Execution Copy

MINERAL PROPERTY PURCHASE AGREEMENT

BETWEEN

XSTRATA CANADA CORPORATION,
XSTRATA ZINC CANADA DIVISION

AND

SABINA GOLD & SILVER CORP.

MADE AS OF

JUNE 1, 2011

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MINERAL PROPERTY PURCHASE AGREEMENT

THIS AGREEMENT is made as of June 1, 2011.

BETWEEN

XSTRATA CANADA CORPORATION, XSTRATA ZINC CANADA DIVISION, a corporation existing under the laws of the Province of Ontario, Canada ("**Purchaser**"),

- and -

SABINA GOLD & SILVER CORP., a corporation existing under the laws of the Province of British Columbia, Canada ("**Vendor**"),

WHEREAS Vendor desires to sell and Purchaser desires to purchase from Vendor certain mineral properties located in Nunavut, Canada as more particularly described herein upon and subject to the terms and conditions set out in this Agreement;

NOW THEREFORE, in consideration of the covenants and agreements herein contained, the Parties agree as follows:

ARTICLE 1 - INTERPRETATION

1.01 Definitions

In this Agreement, unless something in the subject matter or context is inconsistent therewith:

"**Advance Ruling Certificate**" means an advance ruling certificate issued by the Commissioner of Competition pursuant to section 102 of the Competition Act with respect to the transactions contemplated by this Agreement.

"**Affiliate**" has the same meaning as in the *Business Corporations Act* (Ontario).

"**Agreement**" means this mineral property purchase agreement, including the schedules hereto.

"**Applicable Law**" means any applicable law, statute, ordinance, decree, requirement, order, treaty, proclamation, convention, rule or regulation of any Governmental Authority.

"**Applicable Mineral Leases and Mineral Claims**" has the meaning given to it in Section 2.06(b)(iii).

"**Approvals and Consents**" means all Regulatory Consents and any other consents or approvals of third parties required to effectively complete the transactions contemplated by this Agreement.

"**Assumed Liabilities**" means all liabilities to be assumed by Purchaser in connection with this transaction as set forth in Schedule G.

"**Assumed Royalty Obligations**" means the obligations described in paragraph 4 of Schedule G.

"**Back River Joint Venture Agreement**" means the agreement between Homestake Mineral Development Ltd., Kerr-McGee Corporation, O'Green Holdings Ltd., Gold Bar Development Ltd. and Andromeda Investments Ltd. and Trigg, Woollett, Olson Consulting Ltd., dated as of May 5, 1989, as such agreement has been or may be amended and as the interests therein have been or may be assigned and the obligations therein assumed from time to time.

"**Business Day**" means a day other than a Saturday, Sunday or statutory holiday in Ontario and British Columbia.

"**Buy Back Assets**" has the meaning given to it in Section 6.01(1).

"**Buy Back Completion Date**" has the meaning given to it in Section 6.01(3).

"**Buy Back Expenditures**" has the meaning given to it in Section 6.01(2).

"**Buy Back Notice**" has the meaning given to it in Section 6.01(2).

"**Buy Back Price**" has the meaning given to it in Section 6.01(2).

"**Buy Back Right**" has the meaning given to it in Section 6.01(1).

"**Buy Back Trigger Date**" has the meaning given to it in Section 6.01(1).

"**Claims**" means any demand, allegation, assertion or claim of whatever nature or kind that could result in Losses and whether or not made by way of a Proceeding.

"**Closing**" means the completion of the steps set forth in Section 2.06(b) on the Closing Date.

"**Closing Date**" has the meaning given to it in Section 2.06(a).

"**Closing Date Conditions**" means the execution of the Silver Wheaton Confirmation and Waiver and the obtaining of all Vendor Approvals.

"**Closing Deliveries**" has the meaning given to it in Section 2.07.

"**Closing Documents**" means with respect to each of Vendor and Purchaser, respectively, each of the agreements and documents to which it is a party or by which it is bound and which is to be delivered by it at Closing.

"**Closing Time**" has the meaning given to it in Section 2.06(a).

"**Cominco Notice to Third Parties**" means the Notice of Agreement executed by Cominco Ltd. registered against Mineral Lease #2789 at the office of the Mining Recorder on October 31, 1977, in liber "G" as number 20701.

"**Commissioner of Competition**" means the Commissioner of Competition appointed pursuant to the Competition Act.

"**Competition Act**" means the *Competition Act* (Canada).

"**Competition Act Compliance**" means:

(a) the issuance of an Advance Ruling Certificate;

(b) Purchaser and Vendor have given the notice required under section 114 of the Competition Act with respect to the transactions contemplated by this Agreement and the applicable waiting period under section 123 of the Competition Act has expired or been waived in accordance with the Competition Act; or

(c) the obligation to give the requisite notice has been waived pursuant to subsection 113(c) of the Competition Act.

"**Completion**" has the meaning given to it in Section 2.06(c).

"**Completion Date**" has the meaning given to it in Section 2.06(c).

"**Conveyances**" has the meaning given to it in Section 2.06(b).

"**Defaulted Leases**" has the meaning given to it in Section 2.08(7).

"**Defence Notice**" has the meaning given to it in Section 4.04(4).

"**Designated Inuit Organization**" has the meaning set out in the NLCA.

"**Documents and Records**" means all documents, records and correspondence with any Person or Governmental Authority within Vendor's possession or control in whatever form relating to the Properties, including documents, records, correspondence and reports or analysis relating to title, access, the environment, permitting or social, community or First Nations matters, but excluding (i) financial or accounting information or records and (ii) documents, records and correspondence in the possession of Vendor's external legal counsel.

"**Due Diligence Termination Notice**" has the meaning given to it in Section 3.04(a).

"**Encumbrance**" means any mortgage, charge, deed, security interest, pledge, lien, royalty, preferential purchase right, or other encumbrance or burden of any nature whether imposed by contract or operation of law.

"**Environment**" means the air, surface water, underground water, any land, soil or underground space even if submerged under water or covered by a structure, all living organisms and interacting natural systems that include components of air, land, water, organic and inorganic matters and living organisms and "environment" or "natural environment" as defined in any Environmental Laws, and "**Environmental**" shall have a similar extended meaning.

"**Environmental Laws**" means all Applicable Laws relating in whole or in part to the Environment and includes those relating to pollution or protection of the Environment,

Environmental and/or mining rehabilitation and reclamation, public health, safety or natural resources.

"**Environmental Liabilities**" means any and all actions, demands, claims, debts, costs, Losses, duties and obligations of any nature imposed, issued rendered or arising under or pursuant to any Environmental Law including those pertaining to the impairment or contamination of the Environment.

"**Escrow Agent**" has the meaning given to it in Section 2.06(b).

"**Escrow Agreement**" has the meaning given to it in Section 2.06(b).

"**Escrow Period**" means the period from the Closing Time until the Completion on the Completion Date.

"**Exploration Information**" means geological, geophysical, geochemical, sampling, drilling, trenching, analytical, testing, assaying, mineralogical, metallurgical and other similar information concerning the Properties that is derived from or relates to activities undertaken thereon or with respect thereto to locate, investigate, define, or delineate a mineral prospect or mineral deposit thereon, including all drill core and related logs.

"**Feasibility Study**" means a NI 43-101 compliant comprehensive technical and economic study for the development of a mineral project on the Properties or any portion thereof (and which in any event shall include the Known Resource) that (i) includes appropriately detailed assessments of realistically assumed mining, processing, metallurgical, economic, marketing, legal, environmental, social and governmental considerations together with any other relevant operational factors and detailed financial analysis, that are necessary to demonstrate at the date of such study that extraction is reasonably justified (i.e., that the project is economically mineable), and (ii) may reasonably serve as the basis for a decision by a proponent or financial institution to proceed with, or finance, the development of the project.

"**FS Expenditure Certificate**" has the meaning given to it in Section 5.01(2).

"**FS Expenditure Deadline**" has the meaning given to it in Section 5.01(1).

"**FS Expenditure Target**" has the meaning given to it in Section 5.01(1).

"**FS Expenditures**" means, without duplication, all direct and indirect costs and expenses (including a charge of up to 10% of all direct costs and expenses to compensate Purchaser for its unallocated overhead and administration costs) incurred by or on behalf of Purchaser at any time after the Closing Date in maintaining the Properties and in carrying out any work or activities or in providing any services, materials or equipment on or for the benefit of the Properties (including any infrastructure relating to any current or future operations thereon) as Purchaser in its sole discretion determines, including such costs and expenses that may be necessary, appropriate or advisable in Purchaser's sole discretion in order to advance the Properties toward, and the eventual completion of, a Feasibility Study as well as any such costs and expenses incurred thereafter.

"**FS Top Up Payment**" has the meaning given to it in Section 5.01(4).

"**FS Dispute Top Up Payment Deadline**" has the meaning given to it in Section 5.01(4).

"**Governmental Authority**" means any (i) national, federal, provincial, territorial, state, municipal, local or other governmental or public department, central bank, court, commission, board, bureau, agency or instrumentality, domestic or foreign, (ii) any subdivision or authority of any of the above, (iii) any securities commission or stock exchange, (iv) any aboriginal or Inuit or other similar First Nations body having regulatory authority, and (v) any quasi-governmental, self-regulatory organization or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the above; in each case, having jurisdiction in the relevant circumstances.

"**Hackett River Option Agreement**" means the memorandum of understanding dated November 24, 2003 between Teck and Vendor, as amended.

"**Hackett River Property**" means the Mineral Leases and surface lease described in Part I of Schedule A.

"**Hackett Third Party Notice**" means the Notice to Third Parties executed by Hackett River Resources Inc. registered against all of the Mineral Leases comprising the Hackett River Property at the office of the Mining Recorder on December 29, 1993, in liber "G" as number 21364.

"**INAC**" means the department of Aboriginal Affairs and Northern Development (formerly Indian Affairs and Northern Development) of the Federal Government of Canada.

"**Indemnified Party**" has the meaning given to it in Section 4.04(4).

"**Indemnitor**" has the meaning given to it in Section 4.04(4).

"**Independent Auditor**" has the meaning given to it in Section 5.01(3).

"**Interest Rate**" means the variable reference rate of interest per annum, commonly referred to as the "prime rate", as announced and adjusted by the Bank of Montreal from time to time for Canadian dollar loans made in Canada to such bank's preferred commercial borrowers.

"**Interim Period**" means the period from the date hereof until the earlier of the Closing Date and the termination of this Agreement.

"**Inuit Owned Lands**" has the meaning set out in the NLCA.

"**Inventory**" has the meaning given to it in Section 2.04.

"**Known Resource**" has the meaning given to it in the Vendor Silver Royalty attached as Schedule C hereto.

"**Leases**" means those leases underlying the leasehold interests that comprise a portion of the Properties including Mineral Leases and the surface lease.

"**Losses**" means any loss, liability (whether accrued, actual, contingent, latent or otherwise), damage, cost, expense, deficiency, charge, fine, penalty, fee, assessment, judgement, settlement or compromise of whatever nature or kind, including the costs and expenses of any Proceeding (including interest, court costs and reasonable legal fees and expenses of lawyers, accountants, engineers and other experts and professionals), but excluding loss of profits.

"**Material Adverse Change**" means any change, event, circumstance or effect occurring after the date hereof that is, or could reasonably be expected to be, materially adverse to the Properties, taken as a whole, other than any change, event, circumstance or effect (i) relating to the global economy or securities markets in general, (ii) resulting from changes in the price of precious or base metals, (iii) resulting from the rate at which Canadian dollars or United States dollars can be exchanged into each other or for any foreign currency, or (iv) relating to the precious or base metal mining industries in general and not specifically relating to or affecting the Properties.

"**Mineral Claim**" means a plot of land located and recorded with the mining recorder in the manner prescribed by the Regulations.

"**Mineral Lease**" means a lease of a Mineral Claim under the Regulations.

"**Mining Recorder**" means the person designated as the "mining recorder" in the Territory of Nunavut pursuant to the Regulations.

"**NLCA**" means the agreement between the Inuit of the Nunavut Settlement Area and Her Majesty the Queen in Right of Canada dated May 25, 1993 as amended from time to time.

"**NI 43-101**" means National Instrument 43-101, entitled *Standards of Disclosure for Mineral Projects*, adopted by the Canadian Securities Administrators as amended from time to time.

"**Olson**" has the meaning provided to it in Section 2.08(4).

"**Olson Waiver**" has the meaning provided to it in Section 2.08(4).

"**Order**" means any order (including any judicial or administrative order and the terms of any administrative consent), judgment, injunction, decree, ruling or award of any court, arbitrator or Governmental Authority.

"**Other Assets**" means the assets set forth in Schedule F.

"**Parties**" means each of Purchaser and Vendor and "**Party**" means either Purchaser or Vendor.

"**Permits**" means all permits, licences, certificates, approvals, authorizations, registrations, covenants, rights-of-way, surface access rights, easements, rights to purchase or similar rights issued to or for the benefit of a Person.

"**Permitted Encumbrances**" means (i) customary reservations and exceptions in favour of any Governmental Authority under Applicable Laws, (ii) Encumbrances arising by operation of Applicable Law in respect of taxes, assessments or governmental charges or levies not yet due and payable, including any royalties payable to any Governmental Authority, (iii) any reservations or exceptions contained in any Leases and any reservations contained in any Mineral Claim, (iv) the Assumed Royalty Obligations, and (v) the liabilities and obligations arising under the agreements referred to in clauses (b) – (e) inclusive of the definition of Retained Liabilities.

"**Person**" means a natural person, partnership, limited partnership, limited liability partnership, corporation, limited liability corporation, joint stock company, trust, unincorporated association, joint venture or other entity or Governmental Authority, and pronouns having a similarly extended meaning.

"**Proceeding**" means any actual or threatened civil, criminal, administrative, regulatory, arbitral, investigative or other inquiry, action, suit, proceeding or investigation, whether at law or in equity.

"**Properties**" means, collectively, the Hackett River Property and the Wishbone Property, each as more fully described in Schedule A and "**Property**" means each of the Properties respectively.

"**Purchase Price**" has the meaning given to it in Section 2.02.

"**Purchased Assets**" means (i) subject to obtaining applicable Vendor Approvals, the Properties, but excluding the Vendor Silver Royalty, (ii) subject to obtaining applicable Vendor Approvals, the benefit of the Vendor Permits, (iii) the Technical Information, (iv) the Documents and Records, (v) the Other Assets, and (vi) the Inventory (as of the Completion Date).

"**Purchaser Indemnified Persons**" has the meaning given to it in Section 4.04(1).

"**Rectified Leases**" has the meaning given to it in Section 2.08(7).

"**Regulations**" means the Northwest Territories and Nunavut Mining Regulations.

"**Regulatory Consents**" means all authorizations, clearances, consents, Orders and approvals required to be obtained from any Governmental Authority in connection with the completion of the transactions contemplated by this Agreement.

"**Retained Liabilities**" means all liabilities and obligations whatsoever relating to, arising from or connected with the Purchased Assets (other than the Assumed Liabilities) whether contingent, existing, accrued or otherwise and whether or not arising before, on or after the Closing Date to the extent such liabilities or obligations arise as a result of, or from, the ownership, possession, control or use of the Purchased Assets or by virtue of any agreements or Applicable Law affecting the Purchased Assets or otherwise prior to the Closing Date, including:

(a) the Vendor Environmental Liabilities;

(b) all liabilities or obligations relating to the Hackett River Option Agreement including any allegation that the area of interest provision set forth in Section 28 thereof continued to apply after the exercise by Vendor of the option granted to Vendor by Teck thereunder;

(c) all liabilities or obligations relating to the Back River Joint Venture Agreement including any allegation that Purchaser did not acquire the Wishbone Property and the Defaulted Leases from Vendor hereunder free and clear of any obligations to Olson under the Back River Joint Venture Agreement (including, for the avoidance of doubt, the area of interest provision in article 14 of the Back River Joint Venture Agreement) or that by virtue of such acquisition Purchaser became a participant or a party to the Back River Joint Venture Agreement;

(d) all liabilities or obligations relating to the purchase agreement between Frederick W. Hill and the Kerr-McGee Corporation dated July 10, 1985 as amended;

(e) all liabilities or obligations relating to the Right of First Refusal Agreement dated December 21, 2006 between Silver Wheaton Corp. and Sabina Silver Corporation (a predecessor to Vendor) as amended.

"**Retention Right**" has the meaning given to it in Section 6.02(1).

"**Retention Right Notice**" has the meaning given to it in Section 6.02(1).

"**Retention Right Notes**" has the meaning given to it in Section 6.02(1).

"**Silver Wheaton Confirmation and Waiver**" has the meaning given to it in Section 2.07(b)(iv).

"**Subsequent Notices**" has the meaning given to it in Section 3.01(k).

"**Technical Information**" means all Exploration Information and all other scientific, technical, engineering, environmental or other information and data in whatever form in the relevant Party's possession or control relating to the Properties or any activities carried out thereon or in respect thereof together will all reports, studies, analysis and interpretations thereof or relating thereto.

"**Teck**" means Teck Resources Mining Partnership (formerly, Cominco Mining Partnership).

"**Third Party Claim**" means a Claim made against a party to this Agreement by any Person that is not a party to this Agreement.

"**Transfers**" has the meaning given to it in Section 2.06(b).

"**Vendor Approvals**" means the Approvals and Consents required to be obtained by Vendor in order to close the transaction contemplated under this Agreement which are listed in Schedule H.

"**Vendor Completion Certificate**" has the meaning given to it in Section 2.06(d).

"**Vendor Environmental Liabilities**" means all historic, current and future Environmental Liabilities with respect to the Purchased Assets to the extent they arose as a result of activities or operations on or near the Properties:

(a) in respect of the Hackett River Property, the Vendor Permits held by Vendor in connection therewith and the Other Assets, from November 24, 2003 until the Closing Date; and

(b) in respect of the Wishbone Property and the Vendor Permits held by Vendor in connection therewith, from June 9, 2009 until the Closing Date;

but in all cases excluding any Environmental Liabilities consisting of capping drill holes or the dismantlement and removal of buildings, machinery and equipment located on the Properties or lands subject to the Vendor Permits.

"**Vendor Indemnified Persons**" has the meaning given to it in Section 4.04(2).

"**Vendor Permits**" means the Permits described in Schedule I issued to or for the benefit of Vendor by a Governmental Authority relating to the Purchased Assets.

"**Vendor Silver Royalty**" has the meaning given to it in Section 2.07(c)(i).

"**Vendor Undertaking**" has the meaning given to it in Section 2.08(7).

"**Wishbone Property**" means the Mineral Claims described in Part II of Schedule A, but for greater certainty excluding the Mineral Claims described in Part III of Schedule A.

1.02 **Headings**

The division of this Agreement into Articles and Sections and the insertion of a table of contents and headings are for convenience of reference only and do not affect the construction or interpretation of this Agreement. The terms "hereof", "hereunder" and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles, Sections and Schedules are to Articles and Sections of and Schedules to this Agreement.

1.03 **Extended Meanings**

In this Agreement words importing the singular number include the plural and *vice versa* and words importing any gender include all genders. The term "including" means "including without limiting the generality of the foregoing".

1.04 **Statutory References**

In this Agreement, unless something in the subject matter or context is inconsistent therewith or unless otherwise herein provided, a reference to any statute is to that statute as now enacted or as the same may from time to time be amended, supplemented, re-enacted or replaced and includes any regulations made thereunder.

1.05 **Currency**

Unless otherwise specified, all references to currency herein are to lawful money of Canada.

1.06 **Calculation of Time**

If any time period set forth in this Agreement ends on a day of the week which is not a Business Day, then notwithstanding any other provision of this Agreement, such period will be extended until the end of the next following day which is a Business Day.

1.07 **Schedules**

The following are the Schedules to, and form part of, this Agreement:

Schedule A	–	Properties
Schedule B	–	Purchase Price Allocation
Schedule C	–	Vendor Silver Royalty Agreement
Schedule D	–	Silver Wheaton Confirmation and Waiver
Schedule E	–	Vendor Infrastructure Access Agreement
Schedule F	–	Other Assets
Schedule G	–	Assumed Liabilities
Schedule H	–	Vendor Approvals
Schedule I	–	Vendor Permits
Schedule J	–	Assumption and Indemnity Agreement
Schedule K	–	Escrow Agreement

ARTICLE 2 - PURCHASE AND SALE

2.01 **Sale of Purchased Assets**

On the Completion Date, upon and subject to the terms and conditions hereof, Vendor will sell to Purchaser and Purchaser will purchase from Vendor, the Purchased Assets as of and with effect from the opening of business on the Completion Date free of all Encumbrances other than Permitted Encumbrances. The Vendor reserves to itself the Vendor Silver Royalty.

2.02 **Purchase Price**

The aggregate purchase price (the "**Purchase Price**") payable by Purchaser to Vendor for the Purchased Assets shall be $50 million, subject to adjustment in accordance with Section 2.04.

2.03 **Allocation of the Purchase Price**

The Purchase Price will be allocated among the Purchased Assets as set out in Schedule B.

2.04 **Inventory**

Within ten Business Days after the Completion Date or such other date as the Parties may agree, Purchaser will cause to be conducted a physical stock-taking supervised jointly by representatives of Vendor and representatives of Purchaser of salt, Jet B fuel, P50 (in 205 litre drums), gas, core boxes, AV gas and propane present on the Properties (the "**Inventory**"). Vendor shall thereupon send to Purchaser an invoice setting forth the cost of the Inventory, providing reasonable particulars for the unit costs of the Inventory components, and Purchaser shall pay to Vendor the amount set forth on such statement within ten Business Days after receipt thereof, subject to Purchaser's right to dispute the statement. If the Parties are unable to resolve any such dispute within ten Business Days, either Party may then refer such dispute for final determination pursuant to the *Arbitration Act, 1991* (Ontario). Where Purchaser has disputed the Inventory statement, Purchaser shall only be obligated to pay Vendor the undisputed amounts of such statement pending final determination of such dispute.

2.05 **Elections**

Vendor and Purchaser will on or before the Closing Time jointly execute an election, in the prescribed form and containing the prescribed information, to have subsection 167(1.1) of the *Excise Tax Act* (Canada) apply to the sale and purchase of the Purchased Assets hereunder so that no tax is payable in respect of such sale and purchase under Part IX of the *Excise Tax Act* (Canada). Purchaser will file such election with the Minister of National Revenue within the time prescribed by the *Excise Tax Act* (Canada).

2.06 **Closing Date and Completion Date**

(a) Subject to Section 3.04, the Closing shall be completed in escrow as described in Section 2.06(b) at the offices of Purchaser's solicitors in Toronto, Ontario at 10:00 a.m. Toronto time (the "**Closing Time**") on the 5th Business Day following the first date by which all of the Closing Date Conditions have been satisfied or waived (other than such Closing Date Conditions that can only be satisfied on the Closing Date) or such other earlier or later Business Day as the Parties may agree (in either case the "**Closing Date**").

(b) On the Closing Date, the Parties shall do as follows:

(i) the Parties will enter into an escrow agreement (the "**Escrow Agreement**") with McCarthy Tétrault LLP, as escrow agent (the "**Escrow Agent**"), in the form attached hereto as Schedule K;

(ii) the Parties will deliver their respective Closing Deliveries to the Escow Agent to be held in escrow pursuant to the terms of the Escrow Agreement; and

(iii) Vendor will deliver to Purchaser duly executed transfers and conveyances (collectively, the "**Conveyances**") of the Mineral Leases (other than the Defaulted Leases, but including the Rectified Leases, if available) and Mineral Claims comprising the Properties (the "**Applicable Mineral**

Leases and Mineral Claims") to and in favour of Purchaser, in each case in registrable form and including duplicate copies of all such Mineral Leases.

Purchaser shall, promptly upon the completion of the deliveries set forth in paragraphs (i) to (iii) of this Section 2.06(b), deliver the Conveyances to the Mining Recorder along with payment of such fees as may be required by Applicable Law to process the Conveyances. The Parties shall thereafter use their commercially reasonable efforts to effect the prompt recording of the transfer of the Applicable Mineral Leases and Mineral Claims from Vendor to Purchaser (the "**Transfers**") by the Mining Recorder.

(c) Promptly upon the receipt by Purchaser of notice from the Mining Recorder of the recording of the Transfers in respect of each of the Applicable Mineral Leases and Mineral Claims, Purchaser shall so notify Vendor in writing and the purchase and sale of the Purchased Assets shall be completed (the "**Completion**") at the offices of Purchaser's solicitors in Toronto, Ontario at 10:00 a.m. Toronto time on the second Business Day following such notice or such earlier or later date as the Parties may agree (the "**Completion Date**"), provided that the Vendor Completion Certificate has been delivered to Purchaser on or prior to such time on such date. If the Vendor Completion Certificate is not delivered to Purchaser on such date, the Completion shall take place at 10:00 a.m. Toronto time on the second Business Day following the date that Vendor delivers to Purchaser the Vendor Completion Certificate, and such date shall, for the purposes of this Agreement, be the Completion Date.

(d) On the Completion Date, Purchaser shall deliver a direction to the Escrow Agent stating that the Transfers in respect of all of the Applicable Mineral Leases and Mineral Claims have been recorded by the Mining Recorder and that the Vendor Completion Certificate has been delivered to Purchaser against delivery by Vendor of a certificate of an officer of Vendor, on behalf of Vendor, pursuant to which Vendor represents and warrants that, from the Closing Time to the moment immediately prior to the Transfer thereof, (i) it had not granted any Encumbrances nor permitted any Encumbrances to be placed on the Properties other than Permitted Encumbrances or Encumbrances arising from the terms and conditions of the Leases and Vendor Permits or (ii) it had not granted to any Person (other than Purchaser) any rights to acquire any of the Properties or any portion thereof or any right, title or interest therein or any minerals, metals, concentrates or any other products or materials removed or produced from the Properties (the "**Vendor Completion Certificate**").

2.07 **Closing Deliveries**

On the Closing Date the Parties shall deliver the following items to the Escrow Agent to be held in escrow pursuant to the terms of the Escrow Agreement (collectively, the "**Closing Deliveries**"):

(a) Purchaser shall deliver to the Escrow Agent:

(i) the Purchase Price by bank draft or electronic funds transfer to or to the order of the Escrow Agent, in trust;

(ii) an opinion of Purchaser's counsel addressed to Vendor in customary form with respect to the matters in clauses (a), (c), (d) and (e) of Section 4.01 (other than Section 4.01(e)(ii)); and

(iii) a certificate of an officer of Purchaser, on behalf of Purchaser, addressed to Vendor confirming as of the Closing Date that Purchaser has fulfilled all covenants to be fulfilled by it hereunder and that all of its representations and warranties hereunder remain true and correct in all material respects (and for the purposes of this Section 2.07(a)(iii), and in order to avoid duplicative qualifiers only, all materiality qualifications in such representations and warranties will be disregarded);

(b) Vendor shall deliver to the Escrow Agent:

(i) an opinion of Vendor's corporate counsel addressed to Purchaser in customary form with respect to the matters in clauses (a) – (d) of Section 4.02 (other than Section 4.02(d)(ii));

(ii) an opinion of Vendor's Nunavut counsel addressed to Purchaser with respect to the recorded ownership of the Mineral Leases and the Mineral Claims forming part of the Properties in form and scope substantially similar to the mineral tenure opinion dated March 1, 2011 given on behalf of the Vendor by Lawson Lundell in connection with a financing of the Vendor, and a report on the surface lease forming part of the Hackett River Property, which report shall rely on representations of and discussions and correspondence with INAC, such opinion and report to be completed at the cost of the Purchaser;

(iii) a certificate of an officer of Vendor, on behalf of Vendor, addressed to Purchaser confirming as of the Closing Date that Vendor has fulfilled all covenants to be fulfilled by it hereunder and that all of its representations and warranties hereunder remain true and correct in all material respects (and for the purposes of this Section 2.07(b)(iii), and in order to avoid duplicative qualifiers only, all materiality qualifications in such representations and warranties will be disregarded);

(iv) a confirmation and waiver duly executed by Silver Wheaton Corp. in the form attached as Schedule D hereto (the "**Silver Wheaton Confirmation and Waiver**");

(v) the Olson Waiver, duly executed by Olson and Vendor, addressed to Purchaser and in form satisfactory to Purchaser, acting reasonably;

(vi) where one or both of the Rectified Leases are not available and are not delivered by Vendor to Purchaser with the other Mineral Leases and Mineral Claims comprising the Properties as contemplated by Section 2.06(b), the Vendor Undertaking; and

(vii) the Technical Information and the Documents and Records.

(c) Purchaser and Vendor shall each execute and deliver to the Escrow Agent:

(i) the silver royalty agreement in the form attached as Schedule C hereto (the "**Vendor Silver Royalty**");

(ii) the infrastructure access agreement in the form attached as Schedule E hereto; and

(iii) the assumption and indemnity agreement in the form attached as Schedule J hereto, pursuant to which (A) Purchaser will assume, and indemnify the Vendor Indemnified Persons from and against, the Assumed Liabilities, and (B) Vendor will confirm that it retains, and will indemnify the Purchaser Indemnified Persons from and against, the Retained Liabilities.

2.08 **Closing Related Covenants**

(1) Each of Vendor and Purchaser shall use all commercially reasonable efforts to ensure that all Closing Deliveries which are within its control are delivered on the Closing Date.

(2) Vendor will use its commercially reasonable best efforts to obtain execution of the Silver Wheaton Confirmation and Waiver by Silver Wheaton Corp. within 10 Business Days following the date hereof.

(3) Purchaser and Vendor will each use reasonable efforts to obtain Competition Act Compliance and in doing so will cooperate with each other. Without limiting the generality of the foregoing, Purchaser and Vendor will as soon as practicable, and in any event within 15 Business Days after the date of this Agreement, prepare and provide submissions to the Commissioner of Competition including a request for a no action letter and, if requested by Purchaser, include an application for an Advance Ruling Certificate and promptly furnish any additional information requested under the Competition Act. In addition, if requested by Vendor or Purchaser, Vendor and Purchaser will promptly file a pre-merger notification pursuant to the Competition Act. Purchaser will pay all requisite filing fees and applicable taxes in relation to any filing or application made in respect of the Competition Act.

(4) Vendor shall use its commercially reasonable best efforts to obtain from R. A. Olson Consulting Ltd. ("**Olson**") one of the following (the "**Olson Waiver**") within 10 days following the date hereof: (a) a signed agreement between Olson and Vendor terminating in full all of the obligations of the Vendor and Olson under the Back River Joint Venture Agreement, or (b) an instrument in writing signed by Olson, in favour of each of Purchaser and Vendor, whereby Olson (i) waives the application of section 9.01 of the Back River Joint Venture

Agreement with respect to the transfer by Vendor to Purchaser of Vendor's interests in the Wishbone Property and the Defaulted Leases, and (ii) acknowledges that Purchaser shall acquire Vendor's interests in the Wishbone Property and the Defaulted Leases free and clear of any obligations to Olson under the Back River Joint Venture Agreement (including, for the avoidance of doubt, the area of interest provision in article 14 of the Back River Joint Venture Agreement and the obligation to comply with any restrictions on transfers in article 9 of the Back River Joint Venture Agreement) and shall not by virtue of such transfer become a participant or a party to the Back River Joint Venture Agreement.

(5) Vendor acknowledges that Purchaser has not been given the opportunity to conduct due diligence investigations with applicable Governmental Authorities with respect to Vendor's title to the Properties and rights in the Vendor Permits; consequently, Vendor agrees that Purchaser shall have 10 Business Days from the date hereof to conduct to its reasonable satisfaction confirmatory due diligence with respect to Vendor's title to the Properties and rights in the Vendor Permits at the offices of the applicable Governmental Authority.

(6) Until the Completion Date the Purchased Assets shall remain at the risk of Vendor and Vendor shall conduct all operations and activities on the Properties in accordance with good mining industry practice and in compliance with all Applicable Laws and Purchaser shall have the right to inspect any such operations and activities at any reasonable time and from time to time.

(7) The Parties acknowledge that Mineral Lease #3176 and Mineral Lease #2894 forming part of the Hackett River Property and formerly held by Teck are currently in default (the "**Defaulted Leases**") for arrears of lease payment and/or have expired. Vendor has advised Purchaser that all lease arrears on the Defaulted Leases have now been paid and it has, in cooperation with Teck, been working with the applicable Governmental Authority to rectify the Defaulted Leases. Vendor will use its commercially reasonable best efforts, at its own expense, to have the Defaulted Leases rectified, reinstated, reissued, extended, renewed, continued or replaced as applicable so as to be able to deliver at Closing fully compliant, valid and in good standing Rectified Leases in form and substance satisfactory to Purchaser, acting reasonably, in place and in the stead of the Defaulted Leases and covering the same area and on substantially the same terms as the Defaulted Leases (the "**Rectified Leases**"). If Vendor is unable to deliver the duly executed transfers and conveyances of the Rectified Leases in favour of Purchaser in registrable form together with duplicate copies of the Rectified Leases at Closing it shall provide an undertaking (the "**Vendor Undertaking**") in favour of Purchaser effective as of the Closing Time to (i) continue in good faith to use its reasonable commercial best efforts to obtain and deliver the Rectified Leases to Purchaser as soon as possible after Closing and (ii) pay to Purchaser the amount of $100,000 promptly upon demand thereof by Purchaser at any time after the second anniversary of the Closing Date if the Rectified Leases have not been delivered to Purchaser. Vendor's obligations under the Vendor Undertaking shall be satisfied upon the earlier of the delivery by Vendor to Purchaser of the Rectified Leases or, failing such delivery, payment of the amount of $100,000 to Purchaser upon demand, such payment to be Purchaser's only remedy for Vendor's failure to obtain and transfer the Rectified Leases to Purchaser.

(8) During the Interim Period, Vendor will:

(a) furnish promptly to Purchaser a copy of each notice, letter, report or other document or communication delivered, filed or received by Vendor under Applicable Laws and in any dealings with Governmental Authorities or any Person in connection with or in any way affecting the transactions contemplated by this Agreement;

(b) except as otherwise contemplated by this Agreement:

(i) use commercially reasonable efforts to preserve and protect or cause to be preserved and protected the Purchased Assets, including title to the Properties and rights under Vendor Permits; and

(ii) not make any material modification to its operating and management practices in respect of the Purchased Assets or make any material commitments in respect of the Purchased Assets outside of the ordinary course;

(c) use commercially reasonable efforts to satisfy (or cause the satisfaction of) as soon as possible the conditions precedent set forth in Section 3.01 to the extent the same are within its control and to take, or cause to be taken, all other commercially reasonable actions and to do, or cause to be done, to the extent within its control, all other things reasonably necessary, proper or advisable under Applicable Laws to complete the transactions contemplated in this Agreement, including using its commercially reasonable efforts to:

(i) obtain the Vendor Approvals as soon as practicable after the date hereof, and keep Purchaser apprised on a regular basis of the ongoing status of the applications for such Vendor Approvals; provided that if any Vendor Permit, or other right granted by any Governmental Authority cannot, or because of the practice of the applicable Governmental Authority will not, be transferred to Purchaser by way of assignment, then Vendor will cooperate with and assist Purchaser in obtaining the reissuance of any such Vendor Permit or other right in Purchaser's name;

(ii) effect all necessary registrations and filings and submissions of information requested by any Governmental Authority required to be effected by it in connection with obtaining the Vendor Approvals or otherwise facilitating the transactions contemplated by this Agreement; and

(iii) fulfill all conditions and satisfy all provisions of the transactions contemplated by this Agreement;

(d) subject to Applicable Laws, not take any action, refrain from taking any action, or permit any action to be taken or not taken, inconsistent with this Agreement or which would reasonably be expected to significantly impede the consummation of the transactions contemplated in this Agreement; and

(e) use commercially reasonable efforts to cause the Mining Recorder to adjust the anniversary dates in respect of Mineral Claims forming part of the Properties, for which the anniversary dates have passed, to dates falling after the Completion Date.

(9) Without in any way limiting the obligations of Vendor pursuant to Section 2.08(8)(c) and Section 2.08(8)(d) above, if any Vendor Approvals required to transfer or assign or re-issue any of the Vendor Permits to and in the name of Purchaser have not been obtained on or before the Closing Date, and Purchaser has in its sole discretion waived the obtaining thereof as a condition of Closing, Vendor will following Closing (i) hold such Vendor Permits for the benefit of Purchaser pending receipt of such Vendor Approvals, (ii) use its reasonable commercial efforts to obtain such Vendor Approvals expeditiously following Closing, and (iii) carry out at the request and expense of Purchaser such acts in compliance with Applicable Laws as must be carried out by the holder of such Vendor Permits. This Section does not create, and Vendor shall not have, any fiduciary duty or special relationship of trust or care, express or implied, to the Purchaser in respect of any such Vendor Permits nor shall Vendor have any obligation to take any steps or apply independent judgment to maintain the Vendor Permits in good standing. The maximum period of time that Vendor may be required to hold any of the Vendor Permits pursuant to this Section 2.08(9) shall be two years after the Closing Date or such other period as the Parties may agree.

(10) Purchaser shall, during the Interim Period and thereafter (if applicable), use commercially reasonable efforts to assist Vendor in obtaining the Vendor Approvals, including providing information of Purchaser and performance security reasonably requested by Governmental Authorities in connection therewith.

(11) Purchaser shall be responsible for and shall pay when due any transfer, registration, sales, goods and services or similar taxes or fees payable in respect of the sale, transfer and registration of the Purchased Assets to and in the name of Purchaser.

(12) Except for the Assumed Liabilities, Purchaser does not assume and will not be liable for any obligations or liabilities whatsoever whether contingent or otherwise relating to the Purchased Assets existing, accrued or otherwise arising prior to the Closing Date.

2.09 **Completion Related Covenants**

(1) Unless otherwise agreed by the Parties all operations and activities being performed on the Properties by or for Vendor shall cease on, or will be promptly wound down from and after, the Closing Date, and Vendor shall thereafter for the duration of the Escrow Period only perform such operations or undertake such activities as are reasonably necessary to keep the Properties and Vendor Permits in good standing. Notwithstanding the foregoing, the Parties will during the Interim Period negotiate in good faith such other arrangements, if any, for the carrying out of such operations on the Properties as may be beneficial during the Escrow Period.

(2) During the Escrow Period, Vendor will

(a) furnish promptly to Purchaser a copy of each notice, letter, report or other document or communication delivered, filed or received by Vendor under Applicable Laws and in any dealings with Governmental Authorities or any Person (other than dealing with Nunavut counsel to which privilege attaches) in connection with or in any way affecting the transactions contemplated by this Agreement;

(b) except as otherwise contemplated by this Agreement, not make any material modification to its operating and management practices in respect of the Purchased Assets or make any material commitments in respect of the Purchased Assets outside of the ordinary course; and

(c) subject to Applicable Laws, not take any action, refrain from taking any action, or permit any action to be taken or not taken, inconsistent with this Agreement or which would reasonably be expected to significantly impede the consummation of the transactions contemplated in this Agreement.

ARTICLE 3 - CONDITIONS AND TERMINATION

3.01 Conditions for the Benefit of Purchaser

The sale by Vendor and the purchase by Purchaser of the Purchased Assets is subject to the following conditions, which are for the exclusive benefit of Purchaser and which are to be performed or complied with at or prior to the Closing Time:

(a) The representations and warranties of Vendor set forth in this Agreement will be true and correct at the Closing Time in all material respects (and for the purposes hereof and in order to avoid duplicative qualifiers only, all materiality qualifications in such representations and warranties will be disregarded) with the same force and effect as if made at and as of such time.

(b) Vendor will have performed or complied in all material respects with all of the obligations and covenants of this Agreement to be performed or complied with by Vendor at or prior to the Closing Time.

(c) All Vendor Approvals shall have been obtained on terms satisfactory to Purchaser, acting reasonably, and the surface lease comprising part of the Hackett River Property and all Vendor Permits have been transferred to or reissued in the name of Purchaser.

(d) The Silver Wheaton Confirmation and Waiver shall have been executed by Silver Wheaton Corp.

(e) Competition Act Compliance shall have been obtained.

(f) The Olson Waiver shall have been obtained, in form and substance satisfactory to Purchaser, acting reasonably.

(g) The Parties will have made the joint election contemplated in Section 2.05.

(h) All Closing Deliveries to be made by Vendor on the Closing Date shall have been made and the documents contemplated by Sections 2.06(b)(i) and 2.06(b)(iii) shall have been executed and delivered by Vendor.

(i) No action or proceeding will be pending or threatened by any Person to enjoin, restrict or prohibit the sale and purchase of the Purchased Assets contemplated hereby.

(j) No Material Adverse Change will have occurred.

(k) There shall be registered with the Mining Recorder, in form and substance satisfactory to Purchaser acting reasonably (collectively, the "**Subsequent Notices**"):

(i) against each Mineral Lease a notice of discharge or notice to third parties executed by Hackett River Resources Inc. or its successor in interest, pursuant to which Hackett River Resources Inc. or such successor in interests acknowledges that it no longer has the interests claimed in the Hackett Third Party Notice; and

(ii) against Mineral Lease #2789 a notice of discharge or notice to third parties executed by Cominco Ltd. or its successor in interest, pursuant to which Cominco Ltd. or such successor in interest acknowledges that it no longer has the interests claimed in the Cominco Third Party Notice.

(l) All necessary steps and proceedings will have been taken by all Persons (excluding Purchaser) to permit the Purchased Assets to be duly and regularly transferred to and registered in the name of Purchaser.

(m) The form and legality of all matters incidental to the sale by Vendor and the purchase by Purchaser of the Purchased Assets will be subject to the approval of Purchaser's counsel, acting reasonably.

3.02 **Conditions for the Benefit of Vendor**

The sale by Vendor and the purchase by Purchaser of the Purchased Assets is subject to the following conditions, which are for the exclusive benefit of Vendor and which are to be performed or complied with at or prior to the Closing Time:

(a) The representations and warranties of Purchaser set forth in this Agreement will be true and correct at the Closing Time in all material respects (and for the purposes hereof and in order to avoid duplicative qualifiers only, all materiality qualifications in such representations and warranties will be disregarded) with the same force and effect as if made at and as of such time.

(b) Purchaser will have performed or complied in all material respects with all of the obligations and covenants of this Agreement to be performed or complied with by Purchaser at or prior to the Closing Time.

(c) All Closing Deliveries to be made by Purchaser on the Closing Date shall have been made and the document contemplated by Section 2.06(b)(i) shall have been executed and delivered by Purchaser.

(d) Competition Act Compliance shall have been obtained.

(e) The Parties will have made the joint election contemplated in Section 2.05.

(f) No action or proceeding will be pending or threatened by any Person to enjoin, restrict or prohibit the sale and purchase of the Purchased Assets contemplated hereby.

(g) The form and legality of all matters incidental to the sale by Vendor and the purchase by Purchaser of the Purchased Assets will be subject to the approval of Vendor's counsel acting reasonably.

3.03 **Waiver of Condition**

Purchaser, in the case of a condition set out in Section 3.01 and Vendor, in the case of a condition set out in Section 3.02, will have the exclusive right to waive the performance or compliance of such condition in whole or in part and on such terms as may be agreed upon without prejudice to any of its rights in the event of non-performance of or non-compliance with any other condition in whole or in part. Any such waiver will not constitute a waiver of any other conditions for the benefit of the waiving Party. Such waiving Party will retain the right to complete the purchase and sale of the Purchased Assets herein contemplated but will not have the right to sue the other Party in respect of any breach of the other Party's covenants, obligations or any inaccuracy or misrepresentation in a representation or warranty of the other Party which gave rise to the non-performance of or non-compliance with the condition so waived.

3.04 **Termination**

This Agreement may be terminated:

(a) by Purchaser, if Purchaser is not satisfied with the results of its confirmatory due diligence review as provided in Section 2.08(5), by providing written notification of the same to Vendor on or before 5:00 p.m. EDT on the tenth Business Day following the date hereof (the "**Due Diligence Termination Notice**"); or

(b) at any time prior to the Closing by notice given:

(i) by Vendor or Purchaser if a material breach of any representation, warranty, covenant, obligation or other provision of this Agreement has

been committed by the other Party and such breach has not been waived or cured on or prior to the Closing Time;

(ii) by Purchaser if any condition in Section 3.01 has not been satisfied as of the Closing Time or if satisfaction of such a condition is or becomes impossible (other than through the failure of the Purchaser to comply with its obligations under this Agreement) and the Purchaser has not waived such condition on or before the Closing Time;

(iii) by the Vendor if any condition in Section 3.02 has not been satisfied as of the Closing Time or if satisfaction of such a condition is or becomes impossible (other than through the failure of the Vendor to comply with its obligations under this Agreement) and the Vendor has not waived such condition on or before the Closing Time;

(iv) by written agreement of Purchaser and Vendor; or

(v) by Purchaser or Vendor if the Closing has not occurred (other than through the failure of the Party seeking to terminate this Agreement to comply fully with its obligations under this Agreement) on or before December 31, 2011.

3.05 **Effect of Termination**

Each Party's right of termination under Section 3.04 is in addition to any other rights it may have under this Agreement or otherwise, and the exercise of a right of termination will not be an election of remedies. If this Agreement is terminated pursuant to Section 3.04, all further obligations of the Parties under this Agreement will terminate, except that the obligations in Sections 7.02 (Costs and Expenses) and 7.08 (Confidentiality) will survive; provided, however, that if this Agreement is terminated by a Party because of a material breach of a representation or warranty, covenant, obligation or other provision of this Agreement by the other Party or because one or more of the conditions for the benefit of the terminating Party under this Agreement is not satisfied as a result of the other Party's failure to comply with its obligations under this Agreement, the terminating Party's right to pursue all legal remedies with respect to such breach will survive such termination unimpaired.

ARTICLE 4 - REPRESENTATIONS AND WARRANTIES

4.01 **Purchaser's Representations and Warranties**

Purchaser represents and warrants to Vendor that:

(a) It is a corporation duly amalgamated and subsisting under the laws of the Province of Ontario, Canada and extra-territorially registered in the Territory of Nunavut, Canada.

(b) It is, or prior to Closing Date will be, a licensee in accordance with the Regulations.

(c) It has the power, authority and right (i) to enter into and deliver this Agreement and each of the Closing Documents, and (ii) to complete the transactions to be completed by it as contemplated herein and therein.

(d) This Agreement has been, and each of the Closing Documents when delivered on the Closing Date will be, duly authorized, executed and delivered by it and constitute valid and legally binding obligations of and enforceable against it in accordance with its terms subject to applicable bankruptcy, insolvency, reorganization and other laws of general application limiting the enforcement of creditors' rights generally and to the fact that specific performance is an equitable remedy available only in the discretion of the court.

(e) The execution, delivery and performance by it of this Agreement and the Closing Documents:

(i) will not (and will not with the giving of notice, the lapse of time or the happening of any other event or condition) result in a breach or violation of, or a conflict with, or allow any other Person to exercise any rights under, any of the terms or provisions of its constating documents;

(ii) will not (and will not with the giving of notice, the lapse of time or the happening of any other event or condition) result in a breach or violation of, or a conflict with, or allow any other Person to exercise any rights under any contracts or instruments to which it is a party or by which it is bound; and

(iii) will not result in the violation of any Applicable Law.

(f) Other than the Competition Act Compliance, no Approvals and Consents are required by Purchaser in connection with the Closing, the execution and delivery by Purchaser of this Agreement or the Closing Documents or the observance and performance by Purchaser of its obligations under this Agreement or the Closing Documents.

(g) Purchaser is a WTO investor within the meaning of the *Investment Canada Act*.

(h) Purchaser is registered under Part IX of the *Excise Tax Act* (Canada) with registration number 89776 7646 RT0001.

4.02 **Vendor's Representations and Warranties**

Vendor represents and warrants to the Purchaser that:

(a) It is a corporation duly incorporated and subsisting under the laws of the Province of British Columbia, Canada.

(b) It has the power, authority and right (i) to enter into and deliver this Agreement and each of the Closing Documents, and (ii) to complete the transactions to be completed by it as contemplated herein and therein.

(c) This Agreement has been, and each of the Closing Documents when delivered on the Closing Date will be, duly authorized, executed and delivered by it and constitute valid and legally binding obligations of and enforceable against it in accordance with its terms subject to applicable bankruptcy, insolvency, reorganization and other laws of general application limiting the enforcement of creditors' rights generally and to the fact that specific performance is an equitable remedy available only in the discretion of the court.

(d) The execution, delivery and performance by the Vendor of this Agreement and the Closing Documents:

(i) will not (and will not with the giving of notice, the lapse of time or the happening of any other event or condition) result in a breach or violation of, or a conflict with, or allow any other Person to exercise any rights under, any of the terms or provisions of the Vendor's constating documents;

(ii) subject to the receipt of the Vendor Approvals and the Olson Waiver, will not (and will not with the giving of notice, the lapse of time or the happening of any other event or condition) result in a breach or violation of, or a conflict with, or allow any other Person to exercise any rights under any contracts or instruments to which it is a party or by which it is bound or pursuant to which any of the Purchased Assets may be affected; and

(iii) subject to the receipt of the Vendor Approvals, will not result in the violation of any Applicable Law.

(e) Other than the Vendor Approvals, Competition Act Compliance and the Olson Waiver, no Approvals and Consents are required by the Vendor in connection with the Closing, the execution and delivery by the Vendor of this Agreement or the Closing Documents or the observance and performance by the Vendor of its obligations under this Agreement or the Closing Documents.

(f) The Purchased Assets do not constitute all or substantially all of the assets of Vendor (within the meaning of the *Business Corporations Act* (British Columbia)) and approval by the shareholders of the Vendor is not required by any Applicable Law or Governmental Authority with respect to the transactions herein contemplated.

(g) Vendor is the recorded holder of the Properties (other than the Defaulted Leases) and is the owner of a 100% undivided beneficial interest in and to the Purchased Assets, free and clear of any Encumbrances, subject to Permitted Encumbrances and the terms and conditions of the Leases and Vendor Permits.

(h) Except for Purchaser's rights under this Agreement and the Permitted Encumbrances, there are no adverse interests or rights or options to acquire or purchase the Purchased Assets or any portion thereof or any right, title or interest therein or any minerals, metals, concentrates or any other products or materials removed or produced from the Properties. Subject to the rights of any Governmental Authority having jurisdiction, the Assumed Royalty Obligations, the Permitted Encumbrances, the terms and conditions of the Leases and Vendor Permits and any royalties payable pursuant to any Applicable Laws, no Person is entitled to any royalty or other payment in the nature of rent or royalty on any minerals, metals or concentrates or any other products removed or produced from the Properties.

(i) To the knowledge of Vendor, (i) the Mineral Claims comprising the Wishbone Property are in good standing in all material respects with respect to the performance of all material obligations required under Applicable Laws (including the payment of all rentals and maintenance costs, the performance of all minimum assessment work and the filing of reports with respect to minimum assessment work) with respect to such Mineral Claims, (ii) the Leases (other than the Defaulted Leases) comprising the Hackett River Property are in good standing in all material respects and Vendor is current in the payment of all rents, taxes and other charges thereon, and (iii) the physical condition of the Properties is in material compliance with all Applicable Laws and all Orders of all Governmental Authorities having jurisdiction, including in respect of any material Environmental Liability related to or arising out of the Properties.

(j) Each of the Vendor Permits is, to the knowledge of the Vendor, in good standing. In respect of each Vendor Permit, Vendor has complied in all material respects with all obligations imposed by the terms of such Vendor Permit, and Vendor has received no notice from any Governmental Authority of any violation or non-compliance by Vendor or any of its predecessors in title to such Vendor Permit, or of any liability of Vendor with respect to such Vendor Permit. To the knowledge of the Vendor, there are no facts with respect to the Vendor Permits that could give rise to a notice of violation or non-compliance with the terms of any Vendor Permits.

(k) The mines and minerals that may be found to exist within, upon or under the Mineral Claims comprising the Wishbone Property do not form a part of the Inuit Owned Lands which were vested in a Designated Inuit Organization upon ratification of the NLCA.

(l) The mines and minerals that may be found to exist within, upon or under the Mineral Leases comprising the Hackett River Property form a part of the Inuit Owned Lands, but the said Mineral Leases existed before the vesting of the Inuit Owned Land in the Designated Inuit Organization, and Vendor has not entered into any agreement with a Designated Inuit Organization whereby Vendor has agreed to the administration of any such Mineral Leases by any such Designated Inuit Organization.

(m) To the knowledge of Vendor, none of the Mineral Claims or Mineral Leases comprising the Properties is located on "municipal lands" (as such term is defined in article 14 of the NLCA), and there are no archaeological sites, Inuit burial grounds or any deposits of carving stone located on the Properties as contemplated by the NLCA.

(n) All material obligations of Vendor arising under or in connection with the Properties and the Assumed Royalty Obligations prior to the Closing Date, and all payments due or accruing due pursuant thereto prior to the Closing Date and payable by Vendor, have been fulfilled or paid, as applicable, by Vendor prior to the Closing Date. The Assumed Royalty Obligations (i) are in good standing, (ii) true and complete copies thereof which are in the possession and control of Vendor have been delivered to Purchaser, and (iii) on Closing will be, subject to obtaining the Olson Waiver and registration of the Subsequent Notices, along with the Leases and the Vendor Permits, the only agreements that relate to the Properties that will affect Purchaser.

(o) Vendor is in material compliance with all applicable Environmental Laws pertaining to the Properties. Vendor has not received any notice from any Governmental Authority alleging that Vendor or any of its predecessors in interests in respect of the Properties has violated or are violating in any material respect any Environmental Law to which the Properties are subject.

(p) Vendor has not received any notice, formal or informal, of any Proceeding, with respect to any actual or potential Environmental Liability, that is pending as of the date hereof and no legal or administrative action exists or, to the knowledge of Vendor, is threatened or pending, against Vendor or the Properties in respect of Environmental Liabilities. To the knowledge of Vendor, there are no (i) facts with respect to the Properties or the Vendor Permits that could give rise to a notice of non-compliance with any Environmental Law, or (ii) Environmental Liabilities associated with the Properties or the Vendor Permits.

(q) Vendor has not been convicted of an offence or been subject to any judgment, injunction or other proceeding or been fined or otherwise sanctioned for non-compliance with any Environmental Laws, and it has not settled any prosecution or other proceeding in connection therewith, in relation to the Properties.

(r) Vendor has provided Purchaser with copies of all analyses and monitoring data for soil, groundwater and surface water and all reports pertaining to any Environmental assessments or audits relating to the Properties that are in the possession or control of Vendor.

(s) Vendor has provided Purchaser with all material Technical Information relating to the Purchased Assets of which Vendor has knowledge.

(t) Vendor is not a non-resident of Canada within the meaning of Section 116 of the *Income Tax Act* (Canada).

(u) Vendor is registered under Part IX of the *Excise Tax Act* (Canada) with registration number 10386 9772 RT0001.

4.03 **Survival of Covenants, Representations and Warranties**

(1) The respective representations and warranties of the Parties set forth in this Agreement, any Closing Document and the Vendor Completion Certificate will survive the completion of the sale and purchase of the Purchased Assets herein provided for and, notwithstanding such completion, will continue in full force and effect for the benefit of the other Party for a period of three years after the Completion Date, except that the representations and warranties of Vendor set forth in Sections 4.02(i)(iii), 4.02(o). 4.02(p), 4.02(q) and 4.02(r) (and as set forth by reference in the certificate of Vendor referred to in Section 2.07(b)(iii)) shall survive for the benefit of Purchaser for a period of four years after the Completion Date.

(2) The respective covenants of the Parties set forth in this Agreement will survive the completion of the sale and purchase of the Purchased Assets herein provided for and, notwithstanding such completion, will continue in full force and effect for the benefit of the other Party in accordance with the terms thereof.

4.04 **Indemnities**

(1) Subject to Section 4.03, Vendor will indemnify and save harmless Purchaser, its Affiliates and each of their respective directors, officers, employees, agents and representatives (collectively, the "**Purchaser Indemnified Persons**") from and against all Claims asserted against, and all Losses suffered or incurred by, any of them directly or indirectly arising out of or resulting from:

(a) any breach or inaccuracy of any representation or warranty given by Vendor contained in this Agreement or any Closing Document; or

(b) any failure of Vendor to perform or fulfill any of its covenants or obligations under this Agreement or any Closing Document.

(2) Subject to Section 4.03, Purchaser will indemnify and save harmless Vendor, its Affiliates and each of their respective directors, officers, employees, agents and representatives (collectively, the "**Vendor Indemnified Persons**") from and against all Claims asserted against, and all Losses suffered or incurred by, any of them directly or indirectly arising out of or resulting from:

(a) any breach or inaccuracy of any representation or warranty given by Purchaser contained in this Agreement or any Closing Document; or

(b) any failure of Purchaser to perform or fulfill any of its covenants or obligations under this Agreement or any Closing Document.

(3) Vendor, with respect to the Vendor Indemnified Persons, and Purchaser, with respect to the Purchaser Indemnified Persons, accepts the above indemnities in favour of its respective Indemnified Persons as agent and trustee for each such Indemnified Person which is

not a Party, and each Party agrees that the other Party may enforce such indemnity in favour and for the benefit of such other Party's Indemnified Persons.

(4) Promptly after the assertion of any Third Party Claim against any Person entitled to indemnification under this Agreement (the "**Indemnified Party**") that results or may result in the incurrence by such Indemnified Party of any Loss for which such Indemnified Party would be entitled to indemnification pursuant to this Agreement, such Indemnified Party will promptly notify the Party from whom such indemnification is or may be sought hereunder (the "**Indemnitor**") of such Third Party Claim. Such notice will also specify with reasonable detail (to the extent the information is reasonably available) the factual basis for the Third Party Claim, the amount of the Third Party Claim or, if such amount is not then determinable, a reasonable estimate of the likely amount of the Third Party Claim. The failure to promptly provide such notice will not relieve the Indemnitor of any obligation to indemnify the Indemnified Party, except to the extent such failure prejudices the Indemnitor. Thereupon, the Indemnitor will have the right, upon written notice (the "**Defence Notice**") to the Indemnified Party within 30 days after receipt by the Indemnitor of notice of the Third Party Claim (or sooner if such Third Party Claim so requires) to conduct, at its own expense, the defence against the Third Party Claim in its own name or, if necessary, in the name of the Indemnified Party; provided that: (a) the Indemnitor acknowledges and agrees in the Defence Notice that as between the Indemnitor and the Indemnified Party, the Indemnitor is liable to pay for all Losses arising from or relating to such Third Party Claim, and (b) the Indemnitor provides to the Indemnified Party adequate security (approved by the Indemnified Party, acting reasonably) in respect of such Losses. The Defence Notice will specify the counsel the Indemnitor will appoint to defend such Third Party Claim, and the Indemnified Party will have the right to approve such defence counsel, which approval will not be unreasonably withheld. Notwithstanding any Defence Notice, any Indemnified Party will have the right to employ separate counsel in any Third Party Claim and/or to participate in the defence thereof, but the fees and expenses of such counsel will not be included as part of any Losses incurred by the Indemnified Party unless (i) the Indemnitor failed to give the Defence Notice, (ii) such Indemnified Party has received an opinion of counsel, reasonably acceptable to the Indemnitor, to the effect that the interests of the Indemnified Party and the Indemnitor with respect to the Third Party Claim are sufficiently adverse to prohibit the representation by the same counsel of both parties under applicable ethical rules, or (iii) the employment of such counsel at the expense of the Indemnitor has been specifically authorized by the Indemnitor. The Party conducting the defence of any Third Party Claim will keep the other Party apprised of all significant developments and will not enter into any settlement, compromise or consent to judgment with respect to such Third Party Claim unless the Indemnitor and the Indemnified Party consent, which consent will not be unreasonably withheld.

ARTICLE 5– COVENANTS

5.01 FS Expenditure Targets

(1) Purchaser agrees that by the fourth anniversary of the Completion Date it will have funded and incurred, or will have caused to be funded and incurred, FS Expenditures of not less than $50 million. If a Feasibility Study has not been completed by the fourth anniversary of

the Completion Date, Purchaser agrees to continue to fund and incur, or to cause to be funded and incurred, additional FS Expenditures of not less than:

(i) an additional $10 million prior to the fifth anniversary of the Completion Date;

(ii) an additional $10 million prior to the sixth anniversary of the Completion Date; and

(iii) an additional $10 million prior to the seventh anniversary of the Completion Date,

(each of the aforesaid fourth, fifth, sixth and seventh anniversaries of the Completion Date being a "**FS Expenditure Deadline**" and each of the foregoing four expenditure commitments a "**FS Expenditure Target**") provided that if by any particular FS Expenditure Deadline Purchaser has incurred FS Expenditures in the aggregate exceeding the aggregate FS Expenditure Targets required to be incurred prior to such FS Expenditure Deadline, such excess may be carried over and applied toward the FS Expenditure Target applicable to the next FS Expenditure Deadline, and so on. For greater certainty, the foregoing is a commitment to fund and incur FS Expenditures and is not a commitment to complete a Feasibility Study. However Purchaser shall be relieved of its commitment to incur any further FS Expenditures upon completion of a Feasibility Study.

(2) Within 60 days after each FS Expenditure Deadline, Purchaser shall give to Vendor a certificate of an officer of Purchaser certifying the aggregate of the FS Expenditures incurred up to such FS Expenditure Deadline and providing reasonable particulars of such FS Expenditures (a "**FS Expenditure Certificate**").

(3) If Vendor wishes to question or raise an objection with respect to any FS Expenditure Certificate, it shall give Purchaser a notice describing such objection within 90 days after receipt by Vendor of such FS Expenditure Certificate, in which case Vendor will have the right, upon giving Purchaser reasonable notice and during Purchaser's regular business hours, to have Purchaser's books and records relating to such FS Expenditure Certificate audited by a chartered accountant independent of, and selected by, Vendor (the "**Independent Auditor**"). If the Independent Auditor determines that Purchaser has incurred more or fewer FS Expenditures than has been set forth in the FS Expenditure Certificate, the FS Expenditure Certificate shall, subject to the right of Purchaser to dispute such determination, be automatically adjusted to reflect such determination. If Purchaser disputes any such determination and the Parties are unable to resolve such dispute within 10 Business Days, either Party may then refer such dispute for final determination pursuant to the *Arbitration Act*, 1991 (Ontario). Vendor will pay all costs of such audit unless such audit (or final determination, as applicable) reveals that the FS Expenditures set forth in the FS Expenditure Certificate were overstated by five percent or more, in which case Purchaser will pay the costs of such audit.

(4) If for any reason the aggregate of the FS Expenditures certified in a FS Expenditure Certificate (as may be adjusted by the Independent Auditor and subject to final resolution by arbitration in case of a dispute) relating to a particular FS Expenditure Deadline is

less than the aggregate FS Expenditure Target for that FS Expenditure Deadline, Purchaser may, but is not obligated to, pay the amount of such deficiency to Vendor (a "**FS Top Up Payment**") concurrently with the giving of such FS Expenditure Certificate to the Vendor or, where such deficiency is determined by the Independent Auditor or ultimately by agreement of the Parties or by arbitration, within ten Business Day of Purchaser's receipt of (i) the Independent Auditor's determination, (ii) such agreement, or (iii) determination by arbitration, as the case may be (as applicable, the "**FS Dispute Top Up Payment Deadline**") whereupon such FS Top Up Payment shall for all purposes of this Agreement be deemed to be a FS Expenditure incurred prior to such FS Expenditure Deadline.

5.02 **Excluded Claims**

If Vendor decides to permanently abandon, let lapse or expire any of the Mineral Claims set forth in Part III of Schedule A, it shall give notice of such decision to Purchaser not less than 30 days prior to the effective date of such abandonment, lapse or expiry.

ARTICLE 6 - BUY BACK RIGHT; RETENTION RIGHT

6.01 **Vendor Buy Back Right.**

(1) *Buy Back Right.* If Purchaser has not (i) on or before the seventh anniversary of the Completion Date publicly announced a definitive decision to begin construction of a mine on the Properties or any portion thereof within 12 months after such seventh anniversary, or (ii) on or before any FS Expenditure Deadline incurred (or deemed to have incurred by virtue of having made a FS Top Up Payment) sufficient FS Expenditures to satisfy the applicable FS Expenditure Target, then Vendor shall for a period of six months following (x) the seventh anniversary of the Completion Date in the case of (i) above or (y) in the case of (ii) above the later of the date on which Purchaser gave, or was required to give, Vendor the FS Expenditure Certificate relating to the relevant FS Expenditure Deadline, or, if applicable, the FS Dispute Top Up Payment Deadline (in either case a "**Buy Back Trigger Date**") have the right (the "**Buy Back Right**") to repurchase the Purchased Assets from Purchaser as they then exist subject to any additions thereto, deletions therefrom or replacements thereof occurring since the Completion Date (collectively, the "**Buy Back Assets**") . The Buy Back Right shall be Vendor's sole and exclusive remedy for any failure by Purchaser to satisfy any FS Expenditure Target on or before the applicable FS Expenditure Deadline.

(2) *Exercise of Buy Back.* Vendor may exercise the Buy Back Right by giving to Purchaser notice of such exercise within six months after the Buy Back Trigger Date which notice shall also include (i) Vendor's unconditional and irrevocable undertaking to pay to Purchaser on the Buy Back Closing Date a cash purchase price (the "**Buy Back Price**") equal to 100% of the FS Expenditures incurred or deemed to be incurred by Purchaser prior to the date of the Buy Back Notice (the "**Buy Back Expenditures**"), and (ii) evidence satisfactory to Purchaser, acting reasonably, that Vendor has either from its own financial resources or from available credit lines or other credible financing sources, or any combination thereof, sufficient financial resources to pay the Buy Back Price in full in cash on the Buy Back Completion Date (collectively, the "**Buy Back Notice**").

(3) *Closing of Buy Back.* The delivery by Vendor of a Buy Back Notice shall constitute a legally binding agreement between Vendor and Purchaser for the resale by Purchaser to Vendor of the Buy Back Assets for a purchase price equal to the Buy Back Price. Such agreement of purchase and sale shall be completed on such Business Day as Vendor and Purchaser shall agree, failing such agreement on the 40th Business Day following the date of the Buy Back Notice (as applicable, the "**Buy Back Completion Date**") unless Purchaser has, not less than 20 Business Days prior to the Buy Back Completion Date, given to Vendor a Retention Right Notice and the Retention Right Notes. Upon Purchaser so giving a Retention Right Notice and the Retention Right Notes, the respective obligations of the Parties with respect to the aforesaid agreement of purchase and sale arising from the Buy Back Notice shall immediately terminate and the Buy Back Right and Buy Back Notice shall cease to have any force or effect. If the Purchaser has not so given a Retention Right Notice and the Retention Right Notes then on the Buy Back Completion Date Purchaser shall deliver to Vendor the Buy Back Assets (including conveyances thereof in registrable form where applicable) free of any Encumbrances other than Permitted Encumbrances, and with representations and warranties solely as to (i) corporate existence, (ii) ownership of Buy Back Assets and (iii) the legal status of the Properties comprising the Buy Back Assets, against delivery by Vendor to or to the order of Purchaser of the Buy Back Price by bank draft or electronic funds transfer together with Vendor's undertaking to assume and perform the Assumed Royalty Obligations and all Environmental Liabilities (except to the extent such Environmental Liabilities arose as a result of activities on or with respect to the Properties from the Completion Date to the Buy Back Completion Date) with respect to the Buy Back Assets. From and after the delivery by Vendor to Purchaser of the Buy Back Notice, Purchaser shall comply with the provisions set forth in Sections 2.08(8)(a), 2.08(8)(b) and 2.08(8)(d), *mutatis mutandis*, and shall render reasonable assistance to Vendor in obtaining any Regulatory Consents required to transfer the Buy Back Assets to Vendor.

(4) *Access to Purchaser's Technical Information.* From the Completion Date until the expiry of the Buy Back Right, Vendor shall be entitled to review the Technical Information in the possession and control of Purchaser upon reasonable notice therefor at the premises in Canada of Purchaser and during the regular business hours of Purchaser, provided that (a) Vendor shall, before being given access to any such Technical Information, enter into a non-disclosure agreement with Purchaser to protect the rights of Purchaser in the Technical Information, and (b) Vendor shall not be afforded access to such Technical Information more than two times per calendar year; provided that from the Buy Back Trigger Date until the expiry of the Buy Back Right, Vendor shall be entitled to access and review the Technical Information without regard to the restriction in clause (b) of this Section 6.01(4) (but, for certainty, only in accordance with the other provisions of this Section 6.01(4)).

6.02 **Purchaser Retention Right**

(1) *Retention Right.* If Vendor exercises its Buy Back Right, Purchaser shall have the right to elect to retain the Properties (the "**Retention Right**") by agreeing to pay to Vendor the aggregate sum of $75,000,000 payable in three equal annual instalments of $25,000,000 each, such agreement to be evidenced by the Retention Right Notes. Purchaser may exercise the Retention Right by giving to Vendor notice of such exercise (the "**Retention Right Notice**") not less than 20 Business Days prior to the Buy Back Completion Date and shall concurrently with

such notice deliver to Vendor three non-interest bearing promissory notes duly executed by Purchaser, each in the principal amount of $25,000,000 and due respectively on the first, second and third anniversaries of the Retention Right Notice (the "**Retention Right Notes**") whereupon Vendor shall cease to have any further Buy Back Right.

(2) *Credit Against Royalty.* All amounts paid by Purchaser to Vendor with respect to the Retention Right Notes shall constitute advance payment of, and be credited against, any future obligations of Purchaser to pay the Vendor Silver Royalty. For the avoidance of doubt, Vendor shall not be obligated to refund any such amounts paid to it in respect of the Retention Right Notes if the aggregate royalty payable to Vendor pursuant to the Vendor Silver Royalty over the life of any mine on the Properties does not exceed the aggregate amount paid to Vendor in respect of the Retention Right Notes.

ARTICLE 7 - GENERAL

7.01 Further Assurances

Each of the Parties will from time to time execute and deliver all such further documents and instruments and do all acts and things as the other Party may, either before or after the Completion Date, reasonably require to effectively carry out or better evidence or perfect the full intent and meaning of this Agreement.

7.02 Costs and Expenses

Each of the Parties will pay its legal, accounting and other professional or advisory costs and expenses incurred in connection with the preparation, execution and delivery of this Agreement and all documents and instruments executed pursuant to this Agreement and any other costs and expenses whatsoever and howsoever incurred by it in connection with the transactions under this Agreement.

7.03 Benefit of the Agreement

This Agreement will enure to the benefit of and be binding upon the successors and permitted assigns of the Parties.

7.04 Entire Agreement

This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof and cancels, supersedes and replaces any other prior understandings and agreements between the Parties with respect thereto, including the non-binding letter term sheet between Vendor and Purchaser dated April 12, 2011. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the Parties other than as expressly set forth in this Agreement. Notwithstanding the foregoing, the Confidentiality Agreement between the Parties dated July 17, 2010 shall continue to apply in accordance with its terms until the Closing Date whereupon the Confidentiality Agreement shall terminate.

7.05 **Amendments and Waivers**

No amendment to this Agreement will be valid or binding unless set forth in writing and duly executed by both of the Parties. No waiver of any breach of any provision of this Agreement will be effective or binding unless made in writing and signed by the Party purporting to give the same and, unless otherwise provided, will be limited to the specific breach waived.

7.06 **Assignment**

This Agreement may not be assigned by either Party without the written consent of the other Party, except that Purchaser may assign this Agreement to a wholly-owned subsidiary of Purchaser but no such assignment shall relieve Purchaser of its obligations hereunder.

7.07 **Notices**

Any demand, notice or other communication to be given in connection with this Agreement must be given in writing and will be given by personal delivery or by electronic means of communication addressed to the recipient as follows:

To the Purchaser:

Xstrata Canada Corporation
Xstrata Zinc Canada Division
100 King Street West
Suite 7050
First Canadian Place
Toronto, Ontario M5X 1E3

Attention: Fernando Ragone

Fax: 416-775-1425
email: fragone@xstratazinc.ca

To the Vendor:

Sabina Gold & Silver Corp.
930 West 1st Street
Suite 202
North Vancouver, British Columbia
V7P 3N4

Attention: Elaine Bennett

Fax: 604-998-1051
email: ebennett@sabinagoldsilver.com

or to such other street address, individual or electronic communication number or address as may be designated by notice given by either Party to the other. Any demand, notice or other communication given by personal delivery will be conclusively deemed to have been given on the day of actual delivery thereof and, if given by electronic communication, on the day of transmittal thereof if given during the normal business hours of the recipient and on the Business Day during which such normal business hours next occur if not given during such hours on any day.

7.08 **Confidentiality**

(1) Except as required by Applicable Law, and to obtain the Vendor Approvals, neither Party shall reveal the existence or contents of this Agreement or any information to anyone other than employees or representatives of Vendor and Purchaser that have a need to know such information.

(2) Except as required to obtain the Vendor Approvals, neither Party shall make any media or public disclosure of the terms herein or the transaction contemplated thereby without the prior written consent of the other Party, except as may be required by Applicable Law (including filing this Agreement on SEDAR), in which case the Party required to make such disclosure shall prior to any such disclosure advise the other Party and provide the other Party a reasonable opportunity to comment on such proposed disclosure or to propose appropriate redactions therein.

7.09 **Governing Law**

This Agreement is governed by and will be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein, without regard to conflicts of laws principles. The Parties hereby attorn to the non-exclusive jurisdiction of the Courts of the Province of Ontario. The Parties intend that any disputes or other matters arising under this Agreement be determined by a court of competent jurisdiction except for disputes concerning those matters which are specifically referred to arbitration pursuant to Sections 2.04, 5.01(3) and 5.01(4).

7.10 **Force Majeure**

Notwithstanding any term in this Agreement, if a Party is at any time delayed from carrying out any action under this Agreement due to circumstances beyond the reasonable control of such Party, acting diligently, (aside from circumstances arising from the financial difficulty of such Party) the period of any such delay shall be excluded in computing, and shall extend, the time within which such Party may exercise its rights and/or perform its obligations under this Agreement.

7.11 **Counterparts**

This Agreement may be executed in any number of counterparts, each of which will be deemed to be an original and all of which taken together will be deemed to constitute one and the same instrument.

7.12 **Facsimiles**

Delivery of an executed signature page to this Agreement by any Party by electronic transmission will be as effective as delivery of a manually executed copy of this Agreement by such Party.

IN WITNESS WHEREOF the Parties have executed this Agreement.

XSTRATA CANADA CORPORATION, XSTRATA ZINC CANADA DIVISION

Per: _____

Name: MANUEL ALVAREZ OAVILA
Title: CHIEF OPERATING OFFICER

SABINA GOLD & SILVER CORP.

Per: _____

Name:
Title:

Per: _____

Name:
Title:

IN WITNESS WHEREOF the Parties have executed this Agreement.

XSTRATA CANADA CORPORATION, XSTRATA ZINC CANADA DIVISION

Per: _____

Name:
Title:

SABINA GOLD & SILVER CORP.

Per: _____

Name: Anthony Walsh
Title: President + CEO

Per: _____

Name: Elaine Bennett
Title: VP Finance + CFO

Schedule A

To Xstrata Zinc Canada/Sabina Mineral Property Purchase Agreement

Properties

Part I Hackett River Property

(a) *Mineral Leases*

LEASE NUMBERS	RECORDED OWNER (on May •, 2011)	LEASE NUMBERS	RECORDED OWNER (on May •, 2011)
2789	SABINA	2894	TECK-COMINCO
2893	SABINA	3176*	TECK-COMINCO
2895	SABINA		
2958	SABINA		
2964	SABINA		
3000	SABINA		
3018	SABINA		

*Lease 3176 owned by Teck-Cominco is in default on expiration date 2006-06-14.

(b) *Surface Lease*

Parcel	Region	Designation
76F16-1-7 (file #076F16001)	Kitikmeot	Exploration Camp

Part II Wishbone Property – Mineral Claims

CLAIM NUMBERS						
F79386	K09404	K09430	K09451	K11820	K11839	K12002
F79387	K09405	K09431	K09452	K11821	K11840	K12005
F79388	K09407	K09432	K09453	K11822	K11845	K12006
F79389	K09408	K09433	K09454	K11823	K11846	K12009
F79390	K09411	K09434	K09455	K11824	K11850	K12010
F79391	K09412	K09435	K09457	K11825	K11851	K12011
K09383	K09413	K09436	K09458	K11826	K11852	K12012
K09384	K09414	K09439	K09459	K11827	K11853	K12013
K09385	K09415	K09440	K09460	K11828	K11854	K12014
K09386	K09417	K09441	K09461	K11829	K11855	K12015
K09387	K09420	K09442	K09462	K11830	K11856	K12016

K09388	K09421	K09443	K09463	K11831	K11857	K12018
K09389	K09422	K09444	K09464	K11832	K11981	K12020
K09390	K09424	K09445	K09465	K11833	K11982	K13528
K09391	K09425	K09446	K09466	K11834	K11983	K13581
K09393	K09426	K09447	K09467	K11835	K11984	K13582
K09394	K09427	K09448	K09468	K11836	K11991	K13583
K09400	K09428	K09449	K09469	K11837	K11992	K13915
K09403	K09429	K09450	K11818	K11838	K11997	

Part III Excluded Mineral Claims (retained by Sabina)

CLAIM NUMBERS		
F79382	K09419	K10849
F79383	K10831	K10850
F79384	K10832	K10851
F79385	K10833	K10852
F98444	K10834	K10858
F98445	K10835	K10859
F98446	K10836	K10860
K09392	K10837	K10861
K09395	K10838	K12008
K09396	K10839	K09416
K09397	K10840	
K09398	K10841	
K09399	K10842	
K09401	K10843	
K09402	K10844	
K09406	K10845	
K09409	K10846	
K09410	K10847	
K09418	K10848	

Schedule B

To Xstrata Zinc Canada/Sabina Mineral Property Purchase Agreement

Purchase Price Allocation

Item		Allocation of Purchase Price
Other Assets	-	$695,007.00
Wishbone Property	-	$1.00
Hackett River Property	-	$49,304,992.00
Inventory	-	TBD[1]

Note:
[1] Value to be determined in accordance with procedures set forth in Section 2.04.

Schedule C

To Xstrata Zinc Canada/Sabina Mineral Property Purchase Agreement

Vendor Silver Royalty

-Attached-

[NTD: To be attached as Schedule C to Xstrata Zinc/Sabina Mineral Property Purchase Agreement]

SILVER ROYALTY AGREEMENT

THIS AGREEMENT dated as of •, 2011.

BETWEEN:

XSTRATA CANADA CORPORATION, XSTRATA ZINC CANADA DIVISION, a corporation existing under the laws of the Province of Ontario, Canada (the "**Owner**")

- and -

SABINA GOLD & SILVER CORP., a corporation existing under the laws of the Province of British Columbia (the "**Royalty Holder**")

WHEREAS pursuant to a Mineral Property Purchase Agreement dated June 1, 2011 between the parties hereto (the "**Purchase Agreement**"), Owner has today purchased from Royalty Holder the Properties (as hereinafter defined);

AND WHEREAS in connection with such purchase, Royalty Holder has reserved to itself and Owner has agreed to pay to Royalty Holder the Royalty (as hereinafter defined) on the terms and conditions set out herein.

NOW THEREFORE for good and valuable consideration, the receipt and sufficiency of which is acknowledged by each of the Parties, the Parties covenant and agree as follows:

ARTICLE 1 - INTERPRETATION

1.01 **Definitions**

In this agreement, unless otherwise provided:

Act has the meaning given to it in Section 6.01(1).

Additional Resources means any Mineral Resources or other minerals on or in the Properties other than the Known Resource.

Advance Royalty Payments means, if Owner exercises the Retention Right (as defined and provided for in the Purchase Agreement), the Dollar equivalent of the Canadian dollar principal amounts paid by Owner to Royalty Holder in accordance with the Retention Right Notes (as defined in the Purchase Agreement) and, for purposes of this Agreement, as of and on the date each such principal amount is paid by Owner to Royalty Holder, such principal amount shall be deemed to constitute an Advance Royalty Payment and shall be deemed to be converted from

Canadian dollars to Dollars at the noon rate published by the Bank of Canada on that date for conversion of Canadian dollars into Dollars.

Affiliate has the same meaning as in the *Business Corporations Act* (Ontario).

Agreement means this silver royalty agreement, including the exhibits hereto.

Books and Records has the meaning given to it in Section 3.04(1).

Business Day means a day other than a Saturday, Sunday or statutory holiday in Ontario or British Columbia.

Combined Resource Production means Production from Additional Resources which occurs before the Known Resource Depletion Date and before more than 190,000,000 ounces of Payable Silver has been Produced from the Known Resource.

Commencement of Commercial Production means commercial exploitation or production from any mine on the Properties or any mill, concentrator or other production facility constructed on or for the benefit of the Properties at an average rate of not less than 75% of the initial design capacity for a period of not less than 30 consecutive days or, if there is no such facility, minerals being shipped from the Properties on a reasonably consistent basis for the purpose of earning income.

Debt Rating Parity has the meaning given in Section 5.05(2).

Deductions means with respect to any Sale Contract the actual charges, costs or deductions incurred by Owner thereunder specifically with respect to Payable Silver (and expressed as an amount per ounce of Payable Silver) including refining or other charges for processing beyond the dore stage, price participation and other levies consistent with then prevailing industry practice; but excluding, for greater certainty, any charges associated with the transportation of concentrates or other intermediate products from the Properties to a processor.

Dollar, US$ or $ means the lawful currency of the United States of America.

Encumbrance means any mortgage, charge, deed of trust, security interest, pledge, lien, hypothecation, assignment, title retention arrangement, restrictive covenant, condition, royalty or other burden of any nature whether imposed by contract or operation of law.

Excess Royalty has the meaning given to it in Section 2.02(2).

Excess Royalty Notice has the meaning given to it in Section 2.02(3).

Gross Value means with respect to any Sale, an amount equal to (i) Payable Silver multiplied by the Silver Price, (ii) minus the Deductions applicable solely to such Payable Silver.

Hedging Activities has the meaning given to it in Section 3.06(1).

Insurance Proceeds means that portion of any proceeds of insurance received by the Owner with respect to any Loss to the extent such proceeds relate to a Loss of Payable Silver.

Interim Price has the meaning given to it in Section 3.07(4).

Interest Rate means the variable reference rate of interest per annum, commonly referred to as the "prime rate", as announced and adjusted by the Bank of Montreal from time to time for Canadian dollar loans made in Canada to such bank's preferred commercial borrowers.

Known Resource has the meaning given to it in Exhibit II hereto.

Known Resource Depletion Date means the date by which all of the Known Resource has been mined and processed.

Loss means an insured loss of or damage to Products, whether or not occurring on or off the Properties and whether such Products are in the possession of the Owner or otherwise.

Market Comparables has the meaning given to it in Section 3.05.

Mineral Resource means mineral resources and mineral reserves as defined for purposes of NI 43-101.

NI 43-101 means National Instrument 43-101, entitled *Standards of Disclosure for Mineral Projects*, adopted by the Canadian Securities Administrators and as amended from time to time.

Notice of Objection has the meaning given to it in Section 3.04(2).

Notice of Offer has the meaning given to it in Section 5.03(1).

Offered Interest has the meaning given to it in Section 5.03(1).

Party or **Parties** means one or more of the parties to this Agreement.

Payable Silver means that quantity of silver, expressed in fine ounces, contained in Products in respect of which a Sale has occurred.

Person means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof.

Production means any extraction, processing or other production of Products at any time after the date on which Commencement of Commercial Production occurs and "**Produced**" has a comparable meaning.

Products means all ores or other material mined or removed from the Properties and all concentrates, dore, refined metals or other mineral products derived or produced therefrom.

Properties means collectively, the mining leases and mining claims located in Nunavut, Canada more fully described in Exhibit I hereto together with any renewal or other form of successor or

substitute title thereto or tenure derived therefrom and any other form of subsequently acquired title to or interest therein acquired within the boundaries of the Properties as such boundaries exist on the date hereof.

Quotational Period means, with respect to any particular Sale, the quotational period for silver specified in the Sale Contract governing such Sale, subject to Section 3.06(2) in the case of Insurance Proceeds; provided that if no quotational period is specified in the Sale Contract governing a Sale, the quotational period applicable to such Sale shall be deemed to be the month immediately prior to the month in which such physical delivery of Products associated with such Sale occurred.

ROFR Consideration has the meaning given to it in Section 5.03(1).

ROFR Exercise Notice has the meaning given to it in Section 5.03(2).

Royalty has the meaning given to it in Section 2.01 hereof.

Royalty Statement has the meaning given to it in Section 3.03.

Sale means the first sale or other disposition of Products (including any sale or other disposition to an Affiliate of Owner or to Owner's internal marketing organization), in respect of which Owner has delivered, and is entitled to receive payment or credit for, Payable Silver (and includes Insurance Proceeds as contemplated in Section 3.06(2)).

Sale Contract means any written contract, agreement or arrangement, pursuant to which a Sale occurs.

Settlement Date has the meaning given to it in Section 3.01.

Silver Price means with respect to any particular Sale, the average of the daily London Bullion Market Association's fine silver spot fixing prices in Dollars per ounce, as published in Metal Bulletin during the applicable Quotational Period, but converted to the official quotation of the London Bullion Market Association in the event of printing errors.

Third Party Offer has the meaning given to it in Section 5.03(1).

Third Party Offeror has the meaning given to it in Section 5.03(1).

Transfer means to sell, assign, convey or otherwise dispose of or to commit or promise to do any of the foregoing, directly or indirectly.

Transferee has the meaning given to it in Section 5.05(1).

Unrecovered Advance Royalty Payments means at any particular time the amount of Advance Royalty Payments, if any, then made by Owner to Royalty Holder which have not been set off against Royalty payments as contemplated by Section 3.02(2).

1.02 **Headings**

The division of this Agreement into Articles and Sections is for convenience of reference only and does not affect the construction or interpretation of this Agreement. The terms "hereof", "hereunder" and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles, Sections and Exhibits are to Articles and Sections of and Exhibits to this Agreement.

1.03 **Extended Meanings**

In this Agreement words importing the singular number include the plural and vice versa, and words importing any gender include all genders. The term "including" means "including without limiting the generality of the foregoing".

1.04 **Statutory References**

In this Agreement, unless something in the subject matter or context is inconsistent therewith or unless otherwise herein provided, a reference to any statute is to that statute as now enacted or as the same may from time to time be amended, supplemented, re-enacted or replaced and includes any regulations made thereunder.

1.05 **Exhibits**

The following are the Exhibits to, and form part of, this Agreement:

Exhibit I	-	Properties
Exhibit II	-	Known Resource

ARTICLE 2 - ROYALTY DESCRIPTION

2.01 **Grant of Royalty**

Owner acknowledges that Royalty Holder has reserved to itself from the sale of the Properties to Owner, and Owner hereby covenants and agrees to pay to Royalty Holder, a royalty on Payable Silver Produced on the terms and conditions specified in this Agreement (the "**Royalty**").

2.02 **Calculation of Royalty**

(1) The Royalty will be equal to:

(a) 22.5% of the Gross Value of the first 190,000,000 ounces of Payable Silver Produced in the aggregate from the Known Resource and, if applicable, from Combined Resource Production; and (without duplication)

(b) 12.5% of the Gross Value of all other Payable Silver Produced, whether from the Known Resource or Additional Resources,

subject to adjustment for any Excess Royalty as provided for in Section 2.02(2).

(2) If as at the Known Resource Depletion Date (i) less than 190,000,000 ounces of Payable Silver have been Produced from the Known Resource, and (ii) as a result of Combined Resource Production any Royalty at the rate of 22.5% has been paid with respect to any Payable Silver Produced from Additional Resources, Royalty Holder shall repay to Owner in accordance with Section 2.02(4) the amount of excess royalty, if any, paid by Owner to Royalty Holder, which excess royalty shall be any positive Dollar amount resulting from the following calculation (the "**Excess Royalty**"):

Excess Royalty = Excess Ounces x Average GV per Excess Ounce x 0.10

where:	(i)	Excess Ounces	=	Ounces @22.5 minus KR Ounces;
	(ii)	Ounces @ 22.5	=	number of ounces of Payable Silver Produced from the Properties prior to the Known Resource Depletion Date on which Royalty was paid at rate of 22.5%;
	(iii)	KR Ounces	=	total number of ounces of Payable Silver Produced from Known Resource; and
	(iv)	Average GV per Excess Ounce	=	the average Gross Value in Dollars per Excess Ounce calculated on the basis that the Excess Ounces were the most recent ounces of Payable Silver Produced prior to the Known Resource Depletion Date.

(3) Within 90 days after the Known Deposit Depletion Date Owner shall notify Royalty Holder of the amount of Excess Royalty, if any, and include in such notice a statement showing in reasonable detail the basis for the calculation of the Excess Royalty (the "**Excess Royalty Notice**").

(4) Owner shall be entitled to set-off against and deduct from any Royalty payable after the date of the Excess Royalty Notice the amount of any Excess Royalty. The foregoing right of set-off and deduction shall be Owner's only remedy to recover any Excess Royalty until such time as Owner has permanently ceased mining operations on the Properties and has begun decommissioning activities in connection with such cessation, whereupon Owner may by notice to Royalty Holder demand repayment of any Excess Royalty not recovered by Owner through set-off and deduction prior to the date of such notice, in which case Royalty Holder shall repay such outstanding Excess Royalty within 180 days after such notice.

ARTICLE 3 - PAYMENTS

3.01 **Payment Obligation**

The obligation to pay the Royalty with respect to any particular Sale will arise on and accrue from the date on which and to the extent Owner is entitled to receive payment for Payable Silver in respect of such Sale in accordance with the terms of the applicable Sale Contract (the "**Settlement Date**"). For greater certainty, where a particular Sale Contract provides for payment for Payable Silver on a provisional basis, the obligation to pay the Royalty with respect thereto will arise on and accrue from the date on which and to the extent Owner is entitled to receive each such provisional payment and any final payment and shall be subject to adjustment to reflect any adjustment on final payment, all as and to the extent contemplated by the particular Sale Contract.

3.02 **Payment Date and Currency**

(1) Royalty payments with respect to any Sale will be due and payable monthly on the 10th Business Day of the month next following the month in which the Settlement Date for that Sale occurred. Royalty payments will be made in Dollars by wire transfer to such account as Royalty Holder may designate pursuant to wire instructions provided to Owner not less than ten Business Days prior to the date upon which any such payment is to be made.

(2) Owner shall be entitled to deduct from and set off against any Royalty payment due hereunder any Excess Royalty and any Advance Royalty Payments and, in the event Royalty Holder is or becomes a non-resident of Canada, any withholding tax applicable to Royalty Holder which Owner shall remit to the applicable taxing authority.

(3) Interest at the Interest Rate plus 300 basis points will be payable by Owner to Royalty Holder on any Royalty payments not made when due hereunder.

3.03 **Royalty Statements**

Prior to or concurrently with each monthly Royalty payment, Owner shall provide to Royalty Holder a statement (each, a "**Royalty Statement**") showing in reasonable detail the basis for the calculation of that Royalty payment including (i) the aggregate quantity of Payable Silver to which such Royalty Statement relates, (ii) a breakdown of such aggregate between the Known Resource and Additional Resources and among the applicable Sale Contracts, (iii) the calculation of the applicable Silver Prices and any Deductions, (iv) if applicable, any adjustments as a result of provisional payments and any set off to which Owner is entitled with respect to any Excess Royalty or Advance Royalty Payments, (v) any applicable withholding tax, and (vi) any other relevant supporting documentation.

3.04 **Records, Audit, Adjustment**

(1) Owner will maintain adequate books and records in which are recorded all information and data necessary to calculate the Royalty and any Excess Royalty hereunder including the information and related source documentation and records used in preparing the Royalty Statements as well as applicable Mineral Resource estimates, mining, commingling, processing and shipping data, Sale Contracts, Sale invoices, Royalty payment information and related information (collectively, "**Books and Records**"). The Books and Records shall be maintained by Owner separately from the books and records relating to Owner's operations outside the Properties.

(2) If Royalty Holder wishes to question or raise an objection with respect to any Royalty Statement or the Excess Royalty Notice, it shall give Owner a notice specifying such objection within one year after receipt by the Royalty Holder of the Royalty Statement or Excess Royalty Notice, as applicable ("**Notice of Objection**"). Following the giving of a Notice of Objection, representatives of Owner and Royalty Holder shall meet to discuss and try to resolve the objection during a period of ten Business Days from the date of the Notice of Objection, failing which:

(a) Royalty Holder will have the right, upon reasonable notice and at a reasonable time, to have the Books and Records relating to the Royalty Statement and Excess Royalty Notice in question audited by a chartered accountant selected by the Royalty Holder who enters into a confidentiality undertaking substantially on the terms of Section 7.04 hereof.

(b) If such audit determines that there has been a deficiency or an excess in a Royalty payment made to the Royalty Holder, then subject to the right of Owner to dispute such determination (and if the Parties do not otherwise agree, to have such dispute settled by arbitration pursuant to Article 6) such deficiency or excess will be resolved by adjusting the next monthly Royalty payment due hereunder. If production has ceased, settlement will be made between the Parties by cash payment.

(c) The Royalty Holder will pay all costs of such audit unless a deficiency of five percent or more of the amount due to the Royalty Holder for the period to which the objection relates is determined to exist, in which case the Owner will pay the costs of such audit.

(3) If Royalty Holder does not give Owner an objection notice with respect to any Royalty Statement or the Excess Royalty Notice within one year after receipt thereof then that Royalty Statement or Excess Royalty Notice, as applicable, shall thereupon be deemed conclusive and correct for all purposes of this Agreement and Royalty Holder will be precluded from subsequently making any objection or other claim for adjustment with respect thereto.

(4) In addition to the audit right of Royalty Holder with respect to a Notice of Objection, Royalty Holder shall with respect to any calendar year in which it has not given a Notice of Objection, upon reasonable notice to Owner given not more than 90 days after the end of such calendar year, have the right at Royalty Holder's sole expense to have the Books and Records relating to such calendar year audited by a chartered accountant selected by Royalty Holder who enters into a confidentiality undertaking substantially on the terms of Section 7.04 hereof. If such audit determines that there has been a deficiency or an excess in a Royalty payment made to the Royalty Holder, then subject to the right of Owner to dispute such determination (and if the Parties do not otherwise agree, to have such dispute settled by arbitration pursuant to Article 6) such deficiency or excess will be resolved by adjusting the next monthly Royalty payment due hereunder. If production has ceased, settlement will be made between the Parties by cash payment.

(5) If Royalty Holder is required to file technical reports or information including information regarding estimates of Mineral Resources with securities or other regulatory authorities in connection with the Royalty, Owner shall permit representatives of Royalty Holder reasonable access to technical data and records of Owner relating to the Properties as may reasonably be required so as to prepare, compile or verify the required technical information. Such access to such technical data and related records will be provided by Owner as an accommodation without any representation and warranty by Owner whatsoever as to its accuracy or completeness. Other than providing such access, Owner shall not have any involvement in or responsibility for Royalty Holder's preparing or filing any technical information or any liability with respect thereto which shall be the sole responsibility of the Royalty Holder.

3.05 **Market Terms**

Owner shall ensure that all Sales of Products containing Payable Silver are only made pursuant to a Sales Contract. Nothing in this Agreement will in any way restrict Owner with respect to the parties with which it may enter into Sale Contracts (including Affiliates and other non-arms length or related parties) or the terms and conditions of any Sale Contracts. For greater certainty, the Parties agree that, when taken as a whole, the overall quantity of Payable Silver provided for in Sale Contracts as a proportion of the silver contained in or recovered from Products sold under those Sale Contracts should reflect prevailing market terms at the date of the Sale Contract as reflected in sales arrangements applicable to other mines (whether of the Owner or third parties) for sales of comparable material under arrangements for comparable duration, tonnage and destination ("**Market Comparables**"). Royalty Holder shall have the right, not more frequently than annually, if Royalty Holder reasonably concludes that, taken as a whole, the Sale Contracts then in effect do not reflect Market Comparables as of the date of such Sale Contracts, to give notice to Owner specifying the Market Comparables on which it has based such conclusion. Promptly following such notice, the Parties will meet to discuss and attempt to agree on whether or not the Sale Contracts, taken as a whole, reflect Market Comparables and, if not, whether and to what extent any adjustment of Royalties previously paid hereunder is required. If Royalty Holder is not satisfied with the outcome of such discussion it may refer the matter for determination by arbitration pursuant to Article 6 hereof.

3.06 **Hedging Activities; Insurance Proceeds**

(1) Nothing in this Agreement will in any way restrict Owner from engaging in any forward sales, metal (including silver) borrowing, lending or leasing, futures or commodity options trading and other price hedging or price protection arrangements of any nature whatsoever and whether or not involving a Sale of Payable Silver (collectively "**Hedging Activities**"). Notwithstanding the terms and conditions of any Hedging Activities, the obligations of Owner hereunder with respect to the Royalty on any Payable Silver only arise at the time of physical delivery of Payable Silver under the terms of the applicable Sale Contract. For greater certainty, this Agreement shall not apply to Hedging Activities which do not involve physical delivery of Payable Silver and all profits and losses resulting from Owner's Hedging Activities are specifically excluded from Royalty calculations pursuant to this Agreement and all Hedging Activities by Owner and all profits or losses associated therewith, if any, shall be solely for Owner's account. Owner shall not enter into any Hedging Activities that impair the rights of Royalty Holder in respect of the Royalty.

(2) If Owner receives any Insurance Proceeds related to Payable Silver, for purposes of this Agreement the Sale of such Payable Silver shall be deemed to have occurred on the date on which Owner received such Insurance Proceeds and the Quotational Period for such Payable Silver shall be deemed to be the calendar month proceeding such date.

3.07 **Alternate Reference Price or Currency**

(1) If the reference price for silver should cease to be quoted by Metal Bulletin in Dollars and instead is quoted in another currency, then for purposes of determining the Silver Price hereunder, such other currency shall be converted into Dollars using the average daily rate published by the Federal Reserve Board of the United States over the applicable Quotational Period for the purchase of Dollars using such other currency. The average Silver Price for any such Quotational Period shall be calculated by totalling the Dollar equivalents of the daily Silver Prices during such Quotational Period and dividing such total by the number of pricing days in such period.

(2) If (i) Metal Bulletin ceases to be published, or ceases to publish the silver quotation required hereunder for determining the Silver Price, (ii) the London Bullion Market Association ceases to quote a price for silver, or (iii) such quotation is, in the reasonable opinion of a Party, no longer representative of the value then being obtained by non-integrated mines for the pricing of silver contained in zinc concentrates sold to custom smelters then, upon notice by one Party to the other, the Parties shall promptly consult with each other with a view to determining a new reference price consistent with the previous method for determining the Silver Price hereunder.

(3) If within 60 days after the date of any notice for consultation pursuant to Section 3.07(2) above, the Parties have not agreed on an alternate reference price for determining the Silver Price hereunder, either Party may refer the matter to arbitration for resolution in accordance with Article 6.

(4) If either Party gives notice to the other pursuant to Section 3.07(2), Owner shall then have the right by notice to Royalty Holder to calculate and pay provisionally the Royalty at the Silver Price applied to the last Sale prior to such notice (the "**Interim Price**"). Owner shall thereafter calculate and pay the Royalty on the basis of the Interim Price until the Parties agree on a new reference price for silver or such reference price has been finally determined by arbitration. whichever shall first occur. Once agreement is reached or determination is made by arbitration the affected Royalty payments shall be promptly adjusted based on the new pricing basis for the Silver Price.

ARTICLE 4 - OPERATION OF THE PROPERTIES

4.01 **Owner to Determine Operations**

Owner will conduct operations on the Properties in compliance with applicable laws and regulations. Subject only to such compliance obligation, Owner will have complete discretion concerning the nature, timing and extent of all exploration, development, mining, processing and other operations conducted on or for the benefit of the Properties and Products and may suspend

operations and Production at any time and from time to time and for such period or periods as it considers prudent or appropriate in its sole discretion. Without in any way limiting the foregoing, Owner may in its sole discretion determine whether to mine and, if so, the sequence, timing and rate of mining as between the Known Resource and any Additional Resources. Except as otherwise specifically provided in the Purchase Agreement, Owner will owe the Royalty Holder no duty to explore, develop or mine the Properties, or to do so at any rate or in any manner other than that which Owner may determine in its sole discretion. Owner may, but will not be obligated, to crush, sort, mill, concentrate, smelt, refine, or otherwise process, beneficiate or upgrade Products at its own, or at third party owned, facilities located on or off the Properties. The Owner will not be liable for any mineral values lost or not recovered in mining or processing activities, and no Royalty will be due on any such lost mineral values.

4.02 **Insurance**

Owner will obtain and maintain insurance against Loss of Products prior to their Sale, in such amounts and with such coverage as is consistent with Owner's normal practice.

4.03 **Commingling**

Owner may commingle Products from the Known Resource with Products from any Additional Resources and may commingle Products from the Properties with minerals, ores, concentrates, dore, refined metals or other mineral products produced elsewhere provided that Owner follows sound and appropriate procedures customary in the industry and applied on a consistent basis for weighing, sampling, assaying and otherwise measuring or testing and recording of data necessary to fairly allocate the aggregate silver content of any such commingled material among Products from the Known Resources, Products from Additional Resources and products from minerals, ores, concentrates, dore, refined metals or other mineral products from elsewhere. Owner shall retain representative samples of such commingled material for at least 24 months after the Settlement Date for any Royalty paid in respect of such commingled material.

ARTICLE 5 – ASSIGNMENT

5.01 **General**

(1) Royalty Holder shall not Transfer all or any portion of the Royalty or its interest hereunder, and no purported Transfer will be effective, except as expressly permitted in this Article. Notwithstanding any other provision of this Article save and except for Section 5.01(2), any Transfer by Royalty Holder of all or any portion of the Royalty or its interest hereunder as may be permitted by this Article shall be subject to the following:

(a) Royalty Holder has given to Owner notice of the proposed Transfer which shall include details of the proposed Transfer and the identity of the proposed transferee;

(b) the proposed transferee has entered into an agreement with Owner in form and substance satisfactory to Owner, acting reasonably, pursuant to which

the proposed transferee agrees to be bound, to the extent of the interest proposed to be Transferred, by all of the terms of this Agreement and, if Section 5.02 applies, appointing the common trustee as referred to therein;

(c) the proposed Transfer will not (i) violate any applicable laws including any licences, permits or other authorizations relating to the Properties or operations thereon or (ii) result in Owner or the Properties or the Royalty becoming subject to any additional tax to which they were not subject prior to the proposed Transfer, by reason of the nationality or residence of the proposed transferee; and

(d) prior to or concurrently with the completion of the proposed Transfer either (i) the proposed transferee confirms to Owner in writing that it agrees to the deduction and set-off (as contemplated in Section 3.02(2)) by Owner of the Unreserved Advance Royalty Payments, or (ii) Royalty Holder pays to Owner any then Unrecovered Advance Royalty Payments.

(2) The provisions of Section 5.01(1) shall not apply to a transaction described in Section 5.03(4)(b).

5.02 **Multiple Royalty Holders**

Notwithstanding any Transfer by the Royalty Holder, the Owner will not be or become liable to make payments in respect of the Royalty to, or to otherwise deal in any way in respect of this Agreement with, more than one Royalty owner. If the interests of the Royalty Holder hereunder are at any time owned by more than one person, all such Royalty owners will, as a condition of receiving payment hereunder, enter into an agreement with Owner, in form and substance satisfactory to Owner, acting reasonably, to nominate one of the Royalty owners to act as exclusive common agent and trustee for receipt of monies payable hereunder and to otherwise deal with Owner in respect of such interests (including, without limitation, the giving of notice) and no Royalty owner will be entitled to administer or enforce any provisions of this Agreement except through such common agent and trustee. In such event, Owner will, thereafter make and be entitled to make payments due hereunder in respect of the Royalty to such common agent and trustee and to otherwise deal exclusively with such common agent and trustee as if it were the sole holder of the Royalty hereunder.

5.03 **Right of First Refusal**

(1) Subject to Section 5.03(4), if Royalty Holder receives a *bona fide* written offer (a "**Third Party Offer**") from any person dealing at arm's length with Royalty Holder to purchase all, or any part of the Royalty or its interest hereunder (the "**Offered Interest**"), which Royalty Holder either wishes to accept or has accepted conditional on and subject to this right of first refusal, Royalty Holder must promptly give notice of the Third Party Offer (the "**Notice of Offer**") to Owner and comply with this Section 5.03. The Notice of Offer must contain a copy of the Third Party Offer, disclose the identity of the person making the Third Party Offer (the "**Third Party Offeror**") and provide evidence sufficient to establish that the Third Party Offeror has the power and capacity, including the financial capacity, to complete the purchase of the

Offered Interest and that, except in the case of a Transfer described in Section 5.03(4)(b), the conditions set out in Section 5.01 will be satisfied. If the Third Party Offer provides for any non-cash consideration to be paid to Royalty Holder in respect of the Offered Interest, the Notice of Offer must specify the Royalty Holder's good faith estimate of the cash equivalent value of such non-cash consideration. If the Offered Interest is being offered for sale to the Third Party Offeror together with or in conjunction with other unrelated assets of the Royalty Holder, the Owner will in accordance with Section 5.03(2) be entitled to purchase only the Offered Interest and the Notice of Offer must specify the Royalty Holder's good faith estimate of the cash equivalent value being offered by the Third Party Offeror for the Offered Interest. If Owner does not agree with any one or more of the foregoing estimates, as applicable, such disagreement, if not resolved, will constitute a dispute which may be submitted directly to arbitration by either Owner or Royalty Holder for final determination pursuant to Article 6, in which case all time periods referred to in this Section 5.03 shall be extended by the time taken to obtain such final determination. Upon the Notice of Offer being given, Owner will have the right to purchase all, but not less than all, of the Offered Interest at the same price and upon the same terms and conditions as are contained in the Third Party Offer, subject to paying the aforesaid cash equivalent in lieu of any non-cash consideration (the "**ROFR Consideration**").

(2) If Owner desires to exercise its right to purchase all of the Offered Interest as contemplated by Section 5.03(1), it will give notice of such desire (the "**ROFR Exercise Notice**") to Royalty Holder within 30 Business Days of having been given the Notice of Offer. The giving of the ROFR Exercise Notice shall constitute a legally binding agreement between Owner and Royalty Holder for the sale by Royalty Holder to Owner of the Offered Interest in accordance with the terms set out in the Third Party Offer (subject to Owner paying the ROFR Consideration in lieu of any non-cash consideration) which sale transaction will be completed on the date therein provided (or on such other date as Owner and Royalty Holder shall agree) by delivery of the Offered Interest by Royalty Holder to Owner with good title, free and clear of all Encumbrances arising on or after the date the Royalty Holder received such Third Party Offer against payment by Owner to Royalty Holder of the ROFR Consideration by certified cheque or bank draft. If, at the time of completion, any portion of the Offered Interest is subject to any such Encumbrance, Owner will be entitled to deduct from the purchase money to be paid to Royalty Holder the amount required to discharge such Encumbrance and will apply such amount to discharge such Encumbrance, on behalf of Royalty Holder.

(3) If Owner does not give the ROFR Exercise Notice in accordance with the provisions of Section 5.03(2) the right of Owner, except as hereinafter provided, to purchase the Offered Interest will terminate and Royalty Holder may sell all, but not less than all, of the Offered Interest to the Third Party Offeror in accordance with the terms of the Third Party Offer at any time within 60 Business Days after the expiry of the 30 Business Day period specified in Section 5.03(2). If the Offered Interest is not so sold within such 60 Business Day period on such terms, the rights of the parties pursuant to this Section 5.03 will again take effect with respect thereto.

(4) The provisions of this Section 5.03 shall not apply to:

(a) the *bona fide* Transfer by Royalty Holder of all, or any part of, the Royalty or its interest hereunder to any of (i) Silver Wheaton Corp., (redacted)

(redacted) or (redacted), or to any wholly-owned subsidiary of any of the foregoing, or (ii) subject to the prior approval of Owner, not to be unreasonably withheld, to any corporation having a market capitalization at the time of such Transfer of not less than $500 million; or

(b) any indirect Transfer of all, or any part of, the Royalty or the Royalty Holder's interest hereunder resulting from the acquisition of the shares of Royalty Holder, provided that at the time of such acquisition the Royalty does not constitute all or substantially all of the assets of Royalty Holder.

5.04 **Encumbrance by Royalty Holder**

Royalty Holder shall not grant or permit to exist any Encumbrance with respect to the Royalty except for an Encumbrance by way of contract or deed which is intended to secure payment or performance of an obligation and provided the party to which such Encumbrance is granted has first entered into an agreement with Owner in form and substance satisfactory to Owner, acting reasonably, in which such party agrees with Owner that the exercise by or on behalf of such party of any enforcement, foreclosure, power of sale or other similar remedy with respect to such Encumbrance will constitute a proposed Transfer and will be subject to Owner's right of first refusal in Section 5.03 to the same extent as if such party was the Royalty Holder. The foregoing restriction shall not apply to the rights granted by Sabina Gold & Silver Corp. to Silver Wheaton Corp. pursuant to the right of first refusal agreement between Silver Wheaton Corp. and Sabina Gold & Silver Corp.(then Sabina Silver Corp.) as amended by letter agreement between Silver Wheaton Corp. and Sabina Gold & Silver Corp. dated May 21, 2011.

5.05 **Transfer or Abandonment by Owner**

(1) Owner shall not Transfer all or any portion of its interest in the Properties unless prior to or concurrently with such Transfer the transferee of such interest ("**Transferee**") has entered into an agreement with Royalty Holder in form and substance satisfactory to Royalty Holder, acting reasonably, under which such assignee agrees to be bound, to the extent of the interest Transferred, by all of the terms and conditions of this Agreement, whereupon, subject to Section 5.05(2), the Owner shall be relieved of its obligations hereunder to the same extent.

(2) Notwithstanding Section 5.05(1), if as of the date of Transfer no category of debt of Transferee has a rating by Standard and Poor's (or comparable debt rating organization) that is at least as highly rated as the comparable category of debt of Owner (referred to in this Section as "**Debt Rating Parity**") Owner will only be relieved of its obligations hereunder at such time as Transferee either (i) achieves Debt Rating Parity, or (ii) grants to Royalty Holder a first ranking mortgage or other security interest on the Properties and all related facilities and infrastructure located thereon (or an alternate but comparable form of security or surety acceptable to Royalty Holder, acting reasonably) as security for the payment of the Royalty obligations hereunder.

(3) If Owner decides to permanently abandon, or let lapse or expire, any portion of the Properties it shall give notice of such decision to Royalty Holder not less than 30 days prior to the effective date of such abandonment, lapse or expiry.

ARTICLE 6 - DISPUTE RESOLUTION

6.01 Arbitration

(1) *Submission to Arbitration.* In the event of any dispute between the parties as to any matter under this Agreement, such matter shall be settled by arbitration as hereinafter provided. Any such matter or matters may be submitted by either party to arbitration by a single arbitrator. Except as specifically provided in this Section, the arbitration shall be governed by the *Arbitration Act, 1991* (Ontario) (in this Article, the "**Act**") and for that purpose the provisions of this Section shall be deemed to be a submission to arbitration within the meaning of the Act.

(2) *Arbitrator.* Any arbitration pursuant to this Article shall be conducted by a suitably qualified independent person who is experienced in the Canadian mining industry and who is knowledgeable about mining exploration and development in Canada. The party desiring arbitration shall so notify the other party and such notice shall set out the names of three proposed arbitrators. The other party shall within 10 Business Days after receiving such notice select one of the proposed arbitrators to act as the arbitrator and shall within such 10 Business Day period so notify the other party proposing the arbitration. If such notice is not given by the end of such 10 Business Day period then the party desiring arbitration may apply to a Judge of the Superior Court of Justice of Ontario for the appointment of a single arbitrator as contemplated by the Act.

(3) *Procedure; Decision.* The arbitrator shall fix the time and place for hearing such evidence and representations as the parties may present and may determine any matters of procedure for the arbitration not specified herein. The parties shall present to the arbitrator and the arbitrator shall conclusively determine all outstanding issues between the parties with respect to the aforesaid matters. The arbitrator shall deliver his decision in writing to the parties within 90 days following his appointment. The decision of the arbitrator shall be final and binding on the parties and the parties shall, within 10 Business Days following delivery of the arbitrator's decision, give effect to that decision by implementing its terms in accordance with the provisions of this Agreement.

(4) *Costs.* The costs of the arbitration (including the remuneration of the arbitrator and the parties' costs of legal and other professional representation in preparing for and attending at the arbitration) shall be borne by the parties as may be specified in the decision.

ARTICLE 7 - MISCELLANEOUS

7.01 Indemnity

(1) Owner agrees to indemnify and save harmless Royalty Holder, its Affiliates and each of their respective officers, directors, employees, agents and representatives (collectively

the "**Indemnified Parties**") from and against any and all claims, demands, liabilities, actions and proceedings (collectively, "**Claims**"), which may be made or brought against the Indemnified Parties to the extent that such Claims result from or relate to operations conducted by or on behalf of Owner on or in respect of the Properties or relate to the mining, handling, transportation, smelting, refining or Sale of the Products.

(2) The foregoing indemnity is limited to Claims that may be made or taken against an Indemnified Party its capacity as or related to the Royalty Holder as a holder of the Royalty or as a result of having any interest in the Properties pursuant to this Agreement and does not apply in respect of any Claims against an Indemnified Party in any other capacity.

(3) Promptly after the assertion of any third party Claim against any Indemnified Party that results or may result in the incurrence by such Indemnified Party of any loss for which such Indemnified Party would be entitled to indemnification by Owner pursuant to this Agreement, such Indemnified Party will promptly notify Owner of such third party Claim. Such notice will also specify with reasonable detail (to the extent the information is reasonably available) the factual basis for the third party Claim, the amount of the third party Claim or, if such amount is not then determinable, a reasonable estimate of the likely amount of the third party Claim. The failure to promptly provide such notice will not relieve Owner of any obligation to indemnify the Indemnified Party, except to the extent such failure prejudices the Owner. Thereupon, Owner will have the right, upon written notice (the "**Defence Notice**") to the Indemnified Party within 30 days after receipt by Owner of notice of the third party Claim (or sooner if such third party Claim so requires) to conduct, at its own expense, the defence against the third party Claim in its own name or, if necessary, in the name of the Indemnified Party; provided that: (a) Owner acknowledges and agrees in the Defence Notice that as between Owner and the Indemnified Party, Owner is liable to pay for all losses arising from or relating to such third party Claim; and (b) Owner provides to the Indemnified Party adequate security (approved by the Indemnified Party, acting reasonably) in respect of such losses. The Defence Notice will specify the counsel the Owner will appoint to defend such third party Claim, and the Indemnified Party will have the right to approve such defence counsel, which approval will not be unreasonably withheld.

(4) Notwithstanding any Defence Notice, any Indemnified Party will have the right to employ separate counsel in any third party Claim and/or to participate in the defence thereof, but the fees and expenses of such counsel will not be included as part of any losses incurred by the Indemnified Party unless (i) Owner failed to give the Defence Notice, (ii) such Indemnified Party has received an opinion of counsel, reasonably acceptable to Owner, to the effect that the interests of the Indemnified Party and Owner with respect to the third party Claim are sufficiently adverse to prohibit the representation by the same counsel of both parties under applicable ethical rules, or (iii) the employment of such counsel at the expense of Owner has been specifically authorized by Owner.

(5) The party conducting the defence of any third party Claim will keep the other party apprised of all significant developments and will not enter into any settlement, compromise or consent to judgment with respect to such third party Claim unless Owner and the Indemnified Party consent, which consent will not be unreasonably withheld.

7.02 **Interest in Land**

The Parties intend that the Royalty constitute an interest in the Properties and, accordingly agree that:

(a) the Royalty will run with the Properties, and every interest therein and any renewal or extension thereof and accordingly shall be binding upon and represent a liability of any successors or assigns of the Properties or any portion thereof or interest therein; and

(b) the Owner will upon request sign and deliver to Royalty Holder, and Royalty Holder may register or otherwise record against titles to the Properties, such form of notice or other document as Royalty Holder may reasonably request to give notice of the existence of the Royalty to third parties.

7.03 **Other Activities and Interests**

This Agreement and the rights and obligations of the Parties hereunder are strictly limited to the Properties and the Royalty derived therefrom. Each Party will have the free and unrestricted right to enter into, conduct and benefit from any and all other business activities of any kind whatsoever, including activities involving mineral claims or mineral leases adjoining the Properties, and whether or not competitive with activities on the Properties, without disclosing such other activities to the other Party or inviting or allowing the other Party to participate therein.

7.04 **Confidentiality**

The terms and conditions of this Agreement and all information, data, reports, records and results relating to the Properties and activities thereon, all of which will hereinafter be referred to as "confidential information", will be treated by the Royalty Holder as confidential and will not be disclosed by it to any person not a Party to this Agreement, except in the following circumstances:

(a) the Royalty Holder may disclose confidential information to its auditors, legal counsel, institutional lenders, brokers, underwriters and investment bankers, provided that such non-party users are advised of the confidential nature of the confidential information, undertake to maintain the confidentiality thereof and are strictly limited in their use of the confidential information to those purposes necessary for such non-party users to perform the services for which they were retained by the Royalty Holder;

(b) the Royalty Holder may disclose confidential information (including filing this Agreement on SEDAR) where that disclosure is necessary to comply with its disclosure obligations and requirements under any securities law, rules or regulations or stock exchange listing agreements, policies, other applicable law or requirements or in relation to proposed credit arrangements, provided that the proposed disclosure is limited to factual matters, that the Royalty Holder will have availed itself of the full benefits of any laws, rules, regulations or contractual

rights as to disclosure on a confidential basis to which it may be entitled and that it will have provided to Owner a copy of the proposed disclosure and a reasonable opportunity to comment thereon or to propose appropriate redactions therein; or

(c) with the approval of the Owner.

Any confidential information that becomes part of the public domain by no act or omission in breach of this Section 7.04 will cease to be confidential information for the purposes of this Section 7.04.

7.05 **Relationship**

This Agreement is not intended to, and will not be deemed to, create any partnership, joint venture or any other form of common endeavour or association between the Parties. Nothing herein contained will be deemed to constitute a Party the partner, agent or legal representative of the other Party. The obligations and liabilities of the Parties hereunder will be several and not joint and neither Party will have or purport to have any authority to act for or to assume any obligations or responsibility on behalf of the other Party.

7.06 **Notice**

Any demand, notice or other communication to be given in connection with this Agreement must be in writing and will be given by personal delivery or by electronic means of communication addressed to the recipient as follows:

To the Owner:

Sabina Gold & Silver Corp.
930 West 1st Street
Suite 202
North Vancouver, British Columbia
V7P 3N4

Attention: Elaine Bennett

Fax: 604-998-1051
email: ebennett@sabinagoldsilver.com

To the Royalty Holder:

Xstrata Canada Corporation
Xstrata Zinc Canada Division
100 King Street West
Suite 7050
First Canadian Place
Toronto, Ontario M5X 1E3

Attention: Fernando Ragone

Fax: 416-775-1425
email: fragone@xstratazinc.ca

or to such other street address, individual or electronic communication number or address as may be designated by notice given by either party to the other. Any demand, notice or other communication given by personal delivery will be conclusively deemed to have been given on the day of actual delivery thereof and, if given by electronic communication, on the day of transmittal thereof if given during the normal business hours of the recipient and on the Business Day during which such normal business hours next occur if not given during such hours on any day.

7.07 **Further Assurances**

Each Party will, at the request of another Party and at the requesting Party's expense, execute all such documents and take all such actions as may be reasonably required to effect the purposes and intent of this Agreement.

7.08 **Entire Agreement**

This Agreement constitutes the entire agreement of the Parties with respect to the subject matter hereof, all previous agreements and promises in respect thereto being hereby expressly rescinded and replaced hereby. No modification or alteration of this Agreement will effective unless in writing executed subsequent to the date hereof by both Parties. No prior written or contemporaneous oral promises, representations or agreements are binding upon the Parties. There are no implied covenants contained herein.

7.09 **No Waivers**

No waiver of or with respect to any term or condition of this Agreement will be effective unless it is in writing and signed by the waiving Party, and then such waiver will be effective only in the specific instance and for the purpose of which given. No course of dealing among the Parties, nor any failure to exercise, nor any delay in exercising, any right, power or privilege hereunder will operate as a waiver thereof, nor will any single or partial exercise of any specific waiver of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

7.10 **Governing Law**

This Agreement will in all respects be governed by and be construed in accordance with the laws in force in Ontario.

7.11 **Severability**

If any one or more of the provisions contained in this Agreement is held to be invalid, illegal or unenforceable in any respect under the laws of any jurisdiction, the validity, legality and enforceability of such provision will not in any way be affected or impaired thereby under the laws of any other jurisdiction and the validity, legality and enforceability of the remaining provisions contained herein will not in any way be affected or impaired thereby.

7.12 **Parties in Interest**

This Agreement will enure to the benefit of and be binding on the Parties and their respective successors and permitted assigns.

7.13 **Counterparts**

This Agreement may be executed in multiple counterparts, each of which will constitute an original, but all of which together will constitute one and the same instrument.

7.14 **Facsimiles**

Delivery of an executed signature page to this Agreement by any party by electronic transmission will be as effective as delivery of a manually executed copy of this Agreement by such party.

IN WITNESS WHEREOF the Parties have duly executed this Agreement.

XSTRATA CANADA CORPORATION, XSTRATA ZINC CANADA DIVISION

Per: _____
Name:
Title:

SABINA GOLD & SILVER CORP.

Per: _____
Name:
Title:

Per: _____
Name:
Title:

Exhibit 1
to
Vendor Silver Royalty

Properties

[NTD: On signing of Vendor Silver Royalty at Closing, the description of the Mineral Leases and Mineral Claims comprising the Properties from the Mineral Property Sale Agreement will be copied into this Exhibit]

Exhibit 2
to
Vendor Silver Royalty Agreement

Known Resource

-Attached-

Hackett River Resource Estimate
May 24, 2011

1.0 Definition of Known Resource

The "Known Resource" defines the Mineral Resource on the Hackett River Property as calculated on May 24, 2011 by Xstrata Zinc and presented to Sabina personnel.

The Known Resource was, in part, derived from earlier resource calculations completed by AMEC Americas (April 2009) and by PEG Consulting (December 2009). The Known Resource was updated to include drilling completed on the property up to December 31, 2010.

The Mineral Resource is derived from a "3D Model" to define the deposits based on certain parameters consistent with, but not entirely replicating those parameters used in the AMEC and PEG studies. The Known Resource includes all the mineral resources at the Main deposits, East Cleaver deposit (including Knob Hill), Boot deposit and the JO deposit based on drilling to December 2010.

In the event that any significant errors, such as, but not limited to, errors in grid references are discovered subsequent to or during exploitation, both parties agree that the "3D Model" is intended to define the Mineral Resource as defined by the May 24, 2011 calculation by Xstrata that is based on parameters such as costs and commodity prices consistent with those utilized in the 2009 PEA study by PEG Consulting.

The "Known Resource" is defined in greater detail in the attached CD containing the 3D Model.

2.0 Deposit Location Description

The deposits are located in Nunavut territory, Canada, approximately 480km northeast of Yellowknife. Four different deposits make up the project, from West to East: East Cleaver, Boot Lake, Main Zone and Jo Zone. The bounding coordinates for the deposits are summarized in Table 1 and shown in Figures 1 to 5.

Table 1: Deposit location coordinates

Deposit	NW corner	NE corner	SE corner	SW corner
East Cleaver (ECL)	615,250 mE / 7,313,300 mN	615,800 mE / 7,313,300 mN	615,800 mE / 7,312,650 mN	615,250 mE / 7,312,650 mN
Boot Lake (BL)	616,200 mE / 7,313,300 mN	617,000 mE / 7,313,300 mN	617,000 mE / 7,312,300 mN	616,200 mE / 7,312,300 mN
Main Zone (MZ)	619,250 mE / 7,313,600 mN	620,250 mE / 7,313,600 mN	620,250 mE / 7,312,700 mN	619,250 mE / 7,312,700 mN
Jo Zone (JO)	620,250 mE / 7,312,700 mN	620,650 mE / 7,312,700 mN	620,650 mE / 7,312,300 mN	620,250 mE / 7,312,300 mE

All coordinates in NAD 83 datum. Zone 12.

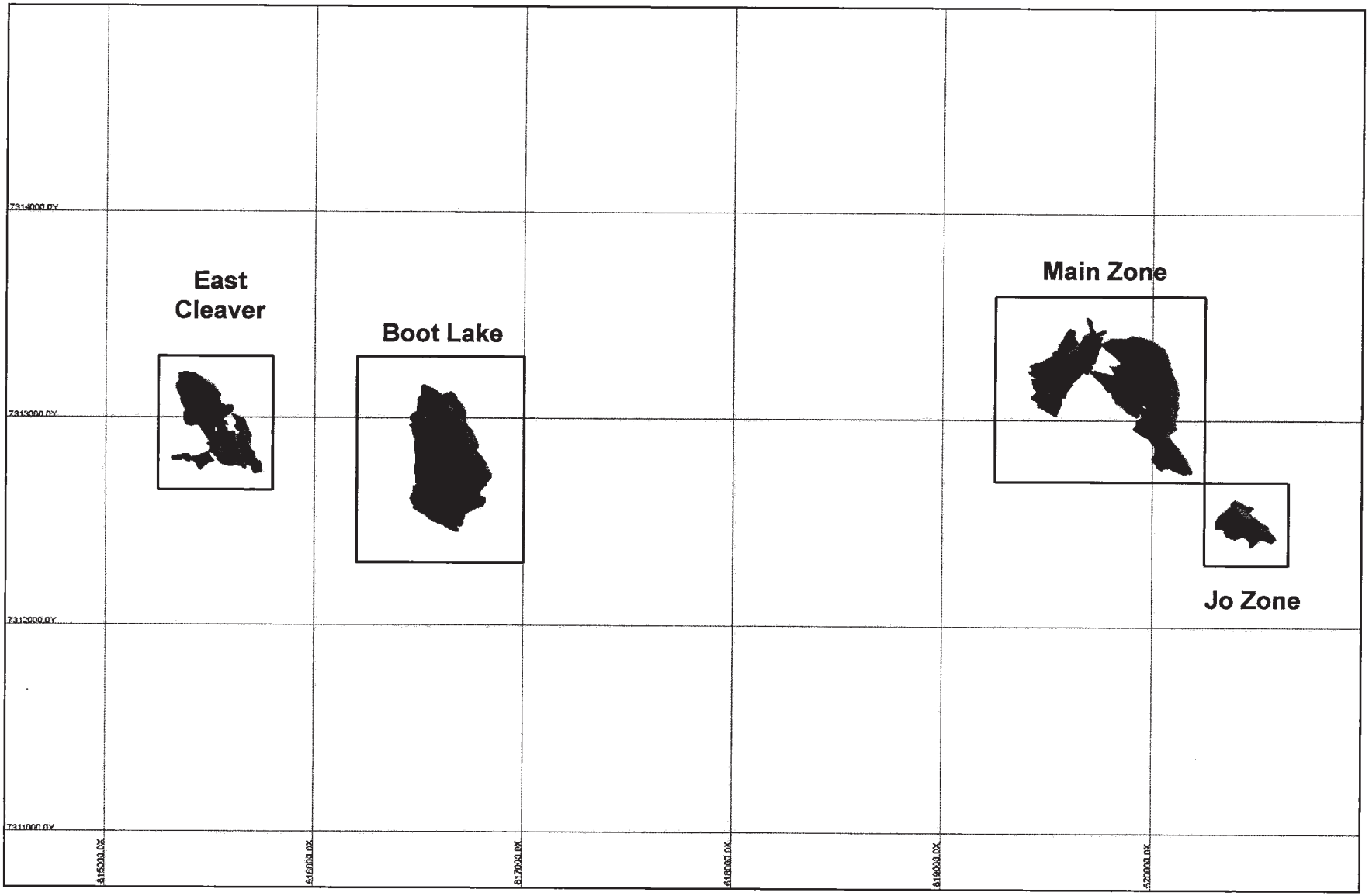

Figure 1: Location of Hackett River Deposits

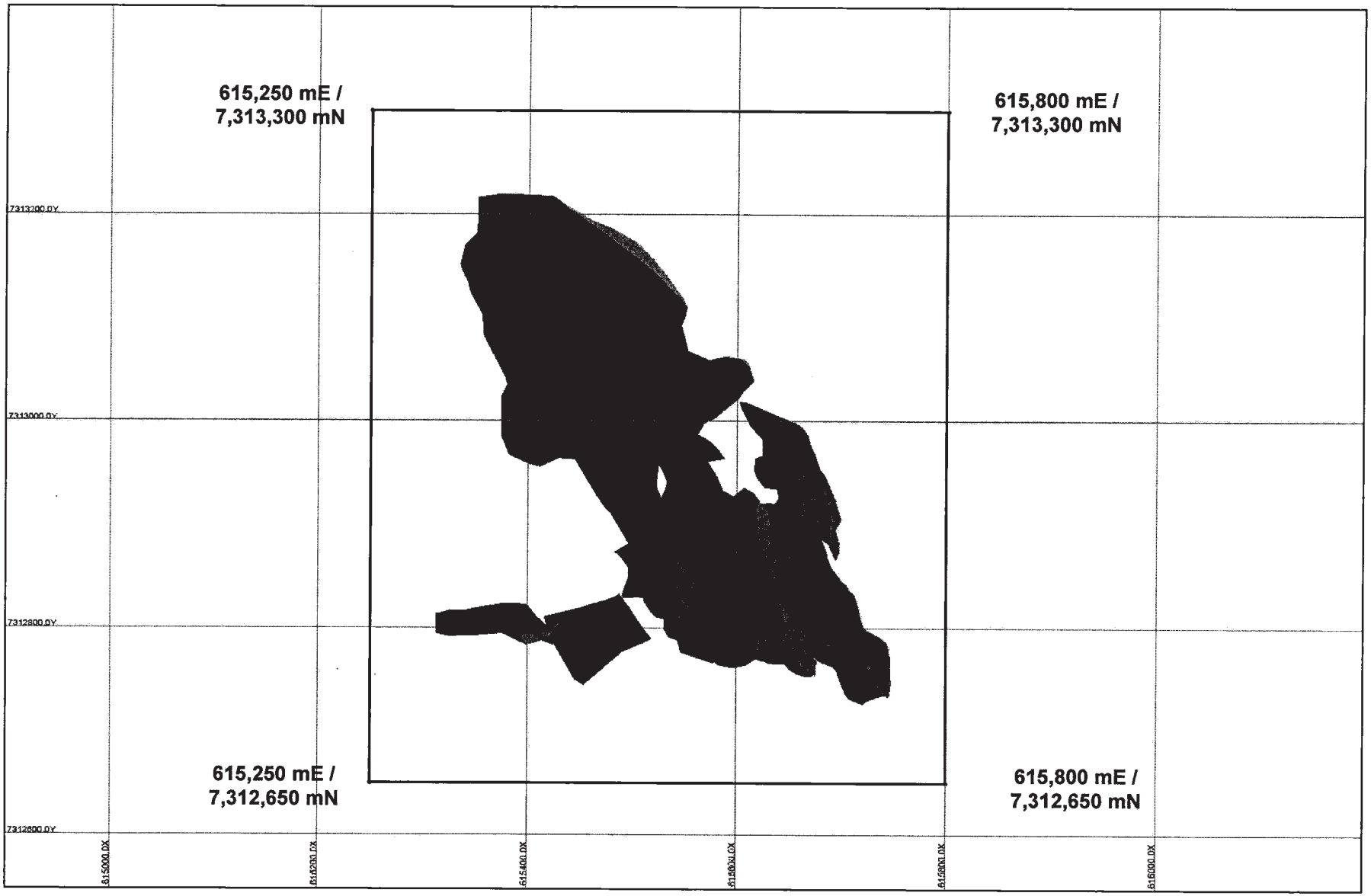

Figure 2: Location of East Cleaver Deposit

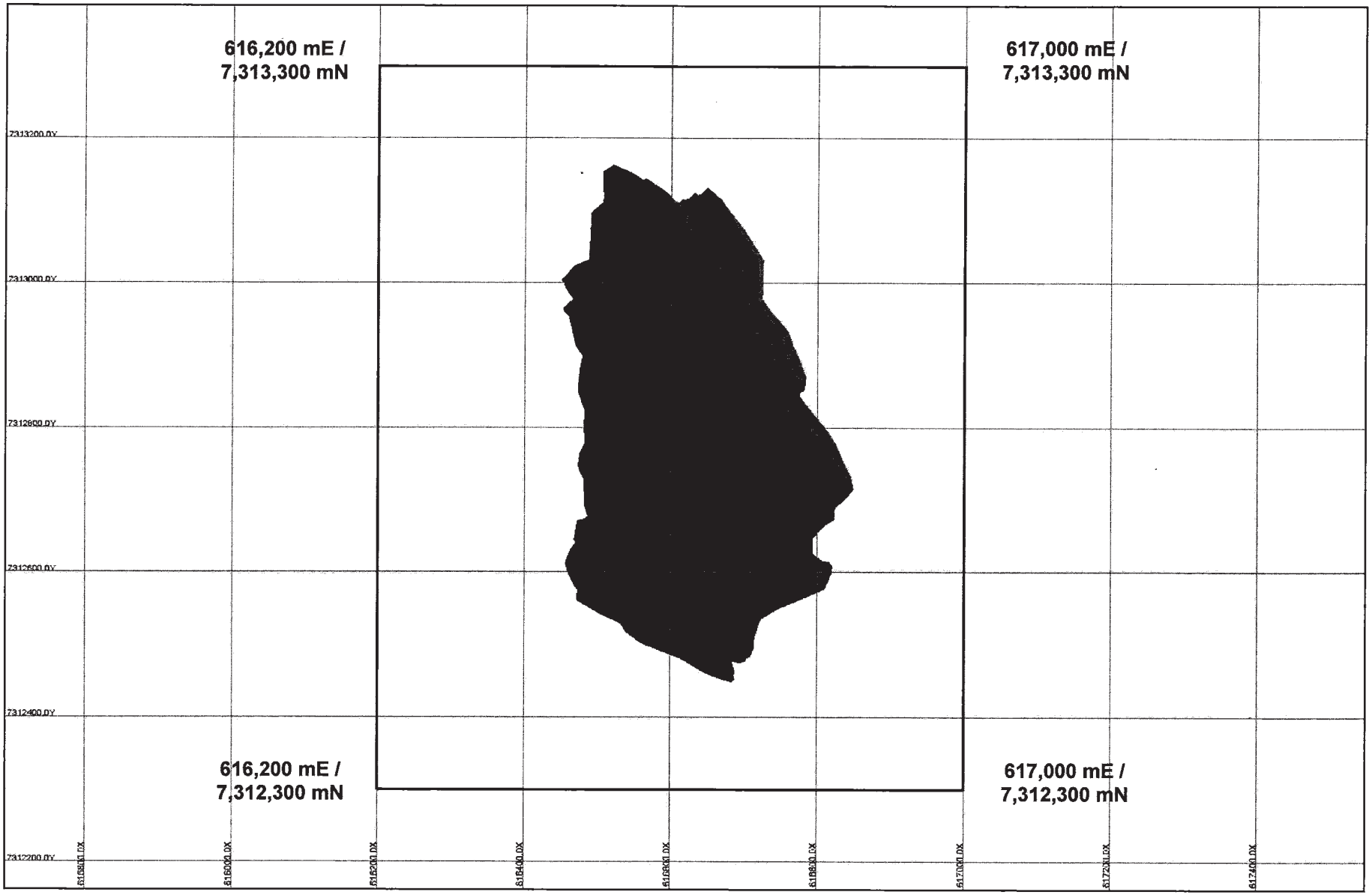

Figure 3: Location of Boot Lake Deposit

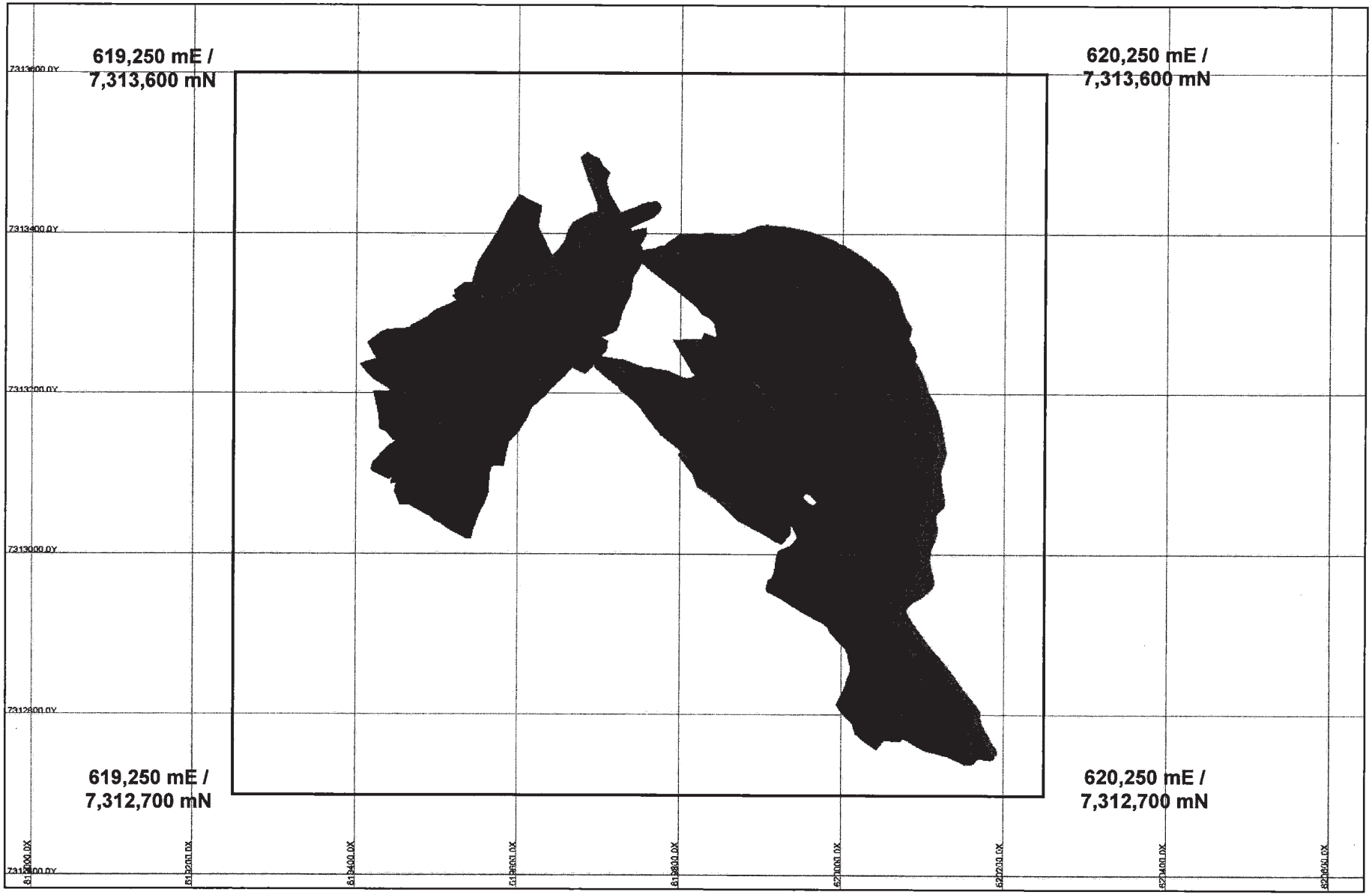

Figure 4: Location of Main Zone Deposit

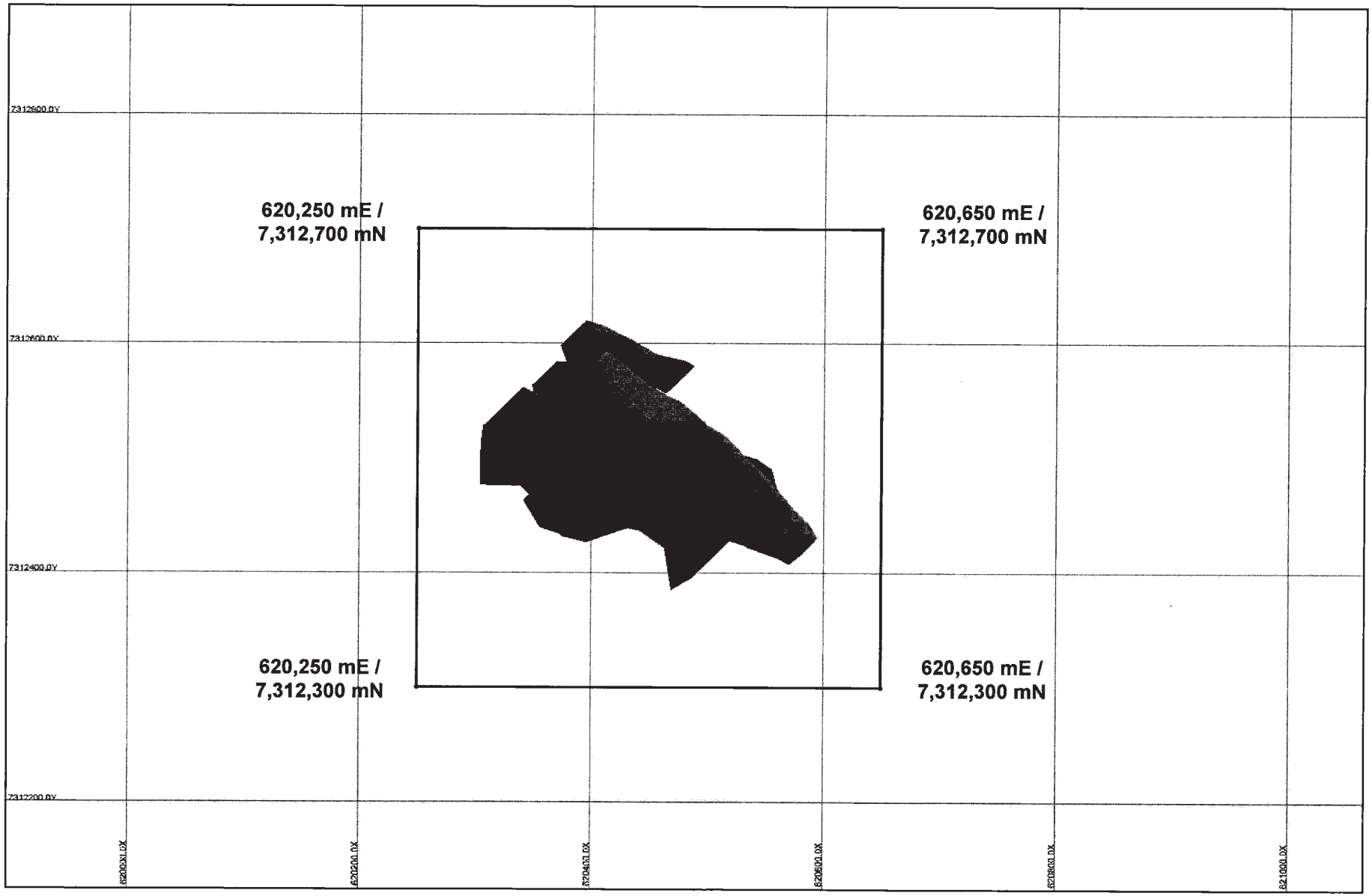

Figure 5: Location of Jo Zone Deposit

3.0 Database

The Access database used in the resource estimate was closed on December 31st, 2010. The last hole entered in the database was SHR-10-78.

4.0 Description of Resource Methodology

4.1 Software

Solid modeling and resource estimation by block model was performed using Gemcom software, version 6.3.

4.2 Mineralized wireframes

The original polylines drawn by AMEC (2009) for ECL, BL and MZ were modified to incorporate the new drill information. The polylines were drawn on either 25m or 50m spaced vertical sections and on 20m spaced plan sections.

The original mineralized wireframes created by PEG (2009) for JO were contoured on 25m vertical sections to create 3D polylines. These polylines were then modified to incorporate the new drill information.

Polylines are saved in workspaces: XSTRA_EC2008, XSTRA_BL2008, XSTRA_MZ2008, and XSTRA_JO2011.

Mineralized wireframes for ECL, BL and MZ were constructed using the guideline of a minimum grade of roughly 80 g/t silver equivalent over a minimum of 5m downhole length. Mineralized wireframes for JO were constructed using a guideline of a minimum grade of roughly 15 g/t silver equivalent over a minimum of 2m downhole length.

Silver equivalency was calculated as followed (all prices are expressed in US$, and ounces are troy ounces):

{[(Ag grade (g/t)) x (Ag price in $/oz) x (% Ag recovery ÷ 100) ÷ (31.10348 (g/oz))] +
[(Au grade (g/t)) x (Au price in $/oz) x (% Au recovery ÷ 100) ÷ (31.10348 (g/oz)] +
[(% Pb grade ÷ 100) x (Pb price in $/lb) x (% Pb recovery ÷ 100) x (2204.623 lb/t)] +
[(% Zn grade ÷ 100) x (Zn price in $/lb) x (% Zn recovery ÷ 100) x (2204.623 lb/t)] +
[(% Cu grade ÷ 100) x (Cu price in $/lb) x (% Cu recovery ÷ 100) x (2204.623 lb/t)]}
÷ [(Ag price in $/oz) x (% Ag recovery ÷ 100) ÷ (31.10348 (g/oz)]

Using the following metal prices (in US$/lb) or per troy ounce as appropriate), and recovery assumptions:

Zn price = $0.80/lb	Zn recovery = 89.6%
Ag price = $11.00/oz	Ag recovery = 72.0%
Cu price = $1.65/lb	Cu recovery = 80.0%
Pb price = $0.55/lb	Pb recovery = 70.0%
Au price = $700.00/oz	Au recovery = 50.0%

Three different mineralization types were modeled individually:

- OM series: dominantly semi-massive to massive sulphides (≥ 20% sulphides)
- OM20 series: dominantly disseminated to veined sulphide-bearing host rocks with local lenses of discontinuous semi-massive to massive sulphides.
- OS series: dominantly disseminated to veined sulphide-bearing altered footwall rocks.

After constructing the 3D wireframes, the solids were truncated at the overburden surface.

Solids were saved in triangulation workspaces entitled: XSTR_2011, and saved as solid selection sets: X_BTL_resourcesolids.SS2, X_ECL_resourcesolids.SS2, X_MZ_resourcesolids.SS2, X_JO_resourcesolids.SS2.

4.3 Grade capping

Decile analysis was performed for each of the metals within each ore type individually for ECL, BL and MZ. Hard capping enabled the removal of excessive metal content in the upper decile of samples. For JO, the hard caps determined by PEG were applied to the samples, except in the case of zinc for Zone 4, where a cap of 6.0% was used instead of 2.1%. The results are summarized in Table 2. Only capped grade assays were then used for compositing and mineral resource estimation.

Table 2: High grade capping values

		Ag				Au				Pb				Cu				Zn				
		Cap	% of metal removed	# of samples capped	% Samples Capped	Cap	% of metal removed	# of samples capped	% Samples Capped	Cap	% of metal removed	# of samples capped	% Samples Capped	Cap	% of metal removed	# of samples capped	% Samples Capped	Cap	% of metal removed	# of samples capped	% Samples Capped	Total # Samples
Boot Lake																						
OM	101, 102	1850	0.31	1	0.08%	2	8.53	12	0.96%	9	0.91	7	0.56%	2.6	0.83	4	0.32%	No cap			0.00%	1249
OS	131	1000	7.42	7	1.02%	5	26.49	7	1.02%	1.1	27.15	22	3.22%	6.2	2.25	6	0.88%	8.2	9.25	18	2.63%	684
OM20	121	1375	2.57	4	0.60%	2.7	15.82	12	1.81%	4.75	1.26	5	0.75%	1.7	4.49	8	1.20%	30	0.85	4	0.60%	664
East Cleaver																						
OM	105,202,14,200,104	1900	2.57	9	0.54%	4	22.82	41	2.44%	7.6	0.62	4	0.24%	3.4	8.15	25	1.49%	No cap			0.00%	1678
OS	231,232,234,235	600	12.95	17	2.02%	2	29.59	20	2.38%	1.15	12.73	22	2.62%	3	3.43	6	0.71%	13.7	2.04	8	0.95%	841
Main Zone East (D1&D2)																						
OM	101,102	1260	0.1	2	0.55%	2.7	20.48	4	1.11%	8.3	1.2	4	1.11%	3.7	3.07	3	0.83%	No cap				361
OM20	420	1325	5.31	7	1.55%	3.4	20.42	9	2.00%	5.7	7.09	7	1.55%	3.5	5.43	8	1.77%	26.1	1.02	5	1.11%	451
OS	201	640	0.3	2	0.44%	1.9	19.55	10	2.21%	0.85	12.14	12	2.65%	7.4	0.12	1	0.22%	7.6	3.7	7	1.55%	453
Main Zone West																						
OM	100	2000	3.17	4	0.88%	4.1	21.19	9	1.98%	No cap				3.6	9.31	10	2.20%	No cap				455
OM20	104	1200	0.98	1	0.24%	4.2	8.87	3	0.71%	No cap				2.1	5.31	6	1.43%	No cap				420
OS	200	590	1.39	2	0.21%	2.5	18.97	17	1.80%	1.5	15.75	14	1.48%	11.3	1.93	8	0.84%	7.5	23.77	37	3.91%	947
Jo Zone																						
Jo 2		759			No cap				No cap					No cap				44.0				
Jo 3		364			1.5				4.0					10.0				27.0				
Jo 4		60			0.4				No cap					6.0				2.1				

4.4 Composites

Capped assays from within the mineralized solids were composited into 3.0 m downhole intervals for ECL, BL and MZ and over 2.0 m intervals for JO. The elements composited included Ag, Au, Zn, Cu, Pb and Fe (for density calculation) Remnant composites at the bottom of the zones were backstitched to the previous composite if less that 1.5 m (for ECL, BL or MZ) or 1.0 m (for JO). Composites were then extracted point areas for each of the deposits along with the mineralized rock code.

4.5 Specific Gravity Data

A total of 588 SG sample analyses collected on drillholes in the ECL, BL and MZ deposits were imported into the database. No SG data was available for JO. The SG data was composited into 3.0m downhole intervals and extracted to a point area along with the mineralized rock code.

4.6 Block Models

Block models were constructed for each of the four deposits following the coordinates, orientation and block sizes of the original models constructed by AMEC (for ECL, BL and MZ) and PEG (for JO). In each case, the block size was 5m x 5m x 5m.

The rock type block models were updated from mineralized solids using the 0% inclusion rule (minimum percent required to assign block 0%). Blocks above the overburden and topo surfaces were assigned the rock type values 9 and 1, respectively.

4.7 Search ellipses

Search ellipse sizes employed by AMEC (for ECL, BL and MZ) and by PEG (for JO) were replicated.

Ellipse orientations previously established for MZ (AMEC) and JO (PEG) were validated and replicated. ECL and BL solids were visually examined in 3D space to find the most suitable ellipse orientations for each of the principal trends.

4.8 Interpolation

Interpolation profiles were set-up to interpolated three passes (one for each search ellipse radius) for zinc, silver, copper, lead, gold and iron. Blocks within each of the mineralized domains were interpolated using the inverse distance (ID^2) method. One pass for interpolation of the SG data was also set-up for ECL, BL and MZ.

Soft contacts were established within each of the ore types and between the Keel and East domains of the MZ. These two domains were distinguished by assigning different rock type block model values based on the SUB_DOM1 and SUB_DOM2 wireframes from the *Azonesolid* triangulation workspace. Hard contacts were established between the different ore types.

4.9 Categorization

Blocks which were interpolated during the first interpolation pass for zinc were assigned a CAT value of 2, which is equivalent to indicated resources. Blocks interpolated during the second interpolation pass for zinc were assigned a CAT value of 3, which is equivalent to inferred resources. Blocks interpolated during the third interpolation pass for zinc were assigned a CAT value of 3, which is considered "geological information" and not included in the final resource estimate.

4.10 Density Block Model

Specific gravity analyses were interpolated using the nearest neighbor method for Pass 1 of the ECL, BL and MZ deposits. The remainder of the density values for mineralization were determined by applying the regression formula establish by AMEC to the capped, interpolated metals:

$$SG = 2.592 - (0.024 \times \%Cu) + (0.040 \times \%Pb) + (0.019 \times \%Zn) + (0.042 \times \%Fe)$$

All density values for JO were determined using the density formula.

A minimum density of 2.66 was used in ore blocks for MZ, ECL and BL.

The remainder of the blocks in the models were attributed a density value based on rock type (for waste, air, overburden).

4.11 Resource Estimate

In order to classify resources which could potentially be extracted by open pit or underground methods, a block value per tone was calculated for each block in the four models. For open pit resources, the value per tonne cutoff was equal to or greater than $0.01/t for resources falling above the bottom of the pit shells designed by PEG for the four deposits. For "underground" resources, the value per tonne cutoff was equal to or greater than $20.00/t for resources falling below the bottom of the pit shells designed by PEG for the four deposits.

The block value per tonne was calculated as follows:

$$\text{Value per Tonne} = \frac{\text{Block Revenue} - \text{Milling Cost} - \text{G\&A Cost} - \text{Freight)}}{\text{Ore Tonnes}}$$

Where:

Block Revenue = Ore tonnes x Grades x Recovery x Net Price for each metal
Milling Cost = Ore tonnes x Milling Cost per tonne
G&A Cost = Ore tonnes x G&A Cost per tonne
Freight Cost = Ore tonnes x Freight Cost per tonne

Wherein the following factors from PEG were applied:

Table 4: Value per Tonne Calculation – Metal Prices, Recoveries, Net Metal Prices and Concentrate Grades

Metal	Unit	World Price (US$)	Net Price (C$)	Mill Recovery (%)	Concentrate Grade (%)
Zinc	$/lb	0.80	0.51	92	56
Silver	$/oz	12.00	13.12	77	-
Copper	$/lb	1.90	1.58	74.5	23.5
Lead	$/lb	0.55	0.38	85	51
Gold	$/oz	800	932	55	-
Exchange Rate	US$: C$	1	1.18	-	-

Table 5: Value per Tonne Calculation – Smelting and Refining Terms

Metal	Unit	Smelter/Refinery Charge
Zinc	US$/t conc.	230
Silver	US$/oz	0.74
Copper (smelter)	US$/t conc.	85
Copper (refinery)	US$/lb refining	0.085
Lead	US$/t conc.	120
Gold	US$/oz	10
Penalties		
Lead in Copper Concentrate	US$/t conc.	5.84
Copper in Lead Concentrate	US$/t conc.	4.50

Table 6: Value per Tonne Calculation – Operating Costs

Operating Cost	Unit	Unit Cost ($)
Open Pit Mining Cost	$/t	2.50
Milling Cost	$/t ore	17.54
G&A Cost	$/t ore	5.95
Freight	$/t ore	3.42
Concentrate Haulage	$/t conc.	27.77
Port Operation	$/t conc.	7.17
Ocean Shipping	$/t conc.	85.14

The block value was assigned to each block using the block model script: X_BlockValue_MAY2011.ssc.

5.0 References

Hackett River Polymetallic Project, Nunavut, Canada, NI 43-101 Technical Report. AMEC Americas, 26 February, 2009. A. Chong, T. Wakefield, M. Podhorski-Thomas, A. Winkers.

Preliminary Economic Assessment (Update) NI 43-101 Technical Report, Hackett River Project, Nunavut, Canada, 23 December 2009, PEG Mining Consultants Inc.

Schedule D

To Xstrata Zinc Canada/Sabina Mineral Property Purchase Agreement

Silver Wheaton Confirmation and Waiver

TO: Xstrata Canada Corporation ("**Xstrata**")

1. Reference is made to the Right of First Refusal Agreement (the "**Agreement**") dated December 21, 2006 between the undersigned and Sabina Silver Corporation (a predecessor to Sabina Gold & Silver Corp. ("**Sabina**")). All capitalized terms used and not otherwise defined herein have the same meaning as in the Agreement.

2. Attached hereto is a Mineral Property Purchase Agreement dated June 1, 2011 between Sabina and Xstrata pursuant to which Sabina is today selling to Xstrata the Properties as therein defined (the "**Transaction**").

3. The undersigned hereby irrevocably(i) confirms that the Transaction will not breach Sabina's covenant in Section 2 of the Agreement, (ii) waives any right of first refusal the undersigned may have with respect to the Transaction pursuant to Section 3 of the Agreement and (iii) confirms that neither the Agreement nor any other agreement between Sabina and the undersigned will have any application to Xstrata or to the Properties following Xstrata's acquisition of the Properties pursuant to the Transaction.

Dated •, 2011.

Silver Wheaton Corp.

Per: _____

Name:
Title:

Schedule E

To Xstrata Zinc Canada/Sabina Mineral Property Purchase Agreement

Vendor Infrastructure Access Agreement

-Attached-

[NTD: TO BE ATTACHED AS SCHEDULE E TO XSTRATA ZINC/SABINA MINERAL PROPERTY PURCHASE AGREEMENT]

Agreement

THIS AGREEMENT ("**Agreement**") made as of •, 2011 between Xstrata Canada Corporation, Xstrata Zinc Canada Division, a corporation existing under the laws of the Province of Ontario (the "**Purchaser**"), and Sabina Gold & Silver Corp., a corporation existing under the laws of the Province of British Columbia (the "**Vendor**") witnesses that:

WHEREAS pursuant to a Mineral Property Purchase Agreement dated June 1, 2011 between the parties hereto (the "**Purchase Agreement**"), the Purchaser has purchased from the Vendor certain properties;

AND WHEREAS Section 2.07(c)(ii) of the Purchase Agreement requires that this Agreement be entered into and delivered on the Closing Date (as therein defined);

NOW THEREFORE in conjunction with and in consideration of the completion of the transactions to be effected on the Closing Date as contemplated by the Purchase Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. All capitalized terms not separately defined herein shall have the meanings given to such terms in the Purchase Agreement.

2. The Purchaser and the Vendor agree to negotiate in good faith an agreement (the "**A&I Agreement**"), pursuant to which the Purchaser will, for a commercial fee and on other commercial terms, permit the Vendor to have reasonable non-exclusive access to roads, railways, port facilities and other infrastructure of a similar nature (but excluding, for certainty, any infrastructure built for the processing or storing of mineral products derived or produced from the Properties or in respect of compliance with Environmental Laws) which may be built by or for the benefit of the Purchaser in connection with the development of a mine and processing facilities on the Properties (the "**Infrastructure**"). Vendor access to Infrastructure shall be subject to Purchaser's own requirements which shall have priority.

3. The A&I Agreement will contain customary terms with respect to indemnification, insurance, bonding, security and other commercially reasonable terms to fully protect the Purchaser from any liability arising from Vendor's access to or use of the Infrastructure.

4. The A&I Agreement is being granted to Vendor on a personal use basis and accordingly will not be assignable in whole or in part by Vendor except that Vendor may assign all of its rights under the A&I Agreement to a third party (the "**Assignee**") in conjunction with the sale to such assignee of the assets of Vendor which at the date of such sale benefit, or can reasonably be expected to benefit, from the rights under the A&I Agreement (the "**Benefited Assets**") provided that (a) the use of the rights under the A&I Agreement by the third party will not be expanded beyond the Benefited Assets; (b) the credit quality and industry reputation of the Assignee is at least as good as that of Vendor; (c) the A&I Agreement is in good standing at the time of such assignment and (d) the Assignee

enters into an agreement in form and substance satisfactory to Purchaser, acting reasonably, pursuant to which Assignee assumes all of the liabilities and obligations of Vendor under the A&I Agreement.

5. The Vendor acknowledges and agrees that:

   (a) any use or access to the Infrastructure will be conditional upon the construction of the Infrastructure and will be discontinued upon the sale, abandonment, dismantlement or demolition of such Infrastructure, and that the Purchaser will be under no obligation to construct or assist in the construction of any Infrastructure or, once constructed, to continue to maintain and own the Infrastructure; and

   (b) any use of and access to the Infrastructure will be at the Vendor's sole risk.

6. This agreement and the A&I Agreement will in all respects be governed by and be construed in accordance with the laws in force in the Province of Ontario.

7. This Agreement will enure to the benefit of and be binding on the Parties and their respective successors and permitted assigns.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed and delivered as of the date first set forth above.

XSTRATA CANADA CORPORATION, XSTRATA ZINC CANADA DIVISION

Per: _____
Name:
Title:

SABINA GOLD & SILVER CORP.

Per: _____
Name:
Title:

Per: _____
Name:
Title:

Schedule F

To Xstrata Zinc Canada/Sabina Mineral Property Purchase Agreement

Other Assets

Sabina Gold & Silver Corp.
Capital Assets
Located at Hackett River
Net Carrying Value as at 03/31/11

Buildings	479,528.10
Kitchen	
Tool Shed	
Main office	
Core shacks	
Old core building	
First Aid building	
Camp Manager bldg	
Drill foreman's bldg	
Old wood bldgs (8)	
driller's dry (2)	
Logistics office	
Driller's shop	
Computer Equipment	7,041.70
HP Designjet T1120PS 44" Plotter	
HP Laserjet 2800dtn printer	
Server	
Equipment	208,437.20
2009 Skandic SUV 550	
D6M LGP Cat Bulldozer 2002	
2009 Outlander XT 4X ATV	

Waste Oxidizer System (Incinerator)
Chest Freezer 22
(2) 40' Sample Storage Containers (TB)
2 x Yamaha boggans BR250BY
2 GTXfan 550F-E Skidoo
2 FT9D Skandic SUV 550 Skidoo
2 oil fired stoves for tents
Arctic Insta Berm
Mini berm
berms, support for berms, windows
Skidoo/Outlander/Snowbulance/Boggins
snowbulance with seat
snowbulance with seat
Rescan weather station
2011 Can Am outlander 4X ATV
4 12' aluminum boats with 6 Hp engine
18' aluminum work boat with 90 HP Yamaha Motor
Kubota 12kw generator
2006 John Deere 60kw generator
2011 John Deere 175kw generator

Total Assets	**$695,007.00**

Schedule G

To Xstrata Zinc Canada/Sabina Mineral Property Purchase Agreement

Assumed Liabilities

1. All Environmental Liabilities relating to the Properties except the Vendor Environmental Liabilities;

2. All obligations and liabilities to the extent they arise from ownership of or activities or operations on the Purchased Assets from and after the Closing Date, except to the extent such obligations and liabilities relate to the Vendor Environmental Liabilities and liabilities and obligations (whether contingent, accrued, inchoate or otherwise) not expressly assumed hereby, arising or in existence prior to the Closing Date.

3. All liabilities and obligations of Vendor:

   (a) under Vendor Permits transferred to Purchaser;

   (b) under the terms of the Leases;

   (c) under Applicable Laws that govern the terms or administration of the Mineral Leases and Mineral Claims;

   (d) relating to the Other Assets,

   except any Vendor Environmental Liabilities related thereto; and

4. All liabilities and obligations to pay (and with respect to the payment of) the following royalties, to the extent such liabilities and obligations arise on or after the Closing Date, on the following properties:

Properties	Applicable Assumed Royalty Obligations
Hackett River Property (excluding the Defaulted Leases)	a, b
Defaulted Leases	a, b
Wishbone Property	none

Assumed Royalty Obligations

(a) The right of Etruscan Resources Limited to receive a 10% net profit interest royalty capped at approximately $1,745,000 in accordance with the termination of Hackett River Joint Venture Agreement between Hackett River Resources Inc. and Teck Cominco Metals Ltd., dated 17 June 2002.

(b) The right of Teck to receive a 2% net smelter return royalty in accordance with the Hackett River Option Agreement.

For greater certainty, any obligations or liabilities that may arise on, prior to or after the Closing Date from any instrument or agreement with respect to the Purchased Assets that was entered into or that became effective prior to the Closing Date which is not being explicitly assumed hereby by Purchaser shall not form a part of the Assumed Liabilities.

Schedule H

To Xstrata Zinc Canada/Sabina Mineral Property Purchase Agreement

Vendor Approvals

1. Consent from Kitikmeot Inuit Association to transfer or re-issue (or actual transfer or re-issue) to Purchaser of each of the Vendor Permits issued by it to Vendor in relation to the Properties.

2. Consent of the Nunavut Water Board to transfer (or actual transfer) to Purchaser of each of the Vendor Permits issued by it to Vendor in relation to the Properties.

3. Consent of INAC to transfer (or actual transfer) to Purchaser of each of the Vendor Permits and the surface lease forming part of the Hackett River Property issued by it to Vendor.

Schedule I

To Xstrata Zinc Canada/Sabina Mineral Property Purchase Agreement

Vendor Permits

Permit No.	Permit Name	Type	Expiry	Status	Agency	Description
N2010C0015	Exploration activities on Crown Land	Class A	2012-10-31	Valid	INAC	Exploration activities on Crown Land
KTL304C010	Exploration activities on IOL (Hackett River)	Level 3	2012-03-17	Valid	KIA	Staking and prospecting, exploration, drilling, fuel storage, camp on Inuit Owned Lands
2BE-HAK0915	Hackett River Camp	Type B	2015-12-31	Valid	NWB	Water use and waste disposal
KTL309C002	Wishbone exploration	Level 3	2012-03-16	Valid	KIA	Staking/prospecting, exploration (ground/air geophysics), drilling

Schedule J

To Xstrata Zinc Canada/Sabina Mineral Property Purchase Agreement

Assumption and Indemnity Agreement

-Attached-

[NTD: To be attached as Schedule J to Xstrata Zinc/Sabina Mineral Property Purchase Agreement]

ASSUMPTION AND INDEMNITY AGREEMENT

THIS AGREEMENT ("**Agreement**") made as of •, 2011 between Xstrata Canada Corporation, Xstrata Zinc Canada Division, a corporation existing under the laws of the Province of Ontario ("**Purchaser**"), and Sabina Gold & Silver Corp., a corporation existing under the laws of the Province of British Columbia ("**Vendor**") witnesses that:

WHEREAS the parties hereto have entered into a mineral property purchase agreement dated as of June 1, 2011 (the "**Purchase Agreement**"), pursuant to which Purchaser is purchasing from Vendor the Purchased Assets (as therein defined);

AND WHEREAS Section 2.07(c)(iii) of the Purchase Agreement requires that this Agreement be entered into and delivered on the Closing Date (as therein defined);

NOW THEREFORE in conjunction with and in consideration of the completion of the transactions to be effected on the Closing Date as contemplated by the Purchase Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

Definitions. Unless otherwise defined herein or the context otherwise requires, capitalized terms used and not otherwise defined herein shall have the meaning ascribed to them in the Purchase Agreement.

1. Assumption by Purchaser. Purchaser hereby assumes, and undertakes to and agrees with Vendor that Purchaser will fully and timely perform, satisfy, carry out and discharge, the Assumed Liabilities to the extent such liabilities arise or accrue on or after the Closing Date.

2. Retention by Vendor. Vendor hereby confirms to Purchaser that Vendor retains the Retained Liabilities and undertakes to and agrees with Purchaser that Vendor will fully and timely perform, satisfy, carry out and discharge the Retained Liabilities.

3. Indemnity by Purchaser. Purchaser hereby indemnifies and saves harmless Vendor, its Affiliates and each of their respective directors, officers, employees, agents and representatives from and against all Claims asserted against, and all Losses suffered or incurred by, any of them directly or indirectly arising out of or resulting from the Assumed Liabilities.

4. Indemnity by Vendor. Vendor hereby indemnifies and saves harmless Purchaser, its Affiliates and each of their respective directors, officers, employees, agents and representatives from and against all Claims asserted against, and all Losses suffered or incurred by, any of them directly or indirectly arising out of or resulting from the Retained Liabilities.

5. Third Party Claims. Promptly after the assertion of any Third Party Claim against any person entitled to indemnification under this Agreement (the "**Indemnified Party**") that results

or may result in the incurrence by such Indemnified Party of any Loss for which such Indemnified Party would be entitled to indemnification pursuant to this Agreement, such Indemnified Party will promptly notify the party from whom such indemnification is or may be sought hereunder (the "**Indemnitor**") of such Third Party Claim. Such notice will also specify with reasonable detail (to the extent the information is reasonably available) the factual basis for the Third Party Claim, the amount of the Third Party Claim, or if such amount is not then determinable, a reasonable estimate of the likely amount of the Third Party Claim. The failure to promptly provide such notice will not relieve the Indemnitor of any obligation to indemnify the Indemnified Party, except to the extent such failure prejudices the Indemnitor. Thereupon, the Indemnitor will have the right, upon written notice (the "**Defence Notice**") to the Indemnified Party within 30 days after receipt by the Indemnitor of notice of the Third Party Claim (or sooner if such Third Party Claim so requires) to conduct, at its own expense, the defence against the Third Party Claim in its own name or, if necessary, in the name of the Indemnified Party; provided that: (a) the Indemnitor acknowledges and agrees in the Defence Notice that as between the Indemnitor and the Indemnified Party, the Indemnitor is liable to pay for all Losses arising from or relating to such Third Party Claim; and (b) the Indemnitor provides to the Indemnified Party adequate security (approved by the Indemnified Party, acting reasonably) in respect of such Losses. The Defence Notice will specify the counsel the Indemnitor will appoint to defend such Third Party Claim, and the Indemnified Party will have the right to approve such defence counsel, which approval will not be unreasonably withheld.

6. Separate Counsel. Notwithstanding any Defence Notice, any Indemnified Party will have the right to employ separate counsel in any Third Party Claim and/or to participate in the defence thereof, but the fees and expenses of such counsel will not be included as part of any Losses incurred by the Indemnified Party unless (i) the Indemnitor failed to give the Defence Notice, (ii) such Indemnified Party has received an opinion of counsel, reasonably acceptable to the Indemnitor, to the effect that the interests of the Indemnified Party and the Indemnitor with respect to the Third Party Claim are sufficiently adverse to prohibit the representation by the same counsel of both parties under applicable ethical rules, or (iii) the employment of such counsel at the expense of the Indemnitor has been specifically authorized by the Indemnitor.

7. Keep Apprised; Settlement. The party conducting the defence of any Third Party Claim will keep the other party apprised of all significant developments and will not enter into any settlement, compromise or consent to judgment with respect to such Third Party Claim unless the Indemnitor and the Indemnified Party consent, which consent will not be unreasonably withheld.

8. Amendments and Waivers. This Agreement may not be modified, waived or changed in any manner except in writing signed by each of the parties hereto.

9. Further Assurances. Each of the parties hereto agrees that it shall and, where applicable, shall cause its Affiliates to, from time to time after the date of this Agreement, execute and deliver such other documents and instruments and take such other actions as may be reasonably required to comply with or further evidence the obligations contemplated by this Agreement.

10. Enurement. This Agreement shall be binding on and shall inure to the benefit of the parties hereto, and their respective successors and assigns.

11. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first above written.

XSTRATA CANADA CORPORATION, XSTRATA ZINC CANADA DIVISION

Per: _____

Name:
Title:

SABINA GOLD & SILVER CORP.

Per: _____

Name:
Title:

Per: _____

Name:
Title:

Schedule K

To Xstrata Zinc Canada/Sabina Mineral Property Purchase Agreement

Escrow Agreement

-Attached-

[NTD: TO BE ATTACHED AS SCHEDULE K TO XSTRATA ZINC/SABINA MINERAL PROPERTY PURCHASE AGREEMENT]

ESCROW AGREEMENT

THIS AGREEMENT (the "**Agreement**") made as of the ___ day of _____ 2011.

AMONG:

XSTRATA CANADA CORPORATION, XSTRATA ZINC CANADA DIVISION, a corporation existing under the laws of the Province of Ontario, Canada,

(hereinafter referred to as "**Xstrata**")

OF THE FIRST PART;

- and -

SABINA GOLD & SILVER CORP., a corporation existing under the laws of the Province of British Columbia, Canada,

(hereinafter referred to as "**Sabina**")

OF THE SECOND PART;

- and -

McCARTHY TÉTRAULT LLP, an Ontario limited liability partnership, having an office at Suite 5300, 66 Wellington Street W, Toronto, ON M5K 1E6

(hereinafter called the "**Escrow Agent**")

OF THE THIRD PART.

WHEREAS by a Mineral Property Sale Agreement dated the 1st day of June, 2011 (the "**Purchase Agreement**"), Xstrata agreed to purchase and Sabina agreed to sell, all of Sabina's right, title and interest in and to the Purchased Assets (as such term is defined in the Purchase Agreement);

AND WHEREAS Section 2.06 of the Purchase Agreement provides that on the Closing Date (as such term is defined in the Purchase Agreement), (i) each of Sabina and Xstrata will execute and deliver this Agreement, (ii) each of Xstrata and Sabina will deliver the Closing Deliveries (as such term is defined in the Purchase Agreement) to the Escow Agent to be held in escrow subject to the terms and conditions of this Agreement, and (iii) Sabina will deliver to Xstrata the Conveyances (as such term is defined in the Purchase Agreement) to and in favour of Xstrata;

AND WHEREAS the Escrow Agent has agreed to hold the Closing Deliveries and release such Closing Deliveries in accordance with the terms and conditions of this Escrow Agreement;

NOW THEREFORE this Agreement witnesses that for and in consideration of the promises and mutual covenants and agreements hereinafter contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, the parties hereto covenant and agree to and with each other as follows:

1. **Interpretation.**

(a) Any capitalized term used herein which is not defined in this Agreement but is defined in the Purchase Agreement shall have the meaning assigned to it in the Purchase Agreement.

(b) The division of this Agreement into Sections and paragraphs are for convenience of reference only and do not affect the construction or interpretation of this Agreement. The terms "hereof", "hereunder" and similar expressions refer to this Agreement and not to any particular Section, paragraph or other portion hereof. Unless something in the subject matter or context is inconsistent therewith, references herein to Sections, paragraphs and Schedules are to Sections and paragraphs of and Schedules to this Agreement.

(c) In this Agreement words importing the singular number only include the plural and *vice versa*, words importing any gender include all genders. The term "including" means "including without limiting the generality of the foregoing".

(d) The following Schedule is attached to and forms part of this Agreement:

Schedule A	-	Procedures for Release of Escrowed Closing Deliveries

(e) All references to currency herein are to lawful money of Canada.

2. **Appointment Of Escrow Agent.** Xstrata and Sabina hereby appoint the Escrow Agent to act as escrow agent on the terms and conditions set forth herein and the Escrow Agent hereby accepts such appointment on such terms and conditions. Sabina hereby acknowledges that McCarthy Tétrault LLP is also counsel for Xstrata in connection with the transactions contemplated by the Purchase Agreement, and hereby agrees that, notwithstanding any disputes that may arise in connection herewith or otherwise, McCarthy Tétrault LLP will continue to represent and act for Xstrata.

3. **Deliveries to Escrow Agent.**

(a) Xstrata hereby deposits with the Escrow Agent funds in the amount of Cdn $50,000,000 (the "**Escrowed Funds**"), to be held in trust by the Escrow Agent and distributed by the Escrow Agent in accordance with this Agreement.

(b) Each of Xstrata and Sabina hereby deposit with the Escrow Agent the other items set forth in Schedule A (the "**Documents**" and, together with the Escrowed

Funds, the "**Escrowed Closing Deliveries**"), which Documents will be held by the Escrow Agent in accordance with the terms of this Agreement.

(c) The Escrow Agent acknowledges receipt from Xstrata of the Escrowed Closing Deliveries, and agrees to establish a segregated, non-interest bearing account into which account the Escrow Agent will deposit the Escrowed Funds (the "**Escrow Account**").

4. **Termination Of Escrow Agreement.** Unless earlier terminated by written agreement of the parties hereto, this Escrow Agreement shall terminate upon the earlier of (i) the release by the Escrow Agent of the Escrowed Closing Deliveries and (ii) the return to Xstrata of the Escrowed Funds and the destruction of the Documents, in each case, in accordance with the terms hereof.

5. **Release Of Escrowed Closing Deliveries.** The Escrow Agent shall release the Escrowed Closing Deliveries in accordance with the following provisions:

(a) Upon the direction of an officer of Xstrata to the Escrow Agent stating that the Transfers in respect of each of the Applicable Mineral Leases and Mineral Claims have been recorded by the Mining Recorder and that the Vendor Completion Certificate has been delivered to Xstrata, the Escrow Agent shall release each of the Escrowed Closing Deliveries (including the Escrowed Funds) from the escrow arrangement by releasing them in accordance with the procedures set forth in Schedule A hereof **[Note to draft: Procedures for the release of the Escrowed Closing Deliveries to be attached on the Closing Date]**.

(b) If the Escrow Agent has not received the direction described in paragraph 5(a) of this Agreement prior to January 31, 2012 or upon the termination of this Agreement by written agreement of all the parties hereto, the Escrow Agent shall pay Xstrata the Escrowed Funds and shall destroy each of the Documents.

6. **Responsibilities, Liability and Indemnification of Escrow Agent.**

(a) The Escrow Agent will be obligated to perform only such duties as are expressly set forth in this Agreement. No implied covenants or obligations will be inferred from this Agreement against the Escrow Agent, nor will the Escrow Agent be bound by the provisions of any agreement between the other parties hereto beyond the specific terms hereof.

(b) The Escrow Agent shall have no liability to any party hereto with respect to the subject matter hereof except for damages caused by the Escrow Agent's own wilful misconduct or gross negligence.

(c) Xstrata and Sabina hereby covenant and agree to indemnify and save harmless the Escrow Agent, its partners, employees, independent contractors and agents and their respective heirs, executors, administrators, personal representatives and assigns, as the case may be (collectively, the "**Escrow Agent Indemnified Persons**"), from and against, on a full indemnity basis, all claims, demands, damages, losses, liabilities, amounts paid in settlement of claims, costs and expenses and other amounts paid in respect of any civil, criminal or administrative action, proceeding or investigation to which the Escrow Agent

Indemnified Persons, or any of them, as the case may be, is made a party or is subject to by reason of the Escrow Agent performing its duties as escrow agent hereunder or otherwise arising out of or connected with this Agreement except for the Escrow Agent's own wilful misconduct or gross negligence. The obligations of Xstrata and Sabina under this paragraph 6(c) shall survive the termination of this Agreement.

(d) The Escrow Agent will be entitled to rely upon any reasonable order, judgment, certification, instruction, notice or other writing delivered to it in compliance with the provisions of this Agreement without being required to determine the authenticity or the correctness of any fact stated therein or the propriety or validity thereof. The Escrow Agent may act in reliance upon any instrument or signature reasonably believed by it to be genuine and complying with the provisions of this Agreement and may assume that any person purporting to give notice or receipt or advice or make any statement or execute any document in accordance with the provisions hereof has been duly authorized to do so.

(e) The Escrow Agent retains the right not to act, and will not be held liable for refusing to act, unless it has received clear and reasonable documentation that complies with the terms of this Agreement and such documentation does not require the exercise of any discretion or independent judgment by the Escrow Agent.

(f) The Escrow Agent may consult with, and obtain advice from, legal counsel chosen by the Escrow Agent in the event of any question as to any of the provisions of this Agreement or the duties hereunder, and the Escrow Agent will, except in the case of its own gross negligence or wilful misconduct, incur no liability and will be fully protected in acting in good faith in accordance with the written opinion and instructions of such counsel.

(g) The Escrow Agent shall not receive any fees in its capacity as escrow agent hereunder. Xstrata and Sabina will jointly and severally be responsible to pay all costs and expenses that are reasonably incurred by the Escrow Agent in connection with the performance of its duties pursuant to this Agreement from and after the date hereof, including the fees and disbursements of legal counsel consulted by the Escrow Agent in accordance with paragraph 6(f).

7. **Resignation and Replacement of Escrow Agent.** The Escrow Agent will have the right to resign from its duties and obligations hereunder upon giving to Xstrata and Sabina not less than 20 days' prior notice in writing or such shorter notice as Xstrata and Sabina accept as sufficient. Xstrata and Sabina will have the power at any time on 20 days' notice in writing to remove the existing Escrow Agent and appoint a new escrow agent. In the event of the Escrow Agent resigning or being removed as aforesaid, Xstrata and Sabina will have the obligation to appoint a new escrow agent, upon which the retiring Escrow Agent will transfer all funds, agreements and other documents then in its possession to the escrow agent appointed by Xstrata and Sabina, provided that the retiring Escrow Agent will have received payment in full of all expenses owing to it hereunder. Any new escrow agent appointed under any provision of this section 7 will be a corporation authorized to carry on the business of a depositary in the Province of Ontario and will be subject to removal as aforesaid. On any such appointment, the new escrow agent will be vested with the same power, rights (except that such new escrow

agent will have the right to charge the remaining parties a fee for its services), duties and responsibilities as if it had been originally named herein as the escrow agent, without any further assurance, conveyance, act or deed; but there will be immediately executed, at the expense of Xstrata and Sabina, all such conveyances or other instruments as may, in the opinion of counsel, be necessary or advisable for the purpose of assuring the new escrow agent a full estate in the premises. Should Xstrata and Sabina fail to appoint a new escrow agent as outlined above, then the retiring Escrow Agent will cease its functions at the expiration of the period of notice and may retain all and any property in its possession hereunder on a merely safekeeping basis, at a fee to be determined solely by the Escrow Agent.

8. **Anti-Money Laundering/Anti-Terrorist Legislation.** The Escrow Agent retains the right not to act and will not be liable for refusing to act if, due to a lack of information or for any other reason whatsoever, the Escrow Agent, in its sole judgment, determines that such act might cause it to be in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline. Further, if the Escrow Agent, in its sole judgment, determines at any time that its acting under this Agreement has resulted in its being in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline, then it will have the right to resign on 10 Business Days written notice to the other parties to this Agreement, provided:

   (i) the Escrow Agent's written notice describes the circumstances of such non-compliance; and

   (ii) if such circumstances are rectified to the Escrow Agent's satisfaction within such 10 Business Day period, then such resignation will not be effective.

9. **Interpleader.** Notwithstanding any other provision of this Agreement, the Escrow Agent has the right at any time to interplead the parties and deposit the Escrowed Closing Deliveries or any other document or cash deposited with it with any court of competent jurisdiction in the event of any dispute as to, or if the Escrow Agent in its sole discretion concludes that there is a *bona fide* question, confusion or dispute in respect of or as to any matter under this Agreement including, without limitation, the holding or delivery of the Escrowed Closing Deliveries, the duties of the Escrow Agent in respect of any other matter arising hereunder or the validity, enforceability, extent of enforceability or meaning of any provision of this Agreement and any such deposit will wholly discharge the obligations of the Escrow Agent under this Agreement in respect of the Escrowed Closing Deliveries and any such other document or cash, and will for all purposes hereof be deemed good and sufficient fulfilment by the Escrow Agent of all of its obligations hereunder.

10. **Notices.** Any demand, notice or other communication to be given in connection with this Agreement must be given in writing and will be given by personal delivery or by electronic means of communication addressed to the recipient as follows:

   (a) To Xstrata:

Xstrata Canada Corporation
Xstrata Zinc Canada Division
100 King Street West
Suite 7050
First Canadian Place
Toronto, Ontario M5X 1E3

Attention: Fernando Ragone
Fax: 416-775-1425
email: fragone@xstratazinc.ca

(b) To Sabina:

Sabina Gold & Silver Corp.
930 West 1st Street
Suite 202
North Vancouver, British Columbia
V7P 3N4

Attention: Elaine Bennett
Fax: 604-998-1051
email: ebennett@sabinagoldsilver.com

(c) To the Escrow Agent :

McCarthy Tétrault LLP
Suite 5300
66 Wellington Street West
Toronto, Ontario M5K 1E6

Attention: Richard Miner
Fax: (416) 868-0673
E-mail: rminer @mccarthy.ca

or to such other street address, individual or electronic communication number or address as may be designated by notice given by either party to the other parties. Any demand, notice or other communication given by personal delivery will be conclusively deemed to have been given on the day of actual delivery thereof and, if given by electronic communication, on the day of transmittal thereof if given during the normal business hours of the recipient and on the Business Day during which such normal business hours next occur if not given during such hours on any day.

11. **Entire Agreement.** This Agreement and the Purchase Agreement constitute the entire agreement between the parties with respect to the subject matter hereof and cancel and supersede any prior understandings and agreements between the parties hereto with respect thereto. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the parties other than as expressly set forth in this Agreement.

12. **Further Assurances.** Each of the parties hereto will from time to time execute and deliver all such further documents and instruments and do all acts and things as any

other party may reasonably require to effectively carry out or better evidence or perfect the full intent and meaning of this Agreement.

13. **Applicable Law And Attornment**. This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and each of the parties hereto agrees to attorn to the jurisdiction of the courts of the Province of Ontario.

14. **Amendment and Waiver.** No amendment to this Agreement will be valid or binding unless set forth in writing and duly executed by all of the parties. No waiver of any breach of any provision of this Agreement will be effective or binding unless made in writing and signed by the party purporting to give the same and, unless otherwise provided, will be limited to the specific breach waived.

15. **Remedies Cumulative.** The rights and remedies of the parties hereunder are cumulative and are in addition to, and not in substitution for, any other rights and remedies available at law or in equity or otherwise. No single or partial exercise by a party of any right or remedy precludes or otherwise affects the exercise of any other right or remedy to which that party may be entitled.

16. **Enurement and Assignment.** This Agreement shall be binding upon, and shall enure to the benefit of each of the parties hereto, their respective successors and permitted assigns. This Agreement may not be assigned by any party hereto without the prior written consent of the other parties hereto, except as set out in Section 7 hereof.

17. **Counterparts; Electronic Execution.** This Agreement may be executed in any number of counterparts, each of which will be deemed to be an original and all of which taken together will be deemed to constitute one and the same instrument. Delivery of an executed signature page to this Agreement by any party by electronic transmission will be as effective as delivery of a manually executed copy of the Agreement by such party.

[*The balance of this page has been intentionally left blank*]

IN WITNESS WHEREOF the parties hereto have executed this Escrow Agreement on the date first above written.

XSTRATA CANADA CORPORATION, XSTRATA ZINC CANADA DIVISION

Per: _____

Name:
Title:

SABINA GOLD & SILVER CORP.

Per: _____

Name:
Title:

Per: _____

Name:
Title:

McCarthy TÉTRAULT LLP

Per: _____

Name:
Title:

SCHEDULE A
PROCEDURES FOR RELEASE OF ESCROWED CLOSING DELIVERIES