ABITIBI ROYALTIES INC.

Interim Financial Statements
First Quarter 2014

Unaudited

Content

IMPORTANT NOTICE

The attached financial statements have been prepared by Management of Abitibi Royalties Inc. The Company's independant 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 Statements of Financial Position

(In Canadian dollars)

	Notes	March 31, 2014	December 31, 2013
		$	$
ASSETS			
Current			
Cash and cash equivalents	7	161,227	29,165
Sales taxes recoverable		2,784	769
Prepaid expenses		2,862	5,396
		166,873	35,330
Non-current			
Exploration and evaluation assets	8	158,173	156,380
Total assets		325,046	191,710
LIABILITIES			
Current			
Accounts payable and accrued liabilities and total liabilities		366,361	249,768
EQUITY (DEFICIENCY)			
Capital stock	9	780,823	630,823
Contributed surplus	10.2	1,863,577	1,869,496
Deficit		(2,685,715)	(2,558,377)
Total Equity (Deficiency)		(41,315)	(58,058)
Total liabilities and equity		325,046	191,710

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, 2014.

"Glenn J. Mullan"

Director

Abitibi Royalties Inc.

Interim Statements of Comprehensive Loss

(In Canadian dollars)

	Notes	**March 31, 2014**	March 31, 2013
		$	$
Operating expenses			
Office expenses	**13**	**3,117**	3,124
Shared-based payments	**10.2**	**(5,919)**	
Salaries and employee benefits expense	**10.1**	**105,000**	
Travel and transport		**483**	3,537
Professional fees	**14**	**24,849**	16,825
Management fees	**15**		24,000
Advertising and promotion			570
Operating loss		**127,530**	48,056
Financial costs (income)			
Interest income		**(250)**	(2)
Interest expense		**58**	63
		(192)	61
Net loss and total comprehensive loss		**127,338**	48,117
Basic and diluted loss per share	**12**	**0.01**	0.01
Weighted average number of common shares outstanding	**12**	**9,001,000**	8,701,000

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

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

	Notes	Common shares outstanding	Capital Stock	Contributed Surplus	Deficit	Total Equity (Deficiency)
		Number	$	$	$	$
Balance at Januray 1, 2014		8,701,000	630,823	1,869,496	(2,558,377)	(58,058)
Net loss and total comprehensive loss					(127,338)	(127,338)
Issue of capital stock (Private placement)	**9.3**	500,000	150,000			150,000
Share-based payments	**10.2**			-5,919		(5,919)
Balance at March 31, 2014		9,201,000	780,823	1,863,577	(2,685,715)	(41,315)
Balance at Januray 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		8,701,000	630,823	1,536,100	(1,889,877)	277,046

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

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

	March 31, 2014	March 31, 2013
	$	$
OPERATING ACTIVITIES		
Net loss	**(127,338)**	(48,117)
Adjustment		
Share-based payments	**(5,919)**	
Changes in working capital items		
Sales taxes recoverable	**(2,015)**	(350)
Prepaid expenses	**2,534**	2,930
Accounts payable and accrued liabilities	**114,800**	(29,902)
Cash flows from operating activities	**(17,938)**	(75,439)
INVESTING ACTIVITIES		
Additions to exploration and evaluation assets and Cash flows from investing activities		(33,194)
FINANCING ACTIVITIES		
Issue of capital stock and Cash flows from financing activities	**150,000**	
Net decrease in cash and cash equivalents	**132,062**	(108,633)
Cash and cash equivalents, beginning of period	**29,165**	235,586
Cash and cash equivalents, end of period	**161,227**	126,953

Additional cash flow information (Note 16)		
Cash transactions:		
Interest received related to operating activities:	**250**	2

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

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 AND STATEMENT OF COMPLIANCE WITH IFRS

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, its projects and continued support of suppliers and creditors. 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, 2014 the Company has a cumulated deficit of $2,685,715 ($2,558,377 as at December 31, 2013) and a negative working capital. 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. Those adjustments could be material.

3 - GENERAL INFORMATION

The Company 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, Quebec, 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, Quebec, H3B 1X9. As at December 31, 2013, Golden Valley Mines Ltd. ("Golden Valley"), the parent company, is holding a 60.59% participation in the Company.

In February 2014, the Company has completed a private placement of 500,000 common shares for a total amount of $150,000. See details in Note 9.3.

4 - BASIS OF PRESENTATION

These interim financial statements are covering the three month period ended March 31, 2014 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 5 - Summary of Accounting Policies, as described in the Company's annual audited financial statements for the year ended December 31, 2013. Interim 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, 2013

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

5 - SUMMARY OF ACCOUNTING POLICIES

5.1 - Overall considerations

The significant accounting policies that have been applied in the preparation of these financial statements are summarized in Note 5 - Summary of Accounting Policies, of the Company's annual audited financial statements for the year ended December 31, 2013.

5.2 - Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

6 - JUDGEMENTS, ESTIMATES 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.

6.1 - Significant management judgements

The following are significant management judgements in applying the accounting policies of the Company that have the most significant effect on the financial statements.

Recognition of deferred income tax assets and measurement of income tax expense

Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgement. To date, management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period (See Note 5.4 of the Company's annual audited financial statements for the year ended December 31, 2013).

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meets its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgement based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances. See Note 2 for more information.

6.2 - Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

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. (see Note 5.8 of the Company's annual audited financial statements for the year ended December 31, 2013)

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset or the cash-generating units 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.

(In Canadian dollars)

6.2 - Estimation uncertainty (continued)

In assessing impairment, the Company must make some estimates and assumptions regarding future circumstances, in particular, whether an economically viable extraction operation can be established, the probability that the expenses will be recovered from either exploitation or sale when the activities have not reached a stage that permits a reasonable assessment of the existence of reserves, the Company's capacity to obtain financial resources necessary to complete the evaluation and development and to renew permits. Estimates and assumptions may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

See Note 8 for the exploration and evaluation assets impairment analysis.

No impairment loss of the exploration and evaluation assets has been recognized in profit or loss in the periods ended March 31, 2014 and 2013 and the year ended December 31, 2013. No reversal of impairment losses has been recognized for the reporting periods.

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 comparable mining exploration companies' share on the TSX Venture Exchange, 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.

7 - CASH AND CASH EQUIVALENTS

	March 31, 2014	December 31, 2013
	$	$
Cash	46,227	29,165
Demand deposit, 1% redeemable at any time	115,000	
	161,227	29,165

(In Canadian dollars)

8 - *EXPLORATION AND EVALUATION ASSETS*

The summary of carrying amount can be analyzed as follows:

Properties	Balance as at January 1, 2014	Additions	Balance as at March 31, 2014
	$	$	$
Malartic CHL Prospect (Quebec)	124,395	1,239	125,634
Bourdon Prospects (Ontario)	31,985	554	32,539
	156,380	1,793	158,173

Properties	Balance as at January 1, 2013	Additions	Balance as at March 31, 2013
	$	$	$
Malartic CHL Prospect (Quebec)	78,359	30,503	108,862
Bourdon Prospects (Ontario)	31,753	-	31,753
	110,112	30,503	140,615

***8 - EXPLORATION AND EVALUATION ASSETS* (continued)**

In 2011, the Company has acquired through the issues of common shares from treasury, the following properties and interests:

Malartic CHL Prospect - Malartic, Quebec

The Company acquired a 100% interest in the Malartic CHL Prospect (the " Malartic CHL Property") located near Malartic, Quebec from Golden Valley. The Malartic CHL Property was subject to an option agreement in favour of 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``). In 2011, Osisko provided notice to the Company of its intent to exercise the Malartic CHL Property Option, as a result, 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 Quebec.

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 (the "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 pursuant to which the Optionees could earn a 35% interest in the Bourdon Prospects has been 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.

9 - EQUITY

9.1 - 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.

(In Canadian dollars)

9.2 - 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, 2014, an aggregated 865,787 common shares (1,731,573 at December 31, 2013) continued to be held in escrow.

9.3 - Private Placement

On February 5, 2014, the Company closed a non-brokered private placement pursuant to which it has issued 500,000 units at a per unit price of $0.30 for a gross proceed of $150,000. Each unit consists of one common share in the capital of the Company and one-half of one non-transferable share purchase warrant entitling the purchase of one common share of the Company at a per share price of $0.45 until August 5, 2015. No value has been assigned to the warrants. Golden Valley was the sole subscriber under the offering. Golden Valley, after this placement will own 5,771,912 common shares or 62.7% of the Company.

9.4 - Warrants

Outstanding warrants entitle their holders to subscribe to an equivalent number of ordinary shares, as follows:

	March 31,2014	
	Number of warrants	Weighted average exercise price
		$
Balance, beginning or reporting period		
Granted	250,000	0.45
Balance, beginning or reporting period	250,000	0.45

The number of outstanding warrants which could be exercised for an equivalent number of common shares is as follows:

	March 31,2014	
	Number of warrants	Exercise price
Expiry date		
		$
August 5, 2015	250,000	$0.45
	250,000	$0.45

10 - EMPLOYEE REMUNERATION

10.1 - Salaries and employee benefits expense

The Company has implemented an Executive Compensation Policy which approved certain payments being accrued to directors and officers from June 1, 2013. In accordance with this policy an accrual of $105,000 has been made to cover the remuneration of the CEO and of three independant directors for the period from January 1, 2014 to March 31, 2014. No remuneration expense has been incurred by the Company during the periods from January 1, 2013 to March 31, 2013.

10.2 - Share-based payments

The Company has adopted a further amended and restated incentive stock option plan so as to convert its rolling 10% plan into a 20% fixed option plan (the "New Plan"). Pursuant to the New Plan options for an aggregate total of 1,740,200 common shares may be granted to its directors, officers, employees, consultants or management companies employees from time to time. 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.

The New Plan is subject to the approval of each of the TSX Venture Exchange (the "Exchange") and the disinterest shareholders of the Company, and will be presented for approval at the Company's next annual general meeting of shareholders (the "AGM") which is expected to be held late in the second quarter of 2014.

On September 27, 2013, the Company has granted incentive stock options (the "Stock Options") pursuant to its New Plan to directors, officers and consultants of the Company (the "Optionees") entitling the purchase of an of aggregate 860,000 common shares. The Stock options are exercisable at a price of $0.55 for a period of 5 years and may only be exercised by the Optionees once the New Plan and the grant of the Stock Options have been approved at the Company's next AGM by the disinterested shareholders of the Company and subsequently by the Exchange.

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

(In Canadian dollars)

10.2 - Share-based payments (continued)

A summary of the status of the Company's incentive stock options as at March 31, 2014, is presented below:

	Remaining life	Expiry Date	Options	Weighted average exercise price
			Number	$
Outstanding and exercisable as at January 1 and December 31, 2012	2.50 years	Sep 29, 2016	860,000	2.50
Issued on September 27, 2013	4.51 years	Sep 27, 2018	860,000	0.55
Outstanding as at March 31, 2014			1,720,000	1.53
Exercisable as at March 31, 2014			860,000	2.50

The fair value of the stock options granted on September 27, 2013 of $0.39 per share for a total expense of $333,396, as of December 31, 2013 (all of which related to equity-settled share-based payment transactions) has been reduced by $5,919 as of March 31, 2014 to reflect the fact that it will only receive shareholders approval at next annual general meeting.

Share price at date of grant	$0.53
Expected dividend yield	0%
Expected volatility	100%
Risk-free interest rate (based on 5 years Canada Bonds)	1.87%
Expected life	5 years
Exercise price at date of grant	$0.55

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.

11 - FAIR VALUE MEASUREMENT

The carrying value of cash and cash equivalents and accounts payable and accrued liabilities are considered to be reasonable approximation of fair value because of the short-term maturity of these instruments.

(In Canadian dollars)

12 - LOSS PER SHARE

The calculation of basic loss per share is based on the net 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 stock options, have not been included in the calculation as they would results in a reduction of the loss per share. Detail of stock options issued that could potentially dilute earnings per share in the future is given in Note 10.2.
Both the basic and diluted loss per share have been calculated using the net loss attributable to owners of the Company as the numerator, i.e. no adjustment to the net loss were necessary in either of the periods ended March 31, 2014 and March 31, 2013.

	March 31, 2014	March 31, 2013
Net loss for the period	$127,338	$48,117
Weighted average number of shares in circulation	8,701,000	8,701,000
Weighted average number of shares issued in the period	300,000	-
Weighted average number of shares in circulation	9,001,000	8,701,000
Basic and diluted loss per share	$0.01	$0.01

Refer to Note 19 Subsequent Events for transaction involving shares completed after March 31, 2014.

13 - OFFICE EXPENSES

	March 31, 2014	March 31, 2013
	$	$
Insurance premiums	2,534	2,931
Communications	279	193
Others	304	
	3,117	3,124

14 - PROFESSIONAL FEES

	March 31, 2014	March 31, 2013
	$	$
Audit, tax and accounting fees	4,160	6,240
Legal fees	11,750	2,535
Exchange, regulatory and transfer agent fees	8,939	8,050
	24,849	16,825

(In Canadian dollars)

15 - MANAGEMENT FEES

On October 1, 2010 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 periods ended March 31, 2014 and 2013, the Company has paid respectively Nil and $24,000 in management fees to Golden Valley.

From July 1, 2013, Golden Valley has agreed to provide the services but suspend the management fees to enable the Company to conserve cash for its operations. Accordingly, from July 1, 2013 the Company has stop paying management fees to Golden Valley. The Company will resume payment of the management fees when its cash situation will permit.

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.

16 - ADDITIONAL CASH FLOW INFORMATION

Non-cash activities:	March 31	
	2014	2013
	$	$
Accounts payable and accrued liabilities included in exploration and evaluation assets	1,793	335

17 - RELATED PARTY TRANSACTIONS

17.1 - Transactions with the parent company

During the quarter ended March 31, 2014, the Company was not charged for services received from Golden Valley pursuant to the Management Agreement ($24,000 for the quarter endedMarch 31, 2013). As explained in Note 15, no management fees were charged to the Company by Golden Valley from July 1, 2013 .

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 at an hourly charge equal to the hourly charge to Golden Valley, plus 10%. During the quarter ended March 31, 2014 the Company incurred geological fees in the amount of $1,793; such amount was included in exploration and evaluation assets ($335 for the quarter ended March 31, 2013). As at March 31, 2014, the Company had net indebtedness of $3,357 ($390 at March 31, 2013) to Golden Valley of which $1,793 were for geological services.

17.2 - Transactions with key management

Key management personnel of the Company are the members of the board of directors, as well as the president and the chief financial officer. In accordance with its Executive Compensation Policy the Company has accrued a total of $105,000 for executive remuneration from January 1, 2014 to March 31, 2014; $40,000 to cover the salary of its president and $65,000 for its three independant directors. No remuneration expense was incurred in the quarter ended March 31, 2013.

The Company did not pay any other compensation nor any other form of employment benefits or perquisites to its Directors and officers in the quarter ended March 31, 2014.

Also refer to Note 19 Subsequent Events for significant transaction involving related parties and entered into after March 31, 2014.

18 - COMMITMENT

The Company has no commitment other than the Management Agreement described in Note 15.

19 - SUBSEQUENT EVENT

Consulting agreement with Red Cloud Mining Capital Inc.

On April 10, 2014, the Company entered into an advisory agreement with Red Cloud Mining Capital Inc. ("Red Cloud") as a non-exclusive independent contractor to provide strategic advisory services to the Company. The term of the agreement is for a period of six months. The Company will, subject to prior approval by the Exchange, issue Red Cloud 50,000 common shares in the capital of the Company and reimburse Red Cloud for reasonable out-of-pocket expenses incurred in performing the services. In the event of a successful transaction (an "M&A Transaction") completed by the Company, Red Cloud will be entitled, subject to the approval of the Exchange, to a finance bonus payable in cash or shares, at the discretion of the Company, based on the value of such transaction.

Chad Williams, a director of the Company, is also the President of Red Cloud. The Red Cloud agreement provides that in the event the Company completes an M&A Transaction during the term of the Red Cloud agreement and Mr. Williams, in his capacity as a director of the Company, becomes entitled to a bonus and/or a success fee payable by the Company with respect of such an M&A Transaction, any corporate finance bonus payable to Red Cloud under the term of the advisory agreement with respect to that same M&A Transaction shall be reduced by the amount of any bonus and/or any success fee payable by the Company to Mr. Williams in his capacity as a director.