Condensed Interim Financial Statements
Three and six months ended June 30, 2018

(Expressed in Canadian Dollars)

(Unaudited)

ABITIBI ROYALTIES INC.

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

ABITIBI ROYALTIES INC.
Condensed Interim Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

	Notes		**As at June 30, 2018**		As at December 31, 2017
ASSETS					
Current					
Cash		**$**	**5,331,999**	$	4,521,160
Restricted cash	7		**324,349**		545,052
Other receivables	4		**5,023,325**		23,591
Sales taxes recoverable			**15,422**		13,433
Prepaid expenses			**4,188**		8,842
Total current assets			**10,699,283**		5,112,078
Non-current					
Exploration and evaluation assets	6		**39,352**		39,352
Investments	7		**36,737,481**		36,095,520
TOTAL ASSETS		**$**	**47,476,116**	$	41,246,950
LIABILITIES					
Current					
Accounts payable and accrued liabilities	4	**$**	**5,420,567**	$	415,020
Derivative financial instruments	7		**1,335,737**		1,428,140
Total current liabilities			**6,756,304**		1,843,160
Non-current					
Deferred tax liabilities			**2,901,662**		3,482,519
Total Liabilities			**9,657,966**		5,325,679
EQUITY					
Capital stock	8		**11,484,754**		7,687,796
Contributed surplus			**166,704**		2,780,891
Retained earnings			**26,166,692**		25,452,584
Total Equity			**37,818,150**		35,921,271
TOTAL LIABILITIES AND EQUITY		**$**	**47,476,116**	$	41,246,950

Commitments (note 15)
Subsequent events (note 16)

These financial statements were approved and authorized for issue by the Board of Directors on August 16, 2018.

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

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

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

ABITIBI ROYALTIES INC.

Condensed Interim Statements of Net Income (loss) and Comprehensive Income (Loss)

(Expressed in Canadian Dollars)

(Unaudited)

	Notes	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Revenues					
Dividends		$ **76,350**	67,471	$ **151,994**	134,753
		76,350	67,471	**151,994**	134,753
Operating expenses					
Salaries and employee benefits expense	9	**676,566**	202,392	**896,305**	726,592
Shared-based payments	9	**204,980**	134,984	**260,903**	268,484
Professional fees	11	**172,496**	99,827	**285,202**	188,132
Advertising and promotion		**26,498**	13,259	**44,813**	15,494
Office expenses		**23,327**	12,524	**47,445**	26,068
Travel and transport		**6,819**	9,178	**10,314**	9,538
Exploration expenses		**-**	-	**-**	280
Royalty purchase		**-**	-	**-**	20,977
Management fees	12	**-**	24,000	**-**	48,000
		1,110,686	496,164	**1,544,982**	1,303,565
Operating loss		**(1,034,336)**	(428,693)	**(1,392,988)**	(1,168,812)
Financial income (costs)					
Change in fair value of investments	7	**3,854,228**	(864,112)	**1,822,981**	(835,872)
Foreign exchange gain (loss)		**87,523**	(146,921)	**188,424**	(171,961)
Commissions		**(22,866)**	(17,446)	**(31,091)**	(35,947)
Interest expense		**(426)**	(275)	**(850)**	(455)
Interest income		**3,698**	2,283	**7,439**	4,537
		3,922,157	(1,026,471)	**1,986,903**	(1,039,698)
Net income (loss) before income tax		**2,887,821**	(1,455,164)	**593,915**	(2,208,510)
Deferred tax recovery		**(238,049)**	(250,675)	**(580,857)**	(491,677)
Net income (loss) and comprehensive income (loss) for the period		$ **3,125,870**	$ (1,204,489)	$ **1,174,772**	$ (1,716,833)
Earnings (loss) per share					
Basic	10	**$ 0.27**	(0.11)	**$ 0.10**	(0.15)
Diluted	10	**$ 0.25**	(0.11)	**$ 0.09**	(0.15)
Weighted average number of common shares outstanding					
Basic	10	11,438,505	11,300,071	11,420,023	11,311,495
Diluted	10	12,402,306	11,300,071	12,397,873	11,311,495

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

ABITIBI ROYALTIES INC.

Condensed Interim Statements of Changes in Equity

(Expressed in Canadian Dollars)

(Unaudited)

	Notes	Common shares outstanding Number		Capital Stock		Contributed Surplus		Retained earnings		Total Equity
Balance as at January 1, 2018		**11,401,335**	**$**	**7,687,796**	**$**	**2,780,891**	**$**	**25,452,584**	**$**	**35,921,271**
Common shares issued upon the exercise of options	8	**544,139**		**1,689,257**		**(1,228,053)**		**-**		**461,204**
Common shares issued upon the conversion of restricted share units	8	**583,365**		**2,107,701**		**(2,107,701)**		**-**		**-**
Conversion of restricted share units	9	**-**		**-**		**721,567**		**(460,664)**		**260,903**
Net income and total comprehensive income		**-**		**-**		**-**		**1,174,772**		**1,174,772**
Balance as at June 30, 2018		**12,528,839**	**$**	**11,484,754**	**$**	**166,704**	**$**	**26,166,692**	**$**	**37,818,150**
Balance as 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	8	30,275		115,806		(49,807)		-		65,999
Common shares repurchased and cancelled	8	(59,800)		(38,575)		(513,519)		-		(552,094)
Restricted share units	9	-		-		268,484		-		268,484
Net loss and total comprehensive loss		-		-		-		(1,716,833)		(1,716,833)
Balance as at June 30, 2017		11,306,718	$	7,377,373	$	2,884,351	$	23,931,867	$	34,193,591

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

ABITIBI ROYALTIES INC.
Condensed Interim Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	Notes	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
OPERATING ACTIVITIES					
Net income (loss)		$ **3,125,870**	$ (1,204,489)	$ **1,174,772**	$ (1,716,833)
Adjustment					
Share-based payments		**204,980**	134,984	**260,903**	268,484
Change in fair value of financial assets and liabilities		**(3,854,228)**	864,112	**(1,822,981)**	835,872
Deferred tax recovery		**(238,049)**	(250,675)	**(580,857)**	(491,677)
Foreign exchange (gain) loss		**(87,523)**	146,921	**(188,424)**	171,961
Changes in working capital items					
Sales taxes recoverable		**9,655**	6,560	**(1,989)**	1,780
Receivables		**(4,999,909)**	8,789	**(4,999,734)**	649
Prepaid expenses		**927**	4,636	**4,654**	9,273
Accounts payable and accrued liabilities		**5,147,609**	(338,849)	**5,005,548**	(58,751)
Cash flows from operating activities		**(690,668)**	(628,011)	**(1,148,108)**	(979,242)
INVESTING ACTIVITIES					
Additions to exploration and evaluation assets		**-**	-	**-**	(205)
Disposal of investments		**-**	-	**-**	6,098,350
Cash flows from investing activities		**-**	-	**-**	6,098,145
FINANCING ACTIVITIES					
Issuance of capital stock		**461,204**	65,999	**461,204**	65,999
Capital stock repurchased and cancelled		**-**	(89,277)	**-**	(552,094)
Change in restricted cash		**477,277**	-	**220,703**	-
Increase in derivative financial instruments		**758,787**	320,503	**1,088,616**	736,496
Cash flows from financing activities		**1,697,268**	297,225	**1,770,523**	250,401
Effect of foreign exchange rate changes on cash		**87,523**	(146,921)	**188,424**	(171,961)
Net increase (decrease) in cash and cash equivalents		**1,094,123**	(477,707)	**810,839**	5,197,343
Cash and cash equivalents, beginning of period		**4,237,876**	7,735,221	**4,521,160**	2,060,171
Cash and cash equivalents, end of period		$ **5,331,999**	$ **7,257,514**	$ **5,331,999**	$ **7,257,514**
Cash transactions:					
Interest received related to operating activities:		$ **2,506**	$ 1,530	$ **6,247**	$ 3,784
Dividends received related to investing activities:		**54,350**	44,398	**129,994**	111,680

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

1) NATURE OF OPERATIONS

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

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.

As at June 30, 2018, Golden Valley Mines Ltd. ("Golden Valley"), a controlling shareholder, held a 44.74 % interest in the Company.

On June 19, 2018, the Company announced that it had been admitted to the Nasdaq International Designation program. The Company's common shares will trade in the United States under the ticker "ATBYF".

2) SIGNIFICANT ACCOUNT POLICIES

Statement of compliance

These condensed interim financial statements have been 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 4 - Summary of Significant Accounting Policies, as described in the Company's annual audited financial statements for the year ended December 31, 2017, except for the changes in accounting policies resulting from the adoption of IFRS 9 *Financial Instruments* ("IFRS 9") and IFRS 15 "*Revenue from Contracts with Customers"* ("IFRS 15") as described below. Interim financial statements do not include all the notes required in annual financial statements and, accordingly, should be read in conjunction with the annual financial statements for the year ended December 31, 2017.

2) SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting standards

IFRS 9 - Financial Instruments

In July 2014, the IASB published IFRS 9 which replaces IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 introduces improvements which include a logical model for classification and measurement of financial instruments, a single, forward-looking "expected credit loss" impairment model and a substantially-reformed approach to hedge accounting. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted.

As a result of the adoption of IFRS 9, the Company has changed its accounting policy for financial instruments retrospectively, for ones that were recognized at the date of application, which was January 1, 2018. The change did not impact the carrying value of any financial instruments on this date.

Financial instruments

Classification

In implementing IFRS 9, the Company updated the financial instruments classification within its accounting policy. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial Assets/Liabilities	Original classification under IAS 39	New classification under IFRS 9
Cash	Loans and receivables at amortized costs	Financial Asset at amortized costs
Restricted cash	Loans and receivables at amortized costs	Financial Asset at amortized costs
Amounts receivable	Loans and receivables at amortized costs	Financial Asset at amortized costs
Investments	Fair value through profit or loss ("FVTPL")	FVTPL
Trade and other payables	Other Financial Liabilities at amortized costs	Financial Liabilities at amortized costs
Derivative financial instruments	FVTPL	FVTPL

The Company determines the classification of financial assets at initial recognition. The classification of its instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics.

2) SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them at fair value through other comprehensive income ("FVTOCI"). Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of net income (loss). Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of net income (loss) in the period in which they arise. Where Company has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses. The Company recognizes in the statements of net income (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized. Given the Company transacts exclusively with large international financial institutions and other organizations with strong credit ratings and the negligible historical level of dividends default, the loss allowance was $nil as at June 30, 2018.

2) SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 15 - Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, which is effective for fiscal years beginning on or after January 1, 2018 and is to be applied retrospectively. Early adoption is permitted. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. As of January 1, 2018, the Company has adopted IFRS 15 and has concluded that, based on its current operations, the adoption of IFRS 15 had no significant impact on the Company's financial statements.

Standard issued but not yet effective

IFRS 16 - Leases

In January 2016, the IASB published IFRS 16 – Leases, which will replace IAS 17 – Leases. This IFRS eliminates the classification as an operating lease and requires lessees to recognise a right-of-use asset and a lease liability for all leases with exemptions permitted for short-term leases and leases of low value assets. In addition, IFRS 16 changes the definition of a lease, sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and options periods, changes the accounting for sale and leaseback arrangements, largely retains IAS 17's approach to lessor accounting and introduces new disclosure requirements. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019 with early application permitted in certain circumstances. The Company is currently in the process of assessing the impact of IFRS 16 on its financial statements.

IFRIC Interpretation 23 – Uncertainty over Income Tax Treatments

IFRIC Interpretation 23–Uncertainty over Income Tax Treatments("IFRIC23") was issued by the IASB on June 7, 2017. IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual period beginning on or after January 1, 2019. Earlier application is permitted. The Company intends to adopt the Interpretation in its financial statements for the annual period beginning on January 1, 2019. The Company is currently in the process of assessing the impact of IFRIC 23 on its financial statements.

(Expressed in Canadian dollars unless otherwise noted)

3) JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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.

4) OTHER RECEIVABLES

		As at June 30, 2018		As at December 31, 2017
Funds in trust	$	5,000,000	$	-
Dividend receivable		22,000		22,200
Interest and other receivables		1,325		1,391
	$	5,023,325	$	23,591

Funds in trust

On June 29, 2018, Caisse de dépôt et placement du Québec ("CDPQ") made a strategic investment in the Company by purchasing 588,235 common shares (approximately 4.7% of the outstanding common shares) of the Company. In order to facilitate the investment by CDPQ, certain members of the board, management and consultants (the "participants") exercised 516,740 stock options and the Company converted the participants' restricted share units ("RSUs") into 583,365 common shares and thereafter the participants agreed to sell, through a private transaction, 588,235 common shares to CDPQ.

The funds in trust of $5,000,000 represent the proceeds on the sale of 588,235 common shares to CDPQ. The Company received the funds in trust on July 3, 2018 and shortly thereafter remitted the required tax withholdings of $4,637,979 (plus the Company's portion of $471,820), recorded as Accounts payable and accrued liabilities as at June 30, 2018, associated with the exercise of the stock options and conversion of the RSUs into common shares on this transaction with CDPQ.

5) ROYALTY INTERESTS

Main royalty interests

The Company's main royalty interests are as follows for which no value for accounting purposes has been assigned to the net smelter royalty ("NSR"):

Malartic CHL 3% Royalty - Malartic, Quebec

The area covered by the 3% 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.

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% NSR area started in 2014 and stopped in June 2015.

Other

Subsequent to quarter end, the Company announced several NSR and net profit interest acquisitions as detailed in note 16.

Other royalty interests

Abitibi Royalty Search Program

In 2015, the Company launched the "Abitibi Royalty Search Program", by which it would reimburse renewal fees on existing claims or staking fees on new claims in exchange for 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 in the close vicinity of an existing mine and showing good geology or signs of mineralization through previous exploration.

6) EXPLORATION AND EVALUATION ASSETS

Luc Bourdon Prospect - James Bay, Ontario

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.

(Expressed in Canadian dollars unless otherwise noted)

7) INVESTMENTS

	As at June 30, 2018			As at December 31, 2017		
	Number of shares		Fair value	Number of shares		Fair value
Yamana Gold Inc.	**3,549,695**	$	**13,595,332**	3,549,695	$	13,914,804
Agnico Eagle Mines Limited	**378,997**		**22,842,149**	378,997		21,996,986
			36,437,481			35,911,790
Other investments			**300,000**			183,730
		$	**36,737,481**		$	36,095,520

Derivative financial instruments

The total call/put options outstanding as at June 30, 2018 are as follows:

	Expiry date	Number of shares under option		Exercise price range (USD)		Market value as at June 30, 2018
Calls						
Yamana	October 19, 2018	**5,800**	$	5.00	**$**	**458**
Yamana	January 18, 2019	**1,810,100**		4.00 to 7.00		**209,735**
Yamana	January 17, 2020	**1,733,700**		4.00 to 7.00		**546,822**
Agnico	November 16, 2018	**5,000**		60.00		**3,490**
Agnico	January 18, 2019	**320,200**		50.00 to 75.00		**311,245**
Agnico	January 17, 2020	**53,700**		50.00 to 65.00		**225,547**
					$	**1,297,297**
Puts						
Agnico	November 16, 2018	**35,600**	$	39.00		**38,440**
		3,964,100			**$**	**1,335,737**

(Expressed in Canadian dollars unless otherwise noted)

7) INVESTMENTS (continued)

Derivative financial instruments

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

	Expiry date	Number of shares under option		Exercise price range (USD)		Market value as at December 31, 2017
Calls						
Yamana	January 19, 2018	**1,790,300**	$	4.00 to 7.00	**$**	**189,349**
Yamana	January 18, 2019	**1,471,400**		4.00 to 7.00		**565,607**
Yamana	January 17, 2020	**292,400**		4.00 to 7.00		**212,256**
Agnico	January 19, 2018	**44,400**		60.00 to 65.00		**1,671**
Agnico	February 16, 2018	**33,000**		60.00 to 65.00		**790**
Agnico	May 18, 2018	**85,900**		60.00 to 70.00		**23,910**
Agnico	January 18, 2019	**155,400**		50.00 to 75.00		**303,876**
Agnico	January 17, 2020	**23,900**		65.00		**118,431**
					$	**1,415,890**
Puts						
Agnico	February 16, 2018	**65,100**	$	39.00		**12,250**
		3,961,800			**$**	**1,428,140**

For the six months ended June 30, 2018, the Company sold 20,486 call and 1,302 put option contracts (2,196 calls and 1,302 puts on Agnico shares and 18,290 calls on Yamana Gold shares) for total cash proceeds of $1,100,822 (or US$861,321). In addition, 18,927 call and 946 put option contracts expired (1,024 calls and 946 puts on Agnico and 17,903 calls on Yamana) and 1,241 contracts were repurchased before expiration (809 calls and 651 puts on Agnico and 432 calls on Yamana) for which the Company paid $14,056 (or US$11,248).

For the six months ended June 30, 2017, the Company sold 22,684 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 (or US$552,412). In the same period, 14,425 option contracts (calls and puts combined) expired (588 calls and 2,172 puts on Agnico Eagle and 11,665 calls 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. In December 2017, the Company purchased 43,500 shares of Agnico at a price of US$44.00 per share from a put option it had sold. 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.

7) INVESTMENTS (continued)

Restricted cash

Restricted cash of $324,349 (or US$246,316) as at June 30, 2018 ($545,052 as at December 31, 2017) relates to funds held as collateral on the put option contracts of 35,600 shares of Agnico referred to in the *Derivative financial instruments* above. The funds will become unrestricted once the put option contracts are exercised, repurchased or expired.

8) EQUITY

a) 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.

b) Issued

i. As part of the transaction with CDPQ described in note 4, the Company issued 583,365 common shares from the conversion of the RSUs and 516,740 common shares from the exercise of stock options, consisting of 483,630 common shares at an exercise price of $0.55 per share, 16,555 common shares at an exercise price of $2.18 per share and 16,555 common shares at an exercise price of $3.62 per share.

ii. The Company also issued 27,400 of its common shares for a total consideration of $99,188 from the exercise of stock options at a price of $3.62 per share.

c) Normal Course Issuer Bid

On October 2, 2015, the Company received 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 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. Common shares purchased under the NCIB will be cancelled.

8) EQUITY (continued)

c) Normal Course Issuer Bid (continued)

For the six months ended June 30, 2018, the Company did not repurchase any share.

For the six months ended June 30, 2017, the Company repurchased and cancelled 59,800 commons shares at prices varying from $9.03 to $9.30 for a total of $552,094.

9) REMUNERATION

Salaries and employee benefits expense

The Company has implemented an Executive Compensation Policy (the “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. The Company does not offer any other benefits or perquisites to its directors and executive officers but is reimbursing Golden Valley Mines for its share of the cost relating to the participation of its Chairman and CFO to Golden Valley Mines insurance plan.

Refer below for the termination of RSU Plan and for non-renewal of the stock option plan.

The Chairman of the Board, the President and CEO, and the Chief Financial Officer 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 up to twice base salary and bonus, continuation of benefits and certain vesting acceleration clauses on restricted shares units and options.

Stock option plan

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.

(Expressed in Canadian dollars unless otherwise noted)

9) REMUNERATION (continued)

Stock option plan

The Company has not renewed its stock option plan and has not granted stock options under the current plan since September 2014. There are no stock options available under the plan.

A summary of changes in the number of incentive stock option for the three months ended June 30, 2018 and 2017 is presented as follows:

	2018			2017		
	Number of options		**Weighted average exercise price**	Number of options		Weighted average exercise price
Outstanding as at January 1	625,311	$	1.10	766,003	$	1.08
Exercised	(544,140)		0.85	(30,275)		2.18
Outstanding as at June 30	81,171	$	2.79	735,728	$	1.04
Exercisable as at June 30	81,171	$	2.79	735,728	$	1.04

For the six months ended June 30, 2018, the Company issued 544,140 of its common shares from the exercise of stock options. As part of the transaction with CDPQ, the Company issued 516,740 common shares from exercise of stock options, consisting of 483,630 common shares at an exercise price of $0.55 per share, 16,555 common shares at an exercise price of $2.18 per share and 16,555 common shares at an exercise price of $3.62 per share.

In addition, the Company issued 27,400 of its common shares for a total consideration of $99,188 from the exercise of stock options at a price of $3.62 per share.

For the six months ended June 30, 2017, the Company issued 30,275 of its common shares from the exercise of stock options at a price of $2.18 per share.

(Expressed in Canadian dollars unless otherwise noted)

9) REMUNERATION (continued)

The table below summarizes the information related to outstanding share options as at June 30, 2018 and 2017:

	2018 Outstanding options		2017 Outstanding options	
Range of Exercise price	**Number of options**	**Weighted average remaining contractual life (year)**	Number of options	Weighted average remaining contractual life (year)
$0.55	-	-	587,500	1.24
$2.18	47,733	0.92	68,228	1.92
$3.62 to $3.70	33,438	1.22	80,000	2.22
	81,171		735,728	

Restricted Share Unit Plan

The Company's Board of Directors had implemented a Restricted Share Unit Plan (the "RSU Plan"), which provided that restricted share units ("Share Units") could be granted 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, prior to its termination at the end of the second quarter of 2018, would not exceed 896,769 common shares, among other limits with respect to individual grants under the RSU Plan. At the time Share Units were granted to a Participant, the Company determined 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 was the third anniversary of its date of grant, unless the Company determines an earlier date, or subject to accelerated expiry in the event of a change of control of the Company.

A summary of changes in the number of Share Units for the six months ended June 30, 2018 and 2017 is presented as follows:

	2018	2017
Outstanding at January 1	**583,365**	583,365
Granted	**-**	-
Converted (note 8)	**583,365**	-
Outstanding at June 30	**-**	583,365

(Expressed in Canadian dollars unless otherwise noted)

9) REMUNERATION (continued)

Restricted Share Unit Plan

In fiscal year 2016, the Company granted 583,365 Share Units to officers, directors and consultant of which 25% vested on the date of grant with the remaining balance vesting equally on each anniversary date of grant. Expiration dates for the two grants of 72,500 and 510,865 are February 4, 2019 and March 16, 2019, respectively.

On June 29, 2018, the RSUs were converted into 583,365 common shares of the Company, of which 360,572 were sold to CDPQ (note 4). The remaining RSU shares of 222,794 will be held in escrow until their original expiration dates of February 4, 2019 and March 19, 2019. Following the transaction with CDPQ, the Company terminated its RSU Plan, thereby eliminating the remaining 313,404 RSUs that were available for issuance.

The total compensation related to the 2016 grants totalled $2,107,701, which was to be allocated over the vesting period of three years to 2019. For the three months ended June 30, 2018, the Company recognized share-based payment of $204,980 representing the remaining unallocated costs of the RSUs granted in 2016 as the RSUs units were fully converted to common shares and the RSU plan has been terminated.

10) EARNINGS (LOSS) PER SHARE

Earnings (loss) per share has been calculated using the weighted average number of common shares outstanding for the three and six months ended June 30, 2018 and 2017 as follows:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
Net income (loss) for the period attributable to shareholders	$ **3,125,870**	$ (1,204,489)	$ **1,174,772**	$ (1,716,833)
Weighted average number of common shares outstanding - Basic	**11,438,505**	11,300,071	**11,420,023**	11,311,495
Dilutive effect of stock options	**963,801**	-	**977,850**	-
Weighted average number of common shares outstanding - Diluted	**12,402,306**	11,300,071	**12,397,873**	11,311,495
Basic earnings (loss) per share	$ **0.27**	$ (0.11)	$ **0.10**	$ (0.15)
Diluted earnings (loss) per share	$ **0.25**	$ (0.11)	$ **0.09**	$ (0.15)

For the three and six months ended June 30, 2017, potential dilutive common shares from stock options and RSU have not been included in the earnings (loss) per share calculation as they would result in a reduction of the loss per share.

(Expressed in Canadian dollars unless otherwise noted)

11) PROFESSIONAL FEES

The following table shows professional fees for the three and six months ended June 30, 2018 and 2017:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
Consultants	$ **73,628**	$ 38,629	$ **128,018**	$ 78,736
Audit, tax and accounting fees	**-**	16,585	**-**	28,676
Exchange, regulatory and transfer agent fees	**15,259**	9,346	**57,514**	38,764
Legal fees	**83,609**	35,267	**99,670**	41,956
	$ **172,496**	$ 99,827	$ **285,202**	$ 188,132

12) MANAGEMENT FEES

In 2010, the Company had entered into a Management and Administrative Services Agreement (the "Management Agreement") with Golden Valley Mines Ltd (“Golden Valley”), a controlling shareholder of the Company, pursuant to which Golden Valley would 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 consultant and investors relations services to the Company in consideration of $96,000 per year, payable on a monthly basis, plus applicable taxes.

Effective January 1, 2018, the Company terminated the Management Services Agreement with no further amounts payable. Pursuant to the termination, administrative, management and financial services such as office space, administrative support and services of the former chief financial officer previously provided by Golden Valley has been be assumed by the Company. For the six months ended June 30, 2017, the Company has paid management fees of $48,000 to Golden Valley pursuant to the Management Agreement.

13) RELATED PARTY TRANSACTIONS

a) Transactions with the parent company

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 six months ended June 30, 2018, the Company did not incur any geological fees (for the six months ended June 30, 2017 - $1,310). 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 June 30, 2018, the Company had no indebtedness to Golden Valley (as at December 31, 2017 - $1,780).

(Expressed in Canadian dollars unless otherwise noted)

13) RELATED PARTY TRANSACTIONS (continued)

In addition, up to December 31, 2017, the Company was remunerating the accounting and administrative services of a consultant through the management fees paid to Golden Valley under the Management and Administrative Services Agreement (“MSA”) (note 12). For the three and six months ended June 30, 2017, remuneration of the consultant derived from the management fees amounted to $21,501 and $43,002, respectively. Effective January 1, 2018, the Company terminated the MSA 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.

b) 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 three and six months ended June 30, 2018 and 2017, paid or accrued salaries as shown in the table below:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
Salaries and benefits	$ **160,635**	$ 136,250	$ **321,271**	$ 272,500
Bonus (1)	**-**	-	**-**	247,500
Meeting fees	**37,500**	37,500	**75,000**	75,000
Additional cash amounts (2)	**-**	-	**-**	84,000
Payroll levies (3)	**478,431**	28,642	**500,034**	43,842
	676,566	202,392	**896,305**	722,842
Share-based compensation (4)	**204,980**	134,984	**260,903**	268,484
	$ **881,546**	$ 337,376	$ **1,157,208**	$ 991,326

1) Bonuses for the six months ended June 30, 2017 include approved bonuses totaling $247,500 for the Chairman of the Board and the President and Chief Executive Officer based on their performance in 2016.

2) Additional cash amounts for the six months ended June 30, 2017 include approved cash payments totalling $84,000 to directors, the Chairman of the Board, the President and Chief Executive Officer, the Chief Financial Officer and one consultant instead granting of stock options.

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. The amounts of $478,431 and $500,034 for the three and six months ended June 30, 2018, include the Company’s contribution on the taxable benefits on the conversion of the RSU into common shares and the exercise of stock options relating to the transaction with CDPQ - refer to note 4 for further details.

13) RELATED PARTY TRANSACTIONS (continued)

4) In February and March 2016, the Company granted 583,365 RSU (of which 145,841 vested immediately) to officers, directors and consultant for a total compensation value of $2,107,701, which amount was to be expense over the vesting period. Share-based compensation amounts of $204,980 and $260,903 for the three and six months ended June 30, 2018 have been recognized relating to the RSUs (note 9).

As at June 30, 2018, some of the salaries, meeting fees and year-end performance bonuses disclosed above in the amount of $134,736 (as at December 31, 2017 - $284,578) had not been paid and were included in account payables and accrued liabilities.

b) Transactions with key management

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 six months ended June 30, 2018, the Company has paid $3,653 (2017 -$3,807) for the Toronto office.

14) CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company's objectives in managing capital are 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 right 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 or repurchase shares under its Normal Course Issuer Bid 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 the Statement of Changes in Equity. The Company is not subject to any externally imposed capital requirements.

15) COMMITMENTS

The Company has entered into agreements with officers that include termination and change of control clauses. In the case of termination, the officers are entitled to an amount equal to a multiple (ranging from one to two times) of the annual base fee payable. In the case of a change of control, the officers and consultants are entitled to an amount equal to a multiple (ranging from one to two times) the sum of the annual base fee. As at June 30, 2018, the total annual base fee of the officers and consultants under the agreements is $635,000.

16) SUBSEQUENT EVENTS

a) Acquisition of 2% NSR on Revillard Property

On July 4, 2018, the Company announced that it has entered into an agreement with an arm's length party, to acquire a 2% NSR royalty on the Revillard property for a purchase price of $75,750 (or US$50,000). The Revillard property is located approximately 10 kilometres northwest of the Canadian Malartic Mine in Québec and forms part of a larger set of claims known as the Malartic Project, which is under option by Dundee Precious Metals Inc.

b) Acquisition of 15% NPI in the vicinity of Canadian Malartic Mine

On July 5, 2018, the Company announced that it has entered into an agreement with a group of arm's length, third party sellers, to acquire a 15% carried net profit interest on the mineral claims located immediately west of the Canadian Malartic Mine open pit in Abitibi, Québec, for a purchase price of $400,000. The mineral claims are owned and operated by the Canadian Malartic Mine, a partnership between Agnico Eagle Mines Limited and Yamana Gold Inc.

c) Acquisition of 1.5% NSR on the Midway Project

On July 9, 2018, the Company announced that it has entered into an agreement with an arm's length party to acquire a 1.5% NSR royalty on an area known as the Midway project, located east and south of the Canadian Malartic Mine in Abitibi, Québec for a purchase price of $752,000 (or US$575,000). The Midway Project is owned and operated by the Canadian Malartic Mine.

d) Acquisition of various 1.5% NSR in the Abitibi region, Québec

On July 11, 2018, the Company announced that it has entered into an agreement with an arm's length party seller, in order to acquire various 1.5% NSR royalties on projects owned by Agnico Eagle Mines Limited throughout the Abitibi region in Québec for a purchase price of $755,000 (or US$575,000).