Sabina
GOLD & SILVER CORP.

Condensed Consolidated Financial Statements
(unaudited)

First Quarter ended March 31, 2014

SABINA GOLD & SILVER CORP.

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

	March 31, 2014 (unaudited)	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 3,972	$ 3,645
Short-term investments	47,406	54,676
Accounts receivable (note 4)	732	924
Inventory	2,326	2,326
Prepaid expenses	179	218
Total current assets	54,615	61,789
Non-current assets:		
Investment in Mega-Precious (note 5)	68	38
Property and equipment (note 6)	16,403	17,412
Mineral properties (note 7)	253,455	249,550
Hackett silver royalty	34,754	34,754
Reclamation deposits	2,229	359
Total non-current assets	306,909	302,113
Total assets	$ 361,524	$ 363,902
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 479	$ 2,393
Current portion of capital lease obligation (note 11)	97	110
Total current liabilities	576	2,503
Non-current liabilities:		
Capital lease obligation (note 11)	389	389
Provision for site reclamation	2,563	2,563
Deferred income tax liability (note 12)	38,402	38,699
Total non-current liabilities	41,354	41,651
Total liabilities	41,930	44,154
Equity:		
Share capital (note 8)	352,435	352,435
Share purchase warrants	357	357
Contributed surplus	21,302	19,880
Accumulated other comprehensive loss	(144)	(171)
Deficit	(54,356)	(52,753)
Total equity	319,594	319,748
Total liabilities and equity	$ 361,524	$ 363,902

Nature of operations (note 1)
Commitments (note 11)
Subsequent event (note 13)

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

Approved on behalf of the Board:

__________________ Director __________________ Director

SABINA GOLD & SILVER CORP.

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

	Three months ended March 31, 2014	2013
Expenses:		
Administration and general	$ 118	$ 139
Depreciation	9	11
Insurance	44	37
Listing, transfer and shareholder	256	301
Part 12.6 tax	-	15
Professional services	212	194
Salaries and severance	638	570
Share-based payments (note 9)	792	2,490
Travel	74	107
	2,143	3,864
Loss from operating activities	(2,143)	(3,864)
Net finance income:		
Interest income	240	459
Amortization of flow-through share premium liability	-	308
	240	767
Loss before income taxes	(1,903)	(3,097)
Deferred income tax recovery (expense) (note 12)	300	(566)
Loss for the period	(1,603)	(3,663)
Other comprehensive loss:		
Unrealized gain (loss) on available-for-sale investments, net of tax	30	(16)
Comprehensive loss for the period	$ (1,573)	$ (3,679)
Basic and diluted loss per share	$ (0.01)	$ (0.02)
Weighted average number of common shares outstanding	194,019,926	173,575,923

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

SABINA GOLD & SILVER CORP.

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

	Three months ended March 31, 2014	2013
Share capital:		
Balance, beginning of period	$ 352,435	$ 330,121
Fair value of options exercised	-	172
Deferred income tax effect of flow through shares and issuance costs	-	(25)
Balance, end of period	352,435	330,268
Share purchase warrants:		
Balance, beginning of period	357	-
Balance, end of period	357	-
Contributed surplus:		
Balance, beginning of period	19,880	18,734
Fair value of share-based payments related to options vesting	792	2,490
Fair value of share-based payments capitalized to mineral properties	630	1,220
Fair value of options transferred to share capital	-	(172)
Balance, end of period	21,302	22,272
Accumulated other comprehensive loss:		
Balance, beginning period	(171)	(128)
Unrealized gain (loss) on available for sale investments, net of tax	27	(16)
Balance, end of period	(144)	(144)
Deficit:		
Balance, beginning of period	(52,753)	(43,232)
Loss for the period	(1,603)	(3,663)
Deficit, end of period	(54,356)	(46,895)
Total shareholders' equity	$ 319,594	$ 305,501

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

SABINA GOLD & SILVER CORP.

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

	Three months ended March 31, 2014	2013
Cash provided by (used in) operating activities:		
Loss for the period	$ (1,603)	$ (3,663)
Adjustments for:		
Depreciation	9	11
Deferred income tax expense	(300)	566
Interest income	(240)	(459)
Amortization of flow-through share premium liability	-	(308)
Share-based payments	792	2,490
	261	2,300
Accounts receivable	269	(528)
Inventories	-	(1,429)
Prepaid expenses	39	(496)
Accounts payable and accrued liabilities	(1,914)	8,191
Cash used in operating activities	(2,948)	4,375
Interest received	163	1,059
Net cash used in operating activities	(2,785)	5,434
Cash flows provided by (used in) investing activities		
Expenditures on deferred exploration, net of recoveries	(2,275)	(12,404)
Expenditures on property and equipment	-	(5,187)
Increase in reclamation deposits	(1,870)	-
Sale of short-term investments, net	7,270	65,000
Net cash used in investing activities	3,125	47,409
Cash flows provided by financing activities		
Capital leases	(13)	-
Net cash provided by financing activities	(13)	-
Net increase in cash and cash equivalents	327	52,843
Cash and cash equivalents, beginning of year	3,645	51,394
Cash and cash equivalents, end of period	$ 3,972	$ 104,237

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

1. Nature of operations:

Sabina Gold & Silver Corp. (the “Company” or “Sabina”) was incorporated in June 1966 under the laws of the Province of British Columbia. On October 28, 2009 the Company changed its name from Sabina Silver Corporation to Sabina Gold & Silver Corp. The Company’s principal business activity is the exploration and development of mineral property interests. The Company’s principal mineral properties are the Back River Project and the Wishbone Project, both of which are located in Nunavut, Canada.

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

The Company is in the process of exploring its mineral property interests and has not yet determined whether its mineral property interests contain economically recoverable mineral reserves. The underlying value and the recoverability of the amounts recorded as mineral properties and silver royalties is entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of the mineral properties, and future profitable production or proceeds from the disposition of the mineral property interest. The Company has prepared a cash flow forecast for 2014 and believes that it has sufficient funds to continue operations for at least the next twelve months.

2. Basis of preparation:

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The consolidated financial statements were authorized for issue by the Board of Directors on May 13, 2014.

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements.

(b) Basis of measurement:

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

(c) Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars, which are the Company and its subsidiary’s functional currency. All tabular financial information presented in Canadian dollars has been rounded to the nearest thousand.

2. Basis of preparation, continued:

(d) Use of estimates and judgments:

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Significant areas requiring the use of management estimates relate to the determination of the impairment of mineral properties and the Hackett silver royalty, the provision for site reclamation, share-based payments, deferred income tax assets and rates for amortization of plant and equipment. Actual results may differ from these estimates.

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

3. Future changes in accounting standards:

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended March 31, 2014, and have not been applied in preparing these consolidated financial statements. The Company's assessment of the impact of these new standards and amendments is detailed below.

IFRS 9, Financial Instruments

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

IAS 36, Impairment of assets - Disclosures

IAS 36 Impairment of Assets amendment addresses the disclosure of recoverable amount of an impaired asset or cash-generating unit and introduces specific disclosure requirements for discount rate used for determining impairment where recoverable amount is determined by using a present value technique. The amendment becomes effective for annual periods beginning on or after January 1, 2014 with early adoption allowed. The Company does not believe that the implementation of this amendment will have any impact on its consolidated financial statements.

(Tabular dollar amounts expressed in thousands of Canadian dollars)

4. Accounts receivable

	March 31, 2014	December 31, 2013
GST receivable	$ 116	$ 302
Interest receivable	374	298
Other trade receivables	242	324
	$ 732	$ 924

5. Available-for-sale investments:

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

Cost	March 31, 2014	March 31, 2013
Balance at January 1	$ 191	$ 179
Additions	-	-
Balance at March 31	$ 191	$ 179
Accumulated unrealized holding losses		
Balance at January 1	$ (153)	$ (107)
Changes in value	30	(20)
Balance at March 31	$ (123)	$ (127)
Carrying value		
At March 31	$ 68	$ 52

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

(Tabular dollar amounts expressed in thousands of Canadian dollars)

6. Property and equipment:

Cost		Exploration camp and equipment		Office and equipment		Total
Balance at January 1, 2014	$	24,031	$	583	$	24,614
Additions		-		-		-
Balance at March 31, 2014	$	24,031	$	583	$	24,614
Accumulated depreciation						
Balance at January 1, 2014	$	(6,854)	$	(348)	$	(7,202)
Additions		(1,000)		(9)		(1,009)
Balance at March 31, 2014	$	(7,854)	$	(357)	$	(8,211)
Carrying value						
At January 1, 2014	$	17,177	$	235	$	17,412
At March 31, 2014	$	16,177	$	226	$	16,403

7. Mineral properties:

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

	Three months ended March 31,			
Summary – All Properties		2014		2013
Balance, beginning of period	$	249,550	$	175,809
Exploration and other expenditures		3,905		14,257
Balance, end of period	$	253,455	$	190,066

(Tabular dollar amounts expressed in thousands of Canadian dollars)

7. Mineral properties, continued:

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

		Three months ended March 31, 2014		2013
Back River (Nunavut)	$	226,927	$	164,013
Wishbone (Nunavut)		15,857		15,712
Red Lake (Ontario)		9,147		8,837
Nipigon (Ontario)		1,524		1,504
	$	253,455	$	190,066

		2014		2013
Back River (Nunavut)				
Balance, beginning of period	$	223,061	$	149,797
Additions:				
Drilling		76		4,623
Economic assessment		770		2,858
Environmental assessment		617		1,258
Geology & geophysics		255		251
Management & administration		501		381
Property maintenance		11		6
Share-based payments		630		1,220
Support		6		2,011
Transportation		-		976
Depreciation		1,000		632
		3,866		14,216
Balance, end of period	$	226,927	$	164,013
Red Lake (Ontario)				
Balance, beginning of period	$	9,108	$	8,820
Additions:				
Geology & geophysics		3		-
Management & administration		29		13
Property maintenance		7		4
		39		17
Acquisition costs		-		-
Balance, end of period	$	9,147	$	8,837
Nipigon (Ontario)				
Balance, beginning of period	$	1,524	$	1,487
Additions:				
Geology & geophysics		-		17
		-		17
Balance, end of period	$	1,524	$	1,504

7. Mineral properties, continued:

(a) Back River and Wishbone (Nunavut)

The Company owns 100% of the Back River project which is comprised of the George and Goose property areas. The Back River project has 43-101 compliant gold mineral resources in eight known deposits, namely Llama, Umwelt, Goose Main and Echo on the Goose property and Locale 1 & 2, LCP, GH and Slave on the George property.

The Company owns 100% of the Wishbone property which covers a large portion of the Hackett River Greenstone Belt and hosts the Hackett River silver-zinc project. The Wishbone property and the Back River project area total approximately 3,000 square km and cover a largely unexplored highly prospective greenstone belt.

On May 31, 2011, the Company completed the purchase of certain royalties on the Back River and Wishbone projects. The royalty required payment of 1.5% of the value of minerals mined until the royalty payments aggregated $5.0 million after which the royalty decreased to 0.75%. The buyback was completed through the purchase of all issued and outstanding shares of R.A. Olson Consulting Ltd. (“RAOCL”) for $4.5 million in cash and the issue of 750,000 common shares of the Company. A value of $5.2 million has been attributed to the shares based on their market value at the time of issue.

The Back River project is subject to net smelter return (“NSR”) royalties payable to various parties. The George Lake property is subject to three royalties. Royalty 1 pays 0% on the first 800,000 ounces and pays 5% (gross before deductions) after the first 800,000 ounces of gold produced after deducting Royalties 2 and 3. Royalty 2 pays 1.5% and Royalty 3 pays 0.7% until a total of $5.0 million has been paid on each royalty; after $5.0 million each, Royalties 2 and 3 drop by 50%. The Company has purchased RAOCL, the company holding Royalty 2. Royalty 4 pays 0.45% until a total of $7.5 million has been paid after which this royalty also drops by 50%. After eliminating Royalty 2, and depending on gold price and gold production, royalties payable could range from 0.35% to 0.7% on the first 800,000 ounces and 3.5% to 4.25% thereafter.

The Goose property has 3 royalties payable to various parties. Royalty 1 pays 0% on the first 400,000 ounces and pays 5% (gross before deductions) after the first 400,000 ounces of gold produced after deducting Royalties 2 and 3. Royalty 2 pays 1.5% and Royalty 3 pays 0.7% until a total of $5.0 million has been paid on each royalty; after $5 million Royalties 2 and 3 each drop by 50%. The Company has purchased RAOCL, the company holding Royalty 2. After eliminating Royalty 2, and depending on gold price and gold production, royalties payable could range from 0.35% to 0.7% on the first 400,000 ounces and 3.5% to 4.25% thereafter.

7. Mineral properties, continued:

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

(i) Newman-Madsen, Red Lake:

The Company owns a 100% of its 38 patent claims, 760 hectare Newman-Madsen property. Previously, Sabina had a 50% joint venture interest in the Newman-Madsen property with Premier Gold Mines Ltd. ("Premier"). On January 17, 2012, Sabina completed the purchase of Premier's interest in the joint venture for a cash payment of $0.5 million and a 0.5% NSR royalty on the Property granted to Premier. In 2009, the Company and Premier completed an option agreement with Mega Precious which granted to Mega Precious an option to acquire 100% of the East My-Ritt portion of the property for $0.3 million in cash and 0.5 million Mega Precious shares. Mega Precious must incur exploration expenditures totalling $1.2 million over a 5-year period.

On May 13, 2014, subsequent to the quarter, the Company announced that it had signed a definitive agreement for the sale of the Newman-Madsen property (see note 13).

(ii) Golden Sidewalk, Red Lake:

The Company owns 100% of its 18 claims, 900 hectares Golden Sidewalk property. There are no royalties or carried interests attached to the property. The property is located in Skinner township, 67 km east-northeast of Red Lake.

(iii) Skinner, Red Lake:

Sabina owns a 100% interest in the 14 claims, 2,900 hectare Skinner property. The property is in Skinner township, 69 km east-northeast of Red Lake and adjacent to and immediately south of Sabina's Golden Sidewalk property. Premier has a 7.5% net profit interest capped at $0.5 million. Franco-Nevada Corporation holds a 1% net smelter return royalty and a local prospector holds another 2% net smelter return interest which can be purchased by Sabina subject to certain conditions.

(iv) Redaurum, Red Lake:

Pursuant to an option agreement with Goldcorp Inc., the Company has a 20% interest carried to production on the 14 patent claims Redaurum property located at Red Lake

(c) Nipigon (Ontario)

Sabina owns a 100% interest in the 70 claims; 16,000 hectare Nipigon project located approximately 100km north of Thunder Bay, Ontario.

(Tabular dollar amounts expressed in thousands of Canadian dollars)

8. Share capital and other components of equity:

Authorized number of common shares

At March 31, 2014, the authorized share capital of the Company was comprised of an unlimited number of common shares without par value. The number of issued and outstanding common shares is as follows:

	2014			2013		
	Number of shares		Amount	Number of shares		Amount
Issued and outstanding as at January 1	194,019,926	$	352,435	173,532,149	$	330,121
Issued for cash, net	-		-	45,283		-
Tax effect on share issuance	-		-	-		(25)
Fair value of options exercised	-		-	-		172
Issued and outstanding as at March 31	194,019,926	$	352,435	173,577,432	$	330,268

9. Share based payments:

	2014			2013		
	Number of options		Average exercise price	Number of options		Average exercise price
Outstanding at January 1	11,602,410	$	2.96	10,253,410	$	2.81
Exercised during the period	-		-	(200,000)		2.05
Granted during the period	2,945,000		0.94	2,965,000		2.75
Forfeited or expired during the period	(290,000)		4.01	(15,000)		2.72
Outstanding at March 31	14,257,410		2.52	13,003,410		2.80
Exercisable at March 31	14,007,410	$	2.55	13,003,410	$	2.80

(Tabular dollar amounts expressed in thousands of Canadian dollars)

9. Share based payments, continued:

The table below summarizes the outstanding options as at March 31, 2014 by year of expiry.

Year	Number of options		Average exercise price
2014	2,135,000	$	1.92
2015	1,551,000		1.25
2016	2,181,410		5.06
2017	2,345,000		3.67
2018	3,100,000		2.43
2019	2,945,000		0.94
Total	14,257,410	$	2.52

Employee compensation cost

During the three months ended March 31, 2014, the Company recorded $1.4 million (2013 - $3.7 million) in share based payment costs, of which $0.8 million (2013 - $2.5 million) is presented as an operating expense in the statement of comprehensive loss and $0.6 million (2013 - $1.2 million) is capitalized to mineral property costs.

Inputs for measurement of grant date fair values

The grant date fair values of share options were measured based on the Black Scholes option pricing model. The weighted average inputs used in the measurement of the fair values at grant date of the share-based payment plans are the following: a risk-free interest rate of 1.23% (2013 – 1.24%); a dividend yield of 0% (2013 – 0%); an expected volatility of 68.9% (2013 – 68.1%) and expected lives of stock options of 3.5 years (2013 – 3 years). The weighted average fair value of options granted in the period was $0.46 per share (2013 - $1.25). The expected volatility is estimated by considering historic average share price volatility.

(Tabular dollar amounts expressed in thousands of Canadian dollars)

10. Related parties:

Key management personnel compensation

In addition to their salaries, the Company also provides non-cash benefits to directors and executive officers. Directors and executive officers also participate in the Company's share option program (note 9).

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

Key management personnel compensation is comprised of:

	For the three months ended	
	March 31, 2014	March 31, 2013
Salaries and benefits	$ 505	$ 819
Stock-based compensation, non-cash	916	2,265
	$ 1,421	$ 3,084

(Tabular dollar amounts expressed in thousands of Canadian dollars)

11. Capital and operating leases and commitments:

a) Obligation under capital leases:

The Company has financed certain mobile equipment used at its Back River exploration camp by entering into capital leasing arrangements. Minimum lease payment of obligation are as follows:

		March 31, 2014
2014	$	99
2015		112
2016		112
2017		55
2018		173
Total minimum lease payments		551
Less amount representing interest (at 5.7%)		(65)
Present value of net minimum capital payments		486
Current portion of obligation under capital leases		(97)
	$	389

b) Operating leases:

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

2014	$	130
2015		72
	$	202

(Tabular dollar amounts expressed in thousands of Canadian dollars)

12. Income taxes

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

		March 31, 2014		December 31, 2013
Tax loss carry forwards	$	14.547	$	13,452
Financing costs		899		1,037
Provision for closure and reclamation		692		692
Other		16		19
Flow-through share effect on mineral properties		(47,940)		(47,940)
Mineral properties		(6,510)		(5,865)
Property and equipment		(106)		(94)
Deferred tax liabilities	$	(38,402)	$	(38,699)

As at March 31, 2014, no deferred tax assets are recognized on the noted temporary differences as it is not currently determinable that sufficient future taxable profit will be available to realize such assets.

The Company has tax loss carry forwards at March 31, 2013 of $28.2 million that expire in 2031 and 2033 (2013 - $27.1 million).

		March 31, 2014		December 31, 2013
Corporate minimum taxes carried forward	$	293	$	293

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

		For the three months ended March 31,		
		2014		2013
Deferred income tax expense	$	(300)	$	566

(Tabular dollar amounts expressed in thousands of Canadian dollars)

12. Income taxes, continued:

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

	For the three months ended March 31,			
		2014		2013
Expected tax expense (recovery)	$	(514)	$	(920)
Share based compensation		214		592
Flow-through shares (exploration expenses renounced)		-		894
Income tax expense	$	(300)	$	566

13. Subsequent event:

On May 13, 2014, the Company announced that it had signed a definitive agreement for the sale of the Company's 100% owned Newman-Madsen property to Laurentian Goldfields Ltd. ("Laurentian"). In consideration for the asset, on closing Sabina will receive 6.5 million shares in Laurentian, representing approximately 6.3% of the total issued and outstanding shares of Laurentian. Sabina would also have a participation right to maintain its holdings in Laurentian in future financings (until the earlier of 24 months or Sabina ceases to hold at least 3.5% of the shares of Laurentian). The shares will be subject to a four month hold and the transaction is subject to all required regulatory and third party approvals and consents.

The following Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Sabina Gold & Silver Corp. ("Sabina" or "the Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the period ended March 31st, 2014. The MD&A was prepared as of May 13, 2014 and should be read in conjunction with the Company's annual audited financial statements and related notes for the years ended December 31st, 2013 and 2012. All figures are in Canadian dollars unless otherwise stated. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Overview

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

Q1 2014 Highlights:

- The Company had cash, cash equivalents and short-term investments of $51.4 million at March 31, 2014.

- For the quarter ended March 31, 2014, the Company reported a loss of $1.6 million or $0.01 per share.

- On January 23, 2014, the Company submitted a draft environmental impact statement ("DEIS") and associated water license applications for the Back River Gold Project (the "Project") to the Nunavut Impact Review Board ('NIRB') and the Nunavut Water Board ('NWB') respectively.

- On February 12, 2014, the Company received notice from NIRB that the Back River DEIS conforms to the environmental assessment guidelines and that the technical review process has begun. This is a significant milestone for the development of the Project.

- On March 4, 2014, the Company announced an update to its Back River mineral resource estimate incorporating the results of the 2013 exploration drill program. Highlights of the new mineral resource estimate include a significant increase in gold ounces in measured resource category; and, a significant increase in total contained gold ounces. The updated Back River mineral resources include open pit measured and indicated resources of 3.4 million ounces at 5.0 g/t and 21,066 kt along with underground measured and indicated resources of 1.9 million ounces at 8.0 g/t and 7,288 kt.

- Subsequent to the quarter on April 7, 2014, the Company announced its plans for fieldwork in 2014 at Back River. The 2014 Back River work program has been estimated to total approximately $19 million and will include a drilling program of approximately 9,000 meters following up on successes in 2013, largely at the new Echo deposit; environmental and permitting activities, development studies and property holding costs.

- Subsequent to the quarter on April 22, 2014, the Company announced results from ongoing metallurgical testing on Back River. The tests confirmed a substantial increase in overall recoveries from 88.0% (which was assumed in the Prefeasibility Study ("PFS") to an indicated 93.9%. The improved recoveries in combination with the increased mineral resource estimate are planned to be incorporated into a Feasibility Study ("FS") which is expected to be completed in the second half of 2015.

- Subsequent to the quarter on April 28, 2014, the Company and the Kitikmeot Inuit Association ("KIA") jointly announced that they have finalized the details of two important agreements which will continue to foster and build on a relationship of cooperation between the two organizations as they continue to work together towards the responsible development of the Back River Gold Project. Earlier this year, agreements for the Development Trust and Capacity Funding were completed.

Results of Operations

Back River, Nunavut

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

The Back River Project ("the Project") is located approximately 520 km NE of Yellowknife and 70 km south of Bathurst Inlet. It is comprised of 45 Federal Mineral Leases and 16 Federal Mining Claims covering approximately 52,054 hectares. The project is divided into Goose, George, Boot, Boulder, Needle, Del and Bath. The Goose property hosts the Goose, Llama, Echo and Umwelt gold deposits. The George property, located 50 km to the northwest, hosts the George gold deposits.

Back River Project Exploration

As noted above, the 2014 Back River work program has been estimated to total approximately $19 million and will include a drilling program of approximately 9,000 meters following up on successes in 2013, largely at the new Echo deposit; environmental and permitting activities, development studies and property holding costs. The exploration camp at Goose was opened in April and three drills were up and running on the Project by April 20, 2014.

The objectives of the 2014 work program are to:

1) Complete a 6,000 meter drill program targeted to convert and increase resources at the Echo deposit;
2) Drill test two or three high potential exploration targets for new resource additions to the Goose property;
3) Complete ongoing optimization studies on the project that began in 2013, (including metallurgical testing, mine sequencing and capital and mining cost studies);
4) Incorporate results of Echo drilling and optimization studies into the FS to be launched later this year and completed in the first half of 2015;
5) Continue necessary environmental and baseline work for the Final Environmental Impact Statement;
6) Continue with community engagement for the project;

Echo Zone

The Echo Zone, located approximately 1.5km southwest of the Goose Main deposit and strategically located near planned mine infrastructure was initially discovered at Back River when Sabina purchased the property in 2009. Based on its proximity to other Goose deposits and it's high grade nature, (e.g. holes 13GSE435 returning 13.13g/t Au over 12.55m and 13GSE395 returning 7.73g/t Au over 12.20m), re-interpretation of prior drilling results led to a renewed exploration and resource definition program that was successful in defining a mineral resource at Echo. The deposit is open to depth and laterally to the north. The 2014 drill program is designed to upgrade a portion of the inferred resources at Echo to the indicated category as well as explore deposit extensions.

Exploration Targets

In addition to the Echo drilling, an exploration drilling program of approximately 2,600 meters is planned to test two to three high priority targets located in and around the existing Goose deposits. Positive attributes of the targets have been defined using the results from ongoing geologic modeling in combination with geophysical data sets and the results of previous drilling programs.

Back River Project Development

In August 2012, the Company initiated a PFS, engaging Tetra Tech to act as the lead consultant responsible for overall delivery of the PFS, process and infrastructure design, operating and capital expenditures and economic modelling; AMC Mining Consultants (Canada) Ltd. responsible for geology and mining and Knight Piésold Consultants Ltd.

responsible for tailings design, geo-technical, and hydrogeology. The results of the PFS were announced on October 9, 2013.

A number of improvements were completed at the Goose camp during the 2013 field season, including an all-weather airstrip and expansion of the bulk fuel containment. A quarry was established and a mobile crushing plant commissioned in close proximity to the camp to provide crushed rock and gravel needed for the completion of these projects. The airstrip is a 900 meter long, all-weather airstrip capable of servicing multiple Buffalo or Dash series aircraft flights. The airstrip provides a significant increase in flexibility and cost savings in operations, transportation and logistics at the Goose site.

On March 4, 2014, the Company is announced an update to its Back River mineral resource estimate incorporating the results of the 2013 exploration drill program. A 43-101 technical report was filed on www.sedar.com on March 27, 2014. Highlights of the new mineral resource estimate include:

- Increase in measured Au ounces from 304,000 ounces at 4.4 g/t Au and 2,168 kt to 1,714,000 ounces at 5.2 g/t Au and 10,210 kt for open pit and 47,000 ounces at 6.1 g/t Au and 236 kt for underground;
- Increase in total contained Au ounces of 735,000 in the measured and indicated resource categories and 48,000 in the inferred resource category;
- Significant open pit measured and indicated resources of 3,415,000 ounces at 5.0 g/t Au and 21,066 kt;
- Significant underground measured and indicated resources of 1,881,000 ounces at 8.0 g/t Au and 7,288 kt.

Back River Mineral Resource Estimate, February 28, 2014

Classification	***Location***	***Tonnes (kt)***	***Au (g/t)***	***Ounces (koz)***
Open Pit Measured	Goose Main	4,627	4.3	638
	Llama	1,886	5.9	355
	Umwelt	3,697	6.1	722
Total Open Pit Measured		**10,210**	**5.2**	**1,714**
Open Pit Indicated	Goose Main	2,896	4.2	391
	Echo	230	6.9	51
	Llama	864	5.9	165
	Umwelt	1,974	5.4	341
	George	4,891	4.8	753
Total Open Pit Indicated		**10,856**	**4.9**	**1,701**
Total Open Pit Measured & Indicated		**21,066**	**5.0**	**3,415**
Underground Measured	Goose Main	107	6.2	21
	Llama	128	6.1	25
	Umwelt	1	9.2	0.3
Total Underground Measured		**236**	**6.1**	**47**
Underground Indicated	Goose Main	863	7.4	206
	Echo	377	6.8	82
	Llama	750	8.8	211
	Umwelt	3,377	8.9	969
	George	1,686	6.8	367
Total Underground Indicated		**7,051**	**8.1**	**1,835**
Total Underground Measured & Indicated		**7,288**	**8.0**	**1,881**
Total Measured & Indicated OP + UG		***28,354***	***5.8***	***5,297***
Open Pit Inferred	Goose Main	217	3.2	22
	Echo	49	5.4	9
	Llama	14	5.9	3
	Umwelt	120	2.3	9
	George	985	5.5	175
Total Open Pit Inferred		**1,385**	**4.9**	**217**
Underground Inferred	Goose Main	432	6.8	95
	Echo	502	7.4	119
	Llama	294	6.7	63
	Umwelt	1,784	11.6	665
	George	3,782	6.3	769
Total Underground Inferred		**6,794**	**7.8**	**1,710**
Total Inferred OP + UG		***8,179***	***7.3***	***1,927***

Notes:
1. CIM definition standards were used for the Mineral Resources.
2. The Qualified Persons are Dinara Nussipakynova, P Geo. and Andrew Fowler MAusIMM CP (Geo) both of AMC Mining Consultants (Canada) Ltd.
3. Open pit Mineral Resources are constrained by an optimized pit shell at a gold price of $1500 oz Au.
4. The cut-off grade applied to the open pit resources are 1.0 g/t Au. The underground cut-off grade for Goose Main, Echo, and Llama deposits is 3.5 g/t Au; and for Umwelt is 4.5 g/t Au. The underground cut-off grade for the George resources is 4.0 g/t Au.
5. Metallurgical recovery varies with gold grade, averaging between 88 and 89%.
6. The George underground Mineral Resources (LCP - North, LCP - South, Locale 1, Locale 2, GH & Slave) were estimated within mineral domains expanded to a minimum width of 2 m.
7. Drilling results to December 31, 2013 were used.
8. The increase in Measured Resources at Goose Main is attributed to re-verifying and resolving previous conflicts of historical surveys and geological data. This has resulted in increased confidence in interpreted geologic continuity and subsequently an increase in resource confidence.
9. Numbers may not add due to rounding.
10. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

Mr. Angus Campbell, P. Geo. and Vice-President, Exploration for Sabina is a Qualified Person under the terms of NI 43-101 and has reviewed the technical content of this MD&A for the Back River Project and has approved its dissemination.

On April 22, 2014, the Company announced results from ongoing metallurgical testing on Back River. The tests reported a substantial increase in overall recoveries from 88.0% (which was assumed in the PFS) to an indicated 93.9%. The improved recoveries in combination with the increased mineral resource estimate are planned to be incorporated into a Feasibility Study FS which is expected to be completed in the second half of 2015.

The 2013 Back River PFS identified a proposed operation with gold recovery techniques that include conventional crushing and grinding, gravity concentration, cyanidation by carbon-in-leach ("CIL") and gold recovery from loaded carbon to produce gold doré. The life of mine average gold recoveries in the PFS are estimated to average 88.0%. In particular, recoveries at Umwelt and Llama, the first two open pits in the PFS mine sequence, reported the lowest recoveries at approximately 85.2% and 84.4% respectively.

The ongoing test program being undertaken at ALS Laboratories in Kamloops, BC, has included investigation of sixty six (66) discreet metallurgical variability composites that spatially represent the PFS mine plans, the updated mineral resource estimate released in March of this year and were also selected to cover all rock types and ore zones identified to-date. An optimization composite was created from fresh drill core and designed to represent the different ore zones in the three main pits, (Llama, Umwelt and Goose Main) which together represent the process facility feed over the initial years of mining. The variability composites were originally tested using the PFS process flowsheet, the results of which indicate the ore zones and pits have limited variability. The optimization composite was tested to improve the PFS process flowsheet, the gravity and leaching metallurgical recoveries, and the other process variables.

Table of Metallurgical Recoveries by deposit

Mineral Zone	**Head Grade (g/t Au)**	**PFS Estimated Gold Recovery (%)**	**2014 Estimated Gold Recovery (%)**
Llama	6.30	84.4	95.1
Umwelt Pit	5.65	85.2	94.0
Goose Main	4.47	92.3	92.7
George	4.96	87.3	96.1
Umwelt Underground	8.11	90.3	94.1
Life of Mine	**5.69**	**88.0**	**93.9**

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The results from this testing suggests:
- Significant improvement in recoveries across all deposits;
- Limited variability in the leach testing results across the 66 variability composites collected from the deposits;
- Cyanide consumption would be significantly reduced from the PFS (250 ppm versus 2,000ppm for the CIL circuit and 2,000 ppm versus 20,000 ppm for the intensive leach circuit);
- Finer grind is required (from K80 of 100µm in the PFS, to K80 of 50µm); and
- Organic carbon shown to be present in the ores is relatively high (~1% TOC) but has limited effect on leach kinetics.

Further optimization of the metallurgy, recoveries and process flowsheet design will be undertaken in the upcoming FS. The economic implications of the metallurgical test results will be better understood once the FS is completed.

Back River Project Environmental Assessment and Community Engagement

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

In May, 2013, the Company received the final project scope and guidelines from NIRB for development of the environmental impact statement for the Project. During Q3 2013, the Company collected required environmental and socio-economic baseline data in the Project area. The baseline data is necessary to determine potential effects, both positive and negative, of the proposed Project and potential infrastructure locations.

On January 22, 2014, the Company submitted the Back River DEIS and associated Water License applications for the Back River Gold Project to NIRB and the NWB respectively. The DEIS presents scientific and community based knowledge that determined key aspects of the natural and socio-economic environments in the region. Project interactions were identified; residual effects assessed and proposed mitigation and monitoring plans developed for the construction, operation and closure of the Project. On February 12, 2014, the Company received notice from NIRB that the Back River DEIS conforms to the environmental assessment guidelines. In March 2014, the Company received information requests from the technical review process and is currently reviewing and preparing its responses. Responses are planned to be submitted on June 11, 2014.

As noted in the Highlights section, on April 28, 2014, the Company and the KIA jointly announced that they have finalized the details of two agreements for the Development Trust and Capacity Funding were completed. The KIA is the surface title holder of 104,278 square kilometers of Inuit owned lands in the Kitikmeot Region, including the majority of the lands that comprise the Back River Project. The KIA represents the interests of Inuit beneficiaries in the region under the Nunavut Land Claims Act ("NLCA") and is a participant in the environmental assessment process of Back River.

In recognition of Inuit rights under the NLCA, Sabina and the KIA have finalized a Development Trust Fund Agreement whereby Sabina will establish and contribute to the Development Trust (the "Trust") on behalf of the KIA. The Trust will be established with an objective of contributing funding towards short and long term KIA development projects and initiatives including training and education as well as infrastructure projects that will serve to support sustainable economic development in the region. The Trust would receive 3% of Sabina's net proceeds from the silver royalty retained by Sabina on the Hackett River and Wishbone properties sold to Glencore Canada Plc ("Glencore"), formerly Xstrata Zinc Canada Ltd. To kick off the initiative, prior to creation of the Trust, Sabina has paid approximately $1.4 million to an existing KIA fund which provides for development and community initiatives in the Kitikmeot Region.

Under the terms of the Capacity Agreement Sabina will fund the KIA based on an agreed work plan and budget for the environmental assessment and permitting processes. Funding will occur over an estimated period of three years ending in 2016, which is the anticipated completion of the permitting process. This funding will enable the KIA to employ staff, retain certain technical specialists and to conduct such administrative and management functions as are required with the process.

Hackett River Silver Royalty, Nunavut

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

On October 4, 2011 the Company completed the sale of the Hackett River property and certain claims on the Wishbone project to Glencore for cash consideration of $50 million along with Sabina reserving a silver production royalty (the "Hackett Silver Royalty") equal to 22.5% of the first 190 million ounces of payable silver from the current resource at Hackett River and other properties (the "Properties") and 12.5% of all payable silver from the Properties thereafter at no future cost to Sabina. Additionally, Glencore agreed to incur not less than $50 million on exploration expenditures on the Properties over a four year period with a view of completing a NI 43-101 compliant feasibility study. If the feasibility study has not been completed by the fourth anniversary of the sale, Glencore can elect to incur additional expenditures of not less than $10 million by each of the next three anniversaries. If at any of the fourth to seventh anniversaries

Glencore has not met the spending requirements 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 the Properties for a cash purchase price equal to 100% of the expenditures incurred by Glencore. Glencore can pre-empt Sabina's buy back right by electing to pay an advance royalty of $75 million.

Glencore has completed work to advance the project. Key project accomplishments in 2012 were: completion of 51,500 meters of diamond drilling, including 43,500 meters of exploration both near known deposits and on new targets and 8,000 meters of geotechnical and metallurgical drilling; baseline environmental studies; and, commencement of a pre-feasibility study. Glencore was active on the project in 2013, completing approximately 40,000 meters of drilling at Hackett and proposed infrastructure sites.

On May 2, 2013, Glencore reported updated mineral resources for the Hackett River project as at December 31, 2012; a total of 82 million tonnes of mineral resources were reported in the mineral resource statement comprised of indicated resources of 25 million tonnes (Zn 4.2%, 0.6 Pb%, 0.5 Cu%, Ag 130 g/t, Au 0.3 g/t) and inferred resources of 57 million tonnes (Zn 3.0%, 0.5 Pb%, 0.4 Cu%, Ag 100 g/t, Au 0.2 g/t). Glencore disclosed that Aline Côté, Project Manager for Xstrata Zinc, served as the Competent Person in connection with this mineral resource estimate. This compares to Glencore's prior year resource of a total of 61 million tonnes comprised of measured resources of 20 million tonnes (Zn 4.7%, 0.6 Pb%, 0.4 Cu%, Ag 140 g/t, Au 0.3 g/t) and inferred resources of 41 million tonnes (Zn 4.0%, 0.6 Pb%, 0.4 Cu%, Ag 100 g/t, Au 0.2 g/t).

Glencore is not an issuer in Canada and therefore is not obliged to file a 43-101 technical report on the new resource. As Hackett River is a material asset to Sabina, securities regulations require that Sabina complete a technical report on the project. This report has been announced and filed by Sabina on www.sedar.com on March 12, 2014.

Wishbone, Nunavut Property

The Wishbone Greenstone Belt surrounds the Hackett River Project as well as other smaller base and precious metal deposits. The Wishbone mineral claims cover a largely unexplored highly prospective greenstone belt with the potential for both gold and VMS style deposits. Wishbone claims that had a high potential for VMS deposit discovery were included as part of the sale of Hackett River to Glencore. Sabina retained certain Wishbone claims (48 claims) along the south eastern edge of the property that cover geological units which are similar to the gold-bearing hosts at Back River and are potential gold targets. The Wishbone properties is currently divided into the Wishbone, Malley and Needle properties which are comprised of 63 claims and one lease covering approximately 56,047 hectares.

Red Lake, Ontario Properties

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

Newman-Madsen
In 2012, the Company acquired the interests from its joint-venture partner (Premier Gold Mines Ltd) in the Newman-Madsen property for a cash payment of $0.5 million and a 0.5% net smelter return royalty on the property.

The Newman-Madsen property is composed of 38 patented mining claims located in the Red Lake Mining Division of Ontario, 3.5 km southwest of the Town of Red Lake and 4.5 km northeast of Claude Resources Ltd.'s Madsen Mine. Eight of these claims (East My Ritt) are subject to an option agreement with Mega Precious Metals Inc. ("Mega"). On May 6, 2013, the Company received notice that Mega was exercising its rights to acquire 100% of the mineral rights of the East My Ritt property and the transfer process has been completed.

On May 13, 2014, subsequent to the quarter, the Company announced that it had signed a definitive agreement for the sale of the Company's 100% owned Newman-Madsen property to Laurentian Goldfields Ltd. ("Laurentian"). In consideration for the asset, on closing Sabina will receive 6.5 million shares in Laurentian, representing approximately 6.3% of the total issued and outstanding shares of Laurentian. Sabina would also have a participation right to maintain its holdings in Laurentian in future financings (until the earlier of 24 months or Sabina ceases to hold at least 3.5% of the shares of Laurentian). The shares will be subject to a four month hold and the transaction is subject to all required regulatory and third party approvals and consents.

The Company's carrying value for the Newman-Madsen property is approximately $3.6 million; depending on the fair value of consideration received on the closing date, the Company may record a loss on the transaction. The closing is expected to occur in the second quarter of 2014.

Golden Sidewalk

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

Skinner

The Skinner property is composed of 14 mineral claims. The property is adjacent to and immediately south of Sabina's Golden Sidewalk property. Premier has a 7.5% net profit interest capped at $0.5 million. Franco-Nevada Corporation holds a 1% net smelter return royalty and a local prospector holds another 2% net smelter return interest which can be purchased by Sabina subject to certain conditions. No work was completed this property during 2013.

Redaurum

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

Nipigon, Ontario

In the fall of 2011, the Company staked 70 mineral claims covering over 16,000 hectares in an area approximately 100 km north of Thunder Bay, Ontario. The Nipigon Project is 100% owned by the Company and is located along the same iron formation that hosts the Beardmore-Geraldton gold camp. This prospective trend has historic gold production of over 4.5 million ounces of gold from four mines: the McLeod-Cockshut, Hard Rock and Mosher mines in Geraldton, and the Leitch Mine in Beardmore. Geologic assessment of the property is ongoing.

Summary of Results

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

		2014 Q1		2013 Q4		2013 Q3 (1)		2013 Q2
Revenue/other income	$	240	$	258	$	330	$	439
Earnings/(loss)		(1,603)		(175)		(4,079)		(1,604)
Per share	$	(0.01)	$	(0.00)	$	(0.02)	$	(0.01)
		2013 Q1(2)		**2012 Q4(3)**		**2012 Q3 (4)**		**2012 Q2**
Revenue/other income	$	459	$	569	$	633	$	572
Earnings/(loss)		(3,663)		(4,999)		(4,614)		(343)
Per share	$	(0.02)	$	(0.03)	$	(0.03)	$	(0.00)

Notes:

1. During the three months ended September 30, 2013 the Company's reported loss of $4.1 million includes recognition of flow-through premium amortization of $0.9 million and deferred income tax expense of $4.1 million, both related to the renunciation of the qualifying exploration expenditures.
2. During the three months ended March 31, 2013, the Company's reported loss of $3.7 million includes stock-based compensation of $2.5 million.
3. During the three months ended December 31, 2012, the Company's reported loss of $5.0 million includes a write-down of mineral properties of $3.8 million; recognition of flow-through premium amortization of $0.9 million and deferred income tax expense of $1.4 million, both related to the renunciation of the qualifying exploration expenditures.
4. During the three months ended September 30, 2012, the Company's reported loss of $4.6 million includes recognition of flow-through premium amortization of $2.1 million and deferred income tax expense of $5.8 million, both related to the renunciation of the qualifying exploration expenditures.

Overall Performance

For the quarter ended March 31, 2014, the Company reported a net loss of $1.6 million compared to a net loss of $3.7 million in 2013. The decrease of $2.1 million was primarily due to lower operating expenses and deferred income tax expense, partially offset by reduced net finance income.

For Q1 2014, operating expenses were $2.1 million compared to $3.9 million in the same quarter of 2013, lower by $1.7 million due to lower stock-based compensation expense. Share based compensation decreased primarily due to a decrease in the option value. For the quarter ended March 31, 2014, the Company had granted and vested 2.9 million options with a weighted average fair value of $0.46 per option compared with 3.0 million options at $1.25 per option in Q1 2013.

Net finance income was $0.2 million in Q1 2014 compared to $0.8 million in Q1 2013. The decrease was the result of lower interest income and amortization of flow-through premium. Interest income decreased to $0.2 million in Q1 2014 from $0.5 million in Q1 2013 due to the reduced average cash and short term investment balances. Amortization of flow-through premium was nil in Q1 2014 compared to $0.3 million in 2013. The Company has not completed any flow-through financings in 2014.

Deferred income tax recovery was $0.3 million in Q1 2014 compared to deferred income tax expense of $0.5 million in Q1 2013. The deferred income tax expense in 2013 relates to the renunciation of flow-through expenditures as required by its flow-through financing agreements.

The primary costs incurred by the Company are associated with exploration and evaluation of its mineral properties and are deferred until the properties are placed into production, sold or abandoned. In Q1 2014, total deferred expenditures were $3.9 million compared to $14.2 million in 2013 (note 7 of 2014 Q1 financial statements). The decrease of $10.3 was primarily the result of no drilling activity at Back River in Q1 2014 and decreased environmental and economic assessment expenditures compared to 2013. During the 2013 field season, the Company completed a large drilling campaign totalling 82,000 meters of drilling to support the expected FS in 2014; consequently drilling and site support expenses were reduced by $7.6 million in Q1 2014 (nil meters drilled in Q1 2014 compared to 7,244 meters in Q1 2013). Additionally, environmental assessment expenditures decreased by $0.6 million and economic assessment expenditures decreased by $2.3 million. In 2014, the Company has been active undertaking optimization studies on Back River following the completion of the PFS in 2013. On the environmental assessment front, work on the DEIS was completed in 2013 and the current focus is in engaging in the regulatory review process of the document. As noted in the section on Back River exploration, the Company plans to complete approximately 9,000 meters of drilling on Back River during the second and third quarters of 2014.

Liquidity and Capital Resources

The Company had cash and cash equivalents and short-term investments of $51.4 million at March 31, 2014 compared to cash and cash equivalents of $58.3 million at December 31, 2013.

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

Financial Instruments

The fair values of the Company's financial instruments consisting of cash and cash equivalents, guaranteed investment certificates, accounts receivable, and accounts payable and accruals approximate their carrying values because of their short terms to maturity. The fair value of the marketable securities included in available for sale investments is determined with reference to quoted market prices. The Company's available-for-sale investments had a fair value of $68 thousand at March 31, 2014 ($38 thousand – December 31, 2013).

Liabilities and Contingencies

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

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

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

On October 9, 2013, the Company announced its decision to proceed with the commencement of the FS for the Back River Project, consequently, in accordance with the Back River purchase agreement, the Company issued 5 million shares and 5 million one-half of one common share purchase warrant to DPM with exercise and expiry terms as noted above.

The Company has the legal obligation to reclaim exploration camps for which it holds water licenses and exploration and mining agreements and has recorded a provision for site reclamation of $2.6 million. The Company has issued security deposits to the land owner, the Kitikmeot Inuit Association ("KIA"), totalling approximately $2.2 million in relation to these obligations.

As previously noted, Sabina and the KIA have finalized a Development Trust Fund Agreement whereby Sabina will establish and contribute to the Trust on behalf of the KIA. The Trust will be established with an objective of contributing funding towards short and long term KIA development projects and initiatives including training and education as well as infrastructure projects that will serve to support sustainable economic development in the region. Under the terms of the agreement, the Trust would receive 3% of Sabina's net proceeds from the silver royalty on the Hackett River and Wishbone properties sold to Glencore. The Trust would be comprised of a maximum of six trustees of which a majority would be KIA appointees with at least one Sabina appointee. Funds contributed to the Trust would be allocated by the Trustees to initiatives that provide benefits to the Kitikmeot region. A portion of the Trust funds would be retained for allocation after mine or project closure. Payments may be made to the Trust in shares at Sabina's election and subject to regulatory approval.

Contractual Obligations

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

(in thousands of Canadian dollars)		
2014	$	130
2015		72
	$	202

The Company has financed certain mobile equipment used at its Back River exploration camp by entering into capital leasing arrangements. Minimum lease payments due are as follows:

(in thousands of Canadian dollars)		
2014	$	99
2015		112
2016		112
2017		55
2018		173
	$	551

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements and no long-term debt obligations.

Outlook

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

In 2014, the Company intends to focus on a number of activities which could continue to optimize the economics and de-risk the Project, including:

- A drilling program in and around the new resources at the Echo deposit. As disclosed in a press release on March 4, 2014, the updated mineral resource estimate for the Back River Project now includes the Echo deposit, which has estimated measured and indicated resources of 607 kt at 6.8 g/t and 133 koz Au and estimated inferred resources of 551 kt at 7.2 g/t and 128 koz Au. Additional drilling will target upgrading inferred resources at Echo and possibly increasing resources by drilling on the extensions of the current deposit. A budget for the 2014 work program has been approved for a total of $19 million, including approximately 9,000 meters of drilling and environmental and economic assessment activities.

- Given the close proximity of the Echo deposit to other large deposits on the Goose property, the Company anticipates that if the Echo resources could be incorporated into the FS it may have a positive impact on the Project economics. The Company will incorporate the Echo deposit into its ongoing mine planning studies to evaluate the potential impact on the Project.

- Completion of ongoing metallurgical studies including analysis of additional samples, additional variability testing and metallurgical optimization. The objective of these studies is to verify the analysis used in the PFS which resulted in an average life-of-mine milling recovery of 88%; and, to look for opportunities and trade-offs to improve the recovery. Given the nature of the deposits, the Company anticipates that an average recovery of at least 90% across all deposits could be achieved. As noted in the Highlights section of this MD&A, the Company has reported the results of the studies which indicate an average of 93.9% of the gold resources could be recovered.

- Following completion of optimization studies, the Company anticipates that it would be in a position to engage an engineering firm or firms to initiate a FS on the Project in Q2 2014.

- Concurrent with this work, the Company plans to continue with the work necessary to support the environmental assessment and permitting process. In early 2014, the Company submitted its DEIS and received confirmation from NIRB that the submission conformed to the requirements of the EIS guidelines. The technical review of the DEIS is underway and the Company anticipates that this phase would be completed in Q4 2014. Following the technical review process, the Company anticipates that it would continue to complete work necessary for a final EIS and any required regulatory licences and permits.

If the project successfully passes each of these stages, a decision to proceed to mine construction could be made shortly thereafter. Based on preliminary estimated timelines, a production decision may be possible in 2016. Detailed construction timelines have not yet been developed for the Project; however, preliminary guidance in the PFS was that mine construction may be completed over a two-year period.

The Company continues to evaluate gold projects outside of Nunavut. Geologic assessment is ongoing on the Company's properties in Ontario and additional work may be planned in 2014.

Critical Accounting Estimates

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

Accounting for Exploration and Development Costs

Exploration expenditures related to mineral properties are deferred only if it is probable that these costs will be recovered from future operations. The carrying values of mineral properties are assessed at the balance sheet date to determine whether any indicators exist that the properties may be permanently impaired. The Company's progress in its development activities towards its planned operations is a key factor to be considered as part of the ongoing assessment of the recoverability of the carrying amount of capital assets and deferred exploration and development costs. If there are indicators of impairment, the asset is written down to its estimated net recoverable value. Deferred acquisition, exploration and evaluation expenditures totalled $253.5 million at March 31, 2014 ($249.6 million – December 31, 2013).

Provision for Site Reclamation

The Company recognizes management's best estimate of a future asset retirement obligation as a liability in the period in which it incurs a legal or constructive obligation associated with the acquisition, construction, development and/or normal use of its assets. The Company concurrently recognizes a corresponding increase in the carrying amount of the related long-lived asset which is amortized over the life of the asset. At March 31, 2014, the Company had a provision for site reclamation of $2.6 million in relation to the Back River exploration camps. Key activities required to be carried out and used in estimating the costs include: removal of Back River exploration camps, reclamation of site pads, re-vegetation, as needed and post-closure site monitoring.

Stock-based Compensation

Stock-based compensation is accounted for using the fair value method. Under the fair value method, compensation cost is measured at fair value of the options at the date of grant and is expensed over the vesting period of the award. The grant date fair values of share options were measured based on the Black Scholes option pricing model. The weighted average inputs used in the measurement of the fair values at grant date of the share-based payment plans are the following: a risk-free interest rate of 1.23% (2013 – 1.24%); a dividend yield of 0% (2013 – 0%); an expected volatility of 68.9% (2013 – 68.1%) and expected lives of stock options of 3.5 years (2013 – 3 years). The weighted average fair value of options granted in the period was $0.46 per share (2013 - $1.25). The expected volatility is estimated by considering historic average share price volatility.

Future Changes in Accounting Standards

Certain new accounting standards and interpretations have been published that are not mandatory for the March 31, 2014 reporting period. The following standards are assessed not to have any impact on the Company's financial statements:

- IFRS 9 Financial Instruments for accounting periods on or after January 1, 2015; and
- IAS 36 Impairment of assets – disclosure for accounting periods on or after January 1, 2015.

Disclosure Controls and Procedures ("DC&P")

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

Internal Control Over Financial Reporting ("ICFR")

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

Outstanding Share Data

As at May 13, 2014, there were 194,019,926 common shares outstanding and there were options and warrants outstanding to purchase an aggregate of 15,972,410 common shares. The options were granted to certain of the Company's executive officers, directors, employees and consultants.

Additional Information

Sabina is a Canadian public mineral exploration company listed on the TSX Exchange trading under the symbol "SBB" and is a reporting issuer in British Columbia and Alberta. Additional information relating to the Company may be obtained or viewed from the System for Electronic Data Analysis and Retrieval (SEDAR) website at www.sedar.com and on the Company's website at www.sabinagoldsilver.com.

Risks and Uncertainties

Exploration and Development of Mineral Resource Properties

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

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

Calculation of Reserves, Resources and Metal Recoveries

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

Title to Assets

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

Uncertainty of Funding

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

Precious and Base Metal Price Fluctuations

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

Government Regulation

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

Competitive Conditions

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

Forward Looking Statements

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

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