



Management's Discussion and Analysis for the year ended December 31, 2017

INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") reviews the financial position and results of operations of Abitibi Royalties Inc. (TSX-V: RZZ, hereinafter "Abitibi Royalties" or the "Company") for the year ended December 31, 2017. It should be read in conjunction with the audited financial statements for the year ended December 31, 2017 and related notes thereto, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB"). All these documents can be viewed through the internet at the SEDAR website (www.sedar.com) by accessing the Company's issuer profile.

All figures are in Canadian dollars unless otherwise specified.

The following information is prepared as at April 19, 2018.

FORWARD-LOOKING INFORMATION

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

NATURE OF OPERATIONS

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

The Company was incorporated on February 18, 2010, pursuant to the *Business Corporations Act* (British Columbia). The head office of the Company is located at 152 Chemin de la Mine École, Val-d'Or, Quebec, Canada. The Company's registered and records office is located at #530 - 355 Burrard Street, Vancouver, B.C. V6C 2G8. The Company also has administrative offices located at 800 René-Lévesque Boulevard West, Suite 425, Montréal, Quebec, H3B 1X9.

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

ROYALTY AND PROPERTY INTEREST

Malartic CHL 3% NSR Royalty - Malartic, Quebec

The area covered by the 3% net smelter royalty ("NSR") is located immediately east of the current Canadian Malartic Mine open pit operated by Canadian Malartic GP (50% owned by Agnico Eagle Mines Limited ("Agnico Eagle") and Yamana Gold Inc. ("Yamana")). The 3% NSR covers a number of known mineralized zones; the eastern part of the Barnat Extension, the Jeffrey Zone, the eastern part of the East Malartic property and the north part of the Odyssey project. No value for accounting purposes has been assigned to the 3% NSR royalty.

Canadian Malartic 2% NSR Royalty – Malartic, Quebec

The area covered by the 2% NSR is on a single claim located just to the south of the Canadian Malartic open pit and covers the eastern portion of the Gouldie Zone and the historic Charlie Zone. Production on the 2% net smelter royalty area started in 2014 and total royalty payments of \$348,795 were received. Canadian Malartic GP reported that mining at the Gouldie deposit stopped at the end of June 2015.

Abitibi Royalty Search

In 2015, the Company launched the "Abitibi Royalty Search", by which it would reimburse renewal fees on existing claims or staking fees on new claims and will receive in exchange a net smelter return royalty. The program offers mining companies and prospectors an alternative to dropping potentially interesting claims or projects due to a lack of funds. Projects have to meet specific criteria to be eligible, such as being located close to an existing mine, have good geology and signs of mineralization through previous exploration.

Since the program has been launched, the Company invested a total of \$194,376 in 13 projects located in Canada, in the provinces of Ontario, Quebec and Saskatchewan, and in Turkey.

These amounts were expensed in the corresponding years because the Company does not expect to receive royalty income in the foreseeable future.

Luc Bourdon Prospect

The Luc Bourdon Prospect (the “Bourdon Prospect”) was acquired from Golden Valley Mines Ltd. (“Golden Valley”), a controlling shareholder of the Company, pursuant to an Amended and Restated Transfer, Assignment, and Assumption Agreement dated March 30, 2011 among Abitibi Royalties, then Optionees, and Golden Valley. The Company is now seeking new partnerships to fund future exploration programs and, if warranted by the results, to further develop the Bourdon Prospect.

RECENT DEVELOPMENTS

Odyssey (Malartic CHL 3% NSR Royalty)

The information contain herein is derived from information released by the Agnico Eagle, Yamana and Canadian Malartic GP, the partnership between the two companies that operates the Canadian Malartic Mine (the “mine operators”). Abitibi Royalties holds a 3% NSR on the portions of the Odyssey Project, within the Malartic CHL Property, which is located east of the Canadian Malartic open pit. Mr. Glenn Mullan, Chairman, is the Qualified Person (as defined in National Instrument 43-101 – Standards of Disclosure for Mineral Projects) who has reviewed the following based on the data provided and is responsible for the technical information reported herein.

a) Odyssey Exploration update

During the year ended December 31, 2017, 125 holes (totaling 86,051 metres) were drilled at Odyssey. The 2017 results have been incorporated with previous work to update the mineral resource for the Odyssey Project (inclusive of the North and South zones). Inferred mineral resources are estimated at 1,676,000 ounces of gold (22.5 million tonnes grading 2.32 g/t gold). Indicated mineral resources are estimated at 18,000 ounces of gold (0.2 million tonnes grading 2.45 g/t gold).

The inferred mineral resource includes a small contribution from the Jupiter Zone, which is an internal zone that extends from the Odyssey North Zone. Drilling carried out to date suggests that the Internal Zones could increase mineral resources and enhance the economics of the project by adding higher grade ounces that would require minimal additional infrastructure to access. Additional drilling is required to fully understand the complex nature of these zones so that they might be integrated into the mineral resource model.

Please refer to the Company news release (March 19, 2018) for the portion of the resource covered by the Company’s 3% NSR (as of December 31, 2017).

b) Initial Resource Estimate for East Malartic Property

Initial inferred mineral resources were declared for the East Malartic Property, which was a historical gold producer directly adjacent to the Canadian Malartic Mine. Inferred mineral resources at East Malartic are estimated at 2,470,000 million ounces of gold (37.9 million tonnes grading 2.02 g/t gold) to a depth of 1,000 metres.

Please refer to the Company news release (March 19, 2018) for the portion of the resource covered by the Company's 3% NSR (as of December 31, 2017).

c) Odyssey Production Permitting Initiated

The mine operators are evaluating potential underground mining scenarios at the Odyssey Project and East Malartic Property. Permitting activities are believed to have started in the fourth quarter of 2017 for potential underground mining scenarios.

In addition, the Company understands that permitting activities are underway for an exploration ramp to provide underground access to the shallower portions of the Odyssey South and East Malartic deposits. Development of the ramp, which will provide access for underground drilling, and collection of a bulk sample, is expected to begin in late 2018. The goal of the underground development program is to provide higher grade feed to the Canadian Malartic mill and extend the current mine life. Further drilling during 2018 is planned to provide sufficient drill spacing and geologic knowledge to establish indicated mineral resources and possibly mineral reserves at East Malartic and Odyssey South by the end of 2018.

d) Odyssey Project Engineering

On October 19, 2017 Canadian Malartic GP presented an overview of the metallurgical and bond ball mill test work for the Odyssey Project.

Gravimetric tests showed gold recoveries of approximately 75%. Standard leaching tests showed >96% gold recovery in 48 hours (p80 75 µm). Improvements were seen with pre-aeration with gold recoveries >95% in 24 hours (p80 75 µm) versus 28 hours for the Canadian Malartic Mine. Comminution tests using a bond ball mill work index (BWI) returned between 14-15 kWh/t, similar to the Canadian Malartic Mine. The presentation also outlined how ramp access and/or sinking a shaft are being studied in order to access the mineralization.

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

The Company holds a 3% NSR on the Jeffrey Zone and the eastern portion of the Barnat Extension (Barnat East), both of which are included in the proposed expansion of the Canadian Malartic Mine.

As last communicated by the mine operators, production from the Jeffrey Zone and the Barnat Extension where the Company holds a 3% NSR is expected to commence in 2018 and 2020, respectively. Please refer to the Company's news release dated March 19, 2018 for a three-year

royalty production schedule. The extension of the Canadian Malartic continues to progress on schedule and on budget.

Please refer to the Company's news release dated March 19, 2018 for the updated Reserve and Resource estimates dated as of December 31, 2017 for the Barnat Extension and Jeffrey deposit that is contained inside the Company's royalty.

Near Pit Targets (2-3% NSR)

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

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

Canadian Malartic Mine Exploration Budget

Agnico Eagle announced that a total of 140,000 metres of drilling is budgeted for 2018. The focus will be on the shallower portions of the Odyssey South and East Malartic Zone and further drilling to better define the geometry of the higher-grade Internal Zones.

Legal Proceeding Update

The mine operators have disclosed and updated various legal proceedings against the Canadian Malartic Mine in their respective regulatory filings. Should any of the legal proceedings be successful against the Canadian Malartic Mine, there is a risk that there could be a reduction in future production, which could potentially impact future royalty payments to Abitibi Royalties, although such impact, if any, is not known at this time. For more information please refer to Yamana's Management Discussion and Analysis of Operations and Financial Condition for the year ended December 31, 2017.

SELECTED ANNUAL FINANCIAL INFORMATION

The following table presents a summary of the most significant financial data of the Company for the years ended December 31, 2017, 2016 and 2015.

The three years shown below have seen a major improvement in the Company's financial situation. Initiated by the sale, in March 2015, of its 30% free carried interest in the Malartic CHL Prospect in consideration for a value of \$33,489,813 (market value at the closing of the transaction) in shares of Agnico and Yamana and a 3% net smelter return royalty. The Company has actively managed this investment to maintain and further improved its financial situation.

	December 31, 2017	December 31, 2016	December 31, 2015
Cash and restricted cash	\$ 5,066,212	\$ 2,060,171	\$ 1,697,573
Total current assets	5,112,078	2,106,393	1,794,093
Investments	36,095,520	38,457,271	25,278,161
Total assets	41,246,950	40,602,661	27,107,401
Derivative financial instruments	1,428,140	489,131	124,579
Total current liabilities	1,843,160	648,204	3,680,612
Deferred tax liabilities	3,482,519	3,826,422	2,640,798
Total liabilities	5,325,679	4,474,626	7,111,410
Total equity	35,921,271	36,128,035	19,995,991
Total revenues	\$ 267,425	\$ 342,966	\$ 768,912
Operating expenses (income)	2,570,943	(1,390,825)	(23,990,178)
Net income (loss)	(196,116)	13,861,370	17,764,432
Net income (loss) per share			
Basic	\$ (0.02)	\$ 1.24	\$ 1.64
Diluted	(0.02)	1.15	1.55

DISCUSSION AND RESULTS OF OPERATIONS

For the year ended December 31, 2017, the Company reported a net loss of \$196,116 (or \$0.02 per share) compared to a net income of \$13,861,370 (or \$1.24 per share) for the same period in 2016.

The better results in 2016 were mainly from the change in fair value of investments and derivative instruments in the common shares of Agnico Eagle and Yamana in the amount of \$13,336,132 and from a gain of \$4,157,110 on the reversal of a success fee liability. In 2016, the value of Abitibi Royalties' investments in the common shares of Agnico and Yamana increased to \$38,457,271 from \$25,278,161 at December 31, 2015 and accordingly the Company recorded a net increase in fair value of \$13,179,110. The reversal of the success fee liability of \$4,157,110 in 2016 is the result of the Company terminating a Management Success Fees Agreement on March 11, 2016.

Revenues

For the year ended December 31, 2017, the Company recognized revenues of \$267,425 (2016 - \$342,966), substantially relating to dividends earned from the Company's investment in the common shares of Agnico Eagle and Yamana. Premiums received from option sales are not treated as revenue.

The decrease in dividend revenue is a result of lower number of Agnico Eagle shares as the Company delivered 108,700 shares of Agnico Eagle under its covered call contracts it had sold on January 20, 2017 including the impact of foreign exchange on U.S dollar denominated dividends relative to the Canadian dollar.

Operating Expenses

For the year ended December 31, 2017, the Company recorded operating expenses of \$2,570,943 compared to operating income of \$1,390,825 for the same period in 2016. Operating income for 2016 includes a gain of \$4,157,110 on the reversal of the success fee liability as described above. Excluding the gain from the success fee reversal, operating expenses for 2016 amounted to \$2,766,285.

The decrease in operating expenses is due to lower share-based payments of \$541,418 (2016 - \$1,305,380) offset by higher salaries and other employee benefit expense of \$1,386,899 (2016 - \$761,888) relating to a general salary increase that came into effect in June 2016, the timing of bonus of \$460,750 (which included \$247,500 for 2016 and \$213,250 for 2017) and additional cash award of \$87,750 as a substitute for stock options or restricted share units that were paid to officers, directors and consultants in the first quarter of 2017.

Other costs (income)

For the year ended December 31, 2017, the Company recorded other income of \$1,763,499 compared to other income of \$13,313,203 for the same period in 2016. Other income from 2016 includes a fair value adjustment of \$13,336,132 which relates to the unrealized gain recognized on the investment in the shares of Agnico Eagle and Yamana. Other income in 2017 is also net of foreign exchange loss of \$322,819 compared to loss of \$6,973 for the same period in 2016.

The Company is subject to fluctuation in the exchange rate with the US Dollar as the derivative instruments are in US dollars. In addition, as at December 31, 2017, cash in hand included USD\$2,856,594, representing \$3,583,597 of total cash in hand of \$5,066,212 (2016 – USD\$27,615 representing \$37,078 of total cash of \$2,060,171). As at December 31, 2017, a fluctuation of 1% in the U.S dollar value relative to the Canadian dollar has an impact of \$28,566 on the Company cash in hand.

Deferred Income Taxes

For the year ended December 31, 2017, the Company recognized deferred tax recovery of \$343,903 compared to deferred tax expense of \$1,185,624 for the same period in 2016. Deferred income tax is impacted by the change in the fair value of the Company's investments in the common shares of Agnico Eagle and Yamana as the tax cost on these investments is insignificant compared to the market value of those common shares. The potential tax liability on the capital gain to be realized on the eventual sale of those common shares, net of the tax reduction from the operating losses realized in past years, has been recognized in the deferred tax liability of \$3,482,519 as at December 31, 2017, a reduction from the deferred tax liability balance of \$3,826,422 as at December 31, 2016.

FINANCIAL CONDITION REVIEW

Cash

The Company ended the year 2017 with cash on hand of \$5,066,212, (of which \$545,052 is classified as restricted cash), compared to \$2,060,171 as at December 31, 2016.

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 Eagle, referred to Investments and Derivatives sections below. The funds will become unrestricted once the put option contracts are exercised, repurchased or expired.

The Company holds cash balances in both Canadian and U.S. dollars.

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

In January 2017, the Company was called to deliver 108,700 shares of Agnico Eagle (43,600 at USD \$45 per share and 65,100 at USD \$40 per share) and received, net of commission paid, \$6,071,202 (or USD \$4,564,813) from the covered call options it had sold.

In December 2017, the Company purchased 43,500 shares of Agnico Eagle at price of US\$44.00 per share totaling \$2,456,986 (or USD \$1,914,435) from a put option it had sold.

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

Derivative Financial Instruments

For 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 USD \$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 USD \$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 USD \$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 shares) for total cash proceeds of \$521,574 (or USD \$382,991).

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

	Price in US Dollars	Number of shares	Option Expiry Date	% of shares held
Agnico Eagle	\$ 50	26,000	January 18, 2019	6.86%
	\$ 60	25,000	May 18, 2018	6.60%
	\$ 60	77,000	January 18, 2019	20.32%
	\$ 60	2,000	January 17, 2020	0.53%
	\$ 65	34,600	May 18, 2018	9.13%
	\$ 65	2,500	January 18, 2019	0.66%
	\$ 65	23,900	January 17, 2020	6.31%
	\$ 70	89,600	January 18, 2019	23.64%
	\$ 75	50,100	January 18, 2019	13.22%
		<u>330,700</u>		<u>87.26%</u>

	Price in US Dollars	Number of shares	Option Expiry Date	% of shares held
Yamana Gold	\$ 4.00	142,700	January 18, 2019	4.02%
	\$ 4.00	3,200	January 17, 2020	0.09%
	\$ 4.50	100,000	January 18, 2019	2.82%
	\$ 5.00	297,400	January 18, 2019	8.38%
	\$ 5.00	99,600	January 17, 2020	2.81%
	\$ 5.00	43,200	July 20, 2018	1.22%
	\$ 5.50	407,100	January 18, 2019	11.47%
	\$ 7.00	795,800	January 18, 2019	22.42%
	\$ 7.00	189,600	January 17, 2020	5.34%
		<u>2,078,600</u>		<u>58.56%</u>

The table below shows the status of the put option contracts at the date of this report.

	Purchase	Number of shares	Option Expiry Date	Potential Costs
Agnico Eagle	\$ 39	<u>65,100</u>	May 18, 2018	<u>\$ 2,538,900</u>
Total		<u>65,100</u>		
Potential costs if put options are exercised:			USD	<u>\$ 2,538,900</u>
Potential costs if put options are exercised:			CDN	<u>\$ 3,202,568</u>

The Company only sells call options when it owns the underlying shares. Should covered calls be sold, it is the Company's objective to use strike prices that are anticipated to be well above the share price of Agnico Eagle and Yamana at the time the contract is written, with contracts generally expiring between 1 month and 2 years. The Company only writes put contracts when it has the required funds (in the currency which the contract was written) to purchase the underlying shares should the put contract be exercised.

To date, put contracts have been written on Agnico Eagle in order to repurchase the remaining 65,100 shares which the Company was called on in January 2017. The puts have been priced below the amount that the shares were sold. The contract expiry for the puts has ranged from 1 to 5 months.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities of \$415,020 consist of trade and salaries and withholding payables.

Deferred income liability

The deferred tax liability totaled \$3,482,519 as at December 31, 2017 compared to \$3,826,422 as at December 31, 2016. As previously discussed, the deferred tax liability relates to the tax liability on the capital gain to be realized on the eventual sale of Abitibi Royalties' investment in the common shares of Agnico and Yamana, net of the tax reduction from operating losses realized in the prior years.

SUMMARY OF QUARTERLY RESULTS

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

	Dec 2017	Sept 2017	Jun 2017	Mar 2017	Dec 2016	Sep 2016	Jun 2016	Mar 2016
Total revenues (\$)	70,459	62,213	67,471	67,282	122,071	81,010	68,381	71,504
Net income (loss) and total comprehensive income (loss) for the period (\$)	1,878,944	(358,227)	(1,204,489)	(512,344)	(9,680,306)	(1,779,491)	13,852,527	11,467,123
Net earnings (loss) per share								
- Basic	0.16	(0.03)	(0.11)	(0.05)	(0.09)	(0.16)	1.26	1.05
- Diluted	0.15	(0.03)	(0.11)	(0.05)	(0.09)	(0.16)	1.16	0.99

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

- During the third quarter ended September 30, 2017, the Company reported a net loss after deferred income taxes of \$358,227. The principal components are net dividend income of \$62,213, remuneration expenses of \$354,090 which includes \$136,467 of shared-based payment related to the RSU granted in 2016, professional fees of \$112,864, management fees of \$24,000 paid to Golden Valley, an increase of \$196,335 in the fair value of the Company's investments and a loss on exchange of \$230,990.
- During the second quarter ended June 30, 2017, the Company reported a net loss after deferred income taxes of \$1,204,489. The principal components are net dividend income of \$67,471, remuneration expenses of \$337,376 which includes \$134,984 of shared-based payment related to the RSU granted in 2016, professional fees of \$99,827, management fees of \$24,000 paid to Golden Valley and a reduction of \$864,112 in the fair value of the Company's investments.
- During the first quarter ended March 31, 2017, the Company reported net loss of \$512,344 after deferred income tax recovery of \$241,002. Revenues of \$67,282 from dividend was offset by the following expenses; Remuneration of \$657,700, including executive salaries and director fees, paid or accrued, and \$133,500 for the RSU granted in 2016, professional fees of \$88,305, management fees of \$24,000 paid to Golden Valley pursuant to the Management Agreement, royalty purchases of \$20,977 and office expenses of \$13,544.
- During the fourth quarter ended December 31, 2016, the Company reported net loss of \$9,680,306 mainly resulting from the reduction of \$13,114,283 in the fair value of the investment in the shares of Agnico Eagle and Yamana, offset by the \$2,557,823 reduction of the fair value of the obligation related to the derivative financial instruments and the resulting reduction in the deferred tax liabilities of \$2,050,478. Other components of the fourth quarter results are the following: i) dividend income of \$122,071, ii) royalty purchases of \$32,431, iii) remuneration of \$233,540 and allocated value to RSU granted of \$778,455, iv) professional fees of \$70,979 composed of audit, tax and accounting fees of \$8,574, of legal fees of \$26,730 of other consulting fees, including administration and media relation, of \$32,831 and Exchange, regulatory and transfer agent fees of \$2,844, iv) management fees of \$24,000 paid to Golden Valley pursuant to the Management Agreement and v) office expenses of \$10,187.
- During the third quarter ended September 30, 2016 the Company reported a net loss of \$1,779,491. The principal component is the reduction of \$2,994,177 in the market value of the investment in Agnico Eagle and Yamana. Other components were as follows: i) dividend income of \$81,010, ii) royalty purchase of \$20,000, iii) office expenses of \$12,111, iv) professional expenses of \$124,736, composed of audit, accounting and tax fees of \$40,370, legal fees of \$24,251, administration and media relation, of \$45,468 and Exchange, regulatory and transfer agent fees of \$14,647, v) remuneration of \$172,467 comprised of salaries, meeting fees and statutory levies, vi) management fees of \$24,000, vii) decrease in the value of the obligation related to derivative financial instruments of \$1,021,363 and viii) decrease in deferred tax expense of \$469,744.

- During the second quarter ended June 30, 2016 the Company reported net income of \$13,852,527. The principal component is the increase of \$19,707,116 in the market value of the investment in Agnico Eagle and Yamana. Other components were as follows: i) dividend income of \$68,381, ii) royalty purchase of \$19,243, iii) office expenses of \$11,096, iv) professional expenses of \$136,568, composed of audit, accounting and tax fees of \$26,000, legal fees of \$49,463, other consulting fees, including administration and media relation, of \$36,056 and Exchange, regulatory and transfer agent fees of \$25,049, v) remuneration of \$200,166 comprised of salaries, meeting fees and statutory levies, vi) management fees of \$24,000, vii) commission of \$3,199, viii) foreign exchange gains of \$12,555, ix) increase in the value of the obligation related to derivative financial instruments of \$2,962,908 and x) increase in deferred tax expense of \$2,571,324.
- During the first quarter ended March 31, 2016, the Company reported net income of \$11,467,123, resulting mainly from the net effect of the \$9,580,454 increase in market value of the investment in Agnico Eagle and Yamana, from the reversal of the \$4,157,110 success fee liability, from the increase in the call options obligation of \$449,166 and the deferred tax expense of \$1,134,522. Other major components of the first quarter results are the following: i) royalty revenues of \$1,542 and dividend income of \$69,962, ii) executive salaries and director fees, paid or accrued, including employer contribution to governmental plans of \$155,716 and value of the RSU granted of \$526,925, iii) professional fees of \$109,727 composed of audit, accounting and tax fees of \$22,048, legal fees of \$38,630, of other consulting fees, including administration and media relation, of \$35,082 and Exchange, regulatory and transfer agent fees of \$13,967, iv) management fees of \$24,000 paid to Golden Valley pursuant to the Management Agreement, v) royalty purchases of \$21,950 and vi) office expenses of \$9,616. The Company also incurred commission expenses of \$15,350 and realized foreign exchange gains of \$105,972.

LIQUIDITY AND CAPITAL RESOURCES

The total assets of the Company as at December 31, 2017 were \$41,246,950 (December 31, 2016 - \$40,602,661), which includes \$5,066,212 in cash and restricted cash (December 31, 2016 - \$2,060,171), and long-term investments mainly consisting of common shares in Agnico Eagle and Yamana totaling \$36,095,520 (December 31, 2016 - \$38,457,271). The Company also had working capital of \$3,268,918 as at December 31, 2017, compared to \$1,458,189 as at December 31, 2016.

Cash outflow from operating activities, excluding changes in non-cash working capital, for the year ended December 31, 2017 totaled \$1,732,232 million compared to \$1,141,401 for the same period in 2016. The increase is primarily due to higher salaries and other employee benefits due to the timing of 2016 and 2017 bonuses and foreign exchange losses.

Investing activities resulted in net cash inflows of \$3,544,167 in the year ended December 31, 2017, compared with cash outflows of \$19,740 for the same period in 2016. The increase in cash inflows is the net result of the Company being called to deliver 108,700 shares of Agnico Eagle and received, net of commission paid, \$6,096,765 (or USD \$4,564,813) from the covered call contract it had sold, offset by the Company buying back 43,500 shares of Agnico Eagle for \$2,456,428 (or USD \$1,914,435) net of commission from the exercise of put options.

Financing activities resulted in net cash inflows of \$718,997 for the year ended December 31, 2017 compared with cash inflows of \$1,486,868 for the same period in 2016. Cash flows from financing activities relate primarily to proceeds of \$1,907,522 from the sale of calls and put option contracts, from issuance of 140,692 common shares with proceeds of \$141,155 (consisting of \$49,748 in cash and \$91,407 in salaries used by officers and directors to exercise incentive stock options), net of disbursements of \$693,221 from the buy back and cancel of 75,600 shares on the open market under the Company's Normal Course Issuer Bid program.

The Company's objectives in managing its capital are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may issue new shares or repurchase shares under its Normal Course Issuer Bid to improve its financial performance and flexibility. The Company's capital is composed of its shareholders' equity. The Company is not subject to any externally imposed capital requirements. The Company has not declared or paid any dividends.

As at December 31, 2017, shareholders' equity amounted to \$35,921,271 compared to \$36,128,035 at December 31, 2016. Shareholder's equity has been reduced by the amount of the loss reported for the period. (Refer to "Discussion and Results of Operations" and "Summary of Quarterly Results" above). The Company's investment policy is to keep its cash treasury on deposit with a Canadian chartered bank.

CONTRACTUAL OBLIGATIONS

a) Management and Administrative Services Agreement

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

The Management Agreement was for an initial term of two years commencing on the Trading Date and has been 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 (the "Amending Agreement") with Golden Valley dated as of May 21, 2014, amending the terms of the Management Agreement. The Amending Agreement confirms, among other things, that if there is a change of control of the Company and Golden Valley terminates the Management Agreement within six months of the change of control or the Company terminates the Management Agreement within twelve months of the change of control or if the Company and Golden Valley agree to terminate the Management Agreement within six months of the change of control, then the Company will pay Golden Valley a termination payment equal to the aggregate of the amounts that would have been payable by the Company to Golden Valley as the fee for the period from the date of the

Amending Agreement to the date on which the Management Agreement is terminated if payment of the fee had not been suspended during such period.

Effective January 1, 2018, the Company terminated the Management Services Agreement referred to above 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.

b) Executive Employment Agreements

- The employment agreement for the Company's Chairman states that he would be paid a gross annual salary of \$220,000 and is entitled to receive stock options, RSUs and to participate in any bonus or other employee or management incentive plans adopted by the Company, in such amounts as may be reasonably determined by the Board in its sole discretion. The Company may terminate the Chairman's employment without cause on giving him 12 months' notice in writing during which time he would be entitled to payment of one year salary on a monthly basis, continuation of benefits during the notice period, as well as any bonus and equity compensation that he would have been entitled to during the one year notice period in accordance with the parameters set out by the Employer's Compensation Committee and based on actual compensation received by him over the prior 12 months or at the Company's option, the equivalent payment in lieu of notice, based on the Chairman's global remuneration at the time of termination. Global remuneration includes: (i) an amount equal to one-year salary in effect at the time, (ii) a bonus entitlement equal to 50% of the one-year salary in effect at the time; and (iii) all equity compensation that the Executive would have been entitled to receive during the notice period which would be based on the equity compensation granted to the Chairman over the 12 months prior to the commencement of the notice period. The Company would ensure any unvested RSUs held by the Chairman on the date of his termination would not be forfeited and that the Company would exercise its discretion under the terms of the RSU Plan and make all necessary arrangements to ensure that the Chairman's RSUs will become vested as of the date of termination and be redeemed as of their payout dates in accordance with the terms of the RSU Plan. In the event of a Change of Control, the Chairman would be entitled to two times his salary and any unvested RSU's will become vested and payable according to the Company's RSU Plan.
- The employment agreement for the Company's President and CEO states that he would be paid a gross annual salary of \$325,000 and is entitled to receive stock options, RSUs and to participate in any bonus or other employee or management incentive plans adopted by the Company, in such amounts as may be reasonably determined by the Board in its sole discretion. In the event of a termination without cause, the President and CEO is entitled to two times his salary, continuation of benefits for 24 months and the Company would ensure any unvested RSUs held by the President and CEO on the date of his termination would not be forfeited and the Company would exercise its discretion under the terms of the RSU Plan and make all necessary arrangements to ensure that the Executive's RSUs will become immediately vested and payable in accordance with the terms of the RSU Plan. In the event of Change of Control, severance is the same as termination.

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

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as at December 31, 2017 or as at the date of this MD&A.

CRITICAL ACCOUNTING ESTIMATES

The critical judgements and estimates are disclosed in note 5 of the audited financial statements.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

The changes in accounting policies including those that have not been adopted are explained in note 3 of the audited financial statements as at December 31, 2017.

RELATED PARTY TRANSACTIONS

The information pertaining to related party transactions is disclosed in Note 16 of the audited financial statements as at December 31, 2017.

Transactions with Golden Valley:

In accordance with the terms of the Management Agreement, the Company paid management fees of \$24,000 in the fourth quarter of 2017 (\$24,000 in the corresponding quarter of 2016). For additional details with respect to the Management Agreement please refer to "Contractual Obligations" above.

The Company is remunerating the accounting and administrative services of a consultant through the management fees paid to Golden Valley. For the fourth quarter of 2017 the consultant remuneration derived from the management fees amounted to \$21,501 (\$21,501 in the corresponding quarter of 2016).

In addition, pursuant to the terms of the Management Agreement, Golden Valley has agreed to provide the Company with the services of a qualified geologist at an hourly charge equal to the hourly charge to Golden Valley, plus 10%. In the fourth quarter of 2017, the Company incurred geological fees in the amount of \$379 (\$837 in the corresponding quarter of 2016). As at December 31, 2017, the Company had net indebtedness of \$1,780 (2016 - \$26,613) to Golden Valley.

Transactions with Executive officers and Directors:

In accordance with its Executive Compensation Policy the Company has, during the fourth quarters ended December 31, 2017 and 2016, paid or accrued salaries as shown in the table below:

	Three months ended December 31,	
	2017	2016
Salaries and benefits	\$ 158,750	\$ 136,250
Bonuses	213,250	29,000
Meeting fees	37,500	37,746
Payroll levies	33,184	30,543
	<u>442,684</u>	<u>233,539</u>
Share-based compensation	136,467	778,455
	<u>\$ 579,151</u>	<u>\$ 1,011,994</u>
 Golden Valley Management Fees		
Consultant services	\$ 21,501	\$ 21,501

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 the three months ended on December 31, 2017, the Company has paid \$1,568 (\$1,545 for the three months ended December 31, 2016) for the Toronto office. Bonus expense reflects 2017 performance bonus accrued in the fourth quarter of 2017 (performance bonus for 2016 was accrued and paid in the first quarter of 2017).

In June 2016, the President and CEO travelled as a passenger in a private jet owned by a shareholder, who 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.

CAPITAL STOCK INFORMATION

Authorized

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

Issued and Outstanding

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

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

During the fourth quarter ended December 31, 2017, 4,714 common shares were issued pursuant to the exercise of incentive stock options (2,107 common shares at a price per share of \$0.55 and 2,607 common shares at a price per share of \$3.62).

Normal Course Issuer Bid ("NCIB")

On October 2, 2015, the Company received the Exchange acceptance of its notice to commence a normal course issuer bid ("NCIB"). This approval allowed the Company to purchase 546,300 of its common shares (representing 5% of the Company's total issued and outstanding common shares as of September 21, 2015) from October 6, 2015 to October 5, 2016. On October 6, 2016, the Company renewed its NCIB for another year until October 5, 2017. This new approval allowed the Company to purchase up to 566,812 of its common shares.

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

For the three months ended December 31 2017, the Company repurchased 9,000 (2016 - None) of its commons shares under NCIB at prices varying from \$8.00 to \$9.20 for a total of \$78,291.

Incentive Stock Options

The Company adopted a further amended and restated incentive stock option plan so as to convert its rolling 10% plan into a 20% fixed option plan (the “New Plan”). Pursuant to the New Plan, options for an aggregate total of 1,740,200 common shares may be granted to Eligible Persons (as such term is defined in the New Plan) from time to time. The exercise price of each option is fixed by the Board of Directors but would not be less than the closing price of the Company’s shares on the trading day immediately prior to the date of grant less any discount permitted by the Exchange; if no sales were reported, it 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. The New Plan was approved by each of the Exchange and the disinterested shareholders of the Company at the Company’s annual general meeting of shareholders which was held on June 30, 2014.

No incentive stock options were granted during the year ended December 31, 2017.

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

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

Restricted Share Units

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

No RSUs were granted in 2017. As of the date of this report 583,365 RSU had been granted to officers, directors and consultant of the Company, as presented below:

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

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

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

NON-IFRS MEASURE

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

	December 31, 2017	December 31, 2016
ASSETS		
Current		
Cash	\$ 4,521,160	\$ 2,060,171
Restricted cash	545,052	-
Dividends and interest receivable	23,591	24,475
Sales taxes recoverable	13,433	11,701
Prepaid expenses	8,842	10,046
	<u>5,112,078</u>	<u>2,106,393</u>
Current		
Accounts payable and accrued liabilities		
Accounts payable and accrued liabilities	415,020	\$ 159,073
Derivative financial instruments	1,428,140	489,131
	<u>1,843,160</u>	<u>648,204</u>
Working Capital	<u>\$ 3,268,918</u>	<u>1,458,189</u>

RISK AND UNCERTAINTIES

- **Investment of Speculative Nature**

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

- **Fluctuation in Market Value of Shares**

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

- **Derivatives instruments**

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

- **Nature of Mineral Exploration and Mining**

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

- **Exploration and Development Risks**

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

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

- **Passive Interest**

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

development or operation of any of the properties on which we hold a royalty interest and we have limited legal rights to influence those decisions.

- **Significant Adverse Impact**

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

- **Uncertainty due to Estimation**

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

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

- **Additional Financing**

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

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

The adverse effects on the capital markets generally make the raising of capital by equity or debt financing much more difficult and the operators of properties where we hold royalty and other interests are dependent upon the capital markets to raise financing.

- **Permits and Licenses**

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

- **Competition**

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

- **No Assurance of Title to Property**

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

- **Dependence on Key Individuals**

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

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

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

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

- **Political Regulatory Risks**

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

- **Conflicts of Interest**

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

- **Insurance**

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

- **Influence of Third Party Stakeholders**

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

ADDITIONAL INFORMATION

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