ABITIBI ROYALTIES INC.

Management’s Discussion and Analysis for the three months ended March 31, 2018

INTRODUCTION

The following Management’s Discussion and Analysis (“MD&A”) reviews the financial position and results of operations of Abitibi Royalties Inc. (TSX-V: RZZ, hereinafter “Abitibi Royalties” or the “Company”) for the first quarter ended March 31, 2018. It should be read in conjunction with the unaudited financial statements and notes thereto for the three months ended March 31, 2018, and with the audited financial statements for the year ended December 31, 2017 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 22, 2018.

FORWARD-LOOKING INFORMATION

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.

NATURE OF OPERATIONS

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

The Company was incorporated on February 18, 2010, pursuant to the *Business Corporations Act* (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.

On November 2, 2016, following a request from the TSX Venture Exchange, the issuer status of the Company changed from a Tier 2 Mining Issuer to a Tier 2 Investment Issuer.

PROPERTY INTEREST

Malartic CHL 3% NSR 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% NSR covers a number of known mineralized zones; the eastern part of the Barnat Extension, the Jeffrey Zone and portions of the East Malartic and Odyssey Projects. No value for accounting purposes has been assigned to the 3% NSR royalty.

Canadian Malartic 2% NSR 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 the 2% net smelter royalty area started in 2014 and total royalty payments of $348,795 were received. Canadian Malartic GP reported that mining at the Gouldie deposit stopped at the end of June 2015.

Abitibi Royalty Search

In 2015, the Company launched the “Abitibi Royalty Search”, by which it would reimburse renewal fees on existing claims or staking fees on new claims and will receive in exchange a net smelter return royalty. The program offers 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 close to an existing mine, have good geology and signs of mineralization through previous exploration. Since the program has been launched, the Company invested a total of $194,376 in 13 projects located in Canada, in the provinces of Ontario, Quebec and Saskatchewan, and in Turkey. These amounts were expensed in the corresponding years because the Company does not expect to receive royalty income in the foreseeable future.

Luc Bourdon Prospect

The Luc Bourdon Prospect (the "Bourdon Prospect") was acquired from Golden Valley Mines Ltd. ("Golden Valley"), a controlling shareholder of the Company, 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 Prospect.

RECENT DEVELOPMENTS

Canadian Malartic Mine 3% NSR Royalty

The information contain herein is derived from information released by the Agnico Eagle and Yamana Gold, who jointly operates the Canadian Malartic Mine (the "mine operators"). Abitibi Royalties holds a 3% NSR on the portions of the Odyssey and East Malartic Projects that are within the Malartic CHL Property, which is located east of the Canadian Malartic open pit. The Company's 3% NSR also covers the Jeffrey Zone and the eastern portion of the Barnat Extension. Mr. Glenn Mullan, Chairman, is the Qualified Person (as defined in National Instrument 43-101 – Standards of Disclosure for Mineral Projects) who has reviewed the following based on the data provided and is responsible for the technical information reported herein.

a) Odyssey Exploration update

Exploration is currently focusing on infilling the near-surface portion of the deposit in Odyssey South. Recent drilling on the Odyssey South Zone returned several significant intersections that confirm its favourable geological setting apart from the current mineral resource area, confirm the grade of the mineral resources and appear to Management that the size of the zone could increase.

Recent drill intercepts from Odyssey South, include hole ODY18-5198 that intersected 18.5 g/t gold (capped at 20.0 g/t gold or 39.1 g/t uncapped) over 2.8 metres at 273 metres depth and hole ODY18-5202 that intersected 2.4 g/t gold over 8.3 metres at 369 metres depth. These drill results, in addition to maps provided by the mine operators, indicate that the mineralized envelope has expanded approximately 400 metres to the northwest and closer to surface, appearing to further extend the Odyssey South Zone into the area where Abitibi Royalties holds a 3% NSR. Definition and expansion drilling will continue in the coming quarters to increase confidence in the grade and zone geometry. Please see news release dated May 7, 2018 for additional details.

b) East Malartic Exploration Update

At the East Malartic Project, the mine operators are exploring three mineralized zones with distinct geology that appear to come together beneath and to the east of the Canadian Malartic open pit. The East Malartic and Sladen zones extend from beneath the open pit eastward to beneath the Odyssey North Zone, while the Sheehan Zone lies immediately north of East

Malartic and Sladen in a shear zone including porphyritic intrusives and ultramafic volcanic rocks. Both the East Malartic and Sladen zones are related to the Sladen fault that also includes Canadian Malartic Mine mineralization (to the west) and the Odyssey North Zone (to the east).

Among the most promising intercepts in the Sheehan Zone from the 2017 drill program believed to be within the area covered by the Company's 3% NSR include hole MEV17-SH-1005 that intersected 3.5 g/t gold over 21.2 metres at 338 metres depth, including 9.5 g/t gold over 5.8 metres.

In the East Malartic Zone, there were also promising results in 2017 that are believed to be covered by the Company's 3% NSR, including hole MEV17-EA-2002WA that intersected 2.2 g/t gold over 18.0 metres at 962 metres depth**.** Hole MEV17-012A intersected both the Sheehan and East Malartic Zones, returning 3.3 g/t gold over 7.9 metres, including 6.4 g/t gold over 2.8 metres at 360 metres depth and 3.9 g/t gold over 3.2 metres, including 5.2 g/t gold over 2.1 metres at 475 metres.

c) Development activities

i. Barnat Extension

The Barnat Extension project (which includes the Jeffrey Zone) continues to progress on schedule and on budget. Based on the production schedule provided by the mine operators, Abitibi Royalties anticipates royalty cash flow potentially commencing in Q4 2018 (Please see news release dated March 19, 2018 for 3-year royalty production schedule).

ii. Odyssey South and East Malartic Zones

Permitting activities are underway for an exploration ramp to provide underground access to the shallower portions of the Odyssey South and East Malartic zones. Development of the ramp, which will provide access for underground drilling and collection of a bulk sample, is anticipated to begin in late 2018. The goal of the underground development program is to provide higher grade feed to the Canadian Malartic mill and extend the current mine life. The Company's NSR's apply to any bulk sample or other form of production from the property.

Near Pit Targets (2-3% NSR)

Agnico Eagle has stated that it is evaluating several potential opportunities (which have not been approved) at a number of existing operations to enhance its production profile in 2019 through 2022. The near pit zones around the Canadian Malartic open pit and Odyssey South were identified as possible opportunities. The Company holds an NSR on several near pit zones that were previously outlined by the mine operators that include the eastern portion of the Gouldie Zone (2% NSR), Charlie Zone (2% NSR), eastern portion of the Barnat Extension/Barnat South Wall Contact (3% NSR), Sheehan Zone (3% NSR) and the extreme southwest portion of Odyssey South, as last communicated by the mine operators (3% NSR).

Please refer to the Company's news release dated March 19, 2018 for resources estimates pertaining to the Company's royalty interests at the various Near Pit Targets (as of December 31, 2017).

Canadian Malartic Mine Exploration Budget

The 2018 exploration program consists of 140,000 metres of drilling with a budgeted cost of US$17.2 million, including 80,000 metres for valuation in the upper and middle parts of the East Malartic Zone.

Legal Proceeding Update

The mine operators have disclosed various legal proceedings against the Canadian Malartic Mine in their respective regulatory filings. Should any of the legal proceedings be successful against the Canadian Malartic Mine, there is a risk that there could be a reduction in future production, which could potentially impact future royalty payments to Abitibi Royalties, although such impact, if any, is not known at this time. For more information please refer to Agnico Eagle and Yamana Gold's Q1 2018 Management's Discussion and Analysis.

DISCUSSION AND RESULTS OF OPERATIONS

		Three months ended March 31,		
		2018		2017
Total revenues	$	75,643	$	67,282
Operating expenses		434,295		807,400
Net loss		(1,951,099)		(512,344)
Net loss per share				
Basic	$	(0.17)	$	(0.05)
Diluted		(0.17)		(0.05)

		As at March 31, 2018		As at December 31, 2017
Total Assets	$	38,504,163	$	41,246,950
Total Liabilities		4,478,068		5,325,679

For the three months ended March 31, 2018, the Company reported a net loss of $1,951,099 (or $0.17 loss per share) compared to a net loss of $512,344 (or $0.05 loss per share) for the same period in 2017. The higher net loss for the first quarter of 2018 is mainly from the change in fair value of investments and derivative instruments in the common shares of Agnico Eagle and Yamana in the amount of $2,031,247, offset by lower salaries and employee benefits expense.

Total Assets decreased from $41,246,950 to $38,504,163 as a result of unrealized losses in the amount of $2,733,239 on the fair market value of the Company's investments in the common share of Agnico Eagle and Yamana.

Total Liabilities also decreased from $5,325,679 to $4,478,068 due to reduction on the deferred tax liability and the liability relating to the derivative financial instruments. Deferred income tax is impacted by the change in the fair value of the Company's investments in the common shares of Agnico Eagle and Yamana as the tax cost on these investments is low compared to the market value of those common shares. The decrease in the liability relating to the derivative financial instruments is mainly from the expiry of the option contracts with no further obligations to the Company.

Revenues

For the three months ended March 31, 2018, the Company recognized revenues of $75,643 relating to dividends earned from the Company's investment in the common shares of Agnico Eagle and Yamana, compared to dividends of $67,282 for the same period in 2017. Premiums received the sale of options are not treated as revenue.

Operating Expenses

For the three months ended March 31, 2018, the Company recorded operating expenses of $434,295 compared to $807,400 for the same period in 2017.

The decrease in operating expenses is due to lower salaries and other employee benefit expense of $219,739 (compared to $524,200 for 2017) as the fiscal 2016 performance bonuses of $247,500 and additional cash award of $87,500, as a substitute for stock options or restricted share units, were awarded to officers, directors and consultants in the first quarter of 2017. Performance bonuses for fiscal 2017 was recognized in the fourth quarter of 2017. In addition, share-based compensation allocated for the first quarter of 2018, relating to the restricted share units granted in 2016, was lower in the amount of $55,923 compared to $133,500 for the first quarter of 2017. These decreases were offset by higher professional fees in the first quarter of 2018 as a consultant of the Company previously remunerated by Golden Valley, through the management fees under Management Services Agreement, is now remunerated by the Company. As the Management Services Agreement was terminated effective January 1, 2018, the Company assumed these professional fees, along with other costs relating to office space and administrative support. Consequently, the management fees of $8,000 per month were discontinued effective January 1, 2018.

Other costs

For the three months ended March 31, 2018, the Company recorded other costs of $1,935,255 compared to $13,228 for the same period in 2017. The increase in other costs is due to recognizing an unfavourable change in fair value of investment in the amount of $2,031,247 compared to favourable change of $28,239 for the same period in 2017. The unfavourable change in fair value of investments primarily relates to the unrealized losses in the amount of $2,733,239 on the fair market value of the Company's investments in the common shares of Agnico Eagle and Yamana.

The Company is also subject to fluctuation in the exchange rate with the US Dollar resulting in a foreign exchange gain of $100,901 for the three months ended March 31, 2018 compared to a foreign exchange loss of $25,040 for the same period in 2017. As at March 31, 2018, cash in US dollars included US$2,834,497, representing $3,654,800 of the total of $5,039,502 when converted into Canadian dollars. The US dollar has strengthened relative to the Canadian dollar from an exchange rate of $1.2545 per every US dollar as at December 31, 2017 to $1.2894 per every US dollar as at March 31, 2018.

Deferred Income Taxes

For the three months ended March 31, 2018, the Company recognized deferred tax recovery of $342,808 compared to deferred tax recovery of $241,002 for the same period in 2017. Deferred income tax is impacted by the change in the fair value of the Company's investments in the common shares of Agnico Eagle and Yamana as the tax cost on these investments is low compared to the market value of those common shares. The potential tax liability on the capital gain to be realized on the eventual sale of those common shares, net of the tax reduction from the operating losses realized in past years, has been recognized in the deferred tax liability of $3,139,711 as at March 31, 2018, a reduction from the deferred tax liability balance of $3,482,519 as at December 31, 2017.

FINANCIAL CONDITION REVIEW

Cash

The Company ended the first quarter of 2018 with cash (including restricted cash) of $5,039,502 compared to $5,066,212 as at December 31, 2017. The Company holds cash balances in both Canadian and U.S. dollars.

Restricted cash

Restricted cash of $801,626 (or US$621,705) relates to funds held as collateral on the put option contracts of 65,100 shares of Agnico referred to in the *Derivative financial instruments*. The funds will become unrestricted once the put option contracts are exercised, repurchased or expired.

Investments

	As at March 31, 2018		As at December 31, 2017	
	Number of shares	**Fair value**	Number of shares	Fair value
Yamana Gold Inc.	3,549,695	$ **12,636,915**	3,549,695	$ **13,914,804**
Agnico Eagle Mines Limited	378,997	**20,541,637**	378,997	**21,996,986**
		33,178,552		**35,911,790**
Other investments	-	**193,149**	-	**183,730**
		$ **33,371,701**		$ **36,095,520**

As of the date of this report the Company is holding 3,549,695 shares of Yamana and 378,997 shares of Agnico Eagle.

Derivative Financial Instruments

For the three months ended March 31, 2018, the Company sold 4,266 call and 651 put option contracts (1,118 calls and 651 puts on Agnico shares and 3,148 calls on Yamana Gold shares) for total cash proceeds of $333,487 (or US$267,470). In addition, 18,677 call option contracts expired (774 on Agnico and 17,903 on Yamana) and 1,114 contracts were repurchased before expiration (463 calls and 651 puts all on Agnico) for $10,757 (or US$9,563).

For the three months ended March 31, 2017, the Company sold 10,999 call/put option contracts (3,011 on Agnico Eagle shares and 7,988 on Yamana) for total cash proceeds of $415,993 (or US$315,407). In the same period, 13,339 option contracts (calls and puts combined) expired (1,674 on Agnico Eagle and 11,665 on Yamana). In addition, on January 20, 2017, the Company was called to deliver 108,700 shares of Agnico (43,600 shares at US$45 per share and 65,100 shares at US$40 per share) and received, net of commission paid, $6,096,765 (or US$4,564,813) from the covered call options it had sold.

The Company only sells call options when it owns the underlying shares. Should covered calls be sold, it is the Company's objective to use strike prices that are anticipated to be well above the share price of Agnico Eagle and Yamana at the time the contract is written, with contracts generally expiring between 1 month and 2 years. The Company only writes put contracts when it has the required funds (in the currency which the contract was written) to purchase the underlying shares should the put contract be exercised. To date, put contracts have been written on Agnico Eagle in order to repurchase the 65,100 shares which the Company was called on in January 2017. The puts have been priced below the amount that the shares were sold. The contract expiry for the puts has ranged from 1 to 4 months.

The status of the call option contracts as of the date of this report is presented in the table below:

	Price in US Dollars	Number of shares	Option Expiry Date	% of shares held
Agnico Eagle	$ 50	46,000	January 18, 2019	12.14%
	$ 50	7,800	January 17, 2020	2.06%
	$ 55	5,000	January 17, 2020	1.32%
	$ 60	5,000	November 16, 2018	1.32%
	$ 60	97,000	January 18, 2019	25.59%
	$ 60	2,000	January 17, 2020	0.53%
	$ 65	12,500	January 18, 2019	3.30%
	$ 65	38,900	January 17, 2020	10.26%
	$ 70	89,600	January 18, 2019	23.64%
	$ 75	50,100	January 18, 2019	13.22%
		353,900		**93.38%**

	Price in US Dollars		Number of shares	Option Expiry Date	% of shares held
Yamana Gold	$	4.00	142,700	January 18, 2019	4.02%
	$	4.00	53,200	January 17, 2020	1.50%
	$	4.50	161,200	January 18, 2019	4.54%
	$	4.50	59,800	January 17, 2020	1.68%
	$	5.00	43,200	July 20, 2018	1.22%
	$	5.00	5,800	October 19, 2018	0.16%
	$	5.00	297,400	January 18, 2019	8.38%
	$	5.00	111,100	January 17, 2020	3.13%
	$	5.50	413,000	January 18, 2019	11.63%
	$	5.50	228,400	January 17, 2020	6.43%
	$	7.00	795,800	January 18, 2019	22.42%
	$	7.00	419,500	January 17, 2020	11.82%
			2,731,100		**76.94%**

The status of the put option contracts as of the date of this report is presented in the table below:

	Price in US Dollars		Number of shares	Option Expiry Date		Potential Costs	
Agnico Eagle	$	39	29,500	June 15, 2018		$	1,150,500
	$	39	35,600	November 16, 2018			1,388,400
			65,100				
Potential costs if put options are exercised:					USD	$	2,538,900
Potential costs if put options are exercised:					CDN	$	3,252,331

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities of $272,959 consist of trade and salaries and withholding payables.

As at March 31, 2018, some of the salaries, meeting fees and year-end performance bonuses in the amount of $191,556 had not been paid and were included in account payables and accrued liabilities.

Deferred income liability

The deferred tax liability totaled $3,139,711 as at March 31, 2018 compared to $3,482,519 at December 31, 2017. As previously discussed, the deferred tax liability relates to the tax liability on the capital gain to be realized on the eventual sale of Abitibi Royalties' investment in the common shares of Agnico and Yamana, net of the tax reduction from operating losses realized in the prior years.

SUMMARY OF QUARTERLY RESULTS

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

	Mar 2018	Dec 2017	Sept 2017	Jun 2017	Mar 2017	Dec 2016	Sep 2016	Jun 2016
Total revenues ($)	75,643	70,459	62,213	67,471	67,282	122,071	81,010	68,381
Net income (loss) and total comprehensive income (loss) for the period ($)	(1,951,099)	1,878,944	(358,227)	(1,204,489)	(512,344)	(9,680,306)	(1,779,491)	13,852,527
Net earnings (loss) per share								
- Basic	(0.17)	0.16	(0.03)	(0.11)	(0.05)	(0.09)	(0.16)	1.26
- Diluted	(0.17)	0.15	(0.03)	(0.11)	(0.05)	(0.09)	(0.16)	1.16

- For the fourth quarter ended December 31, 2017, the Company reported a net income after deferred income taxes of $1,878,944. The principal components are net dividend and royalty income of $70,459, remuneration expenses of $579,151, which include year-end bonuses of $213,250 and shared-based payment related to the RSU of $136,467, professional fees of $126,446, management fees of $24,000 paid to Golden Valley and an increase of $2,790,721 in the fair value of the Company's investments.

- During the third quarter ended September 30, 2017, the Company reported a net loss after deferred income taxes of $358,227. The principal components are net dividend income of $62,213, remuneration expenses of $354,090 which includes $136,467 of shared-based payment related to the RSU granted in 2016, professional fees of $112,864, management fees of $24,000 paid to Golden Valley Mines, an increase of $196,335 in the fair value of the Company's investments and a loss on exchange of $230,990.

- During the second quarter ended June 30, 2017, the Company reported a net loss after deferred income taxes of $1,204,489. The principal components are net dividend income of $67,471, remuneration expenses of $337,376 which includes $134,984 of shared-based payment related to the RSU granted in 2016, professional fees of $99,827, management fees of $24,000 paid to Golden Valley Mines and a reduction of $864,112 in the fair value of the Company's investments.

- During the first quarter ended March 31, 2017, the Company reported net loss of $512,344 after deferred income tax recovery of $241,002. Revenues of $67,282 from dividend was offset by the following expenses; Remuneration of $657,700, including executive salaries and director fees, paid or accrued, and $133,500 for the RSU granted in 2016, professional fees of $88,305, management fees of $24,000 paid to Golden Valley pursuant to the Management Agreement, royalty purchases of $20,977 and office expenses of $13,544.

- During the fourth quarter ended December 31, 2016, the Company reported net loss of $9,680,306 mainly resulting from the reduction of $13,114,283 in the fair value of the investment in the shares of Agnico Eagle and Yamana, offset by the $2,557,823 reduction of the fair value of the obligation related to the derivative financial instruments and the resulting reduction in the deferred tax liabilities of $2,050,478. Other components of the fourth quarter results are the following: i) dividend income of $122,071, ii) royalty purchases of $32,431, iii) remuneration of $233,540 and allocated value to RSU granted of $778,455, iv) professional fees of $70,979 composed of audit, tax and accounting fees of $8,574, of legal fees of $26,730 of other consulting fees, including administration and media relation, of $32,831 and Exchange, regulatory and transfer agent fees of $2,844, iv) management fees of $24,000 paid to Golden Valley pursuant to the Management Agreement and v) office expenses of $10,187.

- During the third quarter ended September 30, 2016 the Company reported a net loss of $1,779,491. The principal component is the reduction of $2,994,177 in the market value of the investment in Agnico Eagle and Yamana. Other components were as follows: i) dividend income of $81,010, ii) royalty purchase of $20,000, iii) office expenses of $12,111, iv) professional expenses of $124,736, composed of audit, accounting and tax fees of $40,370, legal fees of $24,251, administration and media relation, of $45,468 and Exchange, regulatory and transfer agent fees of $14,647, v) remuneration of $172,467 comprised of salaries, meeting fees and statutory levies, vi) management fees of $24,000, vii) decrease in the value of the obligation related to derivative financial instruments of $1,021,363 and viii) decrease in deferred tax expense of $469,744.

- During the second quarter ended June 30, 2016 the Company reported net income of $13,854,044. The principal component is the increase of $19,707,116 in the market value of the investment in Agnico Eagle and Yamana. Other components were as follows: i) dividend income of $68,381, ii) royalty purchase of $19,243, iii) office expenses of $11,096, iv) professional expenses of $136,568, composed of audit, accounting and tax fees of $26,000, legal fees of $49,463, other consulting fees, including administration and media relation, of $36,056 and Exchange, regulatory and transfer agent fees of $25,049, v) remuneration of $200,166 comprised of salaries, meeting fees and statutory levies, vi) management fees of $24,000, vii) commission of $3,199, viii) foreign exchange gains of $12,555, ix) increase in the value of the obligation related to derivative financial instruments of $2,962,908 and x) increase in deferred tax expense of $2,571,324.

LIQUIDITY AND CAPITAL RESOURCES

The total assets of the Company as at March 31, 2018 were $38,504,163 (December 31, 2017 - $41,246,950), which includes $5,039,502 in cash and restricted cash (December 31, 2017 - $5,066,212), and long-term investments mainly consisting of common shares in Agnico Eagle and Yamana totaling $33,371,701 (December 31, 2017 -$36,095,520). The Company also had working capital of $3,754,753 as at March 31, 2018, compared to $3,268,918 as at December 31, 2017.

Cash outflow from operating activities, excluding changes in non-cash working capital, for the three months ended March 31, 2018 totaled $307,638 compared to $623,045 for the same period in 2017. The decrease is primarily due to lower salaries and other employee benefits due to the timing of 2016 and 2017 bonuses.

There were no cash from or used by investing activities for the three months ended March 31, 2018 compared with cash inflows of $6,098,350 for the same period in 2017. The increase in cash inflows in the first quarter of 2017 is the net result of the Company being called to deliver 108,700 shares of Agnico Eagle and received, net of commission paid, $6,098,350 (or US$4,564,813) from the covered call contract it had sold on January 20, 2017.

Financing activities resulted in net cash inflows of $73,255 for the three months ended March 31, 2018 compared with cash outflows of $46,824 for the same period in 2017. Cash flows from financing activities relate primarily to proceeds of $329,829 from the sale of calls and put option contracts, net of increase in restricted cash. Financing activities for the three months ended March 31, 2017 include disbursements of $462,817 from the buy back and cancel of 50,100 shares in the open market under the Company's Normal Course Issuer Bid program.

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 or repurchase shares under its Normal Course Issuer Bid 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.

As at March 31, 2018, shareholders' equity amounted to $34,026,095 compared to $35,921,271 at December 31, 2017. Shareholder's equity has been reduced by the amount of the loss reported for the period. (Refer to "Discussion and Results of Operations" and "Summary of Quarterly Results" above).

CONTRACTUAL OBLIGATIONS

Executive Employment Agreements

The employment agreement for the Company's Chairman states that he would be paid a gross annual salary of $220,000 and is entitled to receive stock options, RSUs and to participate in any bonus or other employee or management incentive plans adopted by the Company, in such amounts as may be reasonably determined by the Board in its sole discretion. The Company may terminate the Chairman's employment without cause on giving him 12 months' notice in writing during which time he would be entitled to payment of one year salary on a monthly basis, continuation of benefits during the notice period, as well as any bonus and equity compensation that he would have been entitled to during the one year notice period in accordance with the parameters set out by the Employer's Compensation Committee and based on actual compensation received by him over the prior 12 months or at the Company's option, the equivalent payment in lieu of notice, based on the Chairman's global remuneration at the time of termination. Global remuneration includes: (i) an amount equal to one-year salary in effect at the time, (ii) a bonus entitlement equal to 50% of the one-year salary in effect at the time; and iii) all equity compensation that the Executive would have been entitled to receive during the notice period which would be based on the equity compensation granted to the Chairman over the 12 months prior to the commencement of the notice period. The Company would ensure any unvested RSUs held by the Chairman on the date of his termination would not be forfeited and that the Company would exercise its discretion under the terms of the RSU Plan and make all necessary arrangements to ensure that the Chairman's RSUs will become vested as of the date of termination and be redeemed as of their payout dates in accordance with the terms of the RSU Plan. In the event of a Change of Control, the Chairman would be entitled to two times his salary and any unvested RSU's will be become vested and payable according to the Company's RSU Plan.

The employment agreement for the Company's President and CEO states that he would be paid a gross annual salary of $325,000 and is entitled to receive stock options, RSUs and to participate in any bonus or other employee or management incentive plans adopted by the Company, in such amounts as may be reasonably determined by the Board in its sole discretion. In the event of a termination without cause, the President and CEO is entitled to two times his salary, continuation of benefits for 24 months and the Company would ensure any unvested RSUs held by the President and CEO on the date of his termination would not be forfeited and the Company would exercise its discretion under the terms of the RSU Plan and make all necessary arrangements to ensure that the Executive's RSUs will become immediately vested and payable in accordance with the terms of the RSU Plan. In the event of Change of Control, severance is the same as termination.

The employment agreement for the Company's Chief Financial Officer states that he would be paid a gross annual salary of $90,000 and is entitled to receive stock options, RSUs and to participate in any bonus or other employee or management incentive plans adopted by the Company, in such amounts as may be reasonably determined by the Board in its sole discretion. In the event of a termination without cause, the Chief Financial Officer is entitled to one time his salary, continuation of benefits for 12 months and the Company would ensure any unvested RSUs held by the Chief Financial Officer on the date of his termination would not be forfeited and the Company would exercise its discretion under the terms of the RSU Plan and make all necessary arrangements to ensure that the Executive's RSUs will become immediately vested and payable in accordance with the terms of the RSU Plan. In the event of Change of Control, severance is the same as termination.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as at March 31, 2018 or as at the date of this MD&A.

CRITICAL ACCOUNTING ESTIMATES

The preparation of these condensed interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the condensed interim financial statements and accompanying notes. Management believes that the estimates used in the preparation of the condensed interim financial statements are reasonable; however, actual results may differ materially from these estimates. The areas involving significant judgments, estimates and assumptions have been detailed in note 5 to the Company's annual audited financial statements for the year ended December 31, 2017.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

The Company has adopted the accounting standards IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers”, effective January 1, 2018. These adoptions were made in accordance with applicable transitional provisions and resulted in the changes in accounting policies. The changes in accounting policies including those that have not been adopted are explained in Note 2 of the unaudited interim financial statements as at March 31, 2018.

RELATED PARTY TRANSACTIONS

The information pertaining to related party transactions is disclosed in Notes 12 and 13 of the unaudited interim financial statements as at March 31, 2018.

<u>Transactions with Golden Valley</u>:

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. For the three months ended March 31, 2018, the Company did not incur any geological fees compared to $485 for the same period in 2017. For efficiency reasons, where the Company and Golden Valley are dealing with the same suppliers one may pay for both and be reimbursed by the other. As at March 31, 2018, the Company had net indebtedness of $3,475 to Golden Valley, while at March 31, 2017 the Company had a net receivable amount of $8,023.

In addition, up to December 31, 2017, the Company is remunerating the accounting and administrative services of a consultant through the management fees paid to Golden Valley under the Management and Administrative Services Agreement (refer to Note 12 of the unaudited condensed interim financial statements as at March 31, 2018). For the three months ended March 31, 2017, remuneration of the consultant derived from the management fees amounted to $21,501. Effective January 1, 2018, the Company terminated the Management and Administrative Services Agreement with Golden Valley with no further amounts payable. Pursuant to the termination, administrative, management and financial services such as office space, administrative support and services of the consultant previously provided by Golden Valley has been be assumed by the Company.

<u>Transactions with Executive officers and Directors</u>:

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 three months ended March 31, 2018 and 2017, paid or accrued salaries as shown in the table below:

	Three months ended March 31, 2018		2017
Salaries and benefits	$ 160,635	$	136,250
Bonuses	-		247,500
Meeting fees	37,500		37,500
Additional cash amounts	-		84,000
Payroll levies	21,604		15,200
	219,739		520,450
Share-based compensation	55,923		133,500
	$ 275,662	$	653,950

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. For the three months ended March 31, 2018, the Company has paid $1,600 (2017 -$1,792) for the Toronto office.

CAPITAL STOCK INFORMATION

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	11,401,335	Nil
Preferred shares	Nil	Nil
Warrants	Nil	Nil
Incentive stock options	625,311	Nil
Restricted share units	583,365	Nil

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 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 allowed the Company to purchase up to 566,812 of its common shares. On September 25, 2017, the Company announced the renewal of its NCIB from October 6, 2017 to October 5, 2018 allowing the Company to purchase for cancellation 569,797 of its issued and outstanding common shares.

For the three months ended March 31, 2018, the Company did not repurchase any share. For the three months ended March 31, 2017, the Company repurchased and cancelled 50,100 common shares at prices varying from $8.93 to $9.55 for a total of $462,817.

Incentive Stock Options

The Company has adopted a 20% fixed option plan (the "Plan") in 2013. Pursuant to the 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 would 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 TSX Venture Exchange (the "Exchange"); if no sales were reported, it would 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 would be determined by the Board of Directors, in accordance with the rules and regulations of the Exchange.

No incentive stock options were granted for the three months ended March 31, 2018.

The particulars of the outstanding incentive stock options at the date of this report are as follows:

Exercise price		Number of options	Expiration Date
$	0.55	483,630	September 27, 2018
$	2.18	64,288	June 2, 2019
$	3.62	57,393	Septemebr 15, 2019
$	3.70	20,000	September 19, 2019
		625,311	

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 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 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	RSU Granted	RSU Vested	Expiration Date
February 4, 2016	72,500	54,375	February 4, 2019
March 16, 2016	510,865	383,149	March 16, 2019
	583,365	437,524	

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The risks pertaining to the financial instruments are disclosed in Note 20 to the Company's annual audited financial statements for the year ended December 31, 2017.

NON-IFRS MEASURE

The Company has referred to working capital throughout this document. Working capital is a Non-IFRS performance measure. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, the Company and certain investors use this information to evaluate the Company's performance and ability to generate cash, profits and meet financial commitments. This Non-IFRS measure is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

		March 31, 2018		December 31, 2017
ASSETS				
Current				
Cash	$	4,237,876	$	4,521,160
Restricted cash		801,626		545,052
Dividends and interest receivable		23,416		23,591
Sales taxes recoverable		25,077		13,433
Prepaid expenses		5,115		8,842
		5,093,110		5,112,078
Current				
Accounts payable and accrued liabilities				
Accounts payable and accrued liabilities		272,959	$	415,020
Derivative financial instruments		1,065,398		1,428,140
		1,338,357		1,843,160
Working Capital	$	**3,754,753**		**3,268,918**

RISK AND UNCERTAINTIES

- **Investment of Speculative Nature**

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

- **Fluctuation in Market Value of Shares**

The market price of the Company's shares could be subject to wide fluctuations in response to other factors beyond its control, such as fluctuations in the valuations of companies perceived by investors to be comparable. Furthermore, the stock markets have experienced price and volume fluctuations that have affected and continue to affect the market prices of the companies in which the Company has or could have investments, such as Agnico Eagle and Yamana. These broad market fluctuations, as well as general economic, systemic, political, and market conditions, such as recessions, interest rate changes, or international currency fluctuations, may negatively affect the market price of the Company's shares.

- **Derivatives instruments**

Due to the complex nature and market volatility that may influence the market value of the shares, selling of call and put options is subject to risk including limiting the potential upside gains and being obligated to purchase the underlying shares above the current market value. Although all risks cannot be eliminated, the Company is mitigating these risks by owning the underlying shares or having the cash requirement to meet its obligations.

- **Nature of Mineral Exploration and Mining**

Mineral exploration and development involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. Acquired royalty interests, particularly on development stage properties, are subject to the risk that they may not produce anticipated revenues or any revenue at all.

- **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.

Development and operation of mines is very capital intensive and any inability of the operators of properties where we hold royalty and other interests to meet liquidity needs, obtain financing or operate profitably could have material adverse effects on the value of and revenue from our royalty and other interests.

- **Passive Interest**

Revenue is, and will be, derived from royalty interests on properties operated by third parties. The holder of a royalty interest typically has no authority regarding the development or operation of a mineral property. Therefore, we typically are not in control of decisions regarding development or operation of any of the properties on which we hold a royalty interest and we have limited legal rights to influence those decisions.

- **Significant Adverse Impact**

Certain of our royalty interests are or could be significant to us and any adverse development related to the subject property could adversely affect future potential revenues.

- **Uncertainty due to Estimation**

Estimates of reserves/resources and mineralization by the operators of mines in which we have royalty and other interests may be subject to significant revision.

Estimates of production by the operators of mines in which we have royalty and other interests are subject to change, and actual production may vary materially from such estimates.

- **Additional Financing**

We may require additional equity or debt financing to acquire additional investment interests and implement our business plan. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of future investment portfolio acquisitions

- **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 operators of properties where we hold royalty and other interests are dependent upon the capital markets to raise financing.

- **Permits and Licenses**

There can be no assurances that the operators of properties where we hold royalty and other interests will be able to obtain all necessary licenses and permits required to carry out exploration, development and mining operations.

- **Competition**

We face substantial competition in the acquisition of royalty and other investment interests. We have competitors that are engaged in the acquisition of royalty and other interests, including competitors with greater financial and other resources, and we may not be able to compete successfully against these companies for new investment acquisitions to fulfill our business plans.

- **No Assurance of Title to Property**

Unknown defects or impairments in our royalty or other interests and title defects could adversely affect our business and revenues. If title to properties is not properly maintained by the operators, or is successfully challenged by third parties, our royalty and other interests could be found to be invalid.

- **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**

Some of 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.

ADDITIONAL INFORMATION

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