

ABITIBI ROYALTIES INC.



**Interim Financial Statements
Third Quarter 2014**

Unaudited

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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.

Interim Statements of Financial Position

(In Canadian dollars)

	Notes	September 30, 2014 \$	December 31, 2013 \$
ASSETS			
Current			
Cash and cash equivalents	7	1,667,301	29,165
Sales taxes recoverable		26,966	769
Prepaid expenses		23,491	5,396
		<u>1,717,758</u>	<u>35,330</u>
Non-current			
Exploration and evaluation assets	8	161,461	156,380
Total assets		<u>1,879,219</u>	<u>191,710</u>
LIABILITIES			
Current			
Accounts payable and accrued liabilities and total liabilities		<u>453,076</u>	<u>249,768</u>
EQUITY (DEFICIENCY)			
Capital stock	9	3,034,126	630,823
Contributed surplus	10.2	2,317,542	1,869,496
Deficit		<u>(3,925,525)</u>	<u>(2,558,377)</u>
Total Equity (Deficiency)		<u>1,426,143</u>	<u>(58,058)</u>
Total liabilities and equity		<u>1,879,219</u>	<u>191,710</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 November 26, 2014.

"Glenn J. Mullan"

(signed Glenn J. Mullan)

Director

Interim Statements of Comprehensive Loss

(In Canadian dollars)

	Notes	Three-month period ended		Nine-month period ended	
		September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
		\$	\$	\$	\$
Operating expenses					
Office expenses	13	15,928	3,019	27,512	11,208
Shared-based payments	10.2	214,173	339,037	448,046	339,037
Salaries and employee benefits expense	10.1	121,901		331,901	
Travel and transport		13,160	57	37,398	1,361
Professional fees	14	182,739	6,024	470,201	61,349
Management fees	15	24,000		48,000	48,000
Advertising and promotion		654		4,392	570
Operating loss		572,555	348,137	1,367,450	461,525
Financial costs (income)					
Interest income		(19)	(75)	(516)	(143)
Interest expense		131	26	214	119
		112	(49)	(302)	(24)
Net loss and total comprehensive loss		572,667	348,088	1,367,148	461,501
Basic and diluted loss per share	12	0.06	0.04	0.14	0.05
Weighted average number of common shares outstanding	12	10,112,274	8,701,000	9,451,319	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 (Deficiency) \$
Balance at January 1, 2014		8,701,000	630,823	1,869,496	(2,558,377)	(58,058)
Issue of capital stock (Private Placement)	9.3	500,000	150,000			150,000
Issue of capital stock from exercise of warrant	9.4	250,000	112,500			112,500
Share-based payments	10.2			233,873		233,873
Net loss and total comprehensive loss					(794,481)	(794,481)
Balance at June 30, 2014		<u>9,451,000</u>	<u>893,323</u>	<u>2,103,369</u>	<u>(3,352,858)</u>	<u>(356,166)</u>
Issue of capital stock (Private Placement)	9.3	800,000	2,000,000			2,000,000
Issue of capital stock (Shares for debt)	9.5	38,055	140,803			140,803
Share-based payments	10.2			214,173		214,173
Net loss and total comprehensive loss					(572,667)	(572,667)
Balance at September 30, 2014		<u>10,289,055</u>	<u>3,034,126</u>	<u>2,317,542</u>	<u>(3,925,525)</u>	<u>1,426,143</u>
Balance at January 1, 2013		8,701,000	630,823	1,536,100	(1,841,760)	325,163
Net loss and total comprehensive loss					(113,413)	(113,413)
Balance at June 30, 2013		<u>8,701,000</u>	<u>630,823</u>	<u>1,536,100</u>	<u>(1,955,173)</u>	<u>211,750</u>
Shared-based remuneration - Options				339,037		339,037
Net loss and total comprehensive loss					(348,088)	(348,088)
Balance at September 30, 2013		<u>8,701,000</u>	<u>630,823</u>	<u>1,875,137</u>	<u>(2,303,261)</u>	<u>202,699</u>

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

Interim Statements of Cash Flows

(In Canadian dollars)

	Three-month period ended		Nine-month period ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Notes	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net loss	(572,667)	(348,088)	(1,367,148)	(461,501)
Adjustment				
Share-based payments	214,173	339,037	448,046	339,037
Remuneration paid in shares	140,803		140,803	
Changes in working capital items				
Sales taxes recoverable	(1,075)	8,136	(26,198)	9,050
Prepaid expenses	(23,164)	(7,335)	(18,096)	(1,473)
Accounts payable and accrued liabilities	(156,912)	(5,068)	202,113	(35,962)
Cash flows from operating activities	(398,842)	(13,318)	(620,480)	(150,849)
INVESTING ACTIVITIES				
Additions to exploration and evaluation assets and Cash flows from investing activities		(1,819)	(3,884)	(45,431)
FINANCING ACTIVITIES				
Issue of capital stock and Cash flows from financing activities	2,000,000		2,262,500	
Net decrease in cash and cash equivalents	1,601,158	(15,137)	1,638,136	(196,280)
Cash and cash equivalents, beginning of period	66,143	54,443	29,165	235,586
Cash and cash equivalents, end of period	1,667,301	39,306	1,667,301	39,306
Additional cash flow information (Note 16)				
Cash transactions:				
Interest received related to operating activities:	19	75	516	143

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

Abitibi Royalties Inc.

Notes to Interim Financial Statements

September 30, 2014 and 2013

(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 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 September 30, 2014 the Company has a cumulated deficit of \$3,925,525 (\$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 September 30, 2013, Golden Valley Mines Ltd. ("Golden Valley"), the parent company, is holding a 58.53% 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.

In July 2014 the Company completed a private placement of 800,000 common shares for a gross proceed of \$2,000,000. For more information on this transaction, please refer to Note 9.3.

4 - BASIS OF PRESENTATION

These interim financial statements are covering the three month and nine month periods ended September 30, 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.

Notes to Interim Financial Statements

September 30, 2014 and 2013

(In Canadian dollars)

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, meet 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.

Abitibi Royalties Inc.

Notes to Interim Financial Statements

September 30, 2014 and 2013

(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 September 30, 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

	September 30, 2014	December 31, 2013	September 30, 2013
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Cash	367,301	4,165	14,306
Demand deposit, 0.925% redeemable at any time (1% redeemable at any time for September and December 2013)	1,300,000	25,000	25,000
	<u>1,667,301</u>	<u>29,165</u>	<u>39,306</u>

Notes to Financial Statements
September 30, 2014 and 2013
(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 June 30, 2014 \$	Additions	Balance as at September 30, 2014 \$
Malarctic CHL Prospect (Quebec)	124,395	3,330	127,725	1,172	128,897
Bourdon Prospects (Ontario)	31,985	554	32,539	25	32,564
	<u>156,380</u>	<u>3,884</u>	<u>160,264</u>	<u>1,197</u>	<u>161,461</u>
Properties	Balance as at January 1, 2013 \$	Additions	Balance as at June 30, 2013 \$	Additions	Balance as at September 30, 2013 \$
Malarctic CHL Prospect (Quebec)	78,359	43,518	121,877	2,321	124,198
Bourdon Prospects (Ontario)	31,753	93	31,846		31,846
	<u>110,112</u>	<u>43,611</u>	<u>153,723</u>	<u>2,321</u>	<u>156,044</u>

Abitibi Royalties Inc.

Notes to Financial Statements

September 30, 2014 and 2013

(In Canadian dollars)

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 Mining Corporation ("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.

Osisko, Agnico Eagle Mines Ltd ("Agnico") and Yamana Gold Inc. ("Yamana") entered into an arrangement dated April 16, 2014 pursuant to which Osisko agreed to transfer its Canadian Malartic assets to a new partnership that would ultimately be owned by Agnico and Yamana as to 50% each. The Malartic CHL Property, however, was not transferred to the partnership and is still held by Osisko. For further information see Note 19.

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.

Abitibi Royalties Inc.

Notes to Financial Statements

September 30, 2014 and 2013

(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 September 30, 2014, none of the common shares remained in escrow (1,731,573 at December 31, 2013) continued to be held in escrow.

9.3 - Private Placements

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.

On July 17, 2014, the Company closed the non-brokered private placement it had previously announced. The Company has issued 800,000 of its common shares at a price of \$2.50 per share for gross proceeds of \$2,000,000. Mr. Rob McEwen who was the sole subscriber for this offering has also been granted the right to maintain his pro-rata ownership in the Company on future financings. Mr. McEwen now owns 951,515 common shares or 9.28% of the Company outstanding equity and has become the second largest shareholder of the Company after Golden Valley.

9.4 - Warrants

On June 20, 2014, Golden Valley has exercised the warrants described above in Note 9.3. Accordingly the Company issued 250,000 common shares of its capital against a payment of \$112,500. There are no other warrants outstanding as at June 30, 2014.

9.5 - Shares for debts

On September 8, 2014, after receiving Exchange approval and pursuant to share for debt subscription agreements between the Company and its executive officers and directors, the Company issued 38,055 common shares, at a price of \$3.70 per common share, in settlement of \$140,803 in accrued executive officer salary and director fees, covering the period from June 1, 2013 to July 31, 2014. This is the maximum number of shares in replacement of cash that could be issued in accordance with the policies of the Exchange.

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, monthly accruals were being recorded based on an annual salary of \$160,000 to cover the remuneration of the CEO and \$260,000 to cover the total estimated meeting fee remuneration payable to directors.

In September 2014 the Company started making payment under its Executive Compensation Policy. Total payments of \$466,667 (\$186,667 for the CEO and \$280,000 for the directors) were made to cover the remuneration for the period going from June 1, 2013 to July 31, 2014. \$140,803 of this amount was paid from the issue of 38,055 common shares of the Company and the rest was settled in cash.

Starting August 1, 2014 the remuneration of the CEO and of the President of the Company has been paid on a monthly basis, while the meeting fees for the directors are being accrued. For the months of August and September 2014 total salaries of \$51,613 were paid to the CEO and to the President and accrual of \$29,087 was made to cover the director fees payable to the directors.

Abitibi Royalties Inc.

Notes to Financial Statements

September 30, 2014 and 2013

(In Canadian dollars)

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 TSX Venture Exchange (the "Exchange").

The New Plan has been approved by the disinterested shareholders of the Company at the Company's annual general meeting on June 30, 2014 and by the Exchange subsequently in July 2014.

On September 27, 2013, the Company 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 aggregate 860,000 common shares. The Stock Options are exercisable at a price of \$0.55 for a period of 5 years. The exercise of the Stock Options was subject to the receipt of disinterested shareholders approval, which was received on June 30, 2014.

On June 2, 2014, the four directors at the time, agreed to surrender for cancellation a portion of their stock options entitling them to purchase an aggregate of 130,000 common shares (32,500 each) such that the reserve under the Company's plan had sufficient room to provide for the grant of stock options to new directors.

On June 2, 2014, the Company granted an aggregate 150,000 incentive stock options at an exercise price of \$2.18 per common share to two consultants (who were subsequently elected to the Company's Board on June 30, 2014). The options are exercisable at the date of grant and expire 5 years from the date of grant on June 2, 2019. The fair value of the options granted, calculated using the Black-Scholes option-pricing model at the date of grant, was estimated to \$246,771.

On September 13, 2014, the Company terminated previously granted stock options entitling the purchase of an aggregate 80,000 common shares. The Company subsequently issued the following incentive stock options: On September 15, 60,000 incentive stock options at an exercise price of \$3.62 per common share were granted to the President of the Company and on September 19, 20,000 incentive stock options at an exercise price of \$3.70 per common share were granted to the CEO and the directors. The fair value of the options granted, calculated using the Black-Scholes option-pricing model at the date of grant, was estimated respectively to \$162,346 and \$51,826. The new options are exercisable at the date of 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.

Abitibi Royalties Inc.

Notes to Financial Statements

September 30, 2014 and 2013

(In Canadian dollars)

10.2 - Share-based payments (continued)

A summary of the status of the Company's incentive stock options as at September 30, 2014, 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	2 years	Sep 29, 2016	860,000	2.50
Issued on September 27, 2013	4 years	Sep 27, 2018	860,000	0.55
Cancelled options June 2, 2014			(130,000)	2.50
Issued on June 2, 2014	4.67 years	Jun 2, 2019	150,000	2.18
Cancelled options September 2, 2014			(40,000)	2.50
Cancelled options September 2, 2014			(40,000)	0.55
Issued on September 15, 2014	4.96 years	Sep 15, 2019	60,000	3.62
Issued on September 19, 2014	4.97 years	Sep 19, 2019	20,000	3.70
Total number of options outstanding			<u>1,740,000</u>	
Total outstanding and exercisable			<u>Outstanding</u>	<u>Exercisable</u>
As at September 30 2013			<u>1,720,000</u>	<u>860,000</u>
As at December 31 2013			<u>1,720,000</u>	<u>860,000</u>
As at September 31 2014			<u>1,740,000</u>	<u>1,740,000</u>

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 \$ 12,897 to reflect the fact that shareholders approval was only obtained at the annual general meeting on June 30, 2014.

	<u>Incentive stock options issued on</u>			
	<u>September 27, 2013</u>	<u>June 2, 2014</u>	<u>September 15, 2014</u>	<u>September 19, 2014</u>
Share price at date of grant	\$0.53	\$2.20	\$3.62	\$3.50
Expected dividend yield	0%	0%	0%	0%
Expected volatility	100%	100%	100%	100%
Risk-free interest rate (based on 5 years Canada Bonds)	1.87%	1.56%	1.69%	1.71%
Expected life	4.24	5	5	5
Exercise price at date of grant	\$0.55	\$2.18	\$3.62	\$3.70

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.

Notes to Financial Statements

September 30, 2014 and 2013

(In Canadian dollars)

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.

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 result 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 September 30, 2014 and September 30, 2013.

	Three months September 30, 2014	Nine months September 30, 2014	Nine months September 30, 2013
Loss for the period attributable to the owners of the Company	<u>\$572,667</u>	<u>\$1,367,148</u>	<u>\$461,501</u>
Shares outstanding beginning of period	9,451,000	8,701,000	8,701,000
Weighted average number of shares issued in the period	<u>661,274</u>	<u>750,319</u>	<u> </u>
Weighted average number of shares in circulation	<u>10,112,274</u>	<u>9,451,319</u>	<u>8,701,000</u>
Basic and diluted loss per share	<u>\$0.06</u>	<u>\$0.14</u>	<u>\$0.05</u>

13 - OFFICE EXPENSES

	Three months September 30, 2014	Nine months September 30, 2014	Nine months September 30, 2013
	\$	\$	\$
Insurance premium	6,563	11,632	8,664
Communications	3,496	8,408	2,544
Others	<u>5,869</u>	<u>7,472</u>	<u> </u>
	<u>15,928</u>	<u>27,512</u>	<u>11,208</u>

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(In Canadian dollars)

14 - PROFESSIONAL FEES

	<u>Three months</u> <u>September 30, 2014</u>	<u>Nine months</u> <u>September 30, 2014</u>	<u>Nine months</u> <u>September 30, 2013</u>
	\$	\$	\$
Audit, tax and accounting fees		15,600	18,720
Legal fees	46,262	293,399	17,049
Consultant fees	112,514	121,328	2,286
Exchange, regulatory and transfer agent fees	23,963	39,874	23,294
	<u>182,739</u>	<u>470,201</u>	<u>61,349</u>

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 Company entered into an amending agreement (an "Amending Agreement") with Golden Valley dated as of May 21, 2014, amending the terms of the Management Agreement. The Amending Agreement confirms, among other things, that if there is a change of control of the Company and Golden Valley terminates the Management Agreement within six months of the change of control or the Company terminates the Management Agreement within twelve months of the change of control or if the Company and Golden Valley agree to terminate the Management Agreement within six months of the change of control, then the Company will pay Golden Valley a termination payment equal to the aggregate of the amounts that would have been payable by the Company to Golden Valley as the fee for the period from the date of the Amending Agreement to the date on which the Management Agreement is terminated if payment of the fee had not been suspended during such period.

From July 1, 2013, Golden Valley agreed to provide the services but suspended the management fees to enable the Company to conserve cash for its operations. Accordingly, from July 1, 2013 to March 31, 2014, the Company did not pay any management fees to Golden Valley. Effective April 1, 2014, as its cash situation permitted such payment, the Company resumed payment of the management fees. For the nine months ended September 30, 2014, the Company has paid management fees of \$48,000 (\$24,000 for the quarter ended September 30, 2014) to Golden Valley.

16 - ADDITIONAL CASH FLOW INFORMATION

Non-cash activities:

	<u>September 30</u>	
	<u>2014</u>	<u>2013</u>
	\$	\$
Accounts payable and accrued liabilities included in exploration and evaluation assets	1,197	502

Abitibi Royalties Inc.

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17 - RELATED PARTY TRANSACTIONS

17.1 - Transactions with the parent company

During the nine month period ended September 30, 2014, the Company was charged \$48,000 for services received from Golden Valley pursuant to the Management Agreement (\$48,000 for the nine months ended September 30, 2013). For more information about the management fees refer to Note 15 - Management Fees .

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 nine months period ended September 30, 2014 the Company incurred geological fees in the amount of \$5,080; (\$1,197 in the third quarter ended September 30, 2014) such amount was included in exploration and evaluation assets (\$5,973 for the nine months ended September 30, 2013). During the quarter ended September 30, 2014, the Company required temporary administrative and technical support, not covered by the Management Agreement, for which it has paid Golden Valley \$60,000. As at September 30, 2014, the Company had net indebtedness of \$1,808 (\$584 at September 30, 2013) to Golden Valley.

17.2 - Transactions with key management

Key management personnel of the Company are the members of the board of directors, as well as the CEO, the president and the chief financial officer. In accordance with its Executive Compensation Policy the Company has paid to key management personnel, during the quarter ended September 30, 2014, total remuneration of \$518,280 and accrued for \$29,087 of director fees. For the period from June 1, 2013 to September 30, 2014, the CEO was paid \$213,334 of which the equivalent of \$34,998 was settled in shares (9,459 shares), the president was paid \$24,946 from his taking office on August 5, 2014 and the directors were paid \$280,000 in meeting fees covering the period from June 1, 2013 to July 31, 2014, of which the equivalent of \$105,805 was settled in shares (28,596). In addition, directors fees of \$29,087 were accrued to cover the period from August 1, 2014 to September 30, 2014.

On June 2, 2014, the Company granted an aggregate 150,000 incentive stock options valued at \$246,771 to two consultants (who were subsequently elected to the Company's Board on June 30, 2014). For more information refer to Note 10.2 - Share-based payments.

On September 15, 2014, the Company granted an aggregate 60,000 incentive stock options valued at \$162,346 to its President. On September 19, 2014, the Company granted an aggregate 20,000 incentive stock options valued at \$51,826 to its CEO and directors. For more information refer to Note 10.2 - Share-based payments.

The President is using its condominium as a Toronto pied-à-terre for the Company and is being reimbursed the expenses related to the premises (rent and municipal taxes representing about \$1,728 per quarter). During the quarter ended September 30, 2014 the Company has paid \$1,080 for the Toronto office.

Other than those mentioned above, the Company did not pay any other compensation nor any other form of employment benefits or perquisites to its Directors and officers in the nine month periods ended September 30, 2014 and 2013.

The Company entered into an agreement with 2973090 Canada Inc., a company owned and controlled by Glenn J. Mullan, the Company's CEO, to provide for payment of success fees to some or all of the Company's management upon completion by the company of certain types of transactions. No disbursement has been made under this agreement as of September 30, 2014. For more information on this agreement refer to Note 20.

The Company entered into advisory and corporate finance bonus agreements with Red Cloud Capital Mining Inc. as more particularly described in Note 20 below. Chad Williams, a director of the Company until June 30, 2014, is also the President of Red Cloud.

Abitibi Royalties Inc.

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18 - COMMITMENT

The Company has no commitments other than those disclosed in these notes.

19 - CONTINGENCIES

On May 30, 2014, the Company filed a Motion with the Québec Superior Court to institute proceedings for the issuance of provisional, interlocutory and permanent injunction orders under Articles 110 and 751 *et seq.* of the Québec Code of Civil Procedure for the enforcement of its contractual rights under the joint venture arrangement between the Company and Osisko to explore and develop a mining property known as the Malartic CHL Prospect in the Fourniere Township of Abitibi County, Québec, which they hold as undivided co-owners. The Company filed these proceedings in response to Osisko, Agnico Eagle Mines Limited ("Agnico") and Yamana Gold Inc. ("Yamana") entering into an arrangement agreement dated April 16, 2014 (the "Arrangement Agreement") pursuant to which Osisko agreed to transfer all of its Canadian Malartic assets, including the Malartic CHL property, to a new partnership that would ultimately be owned by Agnico and Yamana as to 50% each. Following the issuance of the Company's proceedings, Osisko, Agnico and Yamana agreed to make some changes to the Arrangement Agreement in response to the Company's claims.

On June 13, 2014, the Québec Superior Court ordered that the Company's claims be sent to arbitration without costs to either party. The Company is considering all of its options in order to protect all of its rights and interests in the Malartic CHL Property.

20 - ADVISORY AND SUCCESS FEE AGREEMENTS

Advisory 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 eight months until December 10, 2014. 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. The Company has also entered into a Corporate Finance Bonus Agreement dated April 10, 2014 with Red Cloud which provides that in the event of a successful 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.

Management success fees agreement

On May 27, 2014, the Company entered into a Management Success Fee Agreement with 2973090 Canada Inc., a company of which Glenn J. Mullan is the sole shareholder, director and officer, as the "Trustee". This agreement provides that upon the Company completing a transaction or series of transactions (in either case, a "Transaction") pursuant to which:

- a) the Company is acquired by or combined with a third party,
- b) a third party acquires any of the Company's assets or operations, the Company is acquired by or combined with a third party,
- c) the Company completes an equity or debt financing that meet particular thresholds, subject to Exchange approval, or
- d) there is a change of control of the Company,

The Company will cause its auditor to determine the value of the Transaction based on the value of the consideration received by the Company or its shareholders for the shares or assets subject to the Transaction. Once the value of the transaction has been determined, the Company will pay to the Trustee a success fee (the "Success Fee") which the Trustee will then allocate among the members of the Company's management (including its President, Chief Executive Officer and its Chief Financial Officer) and/or its key consultants. After consultation with the Company's Compensation and Corporate Governance Committee, the Trustee will have sole discretion to determine how the Success Fee is to be allocated. The amount of the Success Fee will be based on the value of the Transaction.

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21 -Appointment

On August 5, 2014, the Company announced the appointment of Ian J. Ball as President of the Company. Mr. Glenn J. Mullan retains the office of CEO.