

ABITIBI ROYALTIES INC.



**Interim Financial Statements
Second Quarter 2017**

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) Unaudited

	Notes	June 30, 2017 \$	December 31, 2016 \$
ASSETS			
Current			
Cash	6	7,257,514	2,060,171
Dividends and interest receivable	7	23,826	24,475
Sales taxes recoverable		9,921	11,701
Prepaid expenses		773	10,046
Total current assets		7,292,034	2,106,393
Non-current			
Exploration and evaluation assets	8	39,252	38,997
Investments	9	30,730,410	38,457,271
Total non-current assets		30,769,662	38,496,268
Total assets		38,061,696	40,602,661
LIABILITIES			
Current			
Accounts payable and accrued liabilities		100,372	159,073
Derivative financial instruments	9	432,988	489,131
Total current liabilities		533,360	648,204
Non-current			
Deferred tax liabilities		3,334,745	3,826,422
Total non-current liabilities		3,334,745	3,826,422
Total Liabilities		3,868,105	4,474,626
EQUITY			
Capital stock	10	7,377,373	7,300,142
Contributed surplus		2,884,351	3,179,193
Retained earnings		23,931,867	25,648,700
Total Equity		34,193,591	36,128,035
Total liabilities and equity		38,061,696	40,602,661

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 August 18, 2017

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

"Ian J. Ball"
(signed Ian J. Ball)
Director

Interim Statements of Comprehensive Income (Loss)

(In Canadian dollars)

	Notes	Three-month period ended		Six-month period ended	
		June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
		\$	\$	\$	\$
Revenues					
Royalties		-	-	-	1,542
Dividend		67,471	68,381	134,753	138,343
		<u>67,471</u>	<u>68,381</u>	<u>134,753</u>	<u>139,885</u>
Operating expenses					
Exploration expenses		-	285	280	285
Royalty purchase	8	-	19,243	20,977	41,193
Office expenses	13	12,524	11,096	26,068	20,712
Shared-based payments	11.2	134,984	-	268,484	526,925
Salaries and employee benefits expense	11.1	202,392	200,166	726,592	355,881
Travel and transport		9,178	7,340	9,538	7,786
Professional fees	14	99,827	136,568	188,132	246,295
Management fees	15	24,000	24,000	48,000	48,000
Advertising and promotion		13,259	-	15,494	2,500
Reversal of success fee liability	20	-	-	-	(4,157,110)
		<u>496,164</u>	<u>398,698</u>	<u>1,303,565</u>	<u>(2,907,533)</u>
Operating income (loss)		(428,693)	(330,317)	(1,168,812)	3,047,418
Financial costs (income)					
Interest income		(2,283)	(2,267)	(4,537)	(4,528)
Interest expense		275	146	455	405
Commissions		17,446	3,199	35,947	18,549
Foreign exchange gains		146,921	(11,038)	171,961	(117,010)
Change in fair value of financial assets at fair value through profit and loss	9	864,112	(16,744,208)	835,872	(25,875,495)
		<u>1,026,471</u>	<u>(16,754,168)</u>	<u>1,039,698</u>	<u>(25,978,079)</u>
Net income (loss) before income tax		(1,455,164)	16,423,851	(2,208,510)	29,025,497
Deferred income tax expense		<u>(250,675)</u>	<u>2,571,324</u>	<u>(491,677)</u>	<u>3,705,846</u>
Net income (loss) and comprehensive income (loss) for the period		<u>(1,204,489)</u>	<u>13,852,527</u>	<u>(1,716,833)</u>	<u>25,319,651</u>
Earnings (loss) per share					
Basic	12	\$ (0.11)	\$ 1.26	\$ (0.15)	\$ 2.31
Diluted	12	\$ (0.11)	\$ 1.16	\$ (0.15)	\$ 2.14
Weighted average number of common shares outstanding					
Basic	12	11,300,071	11,034,515	11,311,495	10,975,231
Diluted	12	11,300,071	11,966,185	11,311,495	11,820,450

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

Abitibi Royalties Inc.
Interim Statement of Changes in Equity

(In Canadian dollars) Unaudited

	Notes	Common shares outstanding Number	Capital Stock \$	Contributed Surplus \$	Retained earnings (deficit) \$	Total Equity (Deficiency) \$
Balance at January 1, 2017		11,336,243	7,300,142	3,179,193	25,648,700	36,128,035
Common shares issued upon the exercise of options	10.2	30,275	115,806	(49,807)		65,999
Common shares repurchased and cancelled	10.4	(59,800)	(38,575)	(513,519)		(552,094)
Restricted share units	11.3			268,484		268,484
Net income and total comprehensive income					(1,716,833)	(1,716,833)
Balance at June 30, 2017		11,306,718	7,377,373	2,884,351	23,931,867	34,193,591
Balance at January 1, 2016		10,929,368	5,358,952	2,849,709	11,787,330	19,995,991
Common shares issued upon the exercise of options	10.2	458,975	1,966,752	(819,653)		1,147,099
Common shares repurchased and cancelled	10.4	(52,100)	(25,562)	(156,243)		(181,805)
Restricted share units	11.3			526,925		526,925
Net income and total comprehensive income					25,319,651	25,319,651
Balance at June 30, 2016		11,336,243	7,300,142	2,406,738	37,106,981	46,807,861

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

Interim Statements of Cash Flows

(In Canadian dollars)

	Notes	Three-month period ended		Six-month period ended	
		June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
		\$	\$	\$	\$
OPERATING ACTIVITIES					
Net income (loss)		(1,204,489)	13,852,527	(1,716,833)	25,319,651
Adjustment					
Share-based payments		134,984	-	268,484	526,925
Reversal of success fee liability		-	-	-	(4,157,110)
Change in fair value of financial assets and liabilities		864,112	(16,744,208)	835,872	(25,875,495)
Deferred income tax expense		(250,675)	2,571,324	(491,677)	3,705,846
Changes in working capital items					
Sales taxes recoverable		6,560	16,141	1,780	(5,796)
Receivables		8,789	1,565	649	52,930
Prepaid expenses		4,636	4,987	9,273	9,974
Accounts payable and accrued liabilities		(338,849)	(57,156)	(58,751)	(20,074)
Cash flows from operating activities		(774,932)	(354,820)	(1,151,203)	(443,149)
INVESTING ACTIVITIES					
Additions to exploration and evaluation assets		-	-	(205)	(3,560)
Disposal of investments		-	-	6,098,350	(15,890)
Payment of success fee		-	-	-	(19,450)
Cash flows from investing activities		-	-	6,098,145	(19,450)
FINANCING ACTIVITIES					
Issuance of capital stock		65,999	1,144,790	65,999	1,147,099
Capital stock repurchased and cancelled		(89,277)	(63,424)	(552,094)	(181,805)
Disposal of derivative financial instruments		320,503	36,343	736,496	347,168
Cash flows from financing activities		297,225	1,117,709	250,401	1,312,462
Net decrease in cash and cash equivalents		(477,707)	762,889	5,197,343	849,863
Cash and cash equivalents, beginning of period		7,735,221	1,784,547	2,060,171	1,697,573
Cash and cash equivalents, end of period		7,257,514	2,547,436	7,257,514	2,547,436
Additional cash flow information (Note 16)					
Cash transactions:					
Interest received related to operating activities:		2,283	2,267	4,537	4,528

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

Abitibi Royalties Inc.

Notes to Interim Financial Statements

June 30, 2017 and 2016

(In Canadian dollars)

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 six months and three month periods ended June 30, 2017 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, 2016. 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, 2016.

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 #530 - 355 Burrard Street, Vancouver, B.C. V6C 2G8. 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, 2016.

4.2 - Functional and presentation currency

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

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, 2016.

Notes to Interim Financial Statements

June 30, 2017 and 2016

(In Canadian dollars)

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 six month period ended June 30, 2017 and during the year ended December 31, 2016.

6 - CASH AND CASH EQUIVALENTS

	June 30, 2017	December 31, 2016	June 30, 2016
	\$	\$	\$
Cash	7,257,514	2,060,171	2,548,953
	<u>7,257,514</u>	<u>2,060,171</u>	<u>2,548,953</u>

7 - RECEIVABLES

	June 30, 2017	December 31, 2016	June 30, 2016
	\$	\$	\$
Dividend receivable	23,073	23,700	23,073
Receivable from related Companies	-	-	-
Interest and other receivables	753	775	747
	<u>23,826</u>	<u>24,475</u>	<u>23,820</u>

8 - ROYALTY INTERESTS**8.1 - Main royalty interests****Malartic CHL 3% Royalty - Malartic, Quebec**

The area covered by the 3% net smelter royalty ("NSR") is located immediately east of the current Canadian Malartic Mine open pit operated by Canadian Malartic GP (50% owned by Agnico Eagle Mines Limited ("Agnico Eagle") and Yamana Gold Inc. ("Yamana"). The 3% net smelter royalty covers a number of known mineralized zones; the eastern part of the Barnat Extension, the Jeffrey Zone, the Norrie Zone (part of the East Malartic Mine that is not in production), Odyssey North, the extreme northwest portion of Odyssey South and the Company believes the majority of the recently published assays results from the Internal Zones. No value for accounting purposes has been assigned to the 3% NSR royalty.

Canadian Malartic 2% Royalty - Malartic, Quebec

The area covered by the 2% NSR is on a single claim located just to the south of the Canadian Malartic open pit, and covers the eastern portion of the Gouldie Zone and the historic Charlie Zone. Production on this 2% net smelter royalty area started in 2014 and stopped at the end of June 2015.

Abitibi Royalties Inc.

Notes to Interim Financial Statements

June 30, 2017 and 2016

(In Canadian dollars)

8.2 - Other royalty interests

Abitibi Royalty Search

On June 9, 2015, the Company launched the "Abitibi Royalty Search Program", by which it would reimburse a company for the renewal fees on existing claims or staking fees on new claims and will receive in exchange a net smelter return royalty. The program offers junior mining companies and prospectors 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. In the first six month period ended June 30, 2017, the Company has invested \$20,977 (\$41,193 in 2016) to acquire NSR royalties in three projects; one in Saskatchewan and two in Ontario. These amounts were expensed in the corresponding years because the Company does not expect to receive royalty income in the foreseeable future.

9 - EXPLORATION AND EVALUATION ASSETS

Luc Bourdon Prospect - James Bay, Ontario

The Luc Bourdon Prospect was 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 owns a 100% interest in the Luc Bourdon Prospect located in the lowland region of James Bay, Ontario. The Company is seeking new partnerships to fund future exploration programs and, if warranted by the results, to further develop the Luc Bourdon Prospect.

10 - INVESTMENTS

	June 30, 2017		December 31,	June 30,
	Number of shares	Fair value	2016	2016
		\$	\$	\$
Yamana Gold Inc ("Yamana")	3,549,695	11,110,545	13,382,350	23,853,950
Agnico Eagle Mines Limited ("Agnico")	335,497	19,619,865	25,074,921	30,711,781
		30,730,410	38,457,271	54,565,731

Investments are presented at their fair value.

Sale of Agnico Eagle Shares

On January 20, 2017, the Company was called to deliver 108,700 shares of Agnico from the covered call options it had sold. For more details refer to Derivative financial instruments section below.

Derivative financial instruments

In the first six months ended June 30, 2017, the Company sold 22,684 (11,346 in 2016) call/put option contracts (1,678 calls and 3,258 puts on Agnico Eagle shares and 17,748 calls on Yamana) for total cash proceeds of \$736,496 (\$451,318 in 2016). During the same period, 14,425 (None in 2016) option contracts (calls and puts combined) expired (588 calls and 2,172 puts on Agnico Eagle and 11,665 calls on Yamana) and 1,087 (None in 2016) option contracts were exercised (All on Agnico Eagle as stated below).

On January 20, 2017, the Company was called to deliver 108,700 shares of Agnico (43,600 at US \$45 and 65,100 at US \$40) and received, net of commission paid, CA \$6,071,202 (using a conversion rate of 1.33) from the covered call options it had sold. None of the other covered call options expiring on January 20, 2017 have been called.

Notes to Financial Statements

June 30, 2017 and 2016

(In Canadian dollars)

Derivative financial instruments (continued)

The total call/put options outstanding at June 30, 2017 and December 31, 2016 are as follows:

	Expiry date	Number of shares	Exercise price range (USD)	Market value (CAD) at	
		under option June 30,2017		June 30,2017	December 31, 2016
			\$	\$	\$
Calls					
Yamana	January 20, 2017	-	4.50 to 12.00	-	15,954
Yamana	January 19, 2018	1,832,900	5.00 to 10.00	124,827	128,780
Yamana	January 18, 2019	480,800	5.00 to 7.00	93,530	-
Agnico	January 20, 2017	-	40.00 to 55.00	-	344,397
Agnico	January 19, 2018	167,800	60.00 to 85.00	76,694	-
Puts					
Agnico	August 18, 2017	108,600	39.00 to 44.00	137,937	-
		<u>2,590,100</u>		<u>432,988</u>	<u>489,131</u>

11 - EQUITY**11.1 - 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.

11.2 - Options exercised

During the first six months ended on June 30, 2017, the Company issued 30,275 (2016 - 458,975) of its common shares for a total consideration of \$65,999 (2016 - \$1,147,099) from the exercise of stock options at prices of \$2.18 (2016 - \$2.18 for 1,059 shares and \$2.50 for 457,916 shares) per share. The capital stock increased from the \$65,999 (2016 - \$1,147,099) in cash received plus \$49,807 (2016 - \$819,653) transferred from the contributed surplus representing the fair value of the options.

11.3 - Normal Course issuer Bid

On October 2, 2015, the Company received the Exchange acceptance of its notice to commence a normal course issuer bid ("NCIB"). This approval allowed the Company to purchase 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. On October 6, 2016, the Company renewed its NCIB for another year until October 5, 2017. This new approval allows the Company to purchase back up to 566,812 of its common. Common shares that will be purchased under the NCIB will be cancelled.

Abitibi Royalties Inc.

Notes to Financial Statements

June 30, 2017 and 2016

(In Canadian dollars)

11.3 - Normal Course issuer Bid (continued)

During the six month period ended June 30, 2017, the Company had repurchased and cancelled 59,800 (2016 - 52,100) of its common shares at prices varying from \$9.03 to \$9.30 (2016 - from \$2.90 to \$4.15) for a total of \$552,094 (2016 - 181,805).

12 - EMPLOYEE REMUNERATION

12.1 - Salaries and employee benefits expense

The Company has implemented an Executive Compensation Policy which approved certain amounts being paid and accrued to directors and officers. The Company's executives receive 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 and Restricted Share Units. The Company does not offer any other benefits or perquisites to its directors and executive officers. Also refer to Note 17.2 for further information.

The Chairman of the Board and the President and CEO of the Company are subject to Executive Employment Agreements ("Employment Agreements") which define their current remuneration and benefits. The Employment Agreements also provide for market standard payments on termination of employment without cause or following a change of control which could amount to twice base salary and bonus, continuation of benefits and certain vesting acceleration clauses on restricted shares units and options.

12.2 - Share-based payments

The Company has adopted a 20% fixed option plan (the "New Plan") in 2013. Pursuant to the New Plan, options, for an aggregate total of 1,740,200 common shares, (representing 20% of the issued number of common shares outstanding at the time) 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").

There has been no incentive stock option issued in the six month periods ended June 30, 2017 and June 30, 2016.

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

Notes to Financial Statements

June 30, 2017 and 2016

(In Canadian dollars)

12.2 - Share-based payments (continued)

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

	2017		2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at January 1	766,003	\$ 1.08	1,224,978	\$ 1.61
Granted	-	-	-	-
Exercised	(30,275)	2.18	(458,975)	2.50
Cancelled	-	-	-	-
Outstanding at June 30	<u>735,728</u>	<u>1.04</u>	<u>766,003</u>	<u>1.08</u>
Exercisable at June 30	<u>735,728</u>	<u>1.04</u>	<u>766,003</u>	<u>1.08</u>

The weighted average share price at the date of exercise was \$9.02 (\$5.66 in 2016).

The table below summarizes the information related to outstanding share options as at June 30, 2017 and 2016:

Range of exercise price	2017		2016	
	Outstanding options		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	1.24	587,500	2.24
\$1.01 to \$3.00	68,228	1.92	98,503	2.92
\$3.01 to \$4.00	80,000	2.22	80,000	3.21
	<u>735,728</u>		<u>766,003</u>	

Abitibi Royalties Inc.

Notes to Financial Statements

June 30, 2017 and 2016

(In Canadian dollars)

12.3 - Restricted Share Unit Plan

The Company's Board of Directors has implemented a RSU (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, 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 granted will be the third 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 June 30, 2017, 583,365 Share Units had been granted (Same at June 30, 2016).

	June 30, 2017	June 30, 2016
Units Granted	<u>583365</u>	<u>583365</u>
Units Vested	<u>291682</u>	<u>145841</u>
Units Forfeited	<u>-</u>	<u>-</u>
Outstanding at June 30, 2017 and 2016	<u>583,365</u>	<u>583,365</u>

In February and March 2016, the Company granted 583,365 RSU to officers, directors and consultant of which 145,841 vested immediately. 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. Expiration dates for the two grants were respectively February 4, 2019 and March 16, 2019. Of the RSU granted, 25% vested on the date of grant and then an additional 25% will vest on each anniversary date of grant. The total compensation related to the 2016 grants is \$2,107,701 of which the Company recognized an amount of \$1,305,380 in 2016 and will recognize an amount of \$541,418 in 2017 (\$268,484 in the first semester) in the statement of comprehensive income. None of the RSU vested were converted to common shares as at June 30, 2017 and 2016.

13 - EARNINGS (LOSS) PER SHARE

	Quarter ended	Six months ended	
	June 30, 2017	June 30, 2017	June 30, 2016
Net income (loss) for the period attributable to shareholders	<u>\$ (1,204,489)</u>	<u>\$ (1,716,833)</u>	<u>\$ 25,319,651</u>
Weighted average number of common shares outstanding - basic	11,300,071	11,311,495	10,975,231
Dilutive effect of stock options			<u>845,219</u>
Weighted average number of common shares outstanding - diluted	<u>11,300,071</u>	<u>11,311,495</u>	<u>11,820,450</u>
Basic earnings (loss) per share	<u>\$ (0.11)</u>	<u>\$ (0.15)</u>	<u>\$ 2.31</u>
Diluted earnings (loss) per share	<u>\$ (0.11)</u>	<u>\$ (0.15)</u>	<u>\$ 2.14</u>

Abitibi Royalties Inc.

Notes to Financial Statements

June 30, 2017 and 2016

(In Canadian dollars)

13 - EARNINGS (LOSS) PER SHARE (continued)

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 June 30, 2017 and 2016.

At June 30, 2017, potential dilutive common shares such as stock options and RSU, have not been included in the calculation as they would result in a reduction of the loss per share. At June 30, 2016, all outstanding stock options and vested RSU were considered in the calculation of the diluted earnings per share.

14 - PROFESSIONAL FEES

	Three months June 30, 2017	Six months June 30, 2017	Six months June 30, 2016
	\$	\$	\$
Audit, tax and accounting fees	16,585	28,676	48,048
Legal fees	35,267	41,956	88,093
Exchange, regulatory and transfer agent fees	9,346	38,764	39,016
Consultants	38,629	78,736	71,138
	<u>99,827</u>	<u>188,132</u>	<u>246,295</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 "Trading Date").

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.

Abitibi Royalties Inc.

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15 - MANAGEMENT FEES (continued)

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.

For the six months ended June 30, 2017, the Company has paid management fees of \$48,000 (2016 - \$48,000) to Golden Valley.

16 - ADDITIONAL CASH FLOW INFORMATION

Non-cash activities:

	June 30,	
	2017	2016
	\$	\$
Accounts payable and accrued liabilities included in exploration and evaluation assets	50	184

17 - RELATED PARTY TRANSACTIONS

17.1 - Transactions with the parent company

During the six month period ended June 30, 2017, the Company was charged \$48,000 for services received from Golden Valley pursuant to the Management Agreement (\$48,000 for the six months ended June 30, 2016). For more information about the management fees refer to Note 15 - Management Fees .

The Company's CFO is being remunerated by Golden Valley through the management fees. For the six months ended June 30, 2017 the CFO remuneration derived from the management fees amounted to \$43,002 (2016- \$4,000).

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 six months period ended June 30, 2017, the Company incurred geological fees in the amount of \$1,310 (2016 - \$4,419) of this amount \$255 was included in exploration and evaluation assets. As at June 30, 2017, the Company had net indebtedness of \$3,189 (2016 - \$5,060) to Golden Valley of which \$825 (2016 - \$468) were for geological services.

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.

Abitibi Royalties Inc.

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17.2 - Transactions with key management

Key management personnel of the Company are the members of the board of directors, as well as the President and Chief Executive Officer and the Chief Financial Officer. In accordance with its Executive Compensation Policy the Company has, during the six month periods ended June 30, 2017 and 2016, paid or accrued salaries as shown in the table below:

	Six months ended June 30,	
	2017	2016
	\$	\$
Salaries and benefits	272,500	231,055
Bonus (1)	247,500	-
Meeting fees	75,000	60,000
Additional cash amounts (2)	87,750	-
Payroll levies (3)	43,842	64,826
	<u>726,592</u>	<u>355,881</u>
Share-based compensation (4)	268,484	526,925
	<u>995,076</u>	<u>882,806</u>

(1) In April 2017, the Board of Directors approved bonuses totaling \$247,500 for the Chairman of the Board (\$101,250) and the President and Chief Executive Officer (\$146,250) based on their performance in 2016.

(2) Also in April, for the first quarter ended March 31, 2017, the Board of Directors approved additional cash payments (\$87,750) to directors, the Chairman of the Board, the President and Chief Executive Officer, the Chief Financial Officer and two consultants.

(3) The payroll levies are the Company's contributions to mandatory governmental benefits plans related to salaries, meetings fees and taxable benefits on exercise of incentive stock options.

(4) The share-based compensation amount of \$268,484 is the part of the cost of the RSU granted in 2016 that is allocated to the first six month period of 2017.

In February and March 2016, the Company granted 583,365 RSU (of which 145,841 vested immediately) 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 Note 12.3.

The president and Chief Executive Officer is using his 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 six month period ended on June 30, 2017, the Company has paid \$3,807 (2016 - \$3,749) for the Toronto office.

During the six month period ended on June 30, 2017, 30,275 incentive stock options were exercised at an exercise price of \$2.18. The share price the day before the exercise was \$9.02.

During the same period in 2016, 458,975 incentive stock options were exercised. The exercise prices of the options were as follows: 1,059 at \$2.18 and 457,916 at \$2.50. The share price the day before the exercises was \$3.00 and \$3.05 for the \$2.18 options and \$5.67 for the \$2.50 options.

Abitibi Royalties Inc.

Notes to Financial Statements

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17.2 - Transactions with key management (continued)

The Company entered into an agreement with 2973090 Canada Inc., a company owned and controlled by Glenn J. Mullan, the Company's Chairman of the Board, 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. In January 2016 a payment of \$15,890 has been made under this agreement (no disbursement was made as of March 31, 2015). On March 11, 2016, the Board made the decision to terminate the agreement, for more information on this agreement refer to Note 20.

As at June 30, 2017, accounts payable and accrued liabilities included a total of \$5,581 (2016 - \$1,449) due to related parties.

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 six month period ended June 30, 2017 and 2016.

18 - CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company's objectives in managing capital is to safeguard its ability to continue its operations, to increase the value of the assets of the business and to provide an adequate return to owners. These objectives will be achieved by identifying and acquiring the high potential royalty rights. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares to improve its financial performance and flexibility.

The Company monitors capital on the basis of the carrying amount of equity. Capital for reporting period under review is summarized in Note 11 and in the statement of changes in equity. The Company is not subject to any externally imposed capital requirements.

19 - COMMITMENTS

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

20 - MANAGEMENT SUCCESS FEES AGREEMENT (cancelled on March 11, 2016)

On May 27, 2014, (as subsequently amended and restated and further amended) 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 Chairman of the Board of the Company. This agreement provides that upon the Company completing a transaction or series of transactions the amount of the success fee payable will be determined based on the value of the transaction.

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 was to be payable in one or more payments, from time to time as and when the Company would have the funds available to do so, as determined by its Board of Directors, in accordance with the Management Success Fees Agreement. A first tranche of \$75,000 was paid in August 2015 and a second tranche of \$42,000 in November 2015. The Company and the Trustee had agreed, however, that portions of the remaining \$790,000 (the "Contingent Amount") would become payable in the same way but only as Proven and Probable Reserves were 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 had not already become payable would be paid on the Change of Control.

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(In Canadian dollars)

Termination of Management Success Fees Agreement

Effective March 11, 2016, the Board of Directors terminated the Management Success Fees Agreement. Prior to its termination an amount of \$132,890 (including an amount of \$15,890 paid in January 2016) was paid out under the terms of the Management Success Fees Agreement, with no further amounts payable. Following this termination the remaining liability of \$4,157,110 has been reversed in the first quarter of 2016.