



December 20, 2018

Ida Porter
License Administrator
Nunavut Water Board
PO Box 119
Gjoa haven, NU
X0B 1J0

Re: Furnishing of Security for Initial Development Works as per Water License 2AM-BRP1831

Dear Ida,

As required in Part C of the Type A Water License (2AM-BRP1831) for the Back River Project, Sabina is required to furnish and maintain the specified reclamation security with Crown-Indigenous Relations and Northern Affairs Canada (CIRNAC) and the Kitikmeot Inuit Association (KIA) inline with agreed upon staged development. Based on the Type A Water License requirements Sabina is pleased to confirm that the company has furnished \$2,400,005 to CIRNAC and \$1,176,934 to KIA in the form of two irrevocable Letters of Credit. Sabina has attached a digital copy of the Letter of Credit issued to CIRNAC. Due to the confidential nature of our agreements with KIA Sabina has not provided a copy of the Letter of Credit issued to KIA at this time. This digital copy of KIA's Letter of Credit may be provided to the Nunavut Water Board, if requested, however it may not be made public without the prior approval of KIA.

As was previously communicated to all parties, due to the timing of receipt of the Type A Water License these securities are being provided later than originally planned. Activities requiring these securities are scheduled to commence in the coming weeks.

Should you require any additional information please feel free to contact me at mpickard@sabinagoldsilver.com or (604) 484-8967.

Yours truly,

A handwritten signature in black ink, appearing to read "M. Pickard", with a long, sweeping horizontal stroke extending to the right.

Matthew Pickard
Vice President, Environment & Sustainability
Sabina Gold & Silver Corp.
Suite 1800, 555 Burrard Street, Box 220
Vancouver, BC V7X 1M7



Cc: *Karen Kharatyan, Nunavut Water Board*
Dave Baines, Nunavut Water Board
John Roesch, Kitikmeot Inuit Association
Spencer Dwyer, Crown-Indigenous Affairs and Northern Development Canada
Erik Allain, Crown-Indigenous Affairs and Northern Development Canada
Jeremy Fraser, Crown-Indigenous Affairs and Northern Development Canada
Ian Parsons, Crown-Indigenous Affairs and Northern Development Canada





**Royal Bank
Banque Royale**

Royal Bank of Canada

International Trade Centre - B.C.
1055 West Georgia Street, 6th Floor
Vancouver, BC V6E 3S5
Tel: 1-800-757-4525
Fax: 1-800-450-7774
SWIFT: ROYCCAT2VIC

**Irrevocable
Standby Letter of Credit No.:
SLC7053718V**

Beneficiary:

Her Majesty the Queen in Right of
Canada as represented by the
Minister of Indian Affairs and
Northern Development (cont'd below) .

Applicant:

Sabina Gold & Silver Corp.
Suite 1800, 555 Burrard Street
Vancouver, BC V7X 1M9 Canada

Date of Issue:

December 20, 2018

Date and Place of Expiry:

December 19, 2019 Vancouver, BC

Amount:

CAD 2,400,005.00 Two Million Four Hundred Thousand Five
Canadian Dollars

Beneficiary's name/address continued:

Payable to the Receiver General of Canada
Building 918, Nunavut Drive
C/O P.O. Box 100
Iqaluit, Nunavut X0A 0H0 Canada
Attention: Manager of Water Resources, Nunavut Regional Office

Irrevocable Standby Letter of Credit No. SLC7053718V.

Regarding Security pursuant to Type 'A' Water License Type 2AM-BRP1831

At the request of and for the account of Sabina Gold & Silver Corp. (the "Applicant"), We, Royal Bank of Canada, International Trade Centre - B.C., 1055 West Georgia Street, 6th Floor, Vancouver, B.C. V6E 3S5, hereby establish in your favour our Irrevocable Standby Letter of Credit No. SLC7053718V (the "Letter of Credit") for sums not exceeding in the aggregate CAD 2,400,005.00 (Two Million Four Hundred Thousand Five and 00/100's Canadian Dollars).



This Letter of Credit is available with us for drawing at sight, without enquiry as to whether you have a right as between yourself and the Applicant, to make such demand and without recognizing any claim of or objection by the Applicant, against presentation to us, by you or your duly authorized representative or agent of the following documents:

1. A sight draft drawn on Royal Bank of Canada, International Trade Centre - B.C., 1055 West Georgia Street, 6th Floor, Vancouver, B.C. V6E 3S5; and
2. The original of this Irrevocable Standby Letter of Credit No. SLC7053718V for endorsement of payment thereon; and
3. A statement purportedly signed by an official of the Department of Indian Affairs and Northern Development Canada certifying;
 - a) That the signatory is an official of Indian Affairs and Northern Development Canada and has authority to sign the statement on behalf of Minister of Indian Affairs and Northern Development Canada (the 'Minister'), and
 - b) Either;
 - i) That the Minister is entitled to apply the amount drawn, being all or part of the security posted and maintained pursuant to Type 'A' Water License 2AM –BRP1831 issued by the Nunavut Water Board, whether as originally issued or as amended, renewed or replaced from time to time, or
 - ii) That this Letter of Credit is due to expire in thirty (30) days or less and that the Applicant has not replaced this Letter of Credit by posting with the Minister other security satisfactory to the Minister.

Partial drawings are permitted.

This Letter of Credit is effective from December 20, 2018 and shall expire at our counters on December 19, 2019. This Letter of Credit shall be extended automatically without amendment for an additional one year period from the initial expiration date and for an additional one year period from each future date, unless at least ninety (90) days prior to the present or future expiration date, we notify you in writing by registered mail or courier that we elect not to consider this Letter of Credit extended for such additional period.

The Water License referred to herein is for reference purposes and does not form part of the terms of this Letter of Credit.

We hereby agree that all drafts drawn under and in compliance the terms of this Letter of Credit shall be duly honoured by us if presented for payment on or before the present or future expiration date.

Except so far as is otherwise expressly stated herein, this Letter of Credit is subject to the Uniform Customs and Practice for Documentary Credits (2007 Revision), International Chamber of Commerce Publication No. 600. Notwithstanding Article 36 of said Publication, if this Letter of Credit expires during an interruption of business as described in Article 36, we agree to effect payment if this Letter of Credit is drawn on us within thirty (30) days after the resumption of business.



**Royal Bank
Banque Royale**

Royal Bank of Canada

Authorized Signature

Authorized Signature