



**Condensed Interim Financial Statements
Three and nine months ended September 30, 2018**

(Expressed in Canadian Dollars)

(Unaudited)

ABITIBI ROYALTIES INC.

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

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

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

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

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



	Notes	As at September 30, 2018	As at December 31, 2017
ASSETS			
Current			
Cash		\$ 3,156,098	\$ 4,521,160
Restricted cash	7	539,185	545,052
Other receivables	4	23,069	23,591
Sales taxes recoverable		18,032	13,433
Prepaid expenses		13,400	8,842
Total current assets		3,749,784	5,112,078
Non-current			
Exploration and evaluation assets	6	39,352	39,352
Investments	7	28,237,513	36,095,520
TOTAL ASSETS		\$ 32,026,649	\$ 41,246,950
LIABILITIES			
Current			
Accounts payable and accrued liabilities		\$ 141,114	\$ 415,020
Derivative financial instruments	7	1,194,040	1,428,140
Total current liabilities		1,335,154	1,843,160
Non-current			
Deferred tax liabilities		1,220,285	3,482,519
Total Liabilities		2,555,439	5,325,679
EQUITY			
Capital stock	8	11,480,537	7,687,796
Contributed surplus		166,704	2,780,891
Retained earnings		17,823,969	25,452,584
Total Equity		29,471,210	35,921,271
TOTAL LIABILITIES AND EQUITY		\$ 32,026,649	\$ 41,246,950

Commitments (note 16)

These financial statements were approved and authorized for issue by the Board of Directors on November 15, 2018.

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

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

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

ABITIBI ROYALTIES INC.
Condensed Interim Statements of Net Income (loss) and Comprehensive Income (Loss)

(Expressed in Canadian Dollars)

(Unaudited)



	Notes	Three months ended September 30,		Nine months ended September 30,	
		2018	2017	2018	2017
Revenues					
Dividends		\$ 77,574	\$ 62,213	\$ 229,568	\$ 196,966
		77,574	62,213	229,568	196,966
Operating expenses					
Salaries and employee benefits expense	9	213,384	217,623	1,109,689	944,215
Shared-based payments	9	-	136,467	260,903	404,951
Professional fees	11	147,687	112,864	432,889	300,996
Advertising and promotion		15,367	-	60,181	15,494
Office expenses		24,245	12,700	71,690	38,768
Travel and transport		8,168	1,720	18,482	11,258
Exploration expenses		-	-	-	280
Royalty purchase	13	1,972,750	-	1,972,750	20,977
Management fees	12	-	24,000	-	72,000
		2,381,601	505,374	3,926,584	1,808,939
Operating loss		(2,304,027)	(443,161)	(3,697,016)	(1,611,973)
Financial costs (income)					
Change in fair value of investments	7	7,609,163	(196,335)	5,786,182	639,537
Foreign exchange loss (gain)		40,865	230,990	(147,559)	402,951
Commissions		32,162	17,109	63,253	53,055
Interest expense		528	518	1,378	973
Interest income		(3,378)	(2,656)	(10,817)	(7,192)
		7,679,340	49,626	5,692,437	1,089,324
Net loss before income tax		(9,983,367)	(492,787)	(9,389,453)	(2,701,297)
Deferred tax recovery		(1,681,377)	(134,560)	(2,262,234)	(626,237)
Net loss and comprehensive loss for the period		\$ (8,301,990)	\$ (358,227)	\$ (7,127,219)	\$ (2,075,060)
Earnings (loss) per share					
Basic	10	\$ (0.66)	(0.03)	\$ (0.60)	(0.18)
Diluted	10	\$ (0.66)	(0.03)	\$ (0.60)	(0.18)
Weighted average number of common shares outstanding					
Basic	10	12,527,867	11,379,109	11,793,362	11,334,571
Diluted	10	12,527,867	11,379,109	11,793,362	11,334,571

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

ABITIBI ROYALTIES INC.
Condensed Interim Statements of Changes in Equity

(Expressed in Canadian Dollars)

(Unaudited)



	Notes	Common shares outstanding Number	Capital Stock	Contributed Surplus	Retained earnings	Total Equity
Balance as at January 1, 2018		11,401,335	\$ 7,687,796	\$ 2,780,891	\$ 25,452,584	\$ 35,921,271
Common shares issued upon the exercise of options	8	544,139	1,689,257	(1,228,053)	-	461,204
Common shares issued upon the conversion of restricted share units	8	583,365	2,107,701	(2,107,701)	-	-
Common shares repurchased and cancelled	8	(4,600)	(4,217)	-	(40,732)	(44,949)
Conversion of restricted share units	9	-	-	721,567	(460,664)	260,903
Net loss and total comprehensive loss		-	-	-	(7,127,219)	(7,127,219)
Balance as at September 30, 2018		12,524,239	\$ 11,480,537	\$ 166,704	\$ 17,823,969	\$ 29,471,210
Balance as at January 1, 2017		11,336,243	\$ 7,300,142	\$ 3,179,193	\$ 25,648,700	\$ 36,128,035
Common shares issued upon the exercise of options	8	135,978	414,490	(283,932)	-	130,558
Common shares repurchased and cancelled	8	(66,600)	(43,136)	(571,794)	-	(614,930)
Restricted share units	9	-	-	404,951	-	404,951
Net loss and total comprehensive loss		-	-	-	(2,075,060)	(2,075,060)
Balance as at September 30, 2017		11,405,621	\$ 7,671,496	\$ 2,728,418	\$ 23,573,640	\$ 33,973,554

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

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



		Nine months ended September 30,	
	Notes	2018	2017
OPERATING ACTIVITIES			
Net loss	\$	(7,127,219)	\$ (2,075,060)
Adjustment			
Share-based payments		260,903	404,951
Change in fair value of financial assets and liabilities		5,786,182	639,537
Deferred tax recovery		(2,262,234)	(626,237)
Foreign exchange (gain) loss		(147,559)	402,951
Changes in working capital items			
Sales taxes recoverable		(4,599)	(2,953)
Other receivables		522	(712)
Prepaid expenses		(4,558)	777
Accounts payable and accrued liabilities		(273,907)	(36,850)
Cash flows from operating activities		(3,772,469)	(1,293,596)
INVESTING ACTIVITIES			
Additions to exploration and evaluation assets		-	(255)
Disposal of investments		182,269	6,098,350
Cash flows from investing activities		182,269	6,098,095
FINANCING ACTIVITIES			
Issuance of capital stock		461,204	130,558
Capital stock repurchased and cancelled		(44,949)	(614,930)
Change in restricted cash		5,867	(1,344,878)
Increase in derivative financial instruments		1,655,457	1,216,939
Cash flows from financing activities		2,077,579	(612,311)
Effect of foreign exchange rate changes on cash		147,559	(402,951)
Net increase (decrease) in cash and cash equivalents		(1,365,062)	3,789,237
Cash and cash equivalents, beginning of period		4,521,160	2,060,171
Cash and cash equivalents, end of period	\$	3,156,098	\$ 5,849,408
Cash transactions:			
Interest received related to operating activities:	\$	9,748	\$ 7,192
Dividends received related to investing activities:		207,568	174,636

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

1) NATURE OF OPERATIONS

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

The Company was incorporated on February 18, 2010 under the Business Corporations Act of British Columbia. The head office of the Company is located at 152 Chemin de la Mine École, Val-d'Or, Quebec, Canada. The Company's registered and records office is located at #530 - 355 Burrard Street, Vancouver, B.C. V6C 2G8.

The Company also has administrative offices located at 800 René-Lévesque Boulevard West, Suite 425, Montréal, Quebec, H3B 1X9.

As at September 30, 2018, Golden Valley Mines Ltd. ("Golden Valley"), a controlling shareholder, held a 44.76% interest in the Company.

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

2) SIGNIFICANT ACCOUNT POLICIES

Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Financing Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), under International Accounting Standard ("IAS") 34 - Interim Financial Reporting and the basis of the going concern assumption, meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

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

2) SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting standards

IFRS 9 - Financial Instruments

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

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

Financial instruments

Classification

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

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

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

2) SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Measurement

Financial assets and liabilities at amortized cost

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

Financial assets and liabilities at FVTPL

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

Impairment of financial assets at amortized cost

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

2) SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 15 - Revenue from Contracts with Customers

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

Standard issued but not yet effective

IFRS 16 - Leases

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

IFRIC Interpretation 23 – Uncertainty over Income Tax Treatments

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

3) JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

4) OTHER RECEIVABLES

	As at September 30, 2018	As at December 31, 2017
Dividend receivable	22,000	22,200
Interest and other receivables	1,069	1,391
	\$ 23,069	\$ 23,591

5) ROYALTY INTERESTS

Main royalty interests

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

Malartic CHL 3% Royalty - Malartic, Quebec

The area covered by the 3% NSR is located immediately east of the current Canadian Malartic Mine open pit operated by Canadian Malartic GP (50% owned by Agnico Eagle Mines Limited (“Agnico Eagle”) and Yamana Gold Inc. (“Yamana”). The 3% NSR covers a number of known mineralized zones.

Canadian Malartic 2% Royalty - Malartic, Quebec

The area covered by the 2% NSR is on a single claim located just to the south of the Canadian Malartic open pit and covers the eastern portion of the Gouldie Zone and the historic Charlie Zone. Production on this 2% NSR area started in 2014 and stopped in June 2015.

5) ROYALTY INTEREST (continued)

Other royalty interests

During the current quarter, the Company made the following acquisitions (note 13):

Revillard Property 2% Royalty - Malartic, Quebec

The Revillard property is located approximately 10 kilometres northwest of the Canadian Malartic Mine in Québec and forms part of a larger set of claims known as the Malartic Project, which is under option by Dundee Precious Metals Inc.

15% Net Profit Interest (“NPI”) in the vicinity of Canadian Malartic Mine - Malartic, Quebec

The mineral claims subject to the 15% carried net profit interest are located immediately west of the Canadian Malartic Mine open pit in Abitibi, Québec. The mineral claims are owned and operated by the Canadian Malartic Mine, a partnership between Agnico Eagle Mines Limited and Yamana Gold Inc.

Midway Project 1.5% Royalty - Malartic, Quebec

The Midway project, located east and south of the Canadian Malartic Mine in Abitibi, Québec, is owned and operated by the Canadian Malartic Mine.

1.5% Royalty in the Abitibi region, Quebec

The 1.5% NSR royalties on projects owned by Agnico Eagle Mines Limited are located throughout the Abitibi region in Québec. These projects include 1) Callahan (6.5 km northeast and northwest of the Canadian Malartic Mine and Goldex Mine and 1.5 km north of the Wesdome Gold Mines' Kiena Deep discovery), 2) Cadillac (part of the LaRonde Mine), 3) Thompson River (part of the Goldex Mine) and 4) Malartic Break (6 km northwest of the Canadian Malartic Mine).

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.

ABITIBI ROYALTIES INC.**Notes to Condensed Interim Financial Statements****September 30, 2018 and 2017**

(Expressed in Canadian dollars unless otherwise noted)

6) EXPLORATION AND EVALUATION ASSETS*Luc Bourdon Prospect - James Bay, Ontario*

The Company owns a 100% interest in the Luc Bourdon Prospect located in the lowland region of James Bay, Ontario. The Company is seeking new partnerships to fund future exploration programs and, if warranted by the results, to further develop the Luc Bourdon Prospect.

7) INVESTMENTS

	As at September 30, 2018		As at December 31, 2017	
	Number of shares	Fair value	Number of shares	Fair value
Yamana Gold Inc.	3,549,695	\$ 11,430,018	3,549,695	\$ 13,914,804
Agnico Eagle Mines Limited	378,997	16,721,348	378,997	21,996,986
		28,151,366		35,911,790
Other investments		86,147		183,730
		\$ 28,237,513		\$ 36,095,520

Derivative financial instruments

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

	Expiry date	Number of shares under option	Exercise price range (USD)	Market value as at September 30, 2018
<i>Calls</i>				
Yamana	January 18, 2019	775,800	4.00 to 7.00	67,613
Yamana	January 17, 2020	2,728,800	4.00 to 7.00	566,723
Agnico	November 16, 2018	5,000	60.00	194
Agnico	January 18, 2019	51,100	50.00 to 60.00	8,799
Agnico	January 17, 2020	201,400	50.00 to 65.00	298,413
Agnico	January 15, 2021	2,500	50.00	10,356
				\$ 952,098
<i>Puts</i>				
Agnico	November 16, 2018	35,600	\$ 39.00	241,942
		3,800,200		\$ 1,194,040

ABITIBI ROYALTIES INC.
Notes to Condensed Interim Financial Statements
September 30, 2018 and 2017
(Expressed in Canadian dollars unless otherwise noted)

7) INVESTMENTS (continued)

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
<i>Calls</i>				
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
<i>Puts</i>				
Agnico	February 16, 2018	65,100	\$ 39.00	12,250
		3,961,800		\$ 1,428,140

For the nine months ended September 30, 2018, the Company sold 31,939 call and 1,302 put option contracts (3,698 calls and 1,302 puts on Agnico shares and 28,241 calls on Yamana Gold shares) for total cash proceeds of \$1,714,611 (or US\$1,331,382). In addition, 18,927 call and 946 put option contracts expired (1,024 calls and 946 puts on Agnico and 17,903 calls on Yamana) and 14,984 contracts were repurchased before expiration (3,500 calls and 651 puts on Agnico and 10,833 calls on Yamana) for which the Company paid \$72,030 (or US\$55,667).

For the nine months ended September 30, 2017, the Company sold 29,417 calls and 4,444 put option contracts (3,476 calls and 4,444 puts on Agnico Eagle shares and 25,941 calls on Yamana Gold shares) for total cash proceeds of \$1,225,554 (or US\$937,112). In the same period, 17,030 option contracts (2,007 calls and 3,358 puts on Agnico Eagle and 11,665 calls on Yamana) expired or were repurchased before expiration.

In addition, on January 20, 2017, the Company was called to deliver 108,700 shares of Agnico (43,600 shares at US \$45 per share and 65,100 shares at US\$40 per share) and received, net of commission paid, \$6,096,765 (or US\$4,564,813) from the covered call options it had sold. In December 2017, the Company purchased 43,500 shares of Agnico at a price of US\$44.00 per share from a put option it had sold. As at September 30, 2018, put contracts have been written on Agnico Eagle in order to repurchase additional 35,600 shares. The puts have been priced below the amount that the shares were sold.

7) INVESTMENTS (continued)

Restricted cash

Restricted cash of \$539,185 (or US\$416,520) as at September 30, 2018 (\$545,052 as at December 31, 2017) relates to funds held as collateral on the put option contracts of 35,600 shares of Agnico referred to in the *Derivative financial instruments* above. The funds will become unrestricted once the put option contracts are exercised, repurchased or expired.

8) EQUITY

a) Capital stock

The capital stock of the Company consists only of fully paid common shares.

Authorized

- Unlimited number of common shares, without par value, voting and participating.
- Unlimited number of preferred shares, without par value, non-participating. The directors will define the rights, privileges, restrictions and conditions of these shares upon issuance.

b) Issued

On June 29, 2018, Caisse de dépôt et placement du Québec (“CDPQ”) made a strategic investment in the Company by purchasing 588,235 common shares (approximately 4.7% of the outstanding common shares) of the Company. In order to facilitate the investment by CDPQ, certain members of the board, management and consultants (the “participants”) exercised 516,740 stock options (consisting of 483,630 common shares at an exercise price of \$0.55 per share, 16,555 common shares at an exercise price of \$2.18 per share and 16,555 common shares at an exercise price of \$3.62 per share) and the Company converted the participants’ restricted share units (“RSUs”) into 583,365 common shares and thereafter the participants agreed to sell, through a private transaction, 588,235 common shares to CDPQ.

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

c) Normal Course Issuer Bid

On September 25, 2017, the Company announced the renewal of its normal course issuer bid (“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.

On September 26, 2018, the Company announced it received conditional acceptance to renew its NCIB for another year until October 5, 2019. This new approval allows the Company to purchase up to 626,306 (representing 5% of the Company's total issued and outstanding common shares as of September 25, 2018) of its common shares.

8) EQUITY (continued)

c) Normal Course Issuer Bid (continued)

For the nine months ended September 30, 2018, the Company repurchased and cancelled 4,600 of its common shares at prices varying from \$9.60 to \$9.99 for a total of \$44,949.

For the nine months ended September 30, 2017, the Company repurchased and cancelled 66,600 of its common shares at prices varying from \$9.03 to \$9.40 for a total of \$614,930.

9) REMUNERATION

Salaries and employee benefits expense

The Company has implemented an Executive Compensation Policy (the "Policy") which approved certain amounts being paid and accrued to directors and officers. The Company's executives receive a salary in accordance with the amounts approved in the Policy and monthly accruals are being recorded to cover the total estimated meeting fee remuneration payable to directors. The directors and executive officers are also entitled to receive incentive stock options. The Company does not offer any other benefits or perquisites to its directors and executive officers but is reimbursing Golden Valley Mines for its share of the cost relating to the participation of its Chairman and CFO to Golden Valley Mines insurance plan.

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

The Chairman of the Board, the President and CEO, and the Chief Financial Officer of the Company are subject to Executive Employment Agreements ("Employment Agreements") which define their current remuneration and benefits. The Employment Agreements also provide for market standard payments on termination of employment without cause or following a change of control which could amount up to twice base salary and bonus, continuation of benefits and certain vesting acceleration clauses on restricted shares units and options.

Stock option plan

The Company has adopted a 20% fixed option plan (the "Plan") in 2013. Pursuant to the Plan, options, for an aggregate total of 1,740,200 common shares, (representing 20% of the issued number of common shares outstanding at the time) may be granted to its directors, officers, employees, consultants or management companies' employees from time to time. The exercise price of each option is fixed by the Board of Directors but would not be less than the closing price of the Company's share on the trading day immediately prior to the date of grant less any discount permitted by the TSX Venture Exchange (the "Exchange"); if no sales were reported, it would be the sales closing price on the last trading day immediately prior to the date of grant on which sales were reported. The vesting period of the options would be determined by the Board of Directors, in accordance with the rules and regulations of the Exchange.

ABITIBI ROYALTIES INC.
Notes to Condensed Interim Financial Statements
September 30, 2018 and 2017
(Expressed in Canadian dollars unless otherwise noted)

9) REMUNERATION (continued)

Stock option plan

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

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

	2018		2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding as at January 1	625,311	\$ 1.10	766,003	\$ 1.08
Exercised	(544,140)	0.85	(135,978)	0.96
Outstanding as at September 30	81,171	\$ 2.79	630,025	\$ 1.11
Exercisable as at September 30	81,171	\$ 2.79	630,025	\$ 1.11

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

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

For the nine months ended September 30, 2017, the Company issued 135,978 of its common shares for a total consideration of \$130,558 from the exercise of stock options at prices of \$0.55 per share for 101,763 common shares and of \$2.18 per share for 34,215 common shares.

ABITIBI ROYALTIES INC.
Notes to Condensed Interim Financial Statements
September 30, 2018 and 2017
(Expressed in Canadian dollars unless otherwise noted)

9) REMUNERATION (continued)

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

Range of Exercise price	2018 Outstanding options		2017 Outstanding options	
	Number of options	Weighted average remaining contractual life (year)	Number of options	Weighted average remaining contractual life (year)
\$0.55	-	-	485,737	0.99
\$2.18	47,733	0.67	64,288	1.67
\$3.62 to \$3.70	33,438	0.96	80,000	1.96
	81,171		630,025	

Restricted Share Unit Plan

The Company's Board of Directors had implemented a Restricted Share Unit Plan (the "RSU Plan"), which provided that restricted share units ("Share Units") could be granted to executive officers, directors, employees and consultants (each a "Participant") as a bonus or similar payment in respect of services rendered or otherwise as compensation, including as an incentive for future performance, or in satisfaction of dividends declared by the Company and payable to Participants. The aggregate number of common shares issuable pursuant to Share Units granted under the RSU Plan, prior to its termination at the end of the second quarter of 2018, would not exceed 896,769 common shares, among other limits with respect to individual grants under the RSU Plan. At the time Share Units were granted to a Participant, the Company determined any time-based or other conditions as to the vesting of the Share Units and the expiry date (the "Expiry Date") for such Share Units. The Expiry Date of a Share Unit granted was the third anniversary of its date of grant, unless the Company determines an earlier date, or subject to accelerated expiry in the event of a change of control of the Company.

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

	2018	2017
Outstanding at January 1	583,365	583,365
Granted	-	-
Converted (note 8)	583,365	-
Outstanding at September 30	-	583,365
Outstanding Units Vested	-	291,682

ABITIBI ROYALTIES INC.
Notes to Condensed Interim Financial Statements
September 30, 2018 and 2017
(Expressed in Canadian dollars unless otherwise noted)

9) REMUNERATION (continued)

Restricted Share Unit Plan

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

On June 29, 2018, the RSUs were converted into 583,365 common shares of the Company, of which 360,572 were sold to CDPQ (note 8(b)). The remaining RSU shares of 222,794 will be held in escrow until their original expiration dates of February 4, 2019 and March 19, 2019. Following the transaction with CDPQ, the Company terminated its RSU Plan, thereby eliminating the remaining 313,404 RSUs that were available for issuance.

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

10) LOSS PER SHARE

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Net loss for the period attributable to shareholders	\$ (8,301,990)	\$ (358,227)	\$ (7,127,219)	\$ (2,075,060)
Weighted average number of common shares outstanding - Basic	12,527,867	11,379,109	11,793,362	11,334,571
Dilutive effect of stock options	-	-	-	-
Weighted average number of common shares outstanding - Diluted	12,527,867	11,379,109	11,793,362	11,334,571
Basic loss per share	\$ (0.66)	\$ (0.03)	\$ (0.60)	\$ (0.18)
Diluted loss per share	\$ (0.66)	\$ (0.03)	\$ (0.60)	\$ (0.18)

For the three and nine months ended September 30, 2018, potential dilutive common shares from stock options and RSU have not been included in the earnings (loss) per share calculation as they would result in a reduction of the loss per share.

ABITIBI ROYALTIES INC.
Notes to Condensed Interim Financial Statements
September 30, 2018 and 2017
(Expressed in Canadian dollars unless otherwise noted)

11) PROFESSIONAL FEES

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Consultants	\$ 69,788	\$ 38,725	\$ 197,806	\$ 117,462
Audit, tax and accounting fees	20,651	6,420	20,651	35,096
Exchange, regulatory and transfer agent fees	21,456	14,727	78,970	53,490
Legal fees	35,792	52,992	135,462	94,948
	\$ 147,687	\$ 112,864	\$ 432,889	\$ 300,996

12) MANAGEMENT FEES

In 2010, the Company had entered into a Management and Administrative Services Agreement (the "Management Agreement") with Golden Valley, pursuant to which Golden Valley would provide certain administrative, management and financial services such as office space, administrative support, including the use of Golden Valley's in house legal counsel for day to day general enquiries, services of a consultant and investors relations services to the Company in consideration of \$96,000 per year, payable on a monthly basis, plus applicable taxes.

Effective January 1, 2018, the Company terminated the Management Services Agreement with no further amounts payable. Pursuant to the termination, administrative, management and financial services such as office space, administrative support and services of the former chief financial officer previously provided by Golden Valley has been assumed by the Company. For the three and nine months ended September 30, 2017, the Company has paid management fees of \$24,000 and \$72,000 to Golden Valley pursuant to the Management Agreement, respectively.

13) ROYALTY EXPENSE

The Company made the following acquisitions during the current quarter:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
2% NSR - Revillard Property	\$ 65,750	\$ -	\$ 65,750	\$ -
15% NPI - vicinity of Canadian Malartic Mine	400,000	-	400,000	-
1.5% NSR - Midway Project	752,000	-	752,000	-
1.5% NSR - Abitibi region, Québec	755,000	-	755,000	-
Other properties	-	-	-	20,977
	\$ 1,972,750	\$ -	\$ 1,972,750	\$ 20,977

13) ROYALTY EXPENSE (continued)

a) 2% NSR on Revillard Property

On July 4, 2018, the Company entered into an agreement with an arm's length party, to acquire a 2% NSR royalty on the Revillard property for the purchase price of \$65,750 (or US\$50,000). The Revillard property is located approximately 10 kilometres northwest of the Canadian Malartic Mine in Québec and forms part of a larger set of claims known as the Malartic Project, which is under option by Dundee Precious Metals Inc.

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

On July 5, 2018, the Company entered into an agreement with a group of arm's length, third party sellers, to acquire a 15% carried NPI on the mineral claims located immediately west of the Canadian Malartic Mine open pit in Abitibi, Québec, for the purchase price of \$400,000. The mineral claims are owned and operated by the Canadian Malartic Mine.

c) 1.5% NSR on the Midway Project

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

A total of 1.0% of the NSR can be repurchased by the Canadian Malartic Mine by paying US\$1.0 million to Abitibi Royalties.

d) 1.5% NSR in the Abitibi region, Québec

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

A total of 1.0% of the NSR royalties can be repurchased by Agnico Eagle by paying US\$1.0 million to Abitibi Royalties.

14) RELATED PARTY TRANSACTIONS

a) Transactions with the Major Shareholder

Golden Valley has agreed to provide the Company with the services of a qualified geologist at an hourly charge equal to the hourly charge to Golden Valley. For the nine months ended September 30, 2018, the Company did not incur any geological fees (for the nine months ended September 30, 2017 - \$1,874).

ABITIBI ROYALTIES INC.
Notes to Condensed Interim Financial Statements
September 30, 2018 and 2017
(Expressed in Canadian dollars unless otherwise noted)

14) RELATED PARTY TRANSACTIONS (continued)

Pursuant to the termination of the Management Services Agreement described in note 12, administrative, management and financial services such as office space, administrative support previously provided by Golden Valley has been assumed by the Company. For efficiency reasons, where the Company and Golden Valley are dealing with the same suppliers one may pay for both and be reimbursed by the other. As at September 30, 2018, the Company had indebtedness of \$17,913 to Golden Valley (as at December 31, 2017 - \$717).

In addition, up to December 31, 2017, the Company was remunerating the accounting and administrative services of a consultant (former CFO of Abitibi Royalties) through the management fees paid to Golden Valley under the Management Agreement (note 12). For the three and nine months ended September 30, 2017, remuneration of the consultant derived from the management fees amounted to \$21,501 and \$64,503, respectively.

b) Transactions with key management

Key management personnel of the Company are the members of the board of directors, as well as the President and Chief Executive Officer and the Chief Financial Officer. In accordance with its Executive Compensation Policy the Company has, during the three and nine months ended September 30, 2018 and 2017, paid or accrued salaries as shown in the table below:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Salaries and benefits	\$ 160,856	\$ 143,750	\$ 482,126	\$ 416,250
Bonus ⁽¹⁾	-	-	-	247,500
Meeting fees	37,500	37,500	112,500	112,500
Additional cash amounts ⁽²⁾	-	-	-	87,750
Payroll levies ⁽³⁾	15,028	36,373	515,063	80,215
	213,384	217,623	1,109,689	944,215
Share-based compensation ⁽⁴⁾		136,467	260,903	404,951
	\$ 213,384	\$ 354,090	\$ 1,370,592	\$ 1,349,166

- 1) Bonuses for the nine months ended September 30, 2017 include approved bonuses totaling \$247,500 for the Chairman of the Board and the President and Chief Executive Officer based on their performance in 2016.
- 2) Additional cash amounts for the nine months ended September 30, 2017 include approved cash payments totalling \$84,000 to directors, the Chairman of the Board, the President and Chief Executive Officer, the Chief Financial Officer and one consultant instead granting of stock options.

ABITIBI ROYALTIES INC.

Notes to Condensed Interim Financial Statements

September 30, 2018 and 2017

(Expressed in Canadian dollars unless otherwise noted)

14) RELATED PARTY TRANSACTIONS (continued)

- 3) The payroll levies are the Company's contributions to mandatory governmental benefits plans related to salaries, meetings fees and taxable benefits on exercise of incentive stock options. The amounts of \$515,063 for the nine months ended September 30, 2018, include the Company's contribution of \$471,820 on the taxable benefits on the conversion of the RSU into common shares and the exercise of stock options relating to the transaction with CDPQ.
- 4) In February and March 2016, the Company granted 583,365 RSU (of which 145,841 vested immediately) to officers, directors and consultant for a total compensation value of \$2,107,701, which amount was to be expensed over the vesting period. Share-based compensation amounts of \$260,903 for the nine months ended September 30, 2018 have been recognized relating to the RSUs (note 9).

As at September 30, 2018, some of the salaries, meeting fees and year-end performance bonuses disclosed above in the amount of \$37,500 (as at December 31, 2017 - \$284,578) had not been paid and were included in account payables and accrued liabilities.

b) Transactions with key management

The President and Chief Executive Officer is using his Toronto Property as an office for the Company and is being reimbursed the expenses related to the premises. For the nine months ended September 30, 2018, the Company has paid \$5,253 (2017 - \$5,093) for the Toronto office.

15) CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company's objectives in managing capital are to safeguard its ability to continue its operations, to increase the value of the assets of the business and to provide an adequate return to owners. These objectives will be achieved by identifying and acquiring the right potential royalty rights. The Company manages its capital structure and adjusts 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.

16) COMMITMENTS

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