ABITIBI ROYALTIES INC.

# Interim Financial Statements
# First Quarter 2015

**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) Unaudited

| | Notes | March 31, 2015 | December 31, 2014 |
|---|---|---|---|
| | | $ | $ |
| *ASSETS* | | | |
| Current | | | |
| Cash and cash equivalents | 6 | 1,607,385 | 1,233,307 |
| Receivables | 7 | 322,068 | - |
| Sales taxes recoverable | | 38,832 | 18,210 |
| Prepaid expenses | | 8,654 | 16,073 |
| | | 1,976,939 | 1,267,590 |
| Non-current | | | |
| Exploration and evaluation assets | 8 | 32,564 | 168,064 |
| Investments | 9 | 29,089,307 | - |
| Total non-current assets | | 29,121,871 | 168,064 |
| Total assets | | 31,098,810 | 1,435,654 |
| *LIABILITIES* | | | |
| Current | | | |
| Accounts payable and accrued liabilities and total liabilities | | 367,451 | 253,641 |
| Non-current | | | |
| Deferred tax liabilities | | 3,206,334 | - |
| *EQUITY (DEFICIENCY)* | | | |
| Capital stock | 10 | 5,147,991 | 3,523,469 |
| Contributed surplus | | 2,998,874 | 3,635,646 |
| Retained earnings (deficit) | | 19,378,160 | (5,977,102) |
| Total Equity (Deficiency) | | 27,525,025 | 1,182,013 |
| Total liabilities and equity | | 31,098,810 | 1,435,654 |

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

These financial statements were approved and authorized for issue by the Board of Directors on May 22, 2015

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

*"Dr. C. Jens Zinke"*
(signed C. Jens Zinke)
Director

# Abitibi Royalties Inc.
## Interim Statements of Comprehensive Income (Loss)
(In Canadian dollars) Unaudited

| | Notes | March 31, 2015 | March 31, 2014 |
|---|---|---|---|
| | | $ | $ |
| Revenues | | | |
| Royalties | 7 | 254,537 | - |
| Dividend | 7 | 67,531 | - |
| | | 322,068 | - |
| Operating expenses | | | |
| Office expenses | | 11,905 | 3,117 |
| Shared-based payments | | - | (5,919) |
| Salaries and employee benefits expense | 11.1 | 105,802 | 105,000 |
| Travel and transport | | 5,013 | 483 |
| Professional fees | 13 | 119,747 | 24,849 |
| Management fees | 14 | 24,000 | - |
| Advertising and promotion | | 2,500 | - |
| Gain on disposal of exploration and evaluation assets | 15 | (29,534,734) | - |
| | | (29,265,767) | 127,530 |
| Operating income (loss) | | 29,587,835 | (127,530) |
| Financial costs | | | |
| Interest income | | 238 | 250 |
| Interest expense | | (827) | (58) |
| Change in fair value of financial assets at fair value through profit or loss | | (1,025,650) | - |
| | | (1,026,239) | 192 |
| **Net income (loss) before income tax** | | 28,561,596 | (127,338) |
| **Deferred income tax expense** | | 3,206,334 | - |
| **Net income (loss) and comprehensive income (loss) for the period** | | 25,355,262 | (127,338) |
| Earnings per share | 12 | | |
| Basic | | $ 2.41 | $ (0.01) |
| Diluted | | $ 2.24 | $ (0.01) |
| Weighted average number of common shares outstanding | 12 | | |
| Basic | | 10,507,888 | 8,701,000 |
| Diluted | | 11,337,780 | 8,701,000 |

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

**Abitibi Royalties Inc.**

## Interim Statement of Changes in Equity

(In Canadian dollars) Unaudited

| | Notes | Common shares outstanding | Common shares to be issued | Capital Stock | Contributed Surplus | Retained earnings (deficit) | Total Equity (Deficiency) |
|---|---|---|---|---|---|---|---|
| | | Number | Number | $ | $ | $ | $ |
| **Balance at January 1, 2015** | | 10,466,555 | - | 3,523,469 | 3,635,646 | (5,977,102) | 1,182,013 |
| Common shares issued upon the exercise of options | **10.2** | 330,000 | | 1,257,022 | (636,772) | - | 620,250 |
| Common shares to be issued in consideration of professional fees | **10.3** | | 100,791 | 367,500 | | | 367,500 |
| Net income and total comprehensive income | | | | | | 25,355,262 | 25,355,262 |
| **Balance at March 31, 2015** | | 10,796,555 | 100,791 | 5,147,991 | 2,998,874 | 19,378,160 | 27,525,025 |
| 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 |
| Common shares issued by private placement | **10.5** | 500,000 | | 150,000 | | | 150,000 |
| Share-based payments | | - | - | - | (5,919) | - | (5,919) |
| Balance at March 31, 2014 | | 9,201,000 | - | 780,823 | 1,863,577 | (2,431,039) | 213,361 |

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

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

| | March 31, 2015 | March 31, 2014 |
|---|---|---|
| | $ | $ |
| *OPERATING ACTIVITIES* | | |
| Net income (loss) | 25,355,262 | (127,338) |
| Adjustment | | |
| Share-based payments | - | (5,919) |
| Gain on disposal of exploration and evaluation assets | (29,534,734) | - |
| Change in fair value of financial assets at fair value through | 1,025,650 | - |
| Deferred tax expense | 3,206,334 | - |
| Changes in working capital items | | |
| Sales taxes recoverable | (20,622) | (2,015) |
| Royalties receivable | (322,068) | - |
| Prepaid expenses | 7,419 | 2,534 |
| Accounts payable and accrued liabilities | 85,167 | 114,800 |
| Cash flows from operating activities | (197,592) | (17,938) |
| *INVESTING ACTIVITIES* | | |
| Additions to exploration and evaluation assets | (5,019) | - |
| Disposal of exploration and evaluation assets transaction costs | (43,561) | - |
| Cash flows from investing activities | (48,580) | - |
| *FINANCING ACTIVITIES* | | |
| Issue of capital stock and Cash flows from financing activities | 620,250 | 150,000 |
| **Net increase (decrease) in cash and cash equivalents** | 374,078 | 132,062 |
| Cash and cash equivalents, beginning of period | 1,233,307 | 29,165 |
| Cash and cash equivalents, end of period | 1,607,385 | 161,227 |

| | | |
|---|---|---|
| Additional cash flow information (Note 16) | | |
| Cash transactions: | | |
| Interest received related to operating activities: | 238 | 250 |

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

### *1 - NATURE OF OPERATIONS*

Abitibi Royalties Inc. (the "Company") has the objective to build a premium quality royalty company by acquiring of first class royalties and by exploring, evaluating and promoting its mineral properties and other projects.

### *2 - BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE WITH IFRS*

These interim financial statements are covering the three month period ended March 31, 2015 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 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. 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, 2014. 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, 2014.

The financial statements of the Company will be included in the consolidation perimeter of its controlling shareholder Golden Valley Mines Ltd. ("Golden Valley").

### *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.

### *4 - SUMMARY OF ACCOUNTING POLICIES*

#### *4.1 - 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, 2014.

#### *4.2 - Functional and presentation currency*

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

#### *4.3 - Earnings per share*

Basic earnings per share is calculated by dividing net income attributable to common equity holders of the Company by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potentially dilutive share equivalents, such as stock options and warrants.

(In Canadian dollars) Unaudited

***4.3 - Earnings per share*** **(continued)**

To determine the dilutive impact of stock options, the Company uses the Treasury Stock Method which assumes that any proceeds from the exercise of in-the-money stock options would be used to purchase the maximum number of common shares of the Company at the average market price during the period. The assumption of exercise is not reflected in the calculation of earnings per share when the exercise price of the share equivalents considered individually exceeds the average market price for the period.

Basic loss per share is calculated by dividing the loss attributable to common equity holders of the Company by the weighted average number of common shares outstanding during the same period. Diluted earnings per share is calculated by adjusting loss attributable to common equity holders of the Company, and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares which includes stock options. When a loss is incurred during a period, basic and diluted loss per share are the same because the exercise of share equivalents is then considered to be anti-dilutive.

***5 - 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. These judgements, estimates and assumptions are summarized in Note 6 - Judgements Estimates and Assumptions, of the Company's annual audited financial statements for the year ended December 31, 2014.

***5.1 - Impairment of exploration and evaluation assets***

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.

No impairment loss was recognized during the period ended March 31, 2015 and during the year ended December 31, 2014.

***6 - CASH AND CASH EQUIVALENTS***

| | March 31, 2015 | December 31, 2014 |
|---|---|---|
| | $ | $ |
| Cash | 532,385 | 108,307 |
| Demand deposit, 0.925% redeemable at any time | 1,075,000 | 1,125,000 |
| | 1,607,385 | 1,233,307 |

***7 - RECEIVABLES***

| | March 31, 2015 |
|---|---|
| | $ |
| Royalties receivable from Canadian Malartic GP (2% NSR) | 254,537 |
| Dividend receivable from Yamana Gold Inc | 67,531 |
| | 322,068 |

(In Canadian dollars) Unaudited

***8 - EXPLORATION AND EVALUATION ASSETS***

The summary of carrying amount can be analyzed as follows:

| Properties | Balance as at January 1, 2015 $ | Additions $ | Disposal $ | Balance as at March 31, 2015 $ |
|---|---|---|---|---|
| Malartic CHL Prospect (Quebec) | 135,500 | 770 | 136,270 | - |
| Bourdon Prospects (Ontario) | 32,564 | | | 32,564 |
| | 168,064 | 770 | 136,270 | 32,564 |

| Properties | Balance as at January 1, 2014 $ | Additions $ | Disposal $ | 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 |

(In Canadian dollars) Unaudited

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

*Malartic CHL Prospect - Malartic, Quebec*

On March 19, 2015, the Company sold its 30% free carried interest in the Malartic CHL Prospect for a consideration in shares and a 3% net smelter return royalty. For more information on the transaction, please refer to Note 15 - Sale of Malartic CHL Prospect.

*Malartic CHL 3% Royalty - Malartic, Quebec*

The area covered by the 3% net smelter royalty is located immediately east of the Canadian Malartic Mine operated by Agnico Eagle Mines Ltd. ("Agnico Eagle") and Yamana Gold Inc. ("Yamana"). The 3% net smelter royalty covers a number of known mineralized zones; the historic Shaft Zone and Porphyry 12 Zone, the Norrie Zone, the Mammoth Zone (eastern extension of the barnat Zone), the Jeffrey Zone, the Hal Zone, the Geo Zones and the recent Odyssey North discovery.

*Canadian Malartic 2% Royalty - Malartic, Quebec*

The 2% net smelter royalty is on one single mining claim located south of the Canadian Malartic main pit and covers the historic Charlie Zone and part of the eastern portion of the Gouldie Zone. Production on the 2% net smelter royalty area started in 2014 and the first royalty payment, covering the last two quarters of 2014 and the first quarter of 2015 (to March 31, 2015), is expected in May 2015.

*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 - INVESTMENTS***

| | Number of shares | Market value | March 31, 2015 |
|---|---|---|---|
| | | $ | $ |
| Yamana Gold Inc | 3,549,695 | 4.54 | 16,115,616 |
| Agnico Eagle Mines Limited | 459,197 | 35.27 | 16,195,878 |
| | | | 32,311,494 |
| Fair value of mandatory retention period | | | (3,222,187) |
| | | | 29,089,307 |

Investments are presented at their fair value. A fair value adjustment of $1,025,650 has been recorded at March 31, 2015.

### *10 - EQUITY*

#### *10.1 - 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.

#### *10.2 - Options exercised*

On March 3, 2015 an ex-director of the Company exercised 90,000 options at $2.50 for a total consideration of $225,000. The share price at the day before the exercise was $3.65. On March 27, 2015, one ex-director, one officer and two consultants exercised 240,000 options, 135,000 at $2.50 and 105,000 at $0.55 for a total consideration of $395,250. The share price at the day before the exercise was $3.65.

#### *10.3 - Shares for professionnal fees*

The Company elected to settle the fairness opinion fee and the advisory fee of $367,500, incurred in the sale process of its Malartic CHL Property by issuing 100,791 of its common shares. This transaction has been reflected at March 31, 2015 although the shares were issued subsequently.

#### *10.4 - 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, 2015, none of the common shares remained in escrow (865,787 at March 31, 2014).

#### *10.5 - 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.

### *11 - EMPLOYEE REMUNERATION*

#### *11.1 - Salaries and employee benefits expense*

The Company has implemented an Executive Compensation Policy which approved certain payments being paid and accrued to directors and officers. The Company's executives are receiving a salary in accordance with the amounts approved in the Policy and monthly accruals are being recorded to cover the total estimated meeting fee remuneration payable to directors. The directors and executive officers are also entitled to receive incentive stock options. The Company does not offer any other benefits or perquisites to its directors and executive officers.

For the quarter ended March 31, 2015, total remuneration of $62,000 was paid as follows: $40,000 to the President, $20,000 to the CEO and $2,000 to the CFO ($40,000 to the CEO as at March 31, 2014). Directors meeting fees of $30,000 have been accrued ($65,000 at March 31, 2014). The board of directors made the decision to cancelled the fees accrued for the meetings of the technical committee and consequently a reversal of accrual of $21,370 (meeting fees accrued at December 31, 2014) was recorded. Total remuneration accrued at March 31, 2015 of $175,215 includes executive bonus of $80,000 (accrued at December 31,2014) and directors meeting fees of $95,215 ($30,000 for the first quarter ended March 31, 2015 and $65,215 for August 1, 2014 to December 31, 2014).

During the quarter ended March 31, 2015, the Company recorded contributions of $35,172 ($Nil as at March 31, 2014) to mandatory governmental benefits plans related to salaries, meetings fees and taxable benefits on exercise of incentive stock options.

#### *11.2 - 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 and by the Exchange subsequently.

There has been no incentive stock option issued in the quarters ended March 31, 2015 and March 31, 2014.

# Abitibi Royalties Inc.

## Notes to Interim Financial Statements

March 31, 2015 and 2014
(In Canadian dollars) Unaudited

*11.2 - Share-based payments (continued)*

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

The Company's stock options are as follows for the reporting periods presented:

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| | | $ | | $ |
| Outstanding at January 1 | 1,612,500 | 1.69 | 860,000 | 2.50 |
| Granted | - | - | 860,000 | 0.55 |
| Exercised | (330,000) | 1.88 | - | - |
| Cancelled | - | - | - | - |
| Outstanding at March 31 | 1,282,500 | 1.64 | 1,720,000 | 1.53 |
| Exercisable at March 31 | 1,282,500 | 1.64 | 860,000 | 2.50 |

The weighted average share price at the date of exercise was $3.65.

The table below summarizes the information related to outstanding share options as at March 31, 2015 and 2014:

| Range of exercise price | 2015 Outstanding options | | 2014 Outstanding options | |
|---|---|---|---|---|
| | Number of options | Weighted average remaining contractual life (year) | Number of options | Weighted average remaining contractual life (year) |
| $0.55 to $1.00 | 587,500 | 3.42 | 860,000 | 4.51 |
| $2.01 to $3.00 | 615,000 | 2.13 | 860,000 | 2.50 |
| $3.01 to $4.00 | 80,000 | 4.25 | - | - |
| | 1,282,500 | | 1,720,000 | |

(In Canadian dollars) Unaudited

### *12 -EARNINGS (LOSS) PER SHARE*

| | March 31, 2015 | March 31, 2014 |
|---|---|---|
| Net income (loss) for the period attributable to shareholders | $ 25,355,262 | $ (127,338) |
| Weighted average number of common shares outstanding - basic | 10,507,888 | 8,701,000 |
| Dilutive effect of stock options | 829,892 | - |
| Weighted average number of common shares outstanding - diluted | 11,337,780 | 8,701,000 |
| Basic earnings (loss) per share | $ 2.41 | $ (0.01) |
| Diluted earnings (loss) per share | $ 2.24 | $ (0.01) |

Both the basic and diluted earnings (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, 2015 and 2014.

Only share equivalents with exercise prices exceeding the average market price for the period of $3.54 have been considered in the calculation of the diluted earnings per share.

### *13 - PROFESSIONAL FEES*

| | March 31, 2015 | March 31, 2014 |
|---|---|---|
| | $ | $ |
| Audit, tax and accounting fees | 7,280 | 4,160 |
| Legal fees | 55,776 | 11,750 |
| Exchange, regulatory and transfer agent fees | 13,784 | 8,939 |
| Media relations | 42,907 | - |
| | 119,747 | 24,849 |

### *14 - 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").

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 three months ended March 31, 2015, the Company has paid management fees of $24,000 ($Nil for the three months ended March 31, 2014) to Golden Valley.

### *14 - MANAGEMENT FEES* (continued)

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.

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;
- if 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.

### *15- SALE OF MALARTIC CHL PROSPECT*

On March 19, 2015, the Company entered into an acquisition agreement with Canadian Malartic GP, a general partnership, Yamana and Agnico Eagle to sell its 30% free carried interest in the Malartic CHL Prospect (the "Project") in consideration for 3,549,695 shares of Yamana and 459,197 shares of Agnico Eagle and a 3% net smelter return royalty on the Project. Based on the closing prices of the shares of Yamana ($4.74) and Agnico Eagle ($36.29) on the TSX the day before the closing of the transaction the consideration received is worth $33,489,813 excluding the 3% NSR royalty. No value has been assigned to the 3% NSR royalty; the Project still being at the early stage of exploration, future cash flow could not be reliably estimated.

After this transaction the Company retains the following:

a) Shares in Yamana and Agnico Eagle for a value of $33.5 million (as at March 19, 2015)

b) a 3% net smelter return royalty on the Project

c) a 2% net smelter return royalty on a portion of the Gouldie gold deposit at the Canadian Malartic mine

d) its 100% interest in the Luc Bourdon and Bourdon West Prospects in the McFauld's Lake ("Ring of Fire") area, Ontario.

The Company has engaged Maxit Capital LP as its financial advisor and Getz Prince Wells LLP as its legal advisor in connection with this transaction. The Company has elected to settle the $367,500 advisory fees payable to Maxit Capital LP by the issue of 100,791 common shares. The common shares were issued in April 2015.

(In Canadian dollars) Unaudited

***15- SALE OF MALARTIC CHL PROSPECT*** **(continued)**

The gain on this transaction has been determined as follows:

| | March 19,2015 |
|---|---|
| Market value of consideration received | 33,489,813 |
| Less Fair value of mandatory retention period (1) | (3,374,856) |
| Fair value of consideration received | |
| Less Transaction costs | (443,953) |
| Fair value of consideration received net of transaction costs | 29,671,004 |
| Less Book value of exploration and evaluation asset sold | (136,270) |
| Gain on the sale of the Malartic CHL Prospect (no tax impact) | 29,534,734 |

(1) As per securities regulations, shares received from Agnico Eagle and Yamana are subject to a mandatory retention period of four months and one day.

***16 - ADDITIONAL CASH FLOW INFORMATION***

Non-cash activities:

| | March 31, | |
|---|---|---|
| | 2015 | 2014 |
| | $ | $ |
| Accounts payable and accrued liabilities included in exploration and evaluation assets | - | 1,793 |
| Accounts payable and accrued liabilities of transaction costs included in gain on disposal of exploration and evaluation assets | 32,892 | - |
| Common shares issued in consideration of payment of transaction costs included in gain on disposal of exploration and evaluation assets | 367,500 | - |
| Common shares received in consideration of disposal of exploration and evaluation assets net of the fair value of the retention period | 30,114,957 | - |

***17 - RELATED PARTY TRANSACTIONS***

***17.1 - Transactions with the parent company***

During the period ended on March 31, 2015, the Company has paid $24,000 for services received from Golden Valley pursuant to the Management Agreement ($Nil for the period ended March 31, 2014). For a description of the Management Agreement refer to Note 14.

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 period ended March 31, 2015, the Company incurred no geological fees ($1,793 for the period ended March 31, 2014). As at March 31, 2015, the Company had no indebtedness ($3,357 at March 31, 2014) to Golden Valley included in accounts payable and accrued liabilities.

*17.2 - Transactions with key management*

Key management personnel of the Company are the members of the board of directors, as well as the chief executive officer, the president and the chief financial officer. In accordance with its Executive Compensation Policy the Company has, during the three month period ended March 31, 2015, paid or accrued salaries of $62,000 to its executive officers and meeting fees of $8,629 to board members. In addition, the Company has made contributions of $35,172 to mandatory governmental benefit plans in relation with salaries paid and taxable benefit calculated on exercise of incentive stock options. At March 31, 2015, The Company had bonus payable to its President and its CEO of $80,000 and accrued meeting fees of $95,215 (at March 31, 2014, accrued salaries and meeting fees of $350,000 covering the period from June 1, 2013 to March 31, 2014).

At March 31, 2015, the Company also had bonus of $30,000 payable to one officer and two consultants, who are officers of Golden Valley.

*17.2 - Transactions with key management (continued)*

The president is using the Toronto Property as an office for the Company and is being reimbursed the expenses related to the premises (rent and municipal taxes representing about $2,000 per quarter). During the quarter ended on March 31, 2015, the Company has paid $1,975 for the Toronto office ($Nil for the period ended March 31, 2014).

During the period ended on March 31, 2015, 330,000 incentive stock options were exercised by two former directors, one officer and two consultants. The exercise prices of the options were as follows: 225,000 at $2.50 and 105,000 at $0.55. The share price the day before the exercises was $3.65 in all cases.

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 March 31, 2015, but the agreement has been triggered by the sale of the Malartic CHL Prospect. For more information on this agreement and the possible future payouts refer to Note 19.

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 period ended March 31, 2015 and 2014.

*18 - COMMITMENTS*

The Company has no commitment other than the Management Agreement described in Note 14 and the agreements mentionned in Note 19 below.

*19 - MANAGEMENT SUCCESS FEES AGREEMENT*

On May 27, 2014, the Company entered into a Management Success Fees Agreement with 2973090 Canada Inc., a company of which Glenn J. Mullan is the sole shareholder, director and officer, as the "Trustee" and the CEO of the Company. 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,

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.

## *19 - MANAGEMENT SUCCESS FEES AGREEMENT* (continued)

The Company will get an independant determination of 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 is to be based on the value of the Transaction.

As at March 31, 2015, no payout has been made or approved by the Board of Directors under the Management Success Fees Agreement. Following the sale of the Malartic CHL Property, the Board of Directors and the Trustee opened discussions which resulted, on May 16, 2015, in a second amendment to the Management Success Fees Agreement. On May 22, 2015, the Board of Directors approved the Management Success Fees Agreement by virtue of the sale of the Malartic CHL Prospect, and established the amount of the Success Fee payable with respect to the sale to $4,290,000 of which $3,500,000 of the Success Fee is payable in one or more payments, from time to time as and when the Company has the funds available to do so, as determined by its Board of Directors, in accordance with the Management Success Fees Agreement. The Company and the Trustee have agreed, however, that portions of the remaining $790,000 (the "Contingent Amount") will become payable in the same way but only as Proven and Probable Reserves are established on the Malartic CHL Project in accordance with National Instrument 43-101, provided that if the Company undergoes a Change of Control (as defined in the Management Success Fees Agreement), any remaining portion of the Contingent Amount that has not already become payable will be paid on the Change of Control.