ABITIBI ROYALTIES INC.

Audited Financial Statements

For the Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

Independent Auditors' Report

To the Shareholders of Abitibi Royalties Inc.

We have audited the accompanying financial statements of Abitibi Royalties Inc., which comprise the statement of financial position as at December 31, 2017 and December 31, 2016, the statements of net income (loss) and comprehensive income (loss), changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Abitibi Royalties Inc. as at December 31, 2017 and December 31, 2016 and its financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

MNP SENCRL, srl [1]

Montréal, Québec

April 19, 2018

[1] CPA auditor, CA, public accountancy permit No. A126822

ABITIBI ROYALTIES INC.

ABITIBI ROYALTIES INC.

Statements of Financial Position

(Expressed in Canadian Dollars)

	Notes		**As at December 31, 2017**		As at December 31, 2016
ASSETS					
Current					
Cash		**$**	**4,521,160**	$	2,060,171
Restricted cash	9		**545,052**		-
Other receivables	6		**23,591**		24,475
Sales taxes recoverable			**13,433**		11,701
Prepaid expenses			**8,842**		10,046
Total current assets			**5,112,078**		2,106,393
Non-current					
Exploration and evaluation assets	8		**39,352**		38,997
Investments	9		**36,095,520**		38,457,271
TOTAL ASSETS		**$**	**41,246,950**	$	40,602,661
LIABILITIES					
Current					
Accounts payable and accrued liabilities		**$**	**415,020**	$	159,073
Derivative financial instruments	9		**1,428,140**		489,131
Total current liabilities			**1,843,160**		648,204
Non-current					
Deferred tax liabilities	10		**3,482,519**		3,826,422
Total Liabilities			**5,325,679**		4,474,626
EQUITY					
Capital stock	11		**7,687,796**		7,300,142
Contributed surplus			**2,780,891**		3,179,193
Retained earnings			**25,452,584**		25,648,700
Total Equity			**35,921,271**		36,128,035
TOTAL LIABILITIES AND EQUITY		**$**	**41,246,950**	$	40,602,661

Commitments (note 21)

Subsequent event (note 22)

"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 financial statements.

ABITIBI ROYALTIES INC.

Statements of Net Income (Loss) and Comprehensive Income (Loss)

(Expressed in Canadian Dollars)

	Notes	For the year ended December 31, 2017	2016
Revenues			
Dividends		**$ 265,368**	$ 341,424
Royalties		**2,057**	1,542
		267,425	342,966
Operating expenses			
Salaries and employee benefits	16	**1,386,899**	761,888
Shared-based payments	12	**541,418**	1,305,380
Professional fees	13	**427,442**	442,010
Management fees	15	**96,000**	96,000
Office expenses		**55,566**	43,011
Advertising and promotion		**23,244**	7,850
Royalty purchase	7	**20,978**	93,624
Travel and transport		**19,117**	12,297
Exploration expenses		**279**	4,225
Reversal of success fee liability	16	**-**	(4,157,110)
		2,570,943	(1,390,825)
Operating income (loss)		**(2,303,518)**	1,733,791
Other income (costs)			
Change in fair value of investments	9	**2,151,184**	13,336,132
Foreign exchange loss		**(322,819)**	(6,973)
Commissions		**(73,947)**	(24,100)
Interest expense		**(1,279)**	(979)
Interest income		**10,360**	9,123
		1,763,499	13,313,203
Net income (loss) before income tax		**(540,019)**	15,046,994
Deferred income tax recovery (expense)	10	**343,903**	(1,185,624)
Net income (loss) and comprehensive income (loss) for the year		**$ (196,116)**	$ 13,861,370
Earnings (loss) per share			
Basic	14	**$ (0.02)**	$ 1.24
Diluted	14	**$ (0.02)**	$ 1.15
Weighted average number of common shares outstanding			
Basic	14	**11,351,970**	11,156,722
Diluted	14	**11,351,970**	12,029,004

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

ABITIBI ROYALTIES INC.

Statements of Changes in Equity

(Expressed in Canadian Dollars)

	Notes	Number of Common shares outstanding	Capital Stock	Contributed Surplus	Retained earnings	Total Equity
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	12	140,692	436,854	(295,699)	-	141,155
Common shares repurchased and cancelled	11	(75,600)	(49,200)	(644,021)	-	(693,221)
Restricted share units	12	-	-	541,418	-	541,418
Net loss and total comprehensive loss		-	-	-	(196,116)	(196,116)
Balance as at December 31, 2017		**11,401,335**	**$ 7,687,796**	**$ 2,780,891**	**$ 25,452,584**	**$ 35,921,271**
Balance as at January 1, 2016		10,929,368	$ 5,358,952	$ 2,849,709	$ 11,787,330	$ 19,995,991
Common shares issued upon the exercise of options	12	458,975	1,966,752	(819,653)	-	1,147,099
Common shares repurchased and cancelled	11	(52,100)	(25,562)	(156,243)	-	(181,805)
Restricted share units	12	-	-	1,305,380	-	1,305,380
Net income and total comprehensive income		-	-	-	13,861,370	13,861,370
Balance as at December 31, 2016		11,336,243	$ 7,300,142	$ S 3,179,193	$ 25,648,700	$ 36,128,035

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

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

	Notes	For the year ended December 31, 2017	2016
OPERATING ACTIVITIES			
Net income (loss) for the year		$ (196,116)	$ 13,861,370
Adjustment:			
Share-based payments	12	541,418	1,305,380
Reversal of success fee liability		-	(4,157,110)
Change in fair value of financial assets and liabilities		(2,151,184)	(13,336,132)
Deferred income tax expense (recovery)		(343,903)	1,185,624
Salaries used to exercise options	17	91,407	-
Foreign exchange		326,146	(533)
Changes in working capital items:			
Sales taxes recoverable		(1,732)	(2,736)
Other receivables		884	52,275
Prepaid expenses		1,204	759
Accounts payable and accrued liabilities		255,847	(13,960)
Cash flows used by operating activities		(1,476,029)	(1,105,063)
INVESTING ACTIVITIES			
Additions to exploration and evaluation assets		(255)	(3,850)
Additions to investments		(2,553,928)	-
Disposal of investments		6,098,350	-
Payment of success fee		-	(15,890)
Cash flows from (used by) investing activities		3,544,167	(19,740)
FINANCING ACTIVITIES			
Issuance of capital stock	12	49,748	1,147,099
Capital stock repurchased and cancelled		(693,221)	(181,805)
Increase in restricted cash	9	(545,052)	-
Increase in derivative financial instruments	9	1,907,522	521,574
Cash flows from financing activities		718,997	1,486,868
Effect of foreign exchange rate changes on cash		(326,146)	533
Net increase in cash		2,460,989	362,598
Cash, beginning of year		2,060,171	1,697,573
Cash, end of year		$ 4,521,160	$ **2,060,171**
Additional cash flow information (note 17)			
Cash transactions:			
Interest received related to operating activities:		$ 10,360	$ 9,123
Dividends received related to investing activities:		265,368	341,424

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

1) NATURE OF OPERATIONS

Abitibi Royalties Inc. (the "Company") has the objective to build a premium quality royalty company by acquiring 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 December 31, 2017, Golden Valley Mines Ltd. (“Golden Valley”), a controlling shareholder, held a 49.16% interest in the Company.

2) BASIS OF PRESENTATION

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and have been prepared using the historical cost convention, as modified by revaluation of certain financial instruments, which are measured in accordance with the policy described in note 4. Accounting policies are consistently applied to all years presented, unless otherwise stated.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company`s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5.

Even though the Company holds significant investments in other entities, it does not qualify as an investment entity under IFRS 10.

Approval of Financial Statements

These financial statements were approved for issuance by the Board of Directors on April 19, 2018.

3) NEW AND REVISED IFRS

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of each pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

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 assets, 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.

During the year, the Company has undertaken an accounting impact analysis of the new standard based on the nature of the financial instruments it holds and the way in which they are used. The indicative impacts of adopting IFRS 9 are as follows:

Classification and measurement:

IFRS 9 establishes a principles-based approach to determining whether a financial asset should be measured at amortized cost or fair value, based on the cash flow characteristics of the asset and the business model in which the asset is held. The Company anticipates that the classification and measurement basis for its financial assets will be largely unchanged under this model. Similarly, the Company does not expect there to be a significant impact on the classification and measurement of its financial liabilities.

Impairment

Based on the Company's assessment, the introduction of an 'expected credit loss' model for the assessment of impairment of financial assets held at amortized cost is not expected to have a material impact on the Company's results, given the low exposure to counterparty default risk as a result of the credit risk assessment.

3) NEW AND REVISED IFRS (continued)

IFRS 15 - Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15. The new standard is effective for fiscal years beginning on or after January 1, 2018 and is to be applied retrospectively. Early adoption is permitted. IFRS 15 will replace IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue - Barter Transactions Involving Advertising Services. 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.

During the year, the Company has undertaken an accounting impact analysis based on a review of the contractual terms of its principal revenue streams. Under IFRS 15 the revenue recognition model will change from one based on the transfer of risk and reward of ownership to the transfer of control of ownership. The Company’s revenue is predominantly derived from dividends from its investments, and royalties from its Net Smelter Returns. As the transfer of risks and rewards generally coincides with the transfer of control at a point in time, the timing and amount of revenue recognized from these principal revenue streams is unlikely to be materially affected.

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 in the statement of financial position 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 does not expect the application of IFRS 16 to have a significant impact on its financial statements.

4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been applied in the preparation of these financial statements are summarized below.

a) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

The Company classifies its financial instruments by category according to their nature and their characteristics. Management determines the classification when the instruments are initially recognized, which is normally the date of the transaction.

Financial assets and financial liabilities are measured initially at fair value adjusted for transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Financial assets and financial liabilities are measured subsequently as described below:

Financial assets

For the purpose of subsequent measurement, financial assets of the Company are classified into the category of Loans and receivables or Financial assets at fair value through profit or loss upon initial recognition. All income and expenses relating to financial assets that are recognized in profit or loss are presented within dividends, finance income, finance cost or change in fair value of financial assets at fair value through profit or loss, if applicable.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash, restricted cash and other receivable fall into this category of financial instruments.

Financial assets at fair value through profit or loss include financial assets that are either classified as held-for-trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair value of financial assets in this category is determined by reference to active market transactions. The investments in quoted mining companies are designated into this category of financial instruments.

4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

All financial assets, except for those at fair value through profit or loss, are reviewed for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

Financial liabilities

The Company's financial liabilities include accounts payable and accrued liabilities and derivative financial instruments. Financial liabilities are measured subsequently at amortized cost using effective interest method except for derivatives, which are carried subsequently at fair value with gains or losses recognized in profit or loss.

b) Foreign currency translation

Functional and presentation currency

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

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rates). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates recognized in profit or loss.

Non-monetary items are not re-translated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the dates when fair value was determined.

4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable arising from the use by others of the Company's assets yielding royalties, interest and dividends. The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and when the specific criteria have been met for each of the Company's activities as described below.

Dividends

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably).

Royalties

Royalties consist of revenues earned directly from royalty agreements. Revenue recognition generally occurs in the month of production from the royalty property. Revenue is measured at fair value of the consideration received or receivable when management can reliably estimate the amounts pursuant to the terms of the royalty agreement. In some instances, the Company will not have access to sufficient information to make a reasonable estimate of revenue and accordingly, revenue recognition is deferred until management can make a reasonable estimate. Differences between estimated and actual amounts are adjusted and recorded in the period that the actual amounts are known.

d) Cash and restricted cash

Cash comprise of cash in bank and demand deposits, which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Restricted cash relates to funds held as collateral on the put option contracts referred to in the Derivative financial instruments section below. The funds will become unrestricted once the put option contracts are exercised, repurchased or expired.

e) Royalty purchase

Royalty purchase consists of acquiring royalties in exploration and evaluation stage properties. These properties represent early stage exploration properties that are speculative and are expected to require more than two years to generate revenues, if ever, or are currently not active. Acquisition cost of royalty purchase are recorded in profit or loss in accordance with IFRS 6, Exploration for and Evaluation of Mineral Resource.

4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Exploration and evaluation expenditures and exploration and evaluation assets

Exploration and evaluation expenditures are costs incurred in the course of initial search for mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Costs incurred before the legal right to undertake exploration and evaluation activities are recognized in profit or loss when they are incurred.

Once the legal right to undertake exploration and evaluation activities has been obtained, all costs of acquiring mineral rights or options to acquire such rights (option agreement), expenses related to the exploration and evaluation of mining properties, less refundable tax credits related to these expenses, are recognized as exploration and evaluation assets. Expenses related to exploration and evaluation include topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling and other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource. The various costs are capitalized on a property-by-property basis pending determination of the technical feasibility and commercial viability of extracting a mineral resource. These assets are recognized as intangible assets and are carried at cost less any accumulated impairment losses. No depreciation expenses are recognized for these assets during the exploration and evaluation phase.

Whenever a mining property is considered no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts. The difference is then immediately recognized in profit or loss.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets related to the mining property are transferred to property and equipment in Mining assets under construction. Before the reclassification, exploration and evaluation assets are tested for impairment and any impairment loss is recognized in profit or loss before reclassification.

Although the Company has taken steps to verify title to the mining properties in which it holds an interest in accordance with industry practices for the current stage of exploration and development of such properties, these procedures do not guarantee the validity of the Company's titles. Title to property may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

To date, neither the technical feasibility nor the commercial viability of extracting a mineral resource has been demonstrated.

Impairment of exploration and evaluation assets

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at a cash-generating unit level. Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, an asset or cash-generating unit is reviewed for impairment.

4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of exploration and evaluation assets (continued)

Impairment reviews for exploration and evaluation assets are carried out on a project by project basis, with each project representing a potential single cash-generating unit. An impairment review is undertaken when indicators of impairment arise, but typically when one of the following circumstances apply:

a) the right to explore the areas has expired or will expire in the near future with no expectation of renewal;
b) no further exploration or evaluation expenditures in the areas are planned or budgeted;
c) no commercially viable deposits have been discovered, and the decision has been made to discontinue exploration in the area;
d) sufficient work has been performed to indicate that the carrying amount of the expenditure carried as an asset will not be fully recovered.

Additionally, when technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the exploration and evaluation assets of the related mining property are tested for impairment before these items are transferred to property and equipment.

An impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount. The amount of such reversal is limited to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined had no impairment loss previously been recognized.

g) Provisions

Provisions are recognized when present legal or constructive obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

The Company's operations are governed by government environment protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable and impact.

4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

As of the reporting date, management believes that the Company's operations are in compliance with the current laws and regulations. Site restoration costs currently incurred are negligible. When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, a restoration provision will be recognized in the cost of the mining property when there is constructive commitment that has resulted from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability. No liability is recognized if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. At December 31, 2017 and 2016, there is no provision in the statement of financial position.

h) Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred and current tax not recognized in other comprehensive income or directly in equity.

Current tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and associates is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that the reversal will occur in the foreseeable future. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full. Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority. Changes in deferred tax assets or liabilities are recognized as deferred tax expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Equity

Capital stock

Capital stock represents the amount received on the issue of shares, less issuance costs, net of any underlying income tax benefit from these issuance costs. If shares are issued when stock options and warrants are exercised, the capital stock account also comprised the compensation costs previously recorded as contributed surplus. In addition, if shares were issued as consideration for the acquisition of a mineral property or some other form of non-monetary assets, they are measured at their fair value according to the quoted price on the day of the conclusion of the agreement.

Unit placements

Proceeds from unit placements are allocated between shares and warrants issued using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance and any residual in the proceeds is allocated to warrants.

Other elements of equity

Contributed surplus includes charges related to stock options and warrants until such stock options and warrants are exercised.

Deficit includes all current and prior period retained profits and losses.

Purchase for cancellation

When shares are purchased for cancellation, the carrying amount of the shares is recognized as a deduction of share capital. The difference between the purchase price and the carrying amount is charged to contributed surplus.

j) Share based remuneration

Stock options plan

The Company operates an equity-settled share-based payment plan for its eligible directors, officers, and employees. The Company's plan does not feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values, unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services received, the Company measures their value indirectly by reference to the fair value of the equity instruments granted. For the transactions with employees and others providing similar services, the Company measures the fair value of the services received by reference to the fair value of the equity instruments granted.

4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Stock options plan (continued)

All equity-settled share-based payments (except equity-settled share-based payments to brokers) are ultimately recognized as an expense in the profit or loss or capitalized as an exploration and evaluation asset, depending on the nature of the payment with a corresponding credit to Contributed surplus, in equity. Equity-settled share-based payments to brokers, in respect of an equity financing are recognized as issuance costs of the equity instruments with a corresponding credit to Contributed surplus, in equity.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of stock options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of stock options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if stock options ultimately exercised are different to that estimated on vesting.

Upon exercise of stock options, the proceeds received net of any directly attributable transaction costs are recorded as capital stock. The accumulated charges related to the stock options recorded in contributed surplus are then transferred to capital stock.

Restricted Share Unit Plan

The Company operates a Restricted Share Unit (“RSU”) plan for directors, executive officers, employees and consultants. RSUs that have been vested will be payable, in cash or common shares, at the sole discretion of the Company. The share-based remuneration expense of the RSUs is based on the fair value of the Company's common shares at the grant date.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of RSU expected to vest. Non-market vesting conditions are included in assumptions about the number of RSU that are expected to be issued or paid. Estimates are subsequently revised if there is any indication that the number of RSU expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if the number of RSU that are ultimately issued or paid is different to that estimated on vesting.

The accumulated charges related to the RSU recorded in contributed surplus are transferred to capital stock on issuance of shares in payment of vested RSU or against cash if settled in cash.

4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Basic and diluted earnings (loss) per share

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

When a loss is incurred during a period, basic and diluted loss per share are the same because the exercise of share equivalents is then considered to be anti-dilutive.

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

l) Segmental reporting

The Company presents and discloses segmental information based on information that is regularly reviewed by the Chief Executive Officer and the Board of Directors. The allocation of resources between the different operating segments and the assessment of the performance of the operating segments is the responsibility of the Chief Executive Officer.

The Company has determined that it has only one operating segment: the acquisition and management of first class royalties, which includes the Luc Bourdon Prospect.

5) JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

a) Significant management judgements

The following are significant management judgements in applying the accounting policies of the Company that have the most significant effect on the financial statements.

Classification of financial instruments

All financial assets are classified in one of the following categories: fair value through profit or loss or loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets upon initial recognition.

5) JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Classification of financial instruments (continued)

Financial assets at fair value through profit or loss are financial assets classified as held for trading or upon initial recognition are designated by the Company as fair value through profit or loss. Financial assets are classified as held for trading if acquired with the intent to sell in the short-term.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Recognition of deferred tax assets and measurement of income tax expense

Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgement. To date, management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period.

b) Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment of exploration and evaluation assets

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgement and a number of estimates and interpretations in many cases.

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset or the cash-generating units must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs must be determined.

In assessing impairment, the Company must make some estimates and assumptions regarding future circumstances, in particular, whether an economically viable extraction operation can be established, the probability that the expenses will be recovered from either exploitation or sale when the activities have not reached a stage that permits a reasonable assessment of the existence of reserves, the Company's capacity to obtain financial resources necessary to complete the evaluation and development and to renew permits. Estimates and assumptions may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

(Expressed in Canadian dollars unless otherwise noted)

5) JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Impairment of exploration and evaluation assets (continued)

No impairment loss of the exploration and evaluation assets has been recognized in profit or loss in the years ended December 31, 2017 and December 31, 2016. No reversal of impairment losses has been recognized for the reporting periods.

Share-based payments

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of comparable mining exploration companies' share on the TSX Venture Exchange, the probable life of share options granted and the time of exercise of those share options. The model used by the Company is the Black-Scholes valuation model.

6) OTHER RECEIVABLES

	As at December 31,			
		2017		2016
Dividend receivable	$	**22,200**	$	23,700
Interest and other receivables		**1,391**		775
	$	**23,591**	$	24,475

7) 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.

(Expressed in Canadian dollars unless otherwise noted)

7) ROYALTY INTERESTS (continued)

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.

For fiscal 2017, the Company invested $20,978 ($93,624 for fiscal 2016) to acquire NSR royalties in three projects; one in Saskatchewan and two in Ontario. These amounts were expensed because the Company does not expect to receive royalty income in the foreseeable future.

8) 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.

9) INVESTMENTS

	As at December 31, 2017		As at December 31, 2016	
	Number of shares	Fair value	Number of shares	Fair value
Yamana Gold Inc.	3,549,695	$ **13,914,804**	3,549,695	$ 13,382,350
Agnico Eagle Mines Limited	378,997	**21,996,986**	444,197	25,074,921
		35,911,790		38,457,271
Other investments		**183,730**		-
		$ **36,095,520**		$ 38,457,271

Sale and Purchase of Agnico Eagle shares

In January 2017, the Company was called to deliver 108,700 shares of Agnico from the covered call options it had sold and in December 2017, the Company purchased 43,500 shares of Agnico from a put option it had sold. For further details, refer to *Derivative financial instruments* section.

(Expressed in Canadian dollars unless otherwise noted)

9) 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**

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

	Expiry date	Number of shares under option		Exercise price range (USD)		Market value as at December 31, 2016
Calls						
Yamana	January 20, 2017	1,166,500	$	4.50 to 12.00	$	15,954
Yamana	January 19, 2018	538,900		4.00 to 10.00		128,780
Agnico	January 20, 2017	167,500		40.00 to 55.00		344,397
		1,872,900			$	489,131

In January 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.

(Expressed in Canadian dollars unless otherwise noted)

9) INVESTMENTS (continued)

Derivative financial instruments (continued)

For fiscal year 2017, the Company sold 38,905 calls and 5,865 put option contracts (5,276 calls and 5,865 puts on Agnico Eagle shares and 33,629 calls on Yamana Gold shares) for total cash proceeds of $1,928,103 (or US$1,498,229).

For the year ended December 31, 2017, 16,381 option contracts (588 calls and 4,128 puts on Agnico Eagle and 11,665 calls on Yamana) expired for an amount of $488,662 (or US$371,739). In addition, for the year ended December 31, 2017, 5,978 option contracts (1,850 calls and 651 puts on Agnico Eagle and 3,477 calls on Yamana) were repurchased before expiration for an amount of $200,786 (or US$161,561). No option contracts expired or were repurchased for the year ended December 31, 2016.

For fiscal year 2016, the Company sold 14,734 call option contracts (1,230 calls on Agnico Eagle shares and 13,504 calls on Yamana Gold shares) covering 1,350,400 shares of its investment in Yamana and 123,000 in Agnico for total cash proceeds of $521,574 (or US$382,991).

Restricted cash

Restricted cash of $545,052 (or US$434,477) as at December 31, 2017 ($nil as at December 31, 2016) relates to funds held as collateral on the put option contracts of 65,100 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.

10) INCOME TAXES

Total income tax expense (recovery)

	For the year ended December 31, 2017	For the year ended December 31, 2016
Deferred tax expense (recovery)		
Origination and reversal of temporary differences	$ **(343,903)**	$ 1,353,291
Recognition of previously unrecognized temporary differences	**-**	(167,667)
	(343,903)	1,185,624
Total tax expense (recovery)	$ **(343,903)**	$ 1,185,624

(Expressed in Canadian dollars unless otherwise noted)

10) INCOME TAXES (continued)

Relationship between expected tax expense and accounting profit or loss

The relationship between the expected tax expense based on the combined income tax rate in Canada and the reported tax expense in the statement of comprehensive loss can be reconciled as follows:

	For the year ended December 31, 2017	2016
Net income (loss) for the year before income taxes	**$ (540,019)**	$ 15,046,994
Expected tax expense calculated using the combined Federal and Provincial at combined statutory rate in Canada of 26.80% (26.90% in 2016)	**$ (144,725)**	$ 4,047,641
Recognition of previously unrecognized temporary differences	**-**	(167,667)
Non-taxable portion of gain on investments	**(274,457)**	(1,792,202)
Non-taxable reversal of success fee liability	**-**	(1,122,537)
Non-taxable dividends received	**(71,119)**	(91,843)
Share-based payments	**145,100**	351,147
Other	**1,298**	(38,915)
Deferred tax expense (recovery)	**$ (343,903)**	$ 1,185,624

The statutory tax rate for 2017 and 2016 were 26.80% and 26.90%, respectively. The Quebec general corporate tax rate will decrease at a rate of 0.10% per year from 11.80% to 11.50% beginning January 1 of each year from 2017 to 2020.

(Expressed in Canadian dollars unless otherwise noted)

10) INCOME TAXES (continued)

Deferred tax assets and liabilities and variation of recognized amounts

		As at December 31, 2016	Recognized in profit or loss		As at December 31, 2017
Exploration and evaluation assets	$	97,916	5,560	$	**103,476**
Investments		(5,004,415)	640,454		**(4,363,961)**
Capital assets and intangibles		-	-		**-**
Non-capital losses		1,015,267	(426,530)		**588,737**
Derivative financial instruments		64,810	124,419		**189,229**
	$	(3,826,422)	343,903	$	**(3,482,519)**

		As at December 31, 2015	Recognized in profit or loss		As at December 31, 2016
Exploration and evaluation assets	$	74,210	23,706	$	97,916
Investments		(3,307,364)	(1,697,051)		(5,004,415)
Capital assets and intangibles		3,512	(3,512)		-
Non-capital losses		588,844	426,423		1,015,267
Derivative financial instruments		-	64,810		64,810
	$	(2,640,798)	(1,185,624)	$	(3,826,422)

11) 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) 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 which allowed the Company to purchase up to 566,812 of its common shares.

On September 25, 2017, the Company further renewed 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.

For fiscal year 2017, the Company repurchased and cancelled 75,600 of its common shares at prices varying from $8.52 to $9.32 for a total of $693,221.

For fiscal year 2016, the Company repurchased and cancelled 52,100 of its common shares at prices varying from $2.90 to $4.15 for a total of $181,805.

12) REMUNERATION

a) 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 and Restricted Share Units. The Company does not offer any other benefits or perquisites to its directors and executive officers.

(Expressed in Canadian dollars unless otherwise noted)

12) REMUNERATION (continued)

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.

b) Share-based payments

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.

A summary of changes in the number of incentive stock option for the year ended December 31, 2017 and 2016 is presented as follows:

	2017			2016		
	Number of options		Weighted average exercise price	Number of options		Weighted average exercise price
Outstanding as at January 1	766,003	$	1.08	1,224,978	$	1.69
Exercised	(140,692)		1.00	(458,975)		2.50
Outstanding as at December 31	625,311	$	1.10	766,003	$	1.08
Exercisable as at December 31	625,311	$	1.10	766,003	$	1.08

There has been no incentive stock option issued for the year ended December 31, 2017 and 2016.

(Expressed in Canadian dollars unless otherwise noted)

12) REMUNERATION (continued)

For fiscal year 2017, the Company issued 140,692 of its common shares for a total consideration of $141,155 from the exercise of stock options at prices of $0.55 per share for 103,870 common shares, $3.62 per share for 2,607 common shares and of $2.18 per share for 34,215 common shares.

For fiscal year 2016, the Company issued 458,975 of its common shares for a total consideration of $1,147,099 from the exercise of stock options at prices of $2.18 per share for 1,059 common shares and of $2.50 per share for 457,916 common shares.

The table below summarizes the information related to outstanding share options as at December 31, 2017 and 2016:

	2017 Outstanding options		2016 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	483,630	0.74	587,500	1.74
$2.18	64,288	1.42	98,503	2.42
$3.62 to $3.70	77,393	1.71	80,000	2.71
	625,311		766,003	

Restricted Share Unit Plan

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 to executive officers, directors, employees and consultants (each a "Participant") as a bonus or similar payment in respect of services rendered or otherwise as compensation, including as an incentive for future performance, or in satisfaction of dividends declared by the Company and payable to Participants. The aggregate number of common shares issuable pursuant to Share Units granted under the RSU Plan will not, at any given time, exceed 896,769 common shares, among other limits with respect to individual grants under the RSU Plan. At the time Share Units are granted to a Participant, the Company 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 Company determines an earlier date, or subject to accelerated expiry in the event of a change of control of the Company.

(Expressed in Canadian dollars unless otherwise noted)

12) REMUNERATION (continued)

Restricted Share Unit Plan (continued)

A summary of changes in the number of Share Units for the year ended December 31, 2017 and 2016 is presented as follows:

	2017	2016
Outstanding at January 1st	**583,365**	-
Granted	**-**	583,365
Outstanding at December 31st	**583,365**	583,365
Units Vested	**291,682**	145,841

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 Share Units and 510,865 Share Units were February 4, 2019 and March 16, 2019, respectively.

The total compensation related to the 2016 grants totalled $2,107,701 of which the Company recognized an amount of $541,418 for the year ended December 31, 2017 ($1,305,380 for the year ended December 31, 2016).

None of the vested RSU were converted into common shares for the year ended December 31, 2017 and 2016.

13) PROFESSIONAL FEES

The following table shows professional fees for the year ended December 31, 2017 and 2016:

	For the year ended December 31,			
		2017		2016
Media relations and other consultants	$	**154,995**	$	149,438
Legal fees		**132,503**		139,074
Exchange, regulatory & transfer agent fees		**60,282**		56,507
Audit, tax and accounting fees		**79,662**		96,991
	$	**427,442**	$	442,010

(Expressed in Canadian dollars unless otherwise noted)

14) EARNINGS (LOSS) PER SHARE

Earnings (loss) per share has been calculated using the weighted average number of common shares outstanding for the year ended December 31, 2017 and 2016 as follows:

	For the year ended December 31, 2017	For the year ended December 31, 2016
Net income (loss) for the year attributable to shareholders	$ (196,116)	$ 13,861,370
Weighted average number of common shares outstanding - Basic	11,351,970	11,156,722
Dilutive effect of stock options	-	872,282
Weighted average number of common shares outstanding - Diluted	11,351,970	12,029,004
Basic earnings (loss) per share	$ (0.02)	$ 1.24
Diluted earnings (loss) per share	$ (0.02)	$ 1.15

Both the basic and diluted earnings per share have been calculated using the net income attributable to owners of the Company as the numerator, i.e. no adjustment to the net income was necessary in either of the years ended December 31, 2017 and 2016.

For the year ended December 31, 2017, potential dilutive common shares from incentive stock options and Share Units have not been included in the earnings (loss) per share calculation as they would result in a reduction of the loss per share. For the year ended December 31, 2016, all outstanding stock options and vested Share Units were considered in the calculation of the diluted earnings (loss) per share.

15) MANAGEMENT FEES

On October 1, 2010, the Company entered into a Management and Administrative Services Agreement (the "Management Agreement") with Golden Valley, pursuant to which Golden Valley will provide certain administrative, management and financial services such as office space, administrative support, including the use of Golden Valley's in house legal counsel for day to day general enquiries, services of a consultant and investors relations services to the Company in consideration of $96,000 per year (the "Fee"), payable on a monthly basis, plus applicable taxes. The provision of services by Golden Valley commenced on October 1, 2010, but payment of monthly fees started on July 15, 2011 (the "Trading Date").

From July 1, 2013 to March 31, 2014, Golden Valley agreed to provide the services but suspended the management fees to enable the Company to conserve cash for its operations. Effective April 1, 2014, as its cash situation permitted such payment, the Company resumed payment of the management fees. For the year ended December 31, 2017, the Company has paid management fees of $96,000 ($96,000 for the year ended December 31, 2016) to Golden Valley.

15) MANAGEMENT FEES (continued)

The Management Agreement is for an initial term of two years commencing on the Trading Date, and will be automatically renewed after the initial term for successive period of 12 months. The Management Agreement can be terminated at any time and by either party, upon delivery of a twelve-month written notice. The Management Agreement provides for the Fee to be reviewed on an annual basis.

The Company entered into an amending agreement (an "Amending Agreement") with Golden Valley dated as of May 21, 2014, amending the terms of the Management Agreement. The Amending Agreement confirms, among other things, that: if there is a change of control of the Company and Golden Valley terminates the Management Agreement within six months of the change of control; if the Company terminates the Management Agreement within twelve months of the change of control; or if the Company and Golden Valley agree to terminate the Management Agreement within six months of the change of control, then the Company will pay Golden Valley a termination payment equal to the aggregate of the amounts that would have been payable by the Company to Golden Valley as the fee for the period from the date of the Amending Agreement to the date on which the Management Agreement is terminated if payment of the fee had not been suspended during such period. (See note 22)

16) RELATED PARTY TRANSACTIONS

a) Transactions with the parent company

- Pursuant to the terms of the Management Agreement (note 15), Golden Valley has also agreed to provide the Company with the services of a qualified geologist at an hourly charge equal to the hourly charge to Golden Valley, plus 10%. For fiscal year 2017, the Company incurred geological fees in the amount of $2,253 ($6,761 for fiscal year 2016) of this amount $356 ($3,850 for fiscal year 2016) was included in Exploration and Evaluation assets and $1,897 ($2,911 for fiscal year 2016) in exploration expenses in profit or loss. As at December 31, 2017, the Company had net indebtedness of $1,780 (2016 - $26,613) to Golden Valley of which $379 (2016 - $837) were for geological services.

- In 2016, the Company also entered into letters of intent with Golden Valley for the purchase of a 2% NSR on the following properties; Smokehead Prospect, Bogside Prospect and Bogside NW and Riverside Prospects. In 2016, the Company paid $23,566 to Golden Valley: $11,693 for Bogside NW and Riverside Prospects and $11,873 for Bogside Prospect. In accordance with the agreement on Bogside Prospect, an additional amount of $1,878 should be paid to Golden Valley, after some work has been performed. All amounts paid for NSR on early exploration stage properties are expensed and presented as royalty purchase in the statement of comprehensive income (loss).

(Expressed in Canadian dollars unless otherwise noted)

16) RELATED PARTY TRANSACTIONS (continued)

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. The compensation paid to key management is presented below:

	For the year ended December 31, 2017		For the year ended December 31, 2016	
Salaries and benefits	$	**575,000**	$	527,556
Bonus (1)		**454,250**		-
Director fees		**150,000**		135,246
Additional cash amounts (2)		**84,000**		-
Payroll levies (3)		**113,399**		99,086
		1,376,649		761,888
Share-based compensation (4)		**541,418**		1,305,380
	$	**1,918,067**	$	2,067,268

1) Due to timing, bonus includes both performance bonus for 2016 and 2017. In April 2017, the Board of Directors approved bonuses totaling $247,500 for the Chairman of the Board and the President and Chief Executive Officer based on their performance in 2016. In December 2017 and February 2018, the Board of Directors also approved bonuses totaling $206,750 for the Chairman of the Board, the President and Chief Executive Officer, the Chief Financial Officer and one consultant for their performance in 2017.
2) In April 2017, the Board of Directors also approved additional 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 of granting 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.
4) In 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. The share-based compensation amount of $541,418 is the part of the cost of the RSU granted in 2016 that is allocated for the year ended December 31, 2017 ($1,305,380 for the year ended December 31, 2016).

- At the end of the year, some of the salaries, meeting fees and bonuses disclosed above had not been paid and were included in current liabilities. At December 31, 2017, $284,578 (2016 - $66,705) was included in account payables and accrued liabilities.

- During the year ended December 31, 2017, officers and directors exercised 128,557 stock options at a price of $0.55, $2.18 and $3.62 per option for total proceeds of $134,481.

(Expressed in Canadian dollars unless otherwise noted)

16) RELATED PARTY TRANSACTIONS (continued)

- The President and Chief Executive Officer is using his Toronto Property as an office for the Company and is being reimbursed the expenses related to the premises (rent and municipal taxes representing about $2,000 per quarter). For fiscal year 2017, the Company has paid $7,108 ($7,588 for fiscal year 2016) for the Toronto office.

- In 2016, the President and CEO travelled as a passenger in a private jet owned by a shareholder, who has more than 10% interest in the common shares of the Company. The Company reimbursed its share of the operating expenses incurred during the flight of $1,726 to the shareholder.

c) Management Success Fees Agreement

On May 27, 2014, (as subsequently amended and restated and further amended) the Company entered into a Management Success Fees Agreement with 2973090 Canada Inc. ("2973090"), a company controlled by the Chairman of the Board of the Company. This agreement provided that upon the Company completing a transaction or series of transactions the amount of the success fee payable will be determined based on the value of the transaction. On May 22, 2015, following the sale of the Malartic CHL Property, the Board of Directors established the amount of the Success Fee payable with respect to the sale to $4,290,000 of which $3,500,000 was to be payable from time to time as and when the Company would have the funds available to do so, as determined by its Board of Directors and of which $790,000 would become payable in the same way but only as Proven and Probable Reserves were established on the Malartic CHL Project in accordance with National Instrument 43-101. On March 11, 2016, the Company terminated the Management Success Fees Agreement. Prior to its termination an amount of $132,890 was paid out ($117,000 paid in 2015 and $15,890 paid in 2016) under the terms of the Management Success Fees Agreement, with no further amounts payable. Following this termination, the remaining liability of $4,157,110 was reversed in the first quarter of 2016.

17) ADDITIONAL CASH FLOW INFORMATION

	As at December 31, 2017	2016
Non-cash activities:		
Accounts payable and accrued liabilities included in Exploration and Evaluation Assets	$ 100	$ -
Salaries used to exercise options	91,407	-

18) CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company's objectives in managing capital is to safeguard its ability to continue its operations, to increase the value of the assets of the business and to provide an adequate return to owners. These objectives will be achieved by identifying and acquiring the 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.

19) FAIR VALUE MEASUREMENT

Financial assets and liabilities measured at fair value in the statement of financial position are grouped into three levels of fair value hierarchy. The three levels are defined based on the observability of the significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and,
- Level 3: unobservable inputs for the assets or liabilities.

The fair value of the investments and the derivative financial instruments have been estimated by reference to their quoted prices at the reporting date.

The investments and the derivative financial instruments measured at fair value in the statement of financial position as at December 31, 2017 and 2016 are classified in Level 1.

(Expressed in Canadian dollars unless otherwise noted)

19) FINANCIAL VALUE MEASUREMENT (continued)

The carrying amounts and fair value of financial instruments presented in the statement of financial position are as follows:

	December 31, 2017				December 31, 2016			
		Carrying amount		Fair value		Carrying amount		Fair value
Financial assets								
Loans and receivables								
Cash	**$**	**4,521,160**	**$**	**4,521,160**	$	2,060,171	$	2,060,171
Dividends and interest receivables		**23,591**		**23,591**		24,475		24,475
Financial assets at fair value through profit and loss								
Investments (level 1)		**36,095,520**		**36,095,520**		38,457,271		38,457,271
	$	**40,640,271**	**$**	**40,640,271**	$	40,541,917	$	40,541,917
Financial liabilities								
Financial liabilities measured at amortized cost								
Accounts payable and accrued liabilities	**$**	**151,289**		**151,289**	$	72,239		72,239
Financial liabilities measured at fair value through profit and loss								
Derivatives financial instruments (level 1)		**1,428,140**		**1,428,140**		489,131		489,131
	$	**1,579,429**	**$**	**1,579,429**	$	561,370	$	561,370

The carrying value of cash, dividends and interest receivables and accounts payable and accrued liabilities (excluding payables related to salaries and employee benefits) is considered to be a reasonable expectation of fair value because of the short-term maturity of these instruments.

20) FINANCIAL INSTRUMENT RISKS

Financial risk

The Company is exposed to various financial risks in relation to its financial instruments. The main types of risks the Company is exposed to are market risk, credit risk and liquidity risk.

The Company focuses on actively securing short to medium-term cash flow by minimizing the exposure to financial markets.

(Expressed in Canadian dollars unless otherwise noted)

20) FINANCIAL INSTRUMENT RISKS (continued)

The Company's main financial risk exposure and its financial risk management policies are as follows:

a) Credit risk

Credit risk relates to the risk that one party to a financial instrument will not fulfil some or all of its obligations, thereby causing the Company to sustain a financial loss.

As at December 31, 2017 and 2016, the Company maximum exposure to credit risk is limited to the carrying amount of the financial assets at the reporting date as summarized below:

	As at December 31,	
	2017	2016
Cash	**$ 4,521,160**	$ 2,060,171
Dividends and interest receivable	**23,591**	24,475
	$ 4,544,751	$ 2,084,646

The risk related to cash is considered negligible as the Company is dealing with a reputable financial institution whose credit rating is excellent. The Company's management considers that the above financial asset is of good credit quality. The credit risk exposure for the Company's dividends and interest receivable is considered immaterial.

b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has potential financing sources. The Company establishes budget and cash estimates to ensure it has the necessary funds to fulfil its obligations.

20) FINANCIAL INSTRUMENT RISKS (continued)

The following table presents contractual maturities of the Company's liabilities:

	As at December 31, 2017	2016
Within three months		
Accounts payable and accrued liabilities	**$ 415,020**	$ 159,073
Derivative financial instruments	**204,061**	360,351
	$ 619,081	$ 519,424
Three to six months		
Derivative financial instruments	**$ 23,909**	$ -
	$ 23,909	$ -
Twelve to thirty six months		
Derivative financial instruments	**$ 1,200,170**	$ 128,780
	$ 1,200,170	$ 128,780

The Company's existing cash resources significantly exceed the current cash outflow requirements.

c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company is exposed to the following two types of market risk: foreign currency risk and other price risk:

Foreign currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Most of the Company's transactions are carried out in Canadian dollars. Currency risk arises from the Company's cash and dividends in foreign currency, which are primarily denominated in U.S. dollars. The Company does not enter into arrangements to hedge its foreign exchange risk.

Foreign currency denominated financial assets and liabilities in U.S. dollars, and which expose the Company to the currency risk are as follows:

	As at December 31, 2017	2016
Cash	**$ 2,856,594**	$ 27,615
Dividend receivable	**17,748**	17,748
Derivative financial instrument	**(1,138,414)**	(364,289)
	$ 1,735,928	$ (318,926)

20) FINANCIAL INSTRUMENT RISKS (continued)

A +/- 1% change in the Canadian /U.S. exchange rate as at December 31, 2017 would have had an impact of $21,777 at December 31, 2017 on profit or loss of the period and equity.

Other price risk sensitivity

The Company is exposed to fluctuations in the market prices of its investments in quoted mining exploration companies and its derivative financial instruments. The fair value of those instruments represents the maximum exposure to price risk.

If the quoted price for the investments and the derivative financial instruments had changed by +/- 1% as at December 31, 2017 other comprehensive income would have changed by $345,886.

21) COMMITMENT

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) 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 December 31, 2017, the total annual base fee of the officers and consultants under the agreements is $635,000.

22) SUBSEQUENT EVENT

a) Termination of Management Services Agreement

Effective January 1, 2018, the Company terminated the Management Services Agreement referred to note 15 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 will now be assumed by the Company.