

# Abitibi Royalties Inc. Q3-2020 Royalty & Corporate Update

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Val-d'Or, Nov 2, 2020 - [Abitibi Royalties Inc.](#) (TSXV: RZZ) (OTC: ATBYF) ("Abitibi Royalties" or the "Company") is pleased to provide its Q3-2020 corporate update on its various royalties, including its net smelter royalties (NSRs) at the Canadian Malartic Mine, Canada's largest gold mine, near Val-d'Or, Québec. The Company is unique among its peers due to its strong treasury, no debt, monthly dividend, share buyback program and limited number of shares outstanding.

## ROYALTY & CORPORATE HIGHLIGHTS

- Construction of surface infrastructure, offices, and the ramp portal at the Canadian Malartic underground is advancing, with ramp development into upper zones of Odyssey and East Malartic scheduled to start this month.
- Engineering of the production shaft and hoist is advancing for the Canadian Malartic underground, with an objective of starting preparation for the shaft and headframe in 2021, in order to access deeper mineralized zones.
- New Prospect Generator Business launched after Hammond Reef South Project successfully optioned. Bullfrog South Project staked in Nevada, USA with the intent of selling or optioning project while retaining a royalty.
- Cash generated during Q3-2020 totalled approximately CDN\$1.8 million.
- Corporate treasury (cash and equity investments) reached approximately CDN\$65.8 million (as of October 30, 2020). The Company remains debt free.
- Q4-2020 monthly dividends of CDN\$0.0125 (CDN\$0.15 annually) declared by the board of directors.

## Royalties at Canadian Malartic Mine

The Canadian Malartic Mine, where Abitibi Royalties owns various NSRs and a net profit interest ("NPI"), is jointly operated by [Agnico Eagle Mines Ltd.](#) ("Agnico Eagle") and Yamana Gold Inc. ("Yamana"). Abitibi Royalties' NSRs and NPI cover portions of East Malartic (3% NSR), Odyssey (3% NSR), Sladen (3% NSR), Sheehan (3% NSR), Jeffrey (3% NSR), Barnat Extension (3% NSR), Gouldie Zone (2% NSR) and the Charlie Zone (2% NSR). In addition, the Company holds a 1.5% NSR on the Midway Project and a 15% NPI on the Radium Property, which are all operated and located at, or proximate to, the Canadian Malartic Mine (Fig. 1).

### 1) Barnat Extension Declares Commercial Production

The mine operators stated that commercial production for the Barnat Extension open pit was declared on September 30, 2020. Abitibi Royalties holds a 3% NSR on the eastern portion of the Barnat Extension (Fig. 1) which is expected to be the main source of royalty revenue during 2021-2022 for the Company at the Canadian Malartic Mine. Please see the Company's news release dated March 23, 2020 for the Company's 3-year royalty production schedule.

Abitibi Royalties also wishes to congratulate the team at Canadian Malartic for winning the F.J. O'Connell Trophy from the Québec Mining Association for excellence in health and safety performance in the "surface, transportation and primary metal processing operations" category for 2019 and the "Sustainable Development and Environment" award from the Val-d'Or Chamber of Commerce.

### 2) Canadian Malartic Underground Development Update

The Company understands that construction of surface infrastructure, offices, and the ramp portal is underway, with ramp development into Odyssey and East Malartic scheduled to start this month. The purpose of the exploration ramp is to allow tighter definition drilling on Odyssey, East Malartic, and East Gouldie from underground drill platforms, and it will eventually be used for mining and haulage of ore from the upper zones. This would allow underground production from Odyssey South from as early as 2023. A total of CDN\$12 million has been budgeted for the ramp in 2020.

In parallel, engineering of the production shaft and hoist is advancing, with an objective of starting preparation for the shaft and headframe in 2021, subject to formal approval from the mine operators after completing the requisite preliminary economic assessment ("PEA"). A vertical drill hole is currently in progress to provide geotechnical characterization at the proposed shaft location. The production shaft is designed as 6.4 metres in diameter and 1,800 metres deep and is planned to start hoisting ore from East Gouldie from 2027. Combined underground production from the haulage ramp and shaft is expected to ramp up to approximately 20,000 tonnes per day by 2029. The mine operators are assessing opportunities to improve the gold production profile during the ramp up period between 2023 and 2029. The operators of the Canadian Malartic Mine are expected to complete a PEA in early 2021 that will examine potential new development synergies between the various zones at East Gouldie, East Malartic, Odyssey and Canadian Malartic.

## 2) Canadian Malartic Exploration Update

The main focus of exploration at the Canadian Malartic Mine during 2020 has been to infill the resources at East Gouldie. East Gouldie has a strike length of 1,400 metres in an east-west direction, dips 60 degrees north towards Abitibi Royalties' 3% NSR, and extends from 700 metres to 1,900 metres below surface. Based on available information, it appears the East Gouldie mineralization straddles the Company's 3% NSR at approximately 1,900 metres below surface (Fig. 2). Additional drilling is needed to determine if the East Gouldie mineralization can be expanded into the Company's 3% NSR in a meaningful way and also potentially converge with the East Malartic Zone at depth.

In addition, seven pierce points have been completed into the Odyssey South Zone and two in the Chert Zone. The northwest portion of the Odyssey South Zone crosses into the Company's 3% NSR, along the south side of the Jeffrey open pit (Fig. 1). The Chert Zone, which was historically part of the East Malartic Mine, is believed to be located on Abitibi Royalties 3% NSR royalty based on available information.

To view the reserve and resource estimate pertaining to Abitibi Royalties' NSR interests at Canadian Malartic Mine (as of December 31, 2019), please see the Company's news release dated March 23, 2020.

## Early Stage Royalties

### 1) Project Generator Business

As part of the Company's strategy to expand its royalty holdings, Abitibi Royalties has set up a project generator division with the view of selling or optioning mineral projects while retaining a royalty. The initiative is designed to generate a competitive return on capital, expand the Company's royalty holdings, while employing a limited amount of working capital. This initiative follows on the successful acquisition and optioning of the Hammond Reef South Project.

In September 2020, the Company staked the Bullfrog South Project, located in Nevada's Bullfrog Gold District. The project adjoins the former producing Bullfrog Mine property (that was formerly operated by Barrick Gold Corporation) ("Barrick") to the south (Fig. 3, 4 & 5) that produced approximately 2.3 million ounces of gold between 1989-1999. On October 26, 2020, Bullfrog Gold Corp. purchased from Barrick the adjoining claims for CDN\$22 million.

Abitibi Royalties acquired the Bullfrog South Project based on: 1) possible extensions of the Bullfrog Mine and Bonanza Mountain mineralization beneath the pediment to the south, 2) the underexplored nature of the region and 3) recent exploration discoveries that have been made throughout the district, by companies such

as Coeur Mining Inc., Corvus Gold Inc. and AngloGold Ashanti Limited. It is the Company's plan to potentially option or sell the Bullfrog South Project, while retaining a royalty interest.

## 2) Hammond Reef South (Optioned Property)

On September 1, 2020, Victory Resources Corporation ("Victory") announced that the first phase of exploration had commenced on the Hammond Reef South Project (Fig. 6), which adjoins Agnico Eagle's Hammond Reef Project in Northwestern Ontario. The first phase of the program includes the prospecting and mapping of anomalous mineralized trends. A total of 15 samples have been sent for analysis. On receipt of the results the comprehensive exploration program will focus on further defining drill targets. Victory may earn a 100% interest in the Hammond Reef South Project by paying \$275,000 (\$50,000 paid), issuing 2.75 million common shares (500,000 shares issued), spending CDN\$550,000 on exploration and granting a 2% NSR over 3 years.

## 3) New Alger Project (1% NSR)

On August 31, 2020, Renforth Resources Inc. ("Renforth") announced that it had sold the New Alger Project to [Radisson Mining Resources Inc.](#) ("Radisson"). The acquisition of the New Alger Project expands Radisson's property along the Bousquet-Cadillac mining camp, which includes their O'Brien Project, historically a very high-grade mine in Québec and subject to a current NI 43-101 resource estimate. Abitibi Royalties believes the acquisition of the New Alger Project by Radisson will be beneficial for its 1% NSR, as Radisson will be able to generate synergies between the two projects, given their close proximity (approximately 1 kilometre) (Fig. 7). Radisson also brings additional financial resources in order to invest in the project. Radisson is currently focused on reviewing the drill core completed by Renforth before proceeding with an exploration program.

Abitibi Royalties holds a 1% NSR on the New Alger Project, which contains two primary mineralized areas 1) historic Thompson-Cadillac Mine and the 2) Discovery Veins. The New Alger Project is located in the Abitibi region of northwest Québec and adjoins Agnico Eagle's LaRonde Mine to the southeast (Fig. 7). An updated resource for the New Alger Project can be viewed in Abitibi Royalties' news release dated May 13, 2020.

## Other Corporate Activity

### 1) Q3-2020 Cash Generation

During Q3-2020, the Company's cash generation<sup>1</sup> totaled approximately CDN\$1.8 million, with approximately CDN\$0.1 million coming from the Company's 3% NSR at the Canadian Malartic Mine. Royalties from the open pit portion of the Canadian Malartic Mine commenced at the end of Q4 2018 (the Company's core underground royalties at East Malartic and Odyssey are not in production). The remainder of Company's cash generation during the quarter came from options premiums (CDN\$1.4 million), dividends (CDN\$0.2 million), and realized capital gain from equity investments (CDN\$0.1 million)<sup>2</sup>. The Company has 12,480,110 shares outstanding and also on a fully diluted basis. As of October 30, 2020, the Company's treasury of cash and marketable securities totalled approximately CDN\$65.8 million<sup>3</sup>.

### 2) Dividend Payments to Shareholders

On January 20, 2020, the Company's board of directors approved a 25% dividend increase from CDN\$0.12 to CDN\$0.15 per common share on an annualized basis. The frequency of dividend payments was also changed from quarterly to monthly. The Company's first monthly payment of CDN\$0.0125 per share was paid on April 30, 2020. The monthly dividend payments for Q4-2020 (as announced September 10, 2020) are shown in Table 1. below.

Table 1. Q4-2020 Dividend Schedule

Record Date	Payment Date	Payment Amount (\$CDN)
October 2, 2020	October 30, 2020 (Paid)	\$0.0125

November 6, 2020	November 30, 2020	\$0.0125
December 4, 2020	December 31, 2020	\$0.0125

#### About Abitibi Royalties

Abitibi Royalties owns various royalties at the Canadian Malartic Mine near Val-d'Or Québec. In addition, the Company is building a portfolio of royalties on early stage properties near producing mines. The Company is unique among its peers due to its strong treasury, no debt, new monthly dividend, share buyback program and limited number of shares outstanding.

#### QUALIFIED PERSON

Mr. Glenn Mullan, Chairman, is the Qualified Person (as defined in National Instrument 43-101 - Standards of Disclosure for Mineral Projects) who has reviewed this news release based solely on the public disclosure and without independent verification and is responsible for the technical information reported herein.

<sup>1</sup> Non-IFRS Measure: The Company has calculated the measure "cash generation" as royalties and dividends earned in the quarter and cash received from option premiums. This is a non-IFRS measure as IFRS requires the Company's cash in its financial statements to be recognized using the accrual basis of accounting. The Company believes that this measure, while not a substitute for measures of performance prepared in accordance with IFRS, provides investors an improved ability to evaluate the underlying performance of the Company.

<sup>2</sup> For more information on the Company's investments, dividends, covered call and put contracts, please see the Company's Q2-2020 MD&A and Q2-2020 Financial Statements, which can be found on the Company's website [www.abitibiroyalties.com](http://www.abitibiroyalties.com).

<sup>3</sup> Investment values calculated based on closing prices and certain share price limits due to call option contracts.

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#### Forward Looking Statements:

This news release contains certain statements that may be deemed "forward-looking statements". Forward looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential" and similar expressions, or that events or conditions "will", "would", "may", "could" or "should" occur. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or realities may differ materially from those in forward looking statements. Forward looking statements are based on the beliefs, estimates and opinions of the Company's management on the date the statements are made. Except as required by law, the Company undertakes no obligation to update these forward-looking statements in the event that management's beliefs, estimates or opinions, or other factors, should change.

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Fig. 1 Royalties at the Canadian Malartic Region - Plan Map

To view an enhanced version of Figure 1, please visit:

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Fig. 2 Canadian Malartic Mine - Schematic Cross Section

To view an enhanced version of Figure 2, please visit:

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Fig. 3 Bullfrog Mining District - Claim Map Zoomed Out

To view an enhanced version of Figure 3, please visit:

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Fig. 4 Bullfrog Mining District - Claim Map Zoomed In

To view an enhanced version of Figure 4, please visit:

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Fig. 5 Bullfrog Mining District - Satellite Map

To view an enhanced version of Figure 5, please visit:

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Fig. 6 Hammond Reef South - Claim Map

To view an enhanced version of Figure 6, please visit:

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Fig. 7 New Alger Royalty - Claim Map

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