fluctuations and conditions for precious and base metals, the proximity and capacity of milling and smelting facilities, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting minerals and environmental protection. In order to commence exploitation of certain properties presently held under exploration concessions, it is necessary for the Company to apply for an exploitation concession. There can be no guarantee that such a concession will be granted. Unsuccessful exploration or development programs could have a material adverse impact on the Company's operations and financial condition.

Due to the location of the Back River Assets, there is presently no infrastructure available to explore or, if a production decision is ultimately made, develop or engage in production from the Project. As a result of the lack of infrastructure, access to the Back River Property is limited. In connection with the sale of the Hackett River Project, the Company entered into an

infrastructure access agreement which will provide it with the ability, on competitive commercial terms, to use the infrastructure built by Xstrata for the Hackett River Project. However, no assurance can be given that either the Company's Back River Property or the Hackett River Project will be sufficiently commercially viable to support the capital cost of developing the necessary infrastructure.

### ***Uncertainty of Funding***

The Company has limited financial resources, and the exploration and development of the mineral properties in which the Company has an interest require substantial financial expenditures to be made by the Company.

There can be no assurance that adequate funding will be available to the Company so as to enable it to maintain its interests, conduct exploration activities and, if warranted, commence development of a mineral property. Further exploration work and development of the properties in which the Company has an interest depend upon the Company's ability to obtain financing through joint venturing of projects, debt financing, equity financing or other means. 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 metals. In addition, although the Company no longer has direct exposure to base metal prices, such prices will significantly affect the manner in which Xstrata carries on exploration and, if warranted, development of the Hackett River Project. 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, regulation of 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.

### ***Passive Nature of Hackett River Project Royalty***

The Hackett Royalty reserved by the Company on the Sold Properties represents an asset with substantial potential value. However, as a holder of a royalty interest, the Company will have no right to participate in the decision making process with respect to the future exploration and, if warranted, development of the Hackett River Project. Glencore is the world's largest zinc producer with the financial and other resources necessary to develop the Hackett River Project along with the infrastructure that will be required to conduct a major mining operation in Nunavut. In addition, the Hackett Agreement has provisions intended to create financial incentives for Glencore to incur significant exploration expenditures and to complete a feasibility study. If Glencore does not incur such expenditures or complete a feasibility study within the prescribed time periods, the Company has the right to repurchase the Sold Properties, subject to Glencore's right to pre-empt that right by paying the Company an advance royalty of \$75 million in three annual \$25 million instalments. However, notwithstanding these incentives,

there can be no assurance as to if, or when, the Hackett River Project will be developed and if or when the Company will receive royalty payments therefrom.

### ***Calculation of Reserves, Resources and Precious 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 and neither has Xstrata in respect of the Hackett River Project.

### ***Government Regulation***

The Company's exploration operations are, and any development activities which it conducts in the future will be, subject to extensive federal, provincial, territorial and local laws and regulations governing such matters as environmental protection, management and use of toxic substances and explosives, management of natural resources, health, exploration and development of mines, production and post closure reclamation, safety and labour, mining law reform, price controls, import and export laws, taxation, maintenance of claims, tenure, government royalties and expropriation of property. There is no assurance that future changes in such laws and regulations, if any, will not adversely affect the Company's operations. The activities of the Company require licenses and permits from various governmental authorities. The costs associated with compliance with these laws and regulations are substantial and possible future laws and regulations, changes to existing laws and regulations and more stringent enforcement of current laws and regulations by governmental authorities, could cause additional expenses, capital expenditures, restrictions on or suspensions of the Company's operations and delays in the development of its properties. Moreover, these laws and regulations may allow governmental authorities and private parties to bring lawsuits based upon damages to property and injury to persons resulting from the environmental, health and safety practices of the Company's past and current operations, or possibly even the actions of former property owners, and could lead to the imposition of substantial fines, penalties or other civil or criminal sanctions. The Company retains competent and well trained individuals and consultants in jurisdictions in which it does business. However, even with the application of considerable skill the Company may fail to comply with certain laws. Such events can lead to financial restatements, fines, penalties, and other material negative impacts on the Company.

### ***Obtaining and Renewing of Government Permits***

The Company is required to obtain and renew government and KIA permits for its exploration activities and will require permits for the development, construction and commencement of any mining operations. Obtaining or renewing the necessary governmental permits is a time consuming process involving numerous regulatory agencies and involving public hearings and costly undertakings on the Company's part. The duration and success of the Company's efforts to obtain and renew permits are contingent upon many variables not within its control including the interpretation of applicable requirements implemented by the permitting authority. The Company may not be able to obtain or renew permits that are necessary to its operations, or the cost to obtain or renew permits may exceed what the Company believes it can ultimately recover from a given property once in production. Any unexpected delays or costs associated with the permitting process could delay the development or impede the operation of a mine.

### ***Environmental Factors***

All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that any future changes in environmental regulation, will not adversely affect the Company's operations. The costs of compliance with changes in government regulations have the potential to reduce the profitability of future operations. Environmental hazards that may have been caused by previous or existing owners or operators may exist on the Company's mineral properties, but are unknown to the Company.

### ***Title to Assets***

Although the Company has received title opinions for its material properties 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 an investigation 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.

### ***Competitive Conditions***

Significant competition exists for natural resource acquisition opportunities. As a result of this competition, some of which is with large, well established mining companies with substantial capabilities and significant financial and technical resources, the Company may be unable to either compete for or acquire rights to exploit additional attractive mining properties on terms it considers acceptable. There can be no assurance that the Company will be able to acquire any interest in additional projects that would yield resources or reserves or result in commercial mining operations.

### ***Employee Recruitment and Retention***

Recruiting and retaining qualified personnel is critical to the Company's success. The Company is dependent on the services of key executives including the Company's President and Chief Executive Officer and other experienced executives and personnel focused on managing the Company's interests. The number of persons skilled in acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As the Company's business activity grows, the Company will require additional key financial, administrative and mining personnel as well as additional operations staff. If the Company is not able to attract, hire and retain qualified personnel, its operations could be impaired.

### ***Potential Conflicts of Interest***

Reference is made to "Directors and Executive Officers – Conflicts of Interest" for information concerning potential conflicts of interest of the Company's directors and officers.

There is no assurance that the needs of the Company will receive priority in all cases. From time to time, several companies may participate together in the acquisition and exploration of natural resource properties, thereby allowing these companies to (i) participate in larger properties and programs, (ii) acquire an interest in a greater number of properties and programs, and (iii) reduce their financial exposure to any one property or program. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired, it is expected that the directors and officers of the Company will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

## **Risks Related to the Common Shares**

### ***Reliability of Financial Statements***

In the preparation of financial statements, management may need to rely upon assumptions, make estimates or use their best judgment in determining the financial condition of the Company. Significant accounting details are described in more detail in the notes to the Company's annual consolidated financial statements for the year ended December 31, 2013. In order to have a reasonable level of assurance that financial transactions are properly authorized, assets are safeguarded against unauthorized or improper use and transactions are properly recorded and reported, the Company has implemented and continues to analyze its internal control systems for financial reporting. Although the Company believes its financial reporting and financial statements are prepared with reasonable safeguards to ensure reliability, it cannot provide absolute assurance in that regard.

### ***Substantial Volatility of Share Price***

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many mineral exploration companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. The price of the Common Shares is also significantly affected by short term changes in mineral prices or in the Company's financial condition or results of operations as reflected in its quarterly financial reports. Other factors unrelated to the Company's performance that may have an effect on the price of its Common Shares include the following: the extent of analytical coverage available to investors concerning the Company's business may be limited if investment banks with research capabilities do not follow the Company's securities; lessening in trading volume and general market interest in the Company's securities may affect an investor's ability to trade significant numbers of the Common Shares; and the market price of the Common Shares and size of the Company's public float may limit the ability of some institutions to invest in the Company's securities.

### ***Potential Dilution of Present and Prospective Shareholdings***

In order to finance future operations and development efforts, the Company may raise funds through the issue of Common Shares or the issue of securities convertible into or exercisable for Common Shares. The Company cannot predict the size of future issues of Common Shares or the issue of securities convertible into or exercisable for Common Shares or the effect, if any, that future issues and sales of the Common Shares will have on the market price of the Common Shares. Any transaction involving the issue of previously unissued shares, or



securities convertible into or exercisable for shares, would result in dilution, which may be substantial, to existing holders of shares.

### ***Lack of Dividends***

No dividends on the Common Shares have been paid to date. The Company currently plans to retain earnings and other cash resources, if any, for the future operation and development of its business. Payment of any future dividends, if any, will be at the discretion of the Board of Directors after taking into account many factors, including the Company's operating results, financial condition, and current and anticipated cash needs.

### ***Future Sales of Common Shares by Existing Shareholders***

Sales of a large number of Common Shares in the public markets, or the potential for such sales, could decrease the trading price of the Common Shares and could impair the Company's ability to raise capital through future sales of Common Shares.

## **DIVIDENDS**

No dividends on the Common Shares have been declared during the past three fiscal years ended December 31, 2013, December 31, 2012 and December 31, 2011. The Company has no present intention of paying dividends on its Common Shares as it anticipates that all available funds will be invested to finance further acquisition, exploration and development of its mineral properties.

## **DESCRIPTION OF CAPITAL STRUCTURE**

The Company's authorized share capital consists of an unlimited number of Common Shares without par value. As at March 27, 2014, 194,019,926 Common Shares were issued and outstanding.

Shareholders are entitled to one vote for each Common Share held on all matters to be voted on by the shareholders. Each Common Share is equal to every other Common Share, is entitled to receive pro rata such dividends as may be declared by the board of directors out of funds legally available therefore and to participate equally on liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, or any other distribution of the Company's assets among the shareholders for the purpose of winding up its affairs after it has paid out its liabilities. Common Shares are not subject to call or assessment. There are no pre-emptive or conversion rights attached to the Common Shares, and no provisions for redemption, purchase or cancellation, surrender, sinking fund or purchase fund.

## **MARKET FOR SECURITIES**

### **Trading Price and Volume**

The Common Shares trade on the TSX under the symbol "SBB". The following table sets forth the price range and volume of shares traded on the TSX for the periods indicated.

	<u>High</u>	<u>Low</u>	<u>Volume</u>
2013	\$	\$	
January	2.78	2.27	4,258,534

	<b>High</b>	<b>Low</b>	<b>Volume</b>
February	2.23	1.82	5,555,827
March	2.06	1.69	4,442,548
April	1.88	1.11	7,087,667
May	1.40	1.07	6,363,944
June	1.40	0.79	8,640,766
July	1.45	0.92	5,070,330
August	1.48	0.99	5,320,708
September	1.27	0.82	7,571,978
October	1.00	0.79	5,028,990
November	0.87	0.55	9,063,132
December	0.73	0.56	5,303,449
2014			
January	0.96	0.74	4,775,609
February	1.03	0.84	8,254,032
March	1.13	0.84	10,018,027

### Prior Sales

The following table provides certain information as of December 31, 2013 with respect to the outstanding securities of the Company that were issued during the most recently completed financial year and that are not listed on the TSX:

<b>Date of Sale</b>	<b>Type of Security</b>	<b>Number of Securities</b>	<b>Exercise / Conversion Price</b>	<b>Expiry Date</b>
Jan 8, 2013 – Nov 7, 2013	Options	3,280,000	\$0.81 - \$2.75	Jan 7, 2018 – Nov 6, 2018

### DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth certain information with respect to the current directors and executive officers of the Company:

<b>Name and Residence</b>	<b>Current Position with the Company</b>	<b>Principal Occupation</b>	<b>Since</b>
LeRoy E. Wilkes Colorado, USA	Director, Chairman	Retired Mining Executive	October 2006
Rob Pease British Columbia, Canada	Director, President and Chief Executive Officer	President and Chief Executive Officer of Sabina	November 2011

<b>Name and Residence</b>	<b>Current Position with the Company</b>	<b>Principal Occupation</b>	<b>Since</b>
Terrence E. Eyton <sup>(3)(4)</sup> British Columbia, Canada	Director	Chartered Accountant; Chief Financial Officer, Peninsula Merchant Syndications Corp.	October 2006
David Fennell <sup>(1)(2)</sup> Nassau, Bahamas	Director	Corporate director	June 2009
Jonathan Goodman <sup>(1)(4)</sup> Ontario, Canada	Director	Executive Chairman, Dundee Precious Metals Inc., mining company; CEO, Dundee Capital Markets	June 2009
Scott B. Hean <sup>(1)(3)</sup> British Columbia, Canada	Director	Chief Financial Officer of Quaterra Resources Inc.	March 2006
James N. Morton <sup>(3)(4)</sup> British Columbia, Canada	Director	Counsel, Morton Law, law firm	June 2008
John Wakeford <sup>(1)(2)</sup> British Columbia, Canada	Director	Retired officer of Sabina	April 2011
Anthony P. Walsh <sup>(1)(2)</sup> British Columbia, Canada	Director	Retired officer of Sabina	May 2008
John F. Whitton <sup>(2)(4)</sup> Ontario, Canada	Director	Professional Geologist	February 1987
Elaine Bennett British Columbia, Canada	Chief Financial Officer, Vice-President, Finance	Chief Financial Officer of Sabina	September 2008
Nicole Hoeller British Columbia, Canada	Vice-President, Communications, Corporate Secretary	Corporate Secretary of Sabina and Executive Officer of Sabina	January 2008
Matthew Pickard Toronto, Ontario	Vice-President, Environment & Sustainability	Executive Officer of Sabina	September 2013

<u>Name and Residence</u>	<u>Current Position with the Company</u>	<u>Principal Occupation</u>	<u>Since</u>
Wes Carson British Columbia, Canada	Vice-President, Project Development	Executive Officer of Sabina	July 2012
Angus Campbell British Columbia, Canada	Vice-President, Exploration	Executive Officer of Sabina	September 2012
(1)	Member of the Compensation Committee		
(2)	Member of the Health & Safety Committee		
(3)	Member of the Audit Committee		
(4)	Member of the Corporate Governance Committee and Nominating Committee		

The term of office of the directors expires at the beginning of the next annual general meeting or when their successors are elected or appointed.

The directors and officers of the Company beneficially own, directly or indirectly, or have control of or direction over an aggregate of 2,480,598 Common Shares of the Company, representing approximately 1.30% of the issued and outstanding Common Shares. Jonathan Goodman is Executive Chairman of DPM which holds 23,539,713 Common Shares that are not included in the foregoing number.

Biographical information regarding the directors and executive officers of the Company for the past five years is as follows:

**LeRoy E. Wilkes, P.Eng (Mining)**, Director and Chairman of the Company. Mr. Wilkes was President of Washington Group International's mining business unit where he was responsible for the operating and financial performance of the unit's international operations in the coal, metals and industrial minerals markets. He has 37 years of mining experience in the precious metals, coal industrial metals, and base metals mining and processing. Prior to joining the Washington Group, Mr. Wilkes served as executive vice-president and chief operating officer of Santa Fe Pacific Gold Corporation of Albuquerque, New Mexico from 1988 to 1995. Mr. Wilkes also previously served as executive vice-president of Washington Corporation of Missoula, Montana, responsible for merger and acquisition activities. He earlier served as vice-president and general manager of Kennecott Ridgeway Mining Company of Ridgeway, South Carolina, and director of business development of Anaconda Minerals Co. of Denver, Colorado. He has held management and supervisory positions at surface and underground mines producing molybdenum, copper, limestone, lead silver and zinc. Mr. Wilkes has a degree in mining engineering from the Montana School of Mines.

**Rob Pease, P.Geo**, Director, President and Chief Executive Officer of the Company. Mr. Pease has been involved with mineral exploration and mine development projects worldwide for the past 30 years. In 2006, he formed Terrane Metals Corp. ("**Terrane**") to develop the Mt Milligan Gold-Copper project northwest of Prince George, B.C. Terrane advanced the project through exploration, development, and permitting. Construction commenced in the spring of 2010 and late that year Terrane was acquired by Thompson Creek Mining for \$700 million. He is also a former Director and Strategic Advisor to Richfield Ventures Corp. ("**Richfield**"), a junior gold mining company exploring the newly discovered Blackwater gold project in British Columbia. Richfield was acquired in 2011 by New Gold Inc. for \$500 million. For the majority of his

professional career prior to becoming President and Chief Executive Officer of Terrane, Mr. Pease was employed by Placer Dome Inc. ("**Placer**"). In 2002, he became Placer's General Manager, Canada Exploration and Global Major Projects. In this role, he was responsible for managing all aspects of Canadian exploration, and overseeing the geological aspects of advanced stage, major exploration and development projects world-wide. Mr. Pease holds a B.Sc. degree in Earth Science from the University of Waterloo, a Professional Geologist (British Columbia) certification and is a Fellow of the Geologic Association of Canada. He is a Past-Chairman of the Association for Mineral Exploration British Columbia, and in 2010 was named "BC Mining Person of the Year" by the Mining Association of BC.

**Terrence E. Eyton, FCA, ICD.D**, Director of the Company. Mr. Eyton is a Chartered Accountant and currently Chief Financial Officer of Peninsula Merchant Syndications Corp. Prior to his appointment at Peninsula he was a partner with Topping Eyton Partners, a public accounting firm in Vancouver, a private practice from which he has recently retired. His professional career encompasses depth in financial, regulatory and compliance matters across many sectors including mining. Mr. Eyton graduated in business administration from Lakehead University in 1967, obtaining the designation of chartered accountant in 1971 and was elected to the fellowship of the Institute of Chartered Accountants of B.C. in 1983. Mr. Eyton graduated from the Institute of Corporate Directors, Directors Education Program in 2008. Mr. Eyton is also a director of Southern Silver Exploration Corp., a junior mining exploration company.

**David Fennell**, Director of the Company. Mr. Fennell received his law degree in 1979 from the University of Alberta and practiced in the areas of corporate and resource law until 1983, when he founded Golden Star Resources Ltd. ("**Golden Star**"). During his term as President and Chief Executive Officer, Golden Star became a TSX 300 company. In 1998, Mr. Fennell left Golden Star to become Chairman and Chief Executive Officer of Cambiex Exploration Inc., which became Hope Bay Gold Corporation ("**Hope Bay**"). He held this position until Hope Bay was acquired by Miramar Mining Corporation ("**Miramar**") where he continued as Executive Vice-Chairman and director until its takeover in January 2008 by Newmont Mining Corporation, a leading gold producer. He was Chairman of Ariane Gold Corp. from August 2002 until its acquisition by Cambior Inc. in November 2003, and was a director of Palmarejo Silver and Gold Corporation until it was acquired by Coeur d'Alene Mines Corporation in December 2007. He was Chairman of Maximus Ventures Ltd. until its business combination with NFX Gold Inc. to form Bear Lake Gold Ltd. He holds the following positions with the following junior mining companies: Chairman and interim CEO of Bear Lake Gold Ltd.; Executive Chairman and director of Reunion Gold Corporation, Highland Copper Company Inc., Avala Resources Ltd., Dunav Resources Ltd. and Odyssey Resources Ltd.; and director of Sutter Gold Mining Inc. and Torex Gold Resources Inc. He is also a director of Major Drilling Group International Inc., a drilling services company.

**Jonathan Goodman**, Director of the Company. Jonathan Goodman is President and Chief Executive Officer of Dundee Capital Markets Inc. Mr. Goodman has over 25 years of experience in the resource and investment industry, working as a geologist, senior analyst, portfolio manager and senior executive. Mr. Goodman is Executive Chairman and a director of Dundee Precious Metals Inc., and was previously the President and CEO of Dundee Precious Metals Inc., a company that is 25% owned by Dundee. He joined the investment management affiliate of Dundee in 1990, where he was responsible for the selection of Canadian equities and played a major role in developing asset allocation strategies, before serving as its President from 1998 to 2001. He was also a founder of Goepel Shields and Partners, an investment firm. Mr. Goodman graduated from the Colorado School of Mines with a B.Sc. in Geological Engineering and received a Master of Business Administration from the University of Toronto. He is also a

professional engineer, a Chartered Financial Analyst, and is a director of several publicly-traded resource companies.

**Scott B. Hean, BA, MBA, ICD.D**, Director of the Company. Mr. Hean is a member of the Audit and the Governance and Nomination Committees and Chair of the Compensation Committee. Currently the Chief Financial Officer of Quaterra Resources Inc, a TSX-V, OTCQX listed junior mining exploration company, Mr. Hean has held senior management and executive positions with J.P. Morgan of New York, primarily financing junior oil and gas companies and with the Bank of Montreal as Senior Vice President and Managing Director responsible for natural resources sector financing in North America. He has served on numerous not-for-profit Boards, including Outward Bound Canada and BC Children's Hospital and is currently Chair of the Bill Reid Trust. Graduating from Simon Fraser University in 1973 and from the Ivey School of Business, London, Ontario, in 1975, Mr. Hean graduated in 2006 from the Institute of Corporate Directors, Directors Education Program.

**James N. Morton, BA, LLB**, Director of the Company. Mr. Morton is the founding partner of Morton Law, LLP, Corporate and Securities Lawyers of Vancouver, BC. He has over 30 years experience representing resource and other venture companies in effecting initial public offerings, equity financings, acquisitions, mergers and take-over transactions. He is the President and a director of Blackcomb Capital Corporation, a private investment holding company. Mr. Morton received a B.A. from the University of Western Ontario and an LLB from the University of British Columbia.

**John Wakeford, P.Geo**, Director of the Company. Mr. Wakeford has spent more than 30 years in worldwide exploration, with extensive experience in Archean greenstone deposits, including the Hemlo and Timmins gold camps. From August 2008 to April 2011, he was Senior Executive Vice-President, Corporate Development of the Company. His experience includes 14 years with Noranda Inc., where, among other things, he played a key role in the discovery and evaluation of the Holloway gold deposit. On the creation of Hemlo Gold Mines Inc. ("**Hemlo**"), Mr. Wakeford was appointed Director of International Exploration and led its international gold exploration activities. Following the merger of Hemlo with Battle Mountain Gold Company, he was appointed Director of Exploration. Prior to August 2008, Mr. Wakeford was the Vice-President of Exploration at Miramar.

**Anthony P. Walsh, CA**, Mr. Walsh graduated from Queen's University (Canada) in 1973 and became a member of The Canadian Institute of Chartered Accountants in 1976. Mr. Walsh has over 20 years experience in the field of exploration, mining and development. From 2008 to 2011, Mr. Walsh was President & CEO and a Director of Sabina Gold & Silver Corp. (he retired in 2011). From 1999 to 2007, Mr. Walsh was President and Chief Executive Officer of Miramar, from 1995 – 1999 Mr. Walsh was Vice President Finance and Chief Financial Officer of Miramar, from 1993 to 1995 was the Senior Vice-President and Chief Financial Officer of a computer leasing company and from 1989 to 1992 was Chief Financial Officer and Senior Vice-President, Finance of International Corona Resources Ltd., a gold producer.

**John F. Whitton, B.Sc., P.Geo**, Director of the Company. Mr. Whitton obtained the Honours Bachelor of Science in Geology from Trinity College in Dublin, Ireland in 1972. From 1972 to 1981, Mr. Whitton was involved with base metal exploration in Canada, U.S. and the British Isles. From 1981 to the present, Mr. Whitton focused chiefly on gold and other precious metals. He is experienced in all levels of exploration and development including mine and mill design, mine construction and operations. Mr. Whitton has been a director of Sabina since 1987 and is a registered Professional Geoscientist in the Province of Ontario.

**Elaine Bennett, C.G.A.**, Chief Financial Officer and Vice-President, Finance of the Company. Ms. Bennett brings to the Company 28 years of experience in the mining industry to the Company. Prior to September 2008 she was Chief Financial Officer of Miramar. Ms. Bennett serves as a director on the board of Bear Lake Gold Ltd and Dunav Resources, both anadian gold exploration companies.

**Nicole Hoeller**, Vice-President, Communications and Corporate Secretary of the Company. Prior to January 2008, Ms. Hoeller was Director, IR for Miramar. Along with her 14 years of experience in investor relations and communications in the industry, Ms. Hoeller has also spent extensive time traveling in the Arctic, liaising and consulting with communities, Inuit organizations and all levels of government about the benefits and impacts of mining in Canada's North.

**Wes Carson, P.Eng**, Vice-President, Project Development. Mr. Carson has over twelve years of experience in mine operations, project development, construction and engineering. Wes joined Sabina as Vice-President, Project Development in July 2012. Prior to this he was Vice-President and General Manager with Thompson Creek Metals Company for their Mount Milligan project in central British Columbia. Wes began work on the Mount Milligan project with Terrane Metals in 2007 and was part of the team that advanced the project from exploration, through permitting, development and initial construction, leading to the eventual acquisition of Terrane by Thompson Creek in 2010. Wes has also held various leadership roles with Cominco, Teck, Placer Dome and Barrick at mining operations in British Columbia, Ontario and Tanzania. Wes holds a B.A.Sc in Mining and Mineral Process Engineering from the University of British Columbia, is a registered Professional Engineer with the Association of Professional Engineers and Geoscientists of British Columbia and is a member of the Canadian Institute of Mining and the Association for Mineral Exploration British Columbia.

**Angus Campbell**, Vice-President, Exploration. Angus has a strong and varied background in global mineral exploration, and for the past several years has been Exploration Manager for Chile with BHP Billiton based in Santiago. He has a broad range of experience in green field and brown field exploration initiatives and projects. As well he holds a deep understanding of diverse cultural and team environments, large project management, project generation, opportunity evaluation, partner alliances and JV's and equity deals. He also has broad exposure to managing health and safety, commercial risk and due diligence issues. Angus was a member of the Spence deposit discovery team, honoured by winning the PDAC Bill Denis Award in 1998.

**Matthew Pickard**, Vice-President, Environment and Sustainability. Matthew Pickard is a Professional Geoscientist with significant experience in sustainability and mine development within the Canadian mining industry. Matthew holds an Honours Bachelor of Science and Masters of Business Administration, both from Laurentian University. He also retains the designation of Professional Geoscientist, Canadian Registered Safety Professional and Certified Environmental Practitioner. During his career Matthew has spent time with Falconbridge, De Beers Canada, Baffinland Iron Mines and now Sabina. He has worked throughout Canada including projects in Ontario, Alberta, Saskatchewan, Manitoba, Quebec, and the Northwest Territories, but recently has been focused on Nunavut. As Vice President of Environment & Sustainability for Sabina, Matthew is directing the permitting of future mining developments in Nunavut. He also currently sits on the Board of Directors of the Prospectors and Developers Association of Canada.

### **Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

Other than as disclosed herein, to the best of Sabina's knowledge, no director or executive officer of the Company is, or during the ten years preceding the date of this AIF has been, a director or chief executive officer or chief financial officer of any company that:

- (a) was the subject of a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days; or
- (b) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, which resulted from an event that occurred while that person was acting in the capacity as director or chief executive officer or chief financial officer.

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

- (a) is, or during the ten years preceding the date of this AIF has been, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the ten years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that person.

No director, executive officer or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, is or has:

- (a) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

LeRoy E. Wilkes, Director and Chairman of Sabina, was a Director of Copper Mesa Mining Corporation which had a cease trade order issued against it on April 8, 2009 for failure to file its annual financial statements, accompanying management's discussion and analysis and annual information form (collectively, the "**Annual Filings**") for its financial year ended December 31, 2008. On June 3, 2009 the British Columbia Securities Commission revoked the cease trade order as the Annual Filings had been filed.



## **Conflicts of Interest**

The Company's directors and officers may serve as directors or officers of other companies or have significant shareholdings in other resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises, a director who has such a conflict will be required to disclose the conflict in accordance with applicable corporate law and to abstain from voting for or against the approval of such participation or such terms. From time to time several companies may participate in the acquisition, exploration and development of natural resource properties, thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In accordance with applicable corporate law, the directors of the Company are required to act honestly and in good faith with a view to the best interests of the Company.

## **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

There are no legal proceedings to which the Company is or was a party, or to which any of its property is or was the subject of, during the financial year, and, to the best of the Company's knowledge, no such proceedings are contemplated.

There have been no penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during the financial year and there have been no other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision. The Company has not entered into any settlement agreement before a court relating to securities legislation or with a securities regulatory authority during the financial year.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Other than as set forth herein, none of the following:

- (a) director or executive officer of the Company;
- (b) person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding Common Shares; or
- (c) associate or affiliate of any of the persons or companies referred to in the above paragraphs (a) or (b),

has, to the best of the Company's knowledge, any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Company.

## TRANSFER AGENT AND REGISTRAR

The Company's transfer agent and registrar is Computershare Investor Services Inc., 9th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1.

## MATERIAL CONTRACTS

The following are the material contracts entered into by Sabina since January 1, 2002 that are still in effect, other than material contracts entered into in the ordinary course of business (unless otherwise required to be disclosed):

1. The Silver Wheaton Participation Rights Agreement dated December 21, 2006 referred to under "Back River Assets – Acquisition of the Back River Assets".
2. The Back River Agreement dated March 27, 2009 referred to under "Acquisition of the Back River Assets".
3. The Equity Participation Agreement dated June 9, 2009 referred to under "Acquisition of the Back River Assets".
4. The Standstill Agreement dated June 9, 2009 referred to under "Acquisition of the Back River Assets".
5. The Hackett Agreement made as of June 1, 2011 referred to under "Sale of the Hackett River Project".
6. The Royalty Agreement made as of October 3, 2011 referred to under "Sale of the Hackett River Project".

## INTERESTS OF EXPERTS

The following persons and firms are named as having prepared or certified a report, valuation, statement or opinion described or included in a filing, or referred to in a filing, made by the Company under National Instrument 51-102 Continuous Disclosure Obligations during or relating to the Company's most recently completed financial year and whose profession or business gives authority to the report, valuation, statement or opinion made by the person or Company.

1. KPMG LLP is the external auditor of the Company and provided an auditor's report on the audited financial statements of the Company for the year ended December 31, 2013, filed on SEDAR on March 26, 2014. KPMG LLP have confirmed that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.
2. The following experts are named as having been involved in the preparation of the Back River Report referred to under "Description of the Back River Property": Tetra Tech (John Huang, Ph.D., P.Eng.; Hassan Gharffari, P.Eng.; Sabry Abdel Hafez, Ph.D., P.Eng.; Harvey Wayne Stoyko, P.Eng.; and Graham Wilkins, P.Eng.), AMC Mining Consultants (Canada) Ltd. ("AMC") (John Morton Shannon, P.Geo., Andrew Fowler, Ph.D., MAusIMM, CP (Geo); Dinara Nussipakynova, P.Geo.; and Herbert Smith, P.Eng.), Knight Piesold Ltd. (Les Galbraith, P.Eng.) and Merit Consultants International

Inc. (Alistair Kent, P.Eng.) are named as having prepared a preliminary feasibility study for the Back River Property which is referred to in the Company's news release dated October 9, 2013 and March 4, 2014.

AMC, and Dinara Nussipakynova, P.Geo. and Andrew Fowler, MAusIMM CP (Geo) of AMC, are named as having prepared a mineral resource estimate for the Back River Property which is referred to in the Company's news releases dated February 21, 2013, April 2, 2013 and October 9, 2013, March 4, 2014 and in the management's discussion and analysis for the quarters ended March 31, 2013, June 30, 2013, September 30, 2013 and December 31, 2014. Herbert Smith, P.Eng, of AMC is also named as having prepared a mineral reserve estimate for the Back River Property which is referred to in the Company's news release dated October 9, 2013 and in the management's discussion and analysis for the quarter ended September 30, 2013.

3. The following experts are named as having been involved in the preparation of the Hackett River Report referred to under "Description of the Hackett River Project": S.G. Clemmer, P.Geo., Sabina Gold & Silver Corp; A. Côté, P.Geo., Glencore; J.M. Shannon, P.Geo. and A. Riles, M.AIG AMC which is referred to in the Company's news release dated March 12, 2014.
4. SRK Consulting (Canada) Inc. is named as having prepared the PEA on the Back River Property which is referred to in the management's discussion and analysis for the year ended December 31, 2012.

The experts named above did not have any registered or, to the best of the Company's knowledge, beneficial interest, direct or indirect, in any securities or other property of the Company or its associates or affiliates when the experts prepared their respective reports.

#### ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com). Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Company's Information Circular pertaining to its most recent Annual General Meeting of security holders that involves the election of directors. Additional financial information is provided in the Company's financial statements and management discussion and analysis for its most recently completed financial period ended December 31, 2013.

#### AUDIT COMMITTEE

1. The Audit Committee's Charter

The Company's Audit Committee Charter is attached to this AIF as Schedule "A".

2. Composition of the Audit Committee The Company's audit committee is comprised of three directors: Terrence E. Eyton, Scott B. Hean and James N. Morton. All three directors are "independent" (as defined in National Instrument 52-110 Audit Committees ("NI 52-110")). All of the members of the audit committee are financially literate, meaning that they are able to read and understand financial statements that present a breadth

and level of complexity of accounting issues that are generally comparable to those that can reasonably be expected to be raised by the Company's financial statements.

3. Relevant Education and Experience

Terrence E. Eyton – Mr. Eyton, FCA, ICD.D, is a Chartered Accountant and Chief Financial Officer with Peninsula Merchant Syndications Corp. Prior to that he was a partner with Topping Eyton Partners, a public accounting firm in Vancouver, British Columbia, from which he has since retired. Mr. Eyton is also on the board of Southern Silver Exploration Corp., a junior resource company listed on the TSX.V.

Scott B. Hean – Mr. Hean, B.A., MBA, ICD.D is the Chief Financial Officer of Quaterra Resources Inc., a publicly traded mineral exploration company listed on the TSX.V and NYSE.AMEX. He also serves as a director on the boards of three other junior mining exploration companies.

James N. Morton - BA, LLB, is the founding partner of Morton Law, LLP., Corporate and Securities Lawyers of Vancouver, BC. He has over 30 years experience representing resource and other venture companies in effecting initial public offerings, equity financings, acquisitions, mergers and take-over transactions.

4. Reliance on Certain Exemptions

At no time since the commencement of the Company's most recently completed financial year has the Company relied on any exemption from NI 52-110.

5. Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year, has a recommendation of the Committee to nominate or compensate an external auditor not been adopted by the Board or Directors.

6. Pre Approval Policies and Procedures

The audit committee has not adopted specific policies and procedures for the engagement of non audit services. Subject to the requirements of NI 52-110, the engagement of non audit services is considered by the Company's Board of Directors and, where applicable, by the audit committee, on a case by case basis.

7. External Auditor Service Fees (By Category)

Set forth below are details of certain services billed to the Company by its external auditor in each of the last two fiscal years for audit services:

<b>Financial Year End</b>	<b>Audit Fees</b>	<b>Tax Fees<sup>(1)</sup></b>	<b>Other Fees<sup>(2)</sup></b>	<b>Total</b>
2013	\$77,500	\$39,577	\$-	\$117,077
2012	\$75,000	\$56,519	\$28,050	\$159,569

- (1) Fees related to the preparation of the Company's T-2 corporate income tax return and the General Index of Financial Information required by Canada Revenue Agency.
- (2) Other fees include advisory services on the Company's 2012 PEA and the Hackett River transaction.

## **SCHEDULE "A"**

### **AUDIT COMMITTEE CHARTER**

#### **PURPOSE**

The purpose of the Audit Committee will be to:

- Provide independent review and oversight of the Company's financial reporting process and continuous disclosure risks.
- Management of the audit process including selection recommendation, oversight and compensation of the Company's external auditors.
- Provide oversight of the company's risk management , its principal business risks and its internal control of financial reporting
- Carry out oversight responsibilities respecting compliance with tax, securities and other applicable laws and regulations as well as ethics, the code of conduct and the whistleblower policy;

#### **COMPOSITION**

The Committee will be comprised of a minimum of three directors as designated by the Board of directors.

Each Committee member shall be elected annually from among Board members at the first Board meeting following the annual general meeting of shareholders or at such other time as the Board may determine. Following such election each Committee member shall hold office for the ensuing year or until the member resigns, is removed by the Board or ceases to be a Director. The Board may at any time change the composition of the Committee by adding or removing members and may fill a vacancy when a Committee member resigns, is removed or for any other reason.

Each Committee member shall be independent as determined by the Board and in accordance with governing corporate and securities laws and applicable stock exchange standards.

All members of the Committee shall be financially literate within the meaning of the applicable securities laws. At least one member of the Committee shall be financially sophisticated which could include a professional accounting designation or past experience in accounting or finance.

The Board shall appoint the Committee Chair and the Secretary of the Company shall be the Committee Secretary.

#### **MEETINGS**

1. The Committee will meet as frequently as necessary as determined by the Committee Members and Committee Chair in order to fill the responsibilities described below and in any event at least 4 times per year.

2. A quorum for a meeting of the Committee shall be a majority of Committee members. No Committee meeting shall be duly constituted and no Committee business shall be transacted at a meeting unless a majority of the members of the Committee are present. The Committee may also act by unanimous written consent of each of its members.
3. Meeting Agendas will be prepared by the Chair and provided in advance to Committee members along with appropriate briefing materials.
4. The Chief Executive Officer shall be available to advise the Committee, shall receive notice of all Committee Meetings and may attend meetings at the invitation of the Committee Chair. Any Company Director may attend meetings at the Chair's invitation but may not vote and may not be included for the purposes of quorum requirement.
5. The proceedings at the Committee meetings will be recorded in minutes of the Committee and after each meeting, the Committee Chair shall report at the Board's next meeting or otherwise respecting the matters discussed, recommendations and resolutions made and actions taken at the Committee meeting.
6. The Committee may make such procedures and rules as it deems appropriate including rules relating to the holding of meetings in person, by telephone or, if consented to by other Committee members, through the use of any other communication medium which allows all members attending the meeting to hear each other.
7. The Committee may engage outside consultants to advise in matters relating to its mandate at the Company's expense, without the prior approval of the directors of the Company and after consultation with CEO.

## **CHAIR**

The Chair of the Committee shall have the duties and responsibilities set forth in Appendix "A".

## **RESPONSIBILITIES AND DUTIES**

The Committee shall have the following responsibilities:

1. Review and update the Charter periodically.
2. Oversight of the Company's financial reporting process and continuous disclosure.
  - Review the Company's annual and quarterly financial statements and accompanying MD&A .
  - Monitor financial information that is disseminated to the public or regulatory bodies.
  - Review the annual budget process and adherence thereto.
3. Oversight of risk management and control.

- Identify the principal business risks to the company
  - Monitor and review the company's risk management
  - Review internal control over financial reporting and disclosure control
  - Monitor financial statement risk
4. Oversight of external audit activities
- Review annually the performance of the external auditors.
  - Review and approve the Audit Plan and Engagement Letter as presented by the external auditors.
  - Confirm the independence of external auditors.
  - Meet with external auditors to review the results of the annual audit.
  - Review the compensation of external auditors.
  - Be advised of and approve any non-audit services provided by external auditors.
  - Recommend to the Board the selection, and where applicable, the replacement of the external auditors nominated annually for shareholder approval.
5. Oversight of other responsibilities
- Monitor compliance with tax and securities laws and regulations
  - Manage the Whistle Blowing function
  - Review corporate ethics and codes of conduct

## **APPENDIX "A"**

### **AUDIT COMMITTEE – POSITION DESCRIPTION**

The Chair of the Committee shall be principally responsible for overseeing the operations and affairs of the Committee and, in particular, will:

1. Schedule and settle the agenda for Committee meetings with input from other Committee members, the Chair of the Board of directors and management as appropriate;
2. Facilitate the timely, accurate and proper flow of information to and from the Committee and the Board;



3. Chair Committee meetings, including stimulating debate, providing adequate time for discussion of issues, facilitating consensus, encouraging full participation and discussion by individual members and confirming the clarity regarding decision making is reached and adequately recorded;
4. Hold in-camera sessions as part of Committee meetings;
5. Ensure that an appropriate system is in place to assess the performance of the Committee as a whole, the Committee's individual members and make recommendations for changes when appropriate;
6. Carry out such other duties as may reasonably be requested by the Board.