

ABITIBI ROYALTIES INC.



**Interim Financial Statements
First Quarter 2013**

Unaudited

Content

Interim Financial Position	2
Interim Comprehensive Income	3
Interim Change in Equity	4
Interim Cash Flows	5
Notes to Interim Financial Statements	6 to 14

IMPORTANT NOTICE

The attached financial statements have been prepared by Management of Abitibi Royalties Inc. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Abitibi Royalties Inc.
Interim Statement of Financial Position
(Unaudited)
(In Canadian dollars)

	Notes	March 31, 2013 \$	December 31, 2012 \$
ASSETS			
Current			
Cash and cash equivalent		126,953	235,586
Sales taxes recoverable		10,137	9,787
Prepaid expenses and deposits	6.1	<u>3,526</u>	<u>6,456</u>
		140,616	251,829
Non-current			
Exploration and evaluation assets	6	<u>140,615</u>	<u>110,112</u>
Total assets		<u><u>281,231</u></u>	<u><u>361,941</u></u>
LIABILITIES			
Current			
Accounts payable and accrued liabilities		4,185	36,778
Total liabilities		<u>4,185</u>	<u>36,778</u>
EQUITY			
Capital stock	8	630,823	630,823
Contributed surplus	9.2	1,536,100	1,536,100
Deficit		<u>(1,889,877)</u>	<u>(1,841,760)</u>
		277,046	325,163
Total liabilities and equity		<u><u>281,231</u></u>	<u><u>361,941</u></u>

The accompanying notes are an integral part of the interim financial statements.

These interim financial statements were approved and authorized for issue by the Board of Directors on May 30, 2013.

"Glenn J. Mullan"
(signed Glenn J. Mullan)
Director

Abitibi Royalties Inc.
Interim Statement of Comprehensive Loss
(Unaudited)

(In Canadian dollars)

	Notes	Three-month period ended	
		March 31, 2013	March 31, 2012
		\$	\$
Operating expenses			
Office expenses		3,124	3,437
Travel and transport		3,537	375
Professional fees	11	16,825	27,665
Management fees	12	24,000	24,000
Advertising and promotion		570	
Operating loss		48,056	55,477
Financial costs		61	69
Net loss and total comprehensive loss		48,117	55,546
Basic and diluted loss per share	10	0.01	0.01
Weighted average number of common shares outstanding	10	8,701,000	8,701,000

The accompanying notes are an integral part of the interim financial statements.

Abitibi Royalties Inc.
Interim Statement of Changes in Equity
(Unaudited)
(In Canadian dollars)

	Notes	Common shares outstanding Number	Capital Stock \$	Contributed Surplus \$	Deficit \$	Total Equity \$
Balance at January 1, 2013		8,701,000	630,823	1,536,100	(1,841,760)	325,163
Net loss and total comprehensive loss					(48,117)	(48,117)
Balance at March 31, 2013		<u>8,701,000</u>	<u>630,823</u>	<u>1,536,100</u>	<u>(1,889,877)</u>	<u>277,046</u>
Balance at January 1, 2012		8,701,000	630,823	1,536,100	(1,626,234)	540,689
Net loss and total comprehensive loss					(55,546)	(55,546)
Balance at March 31, 2012		<u>8,701,000</u>	<u>630,823</u>	<u>1,536,100</u>	<u>(1,681,780)</u>	<u>485,143</u>

The accompanying notes are an integral part of the interim financial statements.

Abitibi Royalties Inc.
Interim Statement of Cash Flows
(Unaudited)
(In Canadian dollars)

	Notes	Three month period ended	
		March 31, 2013	March 31, 2012
		\$	\$
<i>OPERATING ACTIVITIES</i>			
Net loss		(48,117)	(55,546)
Changes in working capital items			
Sales taxes recoverable		(350)	29
Prepaid expenses and deposits		2,930	21,249
Accounts payable and accrued liabilities		(29,902)	(3,399)
Cash flows from operating activities		<u>(75,439)</u>	<u>(37,667)</u>
<i>INVESTING ACTIVITIES</i>			
Additions to exploration and evaluation assets		<u>(33,194)</u>	<u>(24,709)</u>
Cash flows from investing activities		<u>(33,194)</u>	<u>(24,709)</u>
Net decrease in cash		(108,633)	(62,376)
Cash and cash equivalent, beginning of year		<u>235,586</u>	<u>456,278</u>
Cash and cash equivalent, end of year		<u><u>126,953</u></u>	<u><u>393,902</u></u>

The accompanying notes are an integral part of the interim financial statements.

Abitibi Royalties Inc.

Notes to Interim Financial Statements

March 31, 2013 and 2012

(Unaudited)

(In Canadian dollars)

1 - NATURE OF OPERATIONS

Abitibi Royalties Inc. (the "Company") is involved in the process of exploring, evaluating and promoting its mineral properties and other projects.

2 - GOING CONCERN ASSUMPTION

These interim financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) and the basis of the going concern assumption, meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company's ability to continue as a going concern depends upon its ability to obtain necessary financing to fund its prospection operations and its projects. Given its short history, the Company's ability to raise enough financing to meet these objectives cannot be determined at this time. The Company's business involves a high degree of risk and there is no assurance that the Company will be successful in discovering economically recoverable deposits on its mineral properties. Furthermore, the Company has not yet generated any income or cash flows from its operations and there is no assurance that the business will be profitable in the future. As at March 31, 2013 the Company has a cumulated deficit of \$1,889,877 (\$1,841,760 as at December 31, 2012). These material uncertainties cast significant doubts regarding the Company's ability to continue as a going concern.

The carrying amounts of assets, liabilities and expenses presented in the interim financial statements and the classification used in the interim financial statements have not been adjusted as would be required if the going concern assumption was not appropriate.

3 - CORPORATE INFORMATION

Abitibi Royalties Inc was incorporated on February 18, 2010 under the Business Corporations Act of British Columbia. The head office of the Company is located at 152 Chemin de la Mine École, Val-d'Or, Québec, Canada. The Company's registered and records office is located at #1810 - 1111 West Georgia Street, Vancouver, B.C. V6E 4M3. The Company also has administrative offices located at 800 René-Lévesque Boulevard West, Suite 425, Montréal, Québec, H3B 1X9. Prior to the completion of the Arrangement (as described below), the Company was a wholly owned subsidiary of Golden Valley Mines Ltd. ("Golden Valley"), thereafter the Company's shares were held as to: 33.66% by the general public and 66.34 % by Golden Valley (the ultimate parent company).

The Company is considered a "venture issuer" as such term is defined by applicable securities legislation and the common shares of the Company are traded on the TSX Venture Exchange under the symbol RZZ.

4 - BASIS OF PRESENTATION

These interim financial statements are covering the three month period ended March 31, 2013 and were prepared in accordance with International Financing Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), under International Accounting Standard ("IAS") 34 - Interim Financial Reporting. These interim financial statements were prepared using the same accounting policies, methods of computation and basis of presentation as outlined in Note 4 - Summary of Accounting Policies, as described in the Company's annual audited financial statements for the year ended December 31, 2012. The interim of the financial statements do not include all the notes required in annual financial statements and, accordingly, should be read in conjunction with with the annual financial statements for the year ended December 31, 2012

Notes to Interim Financial Statements

March 31, 2013 and 2012

(Unaudited)

(In Canadian dollars)

The interim financial statements of the Company will be included in the consolidation perimeter of its parent Golden Valley.

5 - CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

The actual results are likely to differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

Information about the significant judgements, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

5.1 - Significant management judgement*Impairment of exploration and evaluation assets*

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgement and a number of estimates and interpretations in many cases.

Determining whether to test for impairment of exploration and evaluation assets requires management's judgement, among others, regarding the following: the period for which the entity has the right to explore in the specific area has expired or will expire in the near future, and is not expected to be renewed; substantive expenditure on further exploration and evaluation of mineral resources in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

No testing for impairment was conducted on the properties despite the fact that the carrying value of the Company's net asset is superior to its market capitalization and despite the fact that no significant fieldwork was undertaken on properties during the year. Management judged that there was no testing for impairment required this year on properties despite an unfavorable change of the overall climate of the sector as well as the general situation of the economy that have had an impact on the Company's capacity to raise additional capital in order to pursue its exploration activities, coupled with a decrease in the share price. The Company has sufficient funds to respect its short term obligations and has both the intention and capacity to keep the properties until the economic context improves and the Company can pursue its exploration activities on the properties after raising additional capital.

Deferred income taxes

The assessment of availability of future taxable profits involves judgement. A deferred tax asset is recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized. To date, management has not recognized any tax assets in excess of existing temporary differences expected to reverse within the carry-forward period.

Abitibi Royalties Inc.

Notes to Interim Financial Statements

March 31, 2013 and 2012

(Unaudited)

(In Canadian dollars)

5.2 - Estimation uncertainty

Impairment of exploration and evaluation assets

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs must be determined. No impairment loss or reversal of impairment loss has been recognized in the three month periods ended March 31, 2013 and the year ended December 31, 2012.

Share-based payments

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own share, the probable life of share option granted and the time of exercise of those share options. The model used by the Company is the Black-Scholes valuation model.

6 - JOINTLY CONTROLLED EXPLORATION AND EVALUATION ACTIVITIES

The Company and Osisko Mining Corporation (formerly Osisko Explorations Ltd., hereinafter "Osisko") jointly controlled exploration and evaluation activities, pursuant to a 30/70 joint venture agreement on Malartic CHL Prospect. Information on these assets is presented in the Note 7.

Abitibi Royalties Inc.

Notes to Interim Financial Statements

March 31, 2013 and 2012

(Unaudited)

(In Canadian dollars)

7 - EXPLORATION AND EVALUATION ASSETS

The summary of carrying amount can be analyzed as follows:

Properties	Balance as at January 1, 2013 \$	Additions \$	Balance as at March 31, 2013 \$
Malaric CHL Prospect (Quebec)	78,359	30,503	108,862
Bourdon Prospects (Ontario)	31,753	-	31,753
	<u>110,112</u>	<u>30,503</u>	<u>140,615</u>
Properties			
Malaric CHL Prospect (Quebec)	27,489	21,958	49,447
Bourdon Prospects (Ontario)	28,107	1,844	29,951
	<u>55,596</u>	<u>23,802</u>	<u>79,398</u>

Notes to Interim Financial Statements

March 31, 2013 and 2012

(In Canadian dollars)

7 - EXPLORATION AND EVALUATION ASSETS (continued)

The Company has acquired through the issues of common shares from treasury, the following properties and interests:

Malartic CHL Prospect - Malartic, Québec

The Company acquired a 100% interest in the Malartic CHL Prospect (the "Malartic CHL Property") located near Malartic, Québec from Golden Valley. The Malartic CHL Property was subject to an option agreement in favour of Osisko Mining Corporation (formerly Osisko Explorations Ltd., hereinafter "Osisko") pursuant to which Osisko can earn a 70% interest in the Malartic CHL Property by making expenditures of \$2,000,000 (the "Malartic CHL Property Option"). During the period, Osisko provided notice to the Company of its intent to exercise the Malartic CHL Property Option, as a result of which the Company and Osisko are deemed to have entered into a joint venture agreement on the Malartic CHL Property. The Company retains a 30% free carried interest with no further expenditure requirements until the property achieves commercial production.

The Company also acquired from Golden Valley a 2% net smelter royalty interest (the "NSR") in one mining claim held by Osisko and located in the township of Fournière, Registration Division of Abitibi, Province of Québec.

Luc Bourdon and Bourdon West Prospects - James Bay, Ontario

The Company acquired a 100% interest in the Luc Bourdon and Bourdon West Prospects (the "Bourdon Prospects") located in the lowland region of James Bay, Ontario. The Bourdon Prospects are subject to an Option Agreement in favour of White Pine Resources Inc. (formerly WSR Gold Inc.) and Noront Resources Ltd. (together, the "Optionees") pursuant to which each of these companies can earn a 35% interest in the Bourdon Prospects upon incurring an aggregate of \$5,000,000 in exploration expenditures (the "Bourdon Prospects Option"). Should the Bourdon Prospects Option be exercised, the Company will retain with a 30% free carried interest in the Bourdon Prospects, with no further expenditure requirements until the property achieves commercial production.

On February 2, 2013, the option agreement (the "Agreement" or the "Bourdon Prospects Option") pursuant to which the Optionees could earn a 35% interest in the Bourdon Prospects was terminated as a result of the Optionees failing to incur the exploration expenditures required under the Agreement by their due date, and failing to cure the default within 60 days of the Company's notice to each of them to this effect. As a result, the Company retains a 100% interest in the Bourdon Prospects.

8 - EQUITY**8.1 - Capital stock**

The capital stock of the Company consists only of fully paid common shares.

Authorized

Unlimited number of common shares, without par value, voting and participating.

Unlimited number of preferred shares, without par value, non-participating. The directors will define the rights, privileges, restrictions and conditions of these shares upon issuance.

Notes to Interim Financial Statements

March 31, 2013 and 2012

(In Canadian dollars)

8.2 - Escrowed shares

Pursuant to TSX Venture Exchange policies, the aggregate 5,771,912 common shares of the Company held by Golden Valley are subject to escrow provisions (the "Escrowed Shares"). 10% of the Escrowed Shares were released at the time the Exchange confirmed the final acceptance for listing of the Company's common shares; thereafter 15% of the Escrowed Shares will be released every six months. At March 31, 2013, an aggregated 2,597,360 (3,463,147 as at December 31, 2012) common shares continued to be held in escrow.

9 - EMPLOYEE REMUNERATION**9.1 - Salaries and employee benefits expense**

No remuneration expense was incurred by the Company for the three months ended March 31, 2013 and March 31, 2012.

9.2 - Share-based payments

The Company has adopted an incentive stock option plan pursuant to which directors, officers, employees and consultants are eligible to receive incentive stock options. Under the terms of this plan, the aggregate number of shares issuable upon the exercise of all options granted thereunder may not exceed 10% of the Company's common shares issued and outstanding at the time of grant. The exercise price of each option is fixed by the Board of Directors, but shall not be less than the closing price of the Company's share on the trading day immediately prior to the date of grant less any discount permitted by the Exchange; if no sales were reported, it shall be the sales closing price on the last trading day immediately prior to the date of grant on which sales were reported. The vesting period of the options shall be determined by the Board of Directors, in accordance with the rules and regulations of the Exchange.

On September 29, 2011, the Company granted an aggregate 860,000 incentive stock options (the "Options") to purchase an aggregate 860,000 common shares of the Company at an exercise price of \$2.50 per common share to its directors, officers, and consultants. The Options are exercisable at the date of the grant and expire 5 years from the date of grant.

All share-based payments will be settled in equity. The Company has no legal constructive obligation to repurchase or settle the options.

A summary of the status of the Company's incentive stock option plan as at March 31, 2013 is presented below:

	<u>Remaining life</u>	<u>Expiry Date</u>	<u>Options Number</u>	<u>Weighted average exercise price \$</u>
Issued on September 29, 2011	3.50 years	Sep 29, 2016	860,000	2.50
Outstanding and exercisable as at March 31, 2013 and December 31, 2012			<u>860,000</u>	<u>2.50</u>

Notes to Interim Financial Statements

March 31, 2013 and 2012

(In Canadian dollars)

9.2 - Share-based payments (continued)

The fair value of the stock options granted of \$1,79 has been estimated on September 29, 2011, using the Black-Scholes option-pricing model with the following assumptions:

Share price at date of grant	\$2.41
Expected dividend yield	0%
Expected volatility	100%
Risk-free interest rate (based on 5 years Canada Bonds)	1.45%
Expected life	5 years
Exercise price	\$2.50

In reason of the limited trading history of the Company's common shares, the underlying expected volatility was determined by reference to historical data of comparable mining exploration companies' share on the TSX Venture Exchange over the expected average life of the options. No special features inherent to the options granted were incorporated into measurement of fair value.

10 - LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period divided by the weighted average number of shares in circulation during the period. The diluted loss per share, calculated as if potential common shares would have had the effect of decreasing the loss per share which would be antidilutive. Therefore potential dilutive common shares such as share options, have not been included in the calculation as they would results in a reduction of the loss per share.

Both the basic and diluted loss per share have been calculated using the loss attributable to owners of the Company as the numerator, i.e. no adjustment to the loss were necessary in either of the three month periods ended March 31, 2013 and March 31, 2012 .

	March 31, 2013	March 31, 2012
Loss for the period attributable to the owners of the Company	<u>\$48,117</u>	<u>\$55,546</u>
Shares outstanding beginning of period	8,701,000	8,701,000
Weighted average number of shares issued in the period		
Weighted average number of shares in circulation	<u>8,701,000</u>	<u>8,701,000</u>
Basic and diluted loss per share	<u>0.01</u>	<u>0.01</u>

Notes to Interim Financial Statements

March 31, 2013 and 2012

(In Canadian dollars)

11 - PROFESSIONAL FEES

	March 31, 2013	March 31, 2012
	\$	\$
Audit, tax and accounting fees	6,240	14,000
Legal fees	2,535	3,886
Exchange, regulatory and transfer agent fees	8,050	9,779
	<u>16,825</u>	<u>27,665</u>

12 - MANAGEMENT FEES

On October 1, 2010 (the "Effective Date") the Company entered into a Management and Administrative Services Agreement (the "Management Agreement") with Golden Valley pursuant to which Golden Valley will provide certain administrative, management and financial services such as office space, administrative support, including the use of Golden Valley's in house legal counsel for day to day general enquiries, services of a chief financial officer and investors relations services to the Company in consideration of \$96,000 per year (the "Fee"), payable on a monthly basis, plus applicable taxes. The provision of services by Golden Valley commenced on October 1, 2010, but payment of monthly fees started as of July 15, 2011 (the "Trading Date"). For the three month period ended March 31, 2013 the Company has paid \$24,000 (\$24,000 as at March 31, 2012) in management fees to Golden Valley.

The Management Agreement is for an initial term of two years commencing on the Trading Date, and will be automatically renewed after the initial term for successive period of 12 months. The Management Agreement can be terminated at any time and by either party, upon delivery of a twelve month written notice. The Management Agreement provides for the Fee to be reviewed on an annual basis.

13 - ADDITIONAL CASH FLOW INFORMATION

Non-cash activity:

	March 31, 2013	March 31, 2012
	\$	\$
Accounts payable and accrued liabilities included in exploration and evaluation assets	335	3,026

Notes to Interim Financial Statements

March 31, 2013 and 2012

(In Canadian dollars)

14 - RELATED PARTY TRANSACTIONS**14.1 - Transactions with the parent company**

Prior to the completion of the Arrangement, the Company was a wholly owned subsidiary of Golden Valley, thereafter the Company's shares were held as to: 33.66% by the general public, and 66.34% by Golden Valley.

The Company made monthly payments of \$8,000 to Golden Valley in accordance with the Management Agreement (refer to Note 12). For the three months ended March 31, 2013 the Company has paid \$24,000 (\$24,000 for the three months ended March 31, 2012) for services received from Golden Valley pursuant to the Management Agreement.

In addition, pursuant to the terms of the Management Agreement, Golden Valley has agreed to provide the Company with the services of a qualified geologist. The Company is using the services of the technical and geological staff of Golden Valley on an as required basis. These services are covered by the Management and Administrative Agreement, but are not included in the monthly fee, and the Company is being charged on the basis of the actual cost plus 10%. During the three month period ended March 31, 2013 the Company incurred geological fees in the amount of \$335; such amount was included in exploration and evaluation assets (\$3,026 for the quarter ended March 31, 2012). As at March 31, 2012 the Company had net indebtedness of \$390 (\$3,912 as of March 31, 2012) to Golden Valley, of which \$335 (\$3,026 as at December 31, 2012) were for geological services.

14.2 - Transactions with key management

The Company did not pay any compensation nor any other form of employment benefits or perquisites to its Directors and officers in the periods ended March 31, 2013 and March 31, 2012. The services of the chief financial officer were charged to the Company through the Management and Administrative Agreement with Golden Valley. Of the \$24,000 fee paid by the Company pursuant to the terms of this agreement \$3,750 were for the services of the chief financial officer. Please refer to note 12 for a more detailed description of the Management and Administrative Agreement.

15 - COMMITMENTS

The Company has no commitment other than the Management Agreement described in Note 12