ABITIBI ROYALTIES INC.

Management's Discussion and Analysis for the first quarter ended March 31, 2016.

Introduction

The following Management's Discussion and Analysis ("**MD&A**") reviews the financial position and results of operations of Abitibi Royalties Inc. (**TSXV: RZZ**, hereinafter "**Abitibi Royalties**" or the "**Company**") for the quarter ended March 31, 2016. It should be read in conjunction with the unaudited financial statements and notes thereto for the period ended March 31, 2016, and with the audited financial statements for the year ended December 31, 2015 and related notes thereto, which were prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standard Board (IASB). All these documents can be viewed through the internet at the SEDAR website (www.sedar.com) by accessing the Company's issuer profile.

All figures are in Canadian dollars unless otherwise specified.

The following information is prepared as at May 25, 2016.

Forward-Looking Statements

This document contains certain forward-looking statements. In some cases, words such as "plans", "expects", or "does not expect", "budget", "scheduled", "estimates", "forecasts", "anticipate" or "does not anticipate", "believe", "intend" and similar expressions or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur, be achieved or continue, have been used to identify these forward-looking statements. These forward-looking statements are subject to a variety of risks and uncertainties beyond the Company's ability to control or predict and are not to be interpreted as guarantees for future performance. These forward-looking statements could cause actual events or results to differ materially from those anticipated in such forward-looking statements. All forward-looking statements speak only as of the date hereof and, except as required by law, the Company does not undertake any obligation to update or publicly release any revisions to such forward-looking statements to reflect events, circumstances, or changes in expectations after the date hereof. Accordingly, readers should not place undue reliance on such forward-looking statements.

COMPANY OVERVIEW, NATURE OF OPERATIONS, AND OVERALL PERFORMANCE

The Company was incorporated on February 18, 2010, pursuant to the *Business Corporations Act* (British Columbia) as a wholly owned subsidiary of Golden Valley Mines Ltd. ("**Golden Valley**"), a Canadian public corporation with an office located in Val-d'Or, Québec, Canada, involved, together with its various subsidiaries, in initial grassroots exploration projects.

In 2011, as part of a plan of arrangement (the "**Arrangement**") Golden Valley transferred certain of its properties and carried interests in certain properties to the Company along with a $600,000 cash infusion against the issuance of 8,701,000 common shares and subsequently, distributed to its shareholders, by way of a dividend, a part of its holding in the Company's capital stock. As a result of the Arrangement, Abitibi Royalties became a reporting issuer in Alberta, British Columbia, Ontario and Québec. Abitibi Royalties is considered a "venture issuer" as such term is defined by applicable securities legislation. Since July 15, 2011 (the "**Trading Date**") the Company's common shares trade on the TSX Venture Exchange (the "**Exchange**") under the symbol RZZ.

The business objectives of the Company are to hold title and to promote and develop certain advanced projects, and to acquire, manage, and promote, royalty interests by capturing the upside potential inherent to the various stages of the mining sector, while limiting the risks related to the difficulties in assessing the rate of success and accurately predicting the costs for exploration, development, and mine operation.

Property Interests

Malartic CHL 3% NSR Royalty - Malartic, Quebec

The area covered by the 3% net smelter royalty is located immediately east of the Canadian Malartic Mine operated by Agnico and Yamana. The 3% net smelter royalty covers a number of known mineralized zones; the eastern extension of the Barnat Zone, the Jeffrey Zone, the Shaft Zone and Porphyry 12 Zone, the Norrie Zone, the Hal Zone, the Geo Zone and the recent Odyssey North discovery. No value for accounting purposes has been assigned to the 3% NSR royalty.

Canadian Malartic 2% NSR Royalty – Malartic, Quebec

Also pursuant to a separate agreement, Abitibi Royalties owns a 2% net smelter royalty interest (the "**NSR**") on a claim block originally acquired by Golden Valley through staking and subsequently sold to Osisko. The NSR is on a single claim located just to the south of the Canadian Malartic main pit, and covers the eastern portion of the Gouldie Zone and the historic Charlie Zone. Production on the 2% net smelter royalty area started in 2014 and total royalty payments of $348,795 were received in 2015: $191,869, covering the last two quarters of 2014, $80,236 for the first quarter of 2015, $48,492 for the second quarter of 2015 and a last payment of $28,198 received in October 2015. The

Company has received a final adjustment payment of $1,542 on April 29, 2016. Canadian Malartic GP (50% owned by Agnico Eagle Mines Limited ("Agnico") and Yamana Gold Inc. ("Yamana") reported that mining at the Gouldie deposit, stopped at the end of June 2015.

Luc Bourdon and Bourdon West Prospects

The Luc Bourdon and Bourdon West Prospects (the "**Bourdon Prospects**") were acquired from Golden Valley pursuant to an Amended and Restated Transfer, Assignment, and Assumption Agreement dated March 30, 2011 among Abitibi Royalties, then Optionees, and Golden Valley.

The Company is now seeking new partnerships to fund future exploration programs and, if warranted by the results, to further develop the Bourdon Prospects.

Recent developments

Odyssey North (Malartic CHL 3% NSR Royalty)

Abitibi Royalties holds a 3% NSR on the Odyssey North Zone located inside the Malartic CHL property. Odyssey North is proximate to the Odyssey South Zone and together, these zones comprise the "Odyssey Zones", "Odyssey deposit" or "Odyssey" that is east of the main Canadian Malartic Mine open pit. The mine operators recently reported that as of the end of the fourth quarter (December 30, 2015) 44 holes totaling 35,870 metres had been completed on the Odyssey Zones. Yamana states in its Q4-2015 news release (February 18, 2016) that exploration drilling of the Odyssey deposit transitioned to definition drilling in the fourth quarter with the goal of completing a 100 metre by 100 metre grid on the current defined mineral extents by the third quarter of 2016. The tighter grid spacing will allow for the reclassification of the mineralization as inferred mineral resources, will provide a basis for an in house scoping study and will aid the optimization of subsequent infill drill programs. The Canadian Malartic partnership is committing significant exploration funding of C$8 million to Odyssey during 2016 to outline the size potential of the ore and outline a maiden inferred mineral resource before the first quarter of 2017.

Yamana states in its Q1-2016 news release (May 4, 2016), "The Odyssey drill program continues to define the north and south mineral bodies and has discovered two, previously unknown mineralized structures. Geologic and mineralization models have identified two zones within the north zone where cross-cutting structures have created blow-out zones of mineralization much wider than other portions of the deposits. Additional focused drilling of these swell zones will follow the initial 100 meter by 100 meter program in the third quarter to better define the mineral inventory."

Also in the Q1-2016 news release Yamana states, "The mining sequence [at Canadian Malartic] will be evaluated in order to determine the inclusion of other zones such as Odyssey and other near mine opportunities as these have the potential to provide new sources of ore for the mill."

Yamana stated on its Q1-2016 Results Conference Call (May 5, 2016) with regards to Odyssey, "We will provide more guidance over the course of the next quarter on the exploration impact and by the end of the year and into 2017 and what it means from an engineering point of view and from a contribution to Canadian Malartic" and "We think this is definitely an important contribution to net asset value and to possible production at Canadian Malartic, but it is too soon to say what that contribution is."

Agnico Eagle also stated on its Q1-2016 Results Conference Call (April 29, 2016), "Of note was the drilling on Odyssey and we continue to intersect the zone at Odyssey and we would expect to be in a good position to put out a resource on Odyssey before the end of this year. It has similarities in terms of thickness and a bit better grade than Goldex and the intention when we got involved with our partner Yamana with the Canadian Malartic opportunity was certainly we had a sense that Odyssey could be an important component to that mine and that property going forward. So we are certainly starting to see that."

The Company has not received any additional assay results or drill hole locations, since the Company last reported exploration results on February 23, 2015, and there are no assurances that all or any of the recent drilling at Odyssey has encountered additional mineralization on the Malartic CHL property that is covered by the Company's 3% NSR.

Barnat Extension and Jeffrey Zone (Malartic CHL 3% NSR Royalty)

The Company holds a 3% NSR on the Barnat Extension and the Jeffrey Zone located inside the Malartic CHL property. Both areas were included in the submitted initial Environmental Impact Assessment ("EIA") Project Notification Form. The formal EIA was submitted in February 2015. The mine operators have indicated that the process remains on schedule for receipt of the necessary permits by year-end 2016 and that initial production from areas where the Company holds a royalty is set for 2017. Production details can be found under the Company's profile on Sedar (www.sedar.com) and corporate website (www.abitibiroyalties.com) in a news release dated March 29, 2016.

On March 29th, the Company also announced receipt of an updated Reserve and Resource estimate dated as of December 31, 2015 from the mine operators. Details can be found under the Company's profile on Sedar and corporate website.

The mine operators will also be commencing an exploration program around the Barnat Extension looking to identify near pit and underground sources of potential ore for the Canadian Malartic mill.

Gouldie Deposit (Canadian Malartic 2% NSR Royalty)

The Company holds a 2% NSR on the eastern portion of the Gouldie deposit and the historic Charlie Zone. On March 29th, the Company also announced receipt of an updated Resource estimate dated as of December 31, 2015 from the mine operators for the Gouldie deposit. Details can be found under the Company's profile on Sedar and corporate website.

The mine operators will also be commencing an exploration program around Gouldie and Charlie looking to identify near pit and underground sources of potential ore for the Canadian Malartic mill.

Abitibi Royalty Search

On June 9, 2015, the Company launched the “Abitibi Royalty Search”, by which it would reimburse a company for the renewal fees on existing claims or staking fees on new claims and receive in exchange a net smelter return royalty. The program offers junior mining companies an alternative to dropping potentially interesting claims or projects due to a lack of funds. Projects have to meet specific criteria to be eligible, such as being located in the close vicinity of an existing mine and showing good geology or signs of mineralization. As of the date of this report, the Company has spent so far in 2016, $41,193 to acquire new royalties or finalize deal already announced. The properties are located in the provinces of Quebec, Ontario, Manitoba and in Turkey. The amounts spent to acquire mining royalties are expensed.

Investments

	Number of shares held at March 31, 2016	Value at March 31, 2016	Value at December 31, 2015
Yamana Gold Inc.	3,549,695	13,985,798	9,122,716
Agnico Eagle Mines Ltd.	444,197	20,872,817	16,155,445
Total fair value		34,858,615	25,278,161
Variation during the period			(9,580,454)

The Company sold 9,058 call option contracts in the first quarter of 2016, covering 905,800 shares of its investment in Yamana and Agnico, for total cash proceeds of $313,135 (US $259,273). On April 15, 2016 the Company issued a news release, which provided an update on the covered calls that have been written in total. These totals are outlined below:

Title	Price $ (USD)	Number of shares	Option Expiry Date	% of shares held
Agnico Eagle	40	65,100	January 20, 2017	14.7
	45	43,600	January 20, 2017	9.8
	50	31,000	January 20, 2017	7.0
	55	27,800	January 20, 2017	6.3
Agnico Eagle Total		**167,500**		**37.7**
Yamana Gold	4.5	2,000	January 20, 2017	0.1
	5	97,900	January 20, 2017	2.8
	5	200,100	January 19, 2018	5.6
	5.5	19,700	January 20, 2017	0.6
	7	925,900	January 20, 2017	26.1
	10	64,200	January 20, 2017	1.8
	12	21,800	January 20, 2017	0.6
Yamana Gold Total		**1,331,600**		**37.5**

Results of Operations

For the first quarter ended March 31, 2016, the Company is reporting a net income of $11,467,123 compared to a net income of $25,355,262 for the quarter ended March 31, 2015. Last year's quarter included a gain of $29,534,734 on the sale of the Malartic CHL Property. Other components of revenues and expenses were as follows:

a) Revenues

Royalties of $1,542 were received as a final adjustment to the amounts already received for the 2% NSR. Production on the zone covered by the 2% NSR has stopped in June 2015. In addition, the Company recorded dividend income of $69,962 from its investment in Agnico and Yamana. In the first quarter of last year, the Company had NSR revenues of $254,537 and dividend income of $67,531.

Expenses

During the first quarter ended March 31, 2016, the Board of Directors terminated the Management Success Fees Agreement with no further amounts payable. Prior to its termination an amount of $132,890 ($15,890 in January 2016 and $117,000 in 2015) had been paid out under the terms of this Agreement. Following this termination the remaining liability of $4,157,110 has been reversed.

Total remuneration of $155,153 ($105,802 for the same quarter in 2015) was paid or accrued for the quarter ended March 31, 2016. It was made of salaries and benefits of $112,500 ($62,000 in 2015), meeting fees to non-executive directors of $30,000 ($8,629 in 2015) and employer contribution to governmental plans of $ 13,216 ($35,173 in 2015). In addition the immediate vesting of 145,841 of the 583,365 units granted from the Restricted Share Unit Plan to officers, directors and consultants was valued to $526,925 (none were granted in 2015).

Professional fees expenses incurred in the first quarter of 2016 amounted to $109,727 and were composed of audit, tax and accounting fees of $22,048, legal fees of $38,630, fees of $13,967 incurred to maintain the Company's legal status and mostly paid to the Exchange, and the Company's transfer agent, and other consultation fees (including administration and media relation) of $35,082. In comparison professional fees of $119,747 were incurred during the quarter ended March 31, 2015 and included a) audit, tax and accounting fees of $7,280, b) legal fees of $55,776, c) fees of $13,784 incurred to maintain the Company's legal status and mostly paid to the Exchange, and the Company's transfer agent, and d) consulting fees of $42,907 for administrative and technical help and media relations.

Office expenses of $9,616 were incurred for the quarter ended March 31, 2016 compared to $11,905 for the corresponding quarter in 2015.

Management fees of $24,000 were paid in the first quarter of 2016 to Golden Valley (same in 2015).

The value of the Company's investment in the shares of Agnico and Yamana, received as consideration for the sale of the Malartic CHL Property, has to be shown at fair value. In the first quarter of 2016 the value of this investment has increased to $34,858,615 from $25,278,161 at December 31, 2015, and accordingly the Company has recorded an increase in fair value of $9,580,454. The Company has also recorded an increase in the fair value of the obligation related to the call option contracts of $449,166.

Other expenses incurred in the first quarter ended March 31, 2016 included the following: royalty purchases of $21,950 (for description of the royalty purchases refer to section Abitibi Royalty Search of this report), commissions of $15,350 paid on the sale of call option contracts or repurchasing the Company's own shares under the normal course issuer bid program, advertising and promotion expenses of $2,500 and travel expenses of $446.

The sale of the Malartic CHL Property was made without generating any immediate income tax payable. The Company has received shares in payment that are worth $34,858,615 at March 31, 2016 and for which the tax value is minimal. There is a potential tax liability on the capital gain to be realized on the eventual sale of the shares, which the Company has recognized by recording a deferred income tax liability of $3,775,320 at March 31, 2016.

Summary of Quarterly Results

The following table presents selected quarterly financial information for the last eight quarters:

	(1) Jun 30, 2014 $	(2) Sep 30, 2014 $	(3) Dec 31, 2014 $	(4) Mar 31, 2015 $	(5) Jun 30, 2015 $	(6) Sep 30, 2015 $	(7) Dec 31, 2015 $	(8) Mar 31, 2016 $
Total Revenues	-	-	-	322,068	130,090	164,032	152,722	71,504
Net income (loss)	(667,143)	(572,667)	(2,051,577)	25,355,262	(3,803,247)	(4,681,337)	893,754	11,467,123
Net Loss per shares								
Basic	(0.072)	(0.060)	(0.200)	2.41	(0.35)	(0.43)	0.07	1.05
Diluted	(0.072)	(0.060)	(0.200)	2.24	(0.35)	(0.43)	0.07	0.99

(1) During the second quarter ended June 30, 2014 the Company incurred a loss of $667,143. The largest components of this loss consist of an amount of $262,613 for professional fees composed of mostly legal fees; $239,792 of share-based payments and $105,000 accrual for the remuneration of the president and director fees in accordance with the Executive Compensation Plan implemented by the Company (see “Executive Compensation Plan” below). Other expenses are as follows: i) management fees of $24,000 paid to Golden Valley pursuant to the Management Agreement ii) Office expenses of $8,467, composed of insurance premiums of $2,534, communication expenses of $4,633 and other expenses of $1,300, iii) Travel and transport expenses of $23,756, iv) Advertising and promotion of $3,737 and v) bank fees of $25 offset by interest income of $247 received on GIC from the bank.

(2) During the third quarter ended September 30, 2014 the Company incurred a loss of $572,667. The largest component of this loss consisted of $214,173 of share-based payments representing the Black & Scholes valuation of the incentive stock options granted, $121,901 of salaries, directors fees and benefits paid or accrued, and professional fees of $182,739. Professional fees were composed of legal fees of $46,262, consulting fees of $112,514 for temporary help in administrative and technical matters, financial modeling and media relations and $23,963 of Exchange, regulatory and transfer agent fees. Other expenses were as follows: i) management fees of $24,000 paid to Golden Valley pursuant to the Management Agreement, ii) Office expenses of $15,928, composed of insurance premiums of $6,563, communication expenses of $3,496 and other expenses of $5,869, iii) Travel and transport expenses of $13,160, iv) Advertising and promotion of $654 and v) net bank fees of $112.

(3) During the fourth quarter ended December 31, 2014 the Company incurred a loss of $2,051,577. The largest component of this loss consisted of share-based remuneration of $1,603,322 representing the reevaluation with current share trading prices of incentive stock options pending approval by the shareholders and the Exchange using the Black & Scholes valuation model. Other

expenses included: i) executive salaries and director fees, paid or accrued, including employer contribution to governmental plans for $213,374, (which includes a bonus accrual of $80,000 for the two Company executives and accrual for director fees of $57,500 ii) professional fees of $183,430 composed of $149,710 for legal fees, consulting fees (of which $134,000 was paid by the issuance of shares of the Company), temporary help for administrative and technical matters, financial modeling and media relations, consulting fees also include a bonus accrual of $36,500 and $3,720 of Exchange, regulatory and transfer agent fees, iii) management fees of $24,000 paid to Golden Valley pursuant to the Management Agreement, iv) office expenses of $14,729, comprised of insurance premiums of $7,418, communication expenses of $4,547 and other expenses of $2,764, v) travel and transport expenses of $12,627, vi) advertising and promotion expenses of $475 and vii) net interest income of $380.

(4) In the first quarter ended March 31, 2015, the Company reported revenues of $322,068 and net income of $25,355,262, which included a gain of $29,534,734 from the sale of the Malartic CHL Property. Expenses were as follows: a) professional fees of $119,747, b) salaries and employee benefits of $105,802, c) office expenses of $11,905, d) management fees of $24,000, e) travel expenses of $5,013, f) advertising expenses of $2,500 and g) net interest expenses of $589. A $1,025,650 reduction in the fair value of investments and deferred income taxes of $3,206,334 were recorded.

(5) For the quarter ended June 30, 2015, the Company reported revenues of $130,090 and a net loss of $3,803,247. Expenses for the quarter include: a) professional fees of $152,039, b) salaries and employee benefits of $95,118, c) management fees of $24,000 d) office expenses of $16,182, e) royalty purchases and exploration expenses of respectively $10,000 and $2,064 d) Travel and advertising expenses of $4,923 and $1,491. Success Fees payable from the sale of the Malartic CHL Property of $4,290,000 reduced the gain on the sale reported in the first quarter. A reduction in the fair value of the Company’s investments of $741,149 and a reduction in the deferred taxes of $1,401,813 were also recorded in the quarter.

(6) For the quarter ended September 30, 2015, the Company reported revenues of $164,032 and a net loss of $4,681,337. Revenues included royalties of $48,492 earned on the 2% NSR and dividend of $115,540. The major expenses incurred in the quarter were as follows; a) professional fees of $72,773, b) salaries and employee benefits of $168,367, c) management fees of $24,000 d) office expenses of $12,729, e) royalty purchases and exploration expenses of respectively $63,573 and $502, f) Travel and advertising expenses of $3,160 and $1,757 and g) brokerage commissions of $3,125 paid on the sale of call options and net interest income of $10,570. A reduction in the fair value of the Company’s investments of $4,912,309 and a reduction in the deferred taxes of $406,356 were also recorded in the quarter.

(7) During the fourth quarter ended December 31, 2015, the Company reported net income of $893,754, mainly resulting from the net of the increase of $2,264,162 in the fair value of the investment in the shares of Agnico and Yamana in the fourth quarter and the increase in the deferred tax liabilities of $1,242,633. Other major components of the fourth quarter results are the following: i) royalty revenues of $28,198 and dividend income of $124,523, ii) executive salaries and director fees, paid or accrued, including employer contribution to governmental plans of $151,753, iii) professional fees of $52,236 composed of legal fees of $10,975, of other consulting fees, including administration and media relation, of $38,860 and Exchange, regulatory and transfer agent fees of $2,401, iv) management fees of $24,000 paid to Golden Valley pursuant to the Management Agreement and v) office expenses of $11,375.

(8) For a description of the results of the first quarter ended March 31, 2016, please see section Results of Operations above.

<u>Liquidity and Capital Resources</u>

As at March 31, 2016, the Company had cash of $1,784,547 and working capital of $751,966 compared to cash of $1,697,573 and a working capital deficiency of $1,886,519, at December 31, 2015. The working capital deficiency related to the success fees liability which has been reversed in the current quarter.

The Company's objectives in managing its capital are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may issue new shares to improve its financial performance and flexibility. The Company's capital is composed of its shareholders' equity. The Company is not subject to any externally imposed capital requirements. The Company has not declared or paid any dividends, other than as disclosed under the section "Company Overview, Nature of Operations, and Overall Performance" above.

As at March 31, 2016, shareholders' equity amounted to $31,873,968 compared to $19,995,991 at December 31, 2015. Shareholder's equity increased mainly as a result of the increase in fair value of the Company's investment and the reversal of the success fees liability. (Refer to "Results of Operations" and "Summary of Quarterly Results" above). The Company's investment policy is to keep its cash treasury on deposit with a Canadian chartered bank.

<u>Contractual Obligations</u>

a) <u>Management and Administrative Services Agreement</u>

Golden Valley and the Company entered into a Management and Administrative Services Agreement dated October 1, 2010 (the "**Management Agreement**"), pursuant to which Golden Valley has agreed to provide certain administrative, management and financial services to the Company, in consideration of a fee of $96,000 per year ($8,000 per month).

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.

Effective July 1, 2013, Golden Valley agreed to suspend the payment of the management fee so as to allow the Company to conserve cash for its operations, notwithstanding that Golden Valley continued to provide the services under the agreement. On April 1, 2014, the Company resumed payment of management fees.

The Company entered into an amending agreement (the "**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.

b) Management Success Fees Agreement

On May 27, 2014, (as subsequently amended and restated and further amended), Abitibi Royalties 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". This agreement provides that upon the Company completing a transaction or series of transactions (in either case, a "**Transaction**") pursuant to which:

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

the Company will cause its auditor or financial advisor 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 and/or its key consultants and/or members of the Company's board. After a consultation with Abitibi Royalties' 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.

Effective March 11, 2016, the Board of Directors terminated the Management Success Fees Agreement with no further amounts payable. In March 2016, the liability of $4,157,110 representing the unpaid balance of the success fee has been reversed.

Off balance Sheet Arrangements

The Company has no off balance sheet arrangements as at March 31, 2016 or as at the date of this MD&A.

Commitments and Proposed Transactions

As of the date of this MD&A, there are no undisclosed pending proposed transactions that would materially affect the performance or operation of the Company.

Related Party Transactions

Transactions with Golden Valley:

In accordance with the terms of the Management Agreement the Company paid management fees of $24,000 during the quarter ended March 31, 2016. For additional details with respect to the Management Agreement please refer to "Contractual Obligations" above.

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, 2016, the Company incurred geological fees of $3560 ($Nil for the period ended March 31, 2015). As at March 31, 2016, the Company had indebtedness of $4,887 ($Nil at March 31, 2015) to Golden Valley included in accounts payable and accrued liabilities.

In April 2016, after obtaining approval from the Exchange, the Company acquired from Golden Valley a 2% NSR on the Bogside Prospect, the Bogside NW and Riverside Prospects for $11,692.92.

Transactions with Executive officers and Directors:

Abitibi Royalties entered into a Management Success Fees Agreement with 2973090 Canada Inc., a company of which Glenn J. Mullan, the Chairman of the Board and a director of the Company, is the sole shareholder, director and officer, as the "Trustee". Pursuant to this agreement certain executive officers, directors and key consultants may receive a success fee based on the value of transaction realized by the Company. In January 2015, a third payment of $15,890 was made to certain officers, directors and consultants. In March 2016, the Board of Directors terminated the agreement with no further amount being payable. This agreement is described in "Contractual Obligations" above.

In accordance with its Executive Compensation Policy the Company has, during the three month periods ended March 31, 2016 and 2015, paid or accrued the following remuneration to its executive officers and directors:

	Quarters ended March 31, 2016	2015
Salaries	112,500	62,000
Meeting fees	30,000	8,629
Governmental levies	13,216	35,173
	155,716	105,802
Share-based remuneration	526,925	-
	682,641	105,802

In February and March 2016, the Company granted 583,365 RSU (of which 145,841 vested immediately, but not payable) to officers, directors and consultant for a value of 514,153. The market price of the Company shares at the time of grant was as follows: $3.00 for the first grant of 72,500 RSU and $3.70 for the second grant of 510,865 RSU. For more information about the RSU granted and the Company's RSU Plan refer to the Restricted Share Units section of this report.

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 approximately $2,000 per quarter). During the quarter ended on March 31, 2015, the Company has paid $1,985 ($1,975 in the quarter ended March 31, 2015) for the Toronto Property.

During the period ended on March 31, 2016, 1,059 (330,000 in the period ended March 31, 2015) incentive stock options were exercised by one officer. The exercise price of the options was $2.18. The share prices the day before the exercises were $3.00 and $3.05.

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, 2016 and 2015.

Executive Compensation Plan

The Company’s board of directors has adopted an Executive Compensation Plan upon recommendation from its Compensation and Corporate Governance Committee pursuant to which salaries for certain members of management and director fees payable to independent directors of the Company would commence accruing from June 1, 2013. The committee and the board also approved certain severance and bonus payments to management in the event of a change of control, as well as success fees payable in the event of successful completion of transactions by the Company meeting the particular criteria outlined in the plan. See “Contractual Obligations” above.

CAPITAL STOCK

Authorized

The Company is authorized to issue an unlimited number of common shares without nominal or par value and an unlimited number of preferred shares without nominal or par value, issuable in one or more series with restrictions as determined by the Company’s board of directors.

Issued and Outstanding

The following details the issued and outstanding securities of the Company as at the date of this MD&A:

	Total outstanding	Escrowed
Common shares	10,878,327	Nil
Preferred shares	Nil	Nil
Warrants	Nil	Nil
Incentive stock options	1,223,919	Nil
Restricted Share Units	583,365	Nil

In January 2016, 755 common shares were issued pursuant to the exercise of incentive stock options at a price per share of $2.18.

In February 2016, 304 common shares were issued pursuant to the exercise of incentive stock options at a price per share of $2.18.

Normal Course Issuer Bid ("NCIB").

On October 2, 2015, the Company received the Exchange acceptance of its notice to commence a normal course issuer bid ("NCIB"). This approval allows the Company to purchase back up to 546,300 of its common shares (representing 5% of the Company's total issued and outstanding common shares as of September 21, 2015) from October 6, 2015 to October 5, 2016. Common shares that will be purchased under the NCIB will be cancelled. From January 1 to March 31, 2016, the Company had repurchased and cancelled 35,700 of its common shares at prices varying from $2.90 to $4.12 for a total of

$118,380. In 2016, as of the date of this report, 52,100 common shares had been cancelled for a total cost of $181,805.

Incentive Stock Options

The Company 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 Eligible Persons (as such term is defined in the New Plan) 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 shares 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 was approved by each of the Exchange and the disinterested shareholders of the Company at the Company's annual general meeting of shareholders which was held on June 30, 2014.

No incentive stock options were granted during the quarter ended March 31, 2016. The particulars of the outstanding incentive stock options at the date of this report are as follows:

Number	Exercise Price	Expiration date
457,916	2.50	September 29, 2016
587,500	0.55	September 27, 2018
98,503	2.18	June 2, 2019
60,000	3.62	September 15, 2019
20,000	3.70	September 17, 2019
1,223,919		

Restricted Share Units

The Company's Board of Directors has implemented a Restricted Share Unit Plan (the "RSU Plan"), which provides that restricted share units ("Share Units") may be granted by the Company's Compensation and Corporate Governance Committee (the "Committee") to executive officers, directors, bona-fide full or part-time employees and consultants (each a "Participant") as a bonus or similar payment in respect of services rendered or otherwise as compensation, including as an incentive for future performance, or in satisfaction of dividends declared by the Company and payable to Participants. The aggregate number of common shares issuable pursuant to Share Units granted under the RSU Plan will not, at any given time, exceed 896,769 common shares, among other limits with respect to individual grants under the RSU Plan. At the time Share Units are granted to a Participant, the Committee will determine any time-based or other conditions as to the vesting of the Share Units and the expiry date (the "Expiry Date") for such Share Units. The Expiry Date of a Share Unit will be the tenth anniversary of its date of grant, unless the Committee determines an earlier date, or subject to accelerated expiry in the event of a change of control of the Company. As of the date of this report 583,365 RSU had been granted to officers, directors and consultant of the Company, as presented below:

Date of Grant	Market Price	RSU Granted	RSU Vested	Expiration Date
February 4, 2016	$ 3.00	72,500	18,125	February 4, 2019
March 16, 2016	$ 3.70	510,865	127,716	March 16, 2019
		583,365	145,841	

Financial Instruments and Other Instruments

The Company's financial instruments consist of cash, accounts receivable, and accounts payable and accrued liabilities. The Company's management manages the Company's financial risks. The Company does not enter into financial instrument agreements including derivative financial instruments for speculative purposes. The Company's main financial risk exposure and its financial risk management policies are as follows:

Credit risk

Credit risk relates to the risk that one party to a financial instrument will not fulfill some or all of its obligations, thereby causing the Company to sustain a financial loss. The main risk related to credit risk through cash which is managed by dealing with one reputable financial institution.

Liquidity risk

Liquidity risk management serves to maintain a sufficient amount of cash and cash equivalents and to ensure that the Company has the financial resources such as bank loans for a sufficient authorized amount. The Company establishes budget and cash estimates so as to ensure it has the necessary funds to fulfill its obligations. Accounts payable and accrued liabilities are due within less than 90 days.

The fair value of these financial instruments approximates their carrying value given their short-term maturity date. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

At March 31, 2016, the Company had cash in hand amounting to $1,784,547, sales taxes receivable of $30,902 from Canada Revenue Agency and Québec Revenue Agency combined and other receivables (dividend and interest) of $25,385. The Company had accounts payable and accrued liabilities of $1,094,686, (including the liability related to call option contracts) all of which are current liabilities of the Company.

CRITICAL RISKS INHERENT TO THE COMPANY'S BUSINESS

- **Investment of Speculative Nature**

Investing in the Company, at this early stage of its development, is of a highly speculative nature.

- **Nature of Mineral Exploration and Mining**

There is no known mineral resource on the Company's properties. Mineral exploration and development involves a high degree of risk, requires substantial expenditures and few properties that are explored are ultimately developed into producing mines.

- **Exploration and Development Risks**

Resource exploration and development is a speculative business, involving considerable financial and technical risks, including the failure to discover mineral deposits, market fluctuations and government regulations, which are beyond the control of the Company.

- **Additional Financing**

Future exploration and development activities will require additional equity and debt financing. Failure to obtain such additional financing could result in delay or indefinite postponement of exploration and development of the property interests of the Company.

- **Stress in the Global Economy and Financial Condition**

The adverse effects on the capital markets generally make the raising of capital by equity or debt financing much more difficult and the Company is dependent upon the capital markets to raise financing.

- **Permits and Licenses**

There can be no assurances that the Company will be able to obtain all necessary licenses and permits required to carry out exploration, development and mining operations for its proposed projects.

- **Competition**

The mineral exploration and mining business is competitive in all of its phases. There is no assurance that the Company will be able to compete successfully with the competition in acquiring suitable properties or prospects for mineral exploration.

- **No Assurance of Title to Property**

The Company's claims may be subject to prior unregistered agreements or transfers or third party and native land claims and title may be affected by undetected defects.

- **Dependence on Key Individuals**

The Company is dependent on a relatively small number of key personnel, the loss of any one of whom could have an adverse effect on the Company.

- **Environmental Risks for Current and Past Activities and other Regulatory Requirements**

The Company may be liable for environmental contamination and natural resource damages relating to properties that it currently owns, operates or have an interest in, or at which environmental contamination occurred while or before it owned, operated or acquired an interest in the properties. No assurance can be given that potential liabilities for such contamination or damages caused by past activities at these properties do not exist.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company.

Political Regulatory Risks

Any changes in government policy may result in changes to laws affecting the Company's ability to undertake exploration and development activities in respect of present and future properties.

- **Conflicts of Interest**

The directors and officers of the Company are also directors and officers of other companies, some of which are in the same business as the Company. This situation may result in conflicting legal obligations which may expose the Company to liability to others and impair its ability to achieve its business objectives.

- **Insurance**

The Company will remain at risk and will be potentially subject to liability for hazards associated with mineral exploration which it cannot insure against or which it has elected not to insure against because of premium costs or other reasons.

- **Influence of Third Party Stakeholders**

Claims by third parties on the lands in which the Company holds interests, or the exploration equipment and road or other means of access which the Company intends to utilize in carrying out work programs or general exploration mandates, even if not meritorious, may create delays resulting in significant financial loss and loss of opportunity for the Company.

- **Fluctuation in Market Value of Shares**

The market price of a publicly-traded stock is affected by many variables not directly related to the corporate performance of the entity. The future effect of these and other factors on the market price of the Company's shares on the Exchange cannot be predicted.

ADDITIONAL INFORMATION

Additional information about the Company may be obtained on SEDAR at www.sedar.com by accessing the Company's issuer profile.