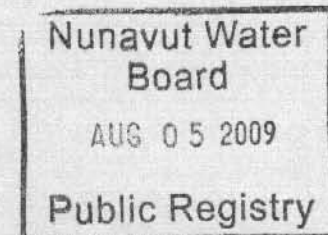




August 5, 2009

Nunavut Water Board
PO Box 119
Gjoa Haven NU X0B 1J0



ATTN: DIONNE FILATRAULT, EXECUTIVE DIRECTOR

Dear Dionne,

This letter is to provide a formal update on Sabina's plans for the Hackett River Project over the next year.

As you may be aware, there have been some exciting developments within our company over the last few months, the recent acquisition of the Back River and Wishbone projects as well as a recent \$18 million financing among them, but in particular, significant positive developments at Hackett River.

In the fall of 2008, a review of the Hackett River Project was undertaken by an expert in Volcanic Massive Sulphide (VMS) deposits. It was only then that the true nature of the project became clear to us. Opportunities to grow the project through the addition of new resources were identified; targets of higher value higher grade mineralization (i.e. copper, silver gold) became apparent and previously unconsidered alternatives in mine methods and staging became interesting.

As you know, the Company commenced a pre-feasibility study ("PFS") on the Hackett River Project with AMEC Americas Ltd in 2007 following a positive Preliminary Economic Assessment ("PEA"). The PFS has been seriously delayed, in part due to human resources constraints on the part of our consultants, but also because the information that Sabina provided to AMEC was technically inadequate to proceed to pre-feasibility.

As an initial part of the PFS, AMEC completed and the Company filed an updated 43-101 Mineral Resource Estimate in April of 2009. The updated resource represented an improvement over the previous estimate and included improved recoveries resulting from metallurgical studies which were completed under the supervision of AMEC as part of the work to prepare for the PFS.

Based on the positive results from the resource and metallurgical studies, the opportunities identified from the new AMEC resource model and the significant exploration potential identified



at Hackett in the fall of 2008, the Company has recently decided to delay commencing the engineering work that would form part of the PFS.

Work has not stopped, however. The Company has engaged PEG Mining Consultants ("PEG") to undertake an update to the PEA to provide insight to management on how best to proceed with the PFS. This updated PEA would incorporate the new resource model and improved recoveries as well as examine increased production rates, methods of mining and infrastructure.

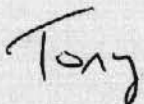
Upon completion of the PEG update, further PFS work will be re-assessed to determine if any changes should be made to the scope of the mine design or if further collection of technical data is required.

In the interim, Sabina will continue to explore for extensions to existing and for new deposits on the Hackett River Project, as well as commence drilling at our Back River and Wishbone projects. We have both the Hackett River and Goose camps open and have four drills working along with mapping, prospecting and geophysical programs.

We expect to continue work on our collection of base line data, land use and traditional knowledge to continue through the environmental process once ready and will keep everyone informed of our activities and plans going forward.

Should you have any questions, please feel free to give me a call.

Sabina Silver Corporation



Tony Walsh
President & CEO

