



OSISKO METALS INCORPORATED

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

**FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED
JUNE 30, 2021 AND 2020**

**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 consolidated interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of Osisko Metals Incorporated 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 financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Osisko Metals Incorporated
Consolidated Interim Statements of Financial Position
(Expressed in Canadian Dollars)

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
	\$	\$
ASSETS		
CURRENT		
Cash	7,378,231	7,315,609
Accounts receivable	142,572	166,872
Investments (Note 4)	117,550	117,317
Prepaid expenses	62,225	43,926
	<u>7,700,578</u>	<u>7,643,724</u>
NON-CURRENT		
Exploration and evaluation assets (Note 5)	89,622,147	86,485,508
Other assets	489,511	472,583
Property and equipment	225,122	71,509
Investments (Note 4)	12,234	22,872
	<u>90,349,014</u>	<u>87,052,472</u>
Total assets	<u>98,049,592</u>	<u>94,696,196</u>
LIABILITIES		
CURRENT		
Trade and other payables	1,887,977	3,047,382
Deferred premium on flow-through shares (Note 6)	677,343	-
	<u>2,565,320</u>	<u>3,047,382</u>
NON-CURRENT		
Deferred tax liability	2,331,172	2,567,691
Total liabilities	<u>4,896,492</u>	<u>5,615,073</u>
EQUITY		
Share capital	111,599,172	106,535,152
Warrants (Note 8)	1,004,240	1,004,240
Contributed surplus	17,776,306	17,642,517
Deficit	(37,226,618)	(36,100,786)
Total equity	<u>93,153,100</u>	<u>89,081,123</u>
Total liabilities and equity	<u>98,049,592</u>	<u>94,696,196</u>
Going concern (Note 1)		
Commitments and contingencies (Note 14)		

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

Osisko Metals Incorporated

Consolidated Statement of Loss and Comprehensive Loss

For the three-month and six-month periods ended June 30, 2021 and 2020

(Unaudited, Expressed in Canadian Dollars)

	Three-months ended		Six-months ended	
	June 30,		June 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Expenses				
Employee benefits expenses	355,427	394,390	707,933	782,439
Share-based compensation (Note 9)	96,695	207,919	255,388	433,803
Consulting and professional fees	12,275	102,127	141,717	256,576
Office expenses	62,484	80,436	117,906	136,708
Investor and shareholder relations	91,812	27,455	156,397	119,729
Travel expenses	2,827	3,952	2,827	42,467
Exploration and evaluation expenses	-	-	-	30,890
Write-off of exploration and evaluation expenses (Note 5)	1,869	-	1,869	4,416,621
Depreciation	4,859	7,844	9,067	16,396
Other operating expenses	-	-	-	-
Operating Loss	(628,248)	(824,123)	(1,393,104)	(6,235,629)
Financial revenues	12,772	7,145	21,134	26,259
Change in fair value of investments (Note 4)	(6,250)	(2,925)	(10,638)	(73,888)
Gain on sale of investments (Note 4)	-	41,064	-	41,064
Gain (loss) on foreign exchange	(10,994)	47,858	(14,108)	46,619
Loss before income taxes	(632,720)	(730,981)	(1,396,716)	(6,195,575)
Income tax recovery	106,552	189,595	270,884	1,534,608
Net loss and comprehensive loss for the period	(526,168)	(541,386)	(1,125,832)	(4,660,967)
Net loss per common share (Note 10)				
Basic and diluted	(0.003)	(0.003)	(0.006)	(0.028)
Weighted average number of common shares outstanding (Note 10)				
Basic and diluted	187,328,496	167,137,241	183,068,937	167,125,364

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

Osisko Metals Incorporated

Consolidated Statements of Changes in Equity

For the three-month and six-month periods ended June 30, 2021 and 2020

(Unaudited, Expressed in Canadian Dollars)

	Number of common shares	Share capital \$	Warrants \$	Contributed surplus \$	Deficit \$	Total \$
Balance – December 31, 2020	178,798,993	106,535,152	1,004,240	17,642,517	(36,100,786)	89,081,123
Acquisition of mining properties (Note 5)	34,998	14,699	-	-	-	14,699
Issuance of flow-through shares (Note 7)	12,000,000	6,000,000	-	-	-	6,000,000
Deferred premium on flow-through shares	-	(711,708)	-	-	-	(711,708)
Cost of share issuance	-	(525,315)	-	-	-	(525,315)
Share-based compensation (Note 9)	-	-	-	270,133	-	270,133
Exercise of stock options (Note 9)	500,000	286,344	-	(136,344)	-	150,000
Net loss and comprehensive loss for the period	-	-	-	-	(1,125,832)	(1,125,832)
Balance – June 30, 2021	191,333,991	111,599,172	1,004,240	17,776,306	(37,226,618)	93,153,100
Balance – December 31, 2019	167,100,411	102,132,975	542,378	16,800,427	(30,278,077)	89,197,703
Acquisition of mining properties (Note 5)	68,332	29,574	-	-	-	29,574
Share-based compensation (Note 9)	-	-	-	473,215	-	473,215
Net loss and comprehensive loss for the period	-	-	-	-	(4,660,967)	(4,660,967)
Balance – June 30, 2020	167,168,743	102,162,549	542,378	17,273,642	(34,939,044)	85,039,525

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

Osisko Metals Incorporated

Consolidated Statements of Cash Flows

For the three-month and six-month periods ended June 30, 2021 and 2020

(Unaudited, Expressed in Canadian Dollars)

	Three-months ended June 30,		Six-months ended June 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Operating activities				
Loss for the period	(526,168)	(541,386)	(1,125,832)	(4,660,967)
Adjustments for:				
Share-based compensation (Note 9)	96,695	207,919	255,388	433,803
Depreciation	4,859	7,844	9,067	16,396
Change in fair value of investments (Note 4)	6,914	2,925	10,638	73,888
Write-off of exploration and evaluation expenses	1,869	-	1,869	4,416,621
Income tax recovery	(106,552)	(189,595)	(270,884)	(1,534,608)
Changes in non-cash working capital items (Note 13)	35,104	(177,782)	(306,709)	195,892
Net cash flows used in operating activities	(487,279)	(690,075)	(1,426,463)	(1,058,975)
Investing activities				
Sale of royalty, net of transaction costs (Note 5)	-	-	-	6,436,533
Acquisitions of property and equipment	-	-	(198,382)	-
Investments in exploration and evaluation assets	(1,823,718)	(1,492,923)	(3,936,985)	(6,062,186)
Net increase in investments	(897)	(42,344)	(233)	(45,635)
Net cash flows (used in) provided by investing activities	(1,824,615)	(1,535,267)	(4,135,600)	328,712
Financing activities				
Proceeds from the issuance of flow-through shares	6,000,000	-	6,000,000	-
Proceeds from the exercise of options	150,000	-	150,000	-
Payment of share issue costs	(525,315)	-	(525,315)	(87,000)
Net cash flows provided by (used in) financing activities	5,624,685	-	5,624,685	(87,000)
Increase (decrease) in cash	3,312,791	(2,225,342)	62,622	(817,263)
Cash, beginning of period	4,065,440	2,916,076	7,315,609	1,507,997
Cash, end of period	7,378,231	690,734	7,378,231	690,734

Supplemental disclosure (Note 13)

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

Osisko Metals Incorporated

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month and six-month periods ended June 30, 2021 and 2020

(Unaudited, expressed in Canadian Dollars)

1. Nature of activities and going concern

Osisko Metals Incorporated (“Osisko Metals”) and its subsidiaries (collectively, the “Company”) specialize in the exploration and evaluation of base metals properties located in Canada. The address of the Company’s registered office and its principal place of business is 1100, avenue des Canadiens-de-Montréal, Suite 300, Montréal, Québec, Canada.

The Company was incorporated under the provisions of the *Business Corporations Act* (Alberta) on May 10, 2000. Since May 2017, the Company is registered under the *Business Corporation Act* (British Columbia).

The Company’s shares are listed under the symbol “OM” on the TSX Venture Exchange (“TSX-V”), under the symbol “OB5” on the Frankfurt Stock Exchange and under the symbol “OMZNF” on the OTCQX Best Market (the “OTCQX”).

Until it is determined that properties contain mineral reserves or resources that can be economically mined, they are classified as exploration and evaluation properties. The recoverability of deferred exploration and evaluation expenses is dependent on the discovery of economically recoverable reserves and resources; securing and maintaining title and beneficial interest in the properties; the ability to obtain necessary financing to continue the exploration, evaluation and development of its properties; and obtaining certain government approvals or proceeds from the disposal of properties. Changes in future conditions could require material impairment of the carrying value of the deferred exploration and evaluation expenses. Although the Company has taken steps to verify title to its mining properties on which it is currently conducting exploration and evaluation work, in accordance with industry standards for the current stage of exploration and evaluation of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

These condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. In assessing whether the going concern assumption is appropriate, Management of the Company (“Management”) takes into account all available information about the future, which is at least, but not limited to twelve months from the end of the reporting period. As at June 30, 2021, the Company had working capital of \$5,135,258 (including a cash balance of \$7,378,231), an accumulated deficit of \$37,226,618 and had incurred a loss of \$1,125,832 for the six-month period ended June 30, 2021. As the Company is in the exploration and evaluation stage for its projects, it has not recorded any revenues from operations and has no source of operating cash flow.

The working capital as at June 30, 2021 will not be sufficient to meet the Company’s obligations, commitments and budgeted expenditures through June 30, 2022. Management is aware, in making its assessment, of material uncertainties related to events and conditions that may cast a significant doubt upon the Company’s ability to continue as a going concern as described in the preceding paragraph, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. These condensed consolidated interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities, expenses and balance sheet classifications that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

The duration and full financial effect of the COVID-19 pandemic is unknown at this time. Any estimate of the length and severity of these developments is therefore subject to significant uncertainty, and accordingly estimates of the extent to which the COVID-19 may materially and adversely affect the Company’s operations, including suppliers, service providers, employees and on global financial markets limiting our ability to access financing are also subject to significant uncertainty. The Company is monitoring developments in order to be in a position to take appropriate action.

The Company’s ability to continue future operations and fund its planned exploration activities at its projects is dependent on Management’s ability to secure additional financing in the future. Any funding shortfall may be met in the future in a number of ways, including, but not limited to, selling a royalty on its projects (see Note 5) and the issuance of debt or equity instruments (see Note 7). While Management has been successful in securing financing in the past, there can be no assurance that it will be able to do so in the future or that these sources of funding or initiatives will be available to the Company or that they will be available on terms that are acceptable to the Company. If Management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets might be less than the amounts reflected in these condensed consolidated interim financial statements.

Osisko Metals Incorporated

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month and six-month periods ended June 30, 2021 and 2020

(Unaudited, expressed in Canadian Dollars)

2. Basis of presentation

These unaudited condensed consolidated interim financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments to fair value. In addition, these unaudited condensed consolidated interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

These unaudited condensed consolidated interim financial statements have been prepared in accordance with *International Financial Reporting Standards* as issued by the *International Accounting Standards Board* ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard 34, *Interim Financial Reporting*. The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited annual consolidated financial statements of the Company for the year ended December 31, 2020, which have been prepared in accordance with IFRS.

These unaudited condensed consolidated interim financial statements were approved by the Company's Board of Directors on August 12, 2021.

These unaudited condensed consolidated interim financial statements include the accounts of Osisko Metals and its wholly-owned subsidiaries listed below:

Name of subsidiary	Activity	Country of Incorporation
Bowmore Exploracion de Mexico S.A. de C.V.	Inactive	Mexico
Pine Point Mining Limited ("Pine Point")	Mineral exploration in Northwest Territories	Canada
Karst Investments LLC ("Karst")	Inactive, wound up on January 14, 2020	USA
Bowmore O & G Inc.	Inactive	Canada

Osisko Metals controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All intercompany balances and transactions are eliminated on consolidation. Osisko Metals and its subsidiaries have a year end of December 31.

3. Judgments, estimates and assumptions

The preparation of financial statements requires the Company's management to make judgments, estimates and assumptions on reported amounts of assets and liabilities, and reported amounts of expenses. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may be substantially different. The critical accounting, judgments, estimates and assumptions are the same as those in our most recent audited annual financial statements.

4. Investments

As at June 30, 2021, the Company holds short-term investments of \$117,550 (\$117,317 as at December 31, 2020) composed of guaranteed deposit certificates with a maturity less than twelve months.

The Company holds marketable securities in quoted mining exploration companies. As at June 30, 2021, these non-current investments total \$12,234 (\$22,872 as at December 31, 2020). These non-current investments are measured at fair value and changes in fair value are recognized in the net loss for the period.

During the three-month period ended June 30, 2021, the Company recorded an unrealized loss of \$6,250 in other comprehensive income (an unrealized loss of \$2,925 during the three-month period ended June 30, 2020) in relation to these marketable securities.

During the six-month period ended June 30, 2021, the Company recorded an unrealized loss of \$10,638 in other comprehensive income (an unrealized loss of \$73,888 during the six-month period ended June 30, 2020) in relation to these marketable securities.

Osisko Metals Incorporated

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month and six-month periods ended June 30, 2021 and 2020

(Unaudited, expressed in Canadian Dollars)

5. Exploration and evaluation assets

The Company has incurred the following costs on its exploration and evaluation assets:

Property	Balance as at January 1, 2021	Additions	Credits	Write-off	Balance as at June 30, 2021
	\$	\$	\$	\$	\$
Quebec					
Quebec Genex (a)					
Mining rights	242,974	-	-	-	242,974
Exploration expenses	1,879,366	2,162	-	-	1,881,528
	<u>2,122,340</u>	<u>2,162</u>	<u>-</u>	<u>-</u>	<u>2,124,502</u>
Other Quebec properties (b)					
Exploration expenses	428,174	-	-	-	428,174
	<u>428,174</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>428,174</u>
New Brunswick					
Gilmour South (c)(k)					
Mining rights	136,779	59,699	-	-	196,478
Exploration expenses	4,389,763	14,745	-	-	4,404,508
	<u>4,526,542</u>	<u>74,444</u>	<u>-</u>	<u>-</u>	<u>4,600,986</u>
Key Anacon (d)(k)					
Mining rights	1,811,842	-	-	-	1,811,842
Exploration expenses	4,939,246	628	-	-	4,939,874
	<u>6,751,088</u>	<u>628</u>	<u>-</u>	<u>-</u>	<u>6,751,716</u>
Canadian Continental (e)					
Mining rights	466,270	-	-	(220)	466,050
Exploration expenses	631,716	-	-	(1,649)	630,067
	<u>1,097,986</u>	<u>-</u>	<u>-</u>	<u>(1,869)</u>	<u>1,096,117</u>
Mount Fronsac (f)					
Mining rights	380,464	5,000	-	-	385,464
Exploration expenses	1,564,291	12,204	-	-	1,576,495
	<u>1,944,755</u>	<u>17,204</u>	<u>-</u>	<u>-</u>	<u>1,961,959</u>
Other New Brunswick Properties (g)					
Mining rights	95,258	-	-	-	95,258
Exploration expenses	438,125	-	-	-	438,125
	<u>533,383</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>533,383</u>
Northwest Territories					
Pine Point (h)					
Mining rights	33,358,060	-	-	-	33,358,060
Exploration expenses	35,723,180	3,044,070	-	-	38,767,250
	<u>69,081,240</u>	<u>3,044,070</u>	<u>-</u>	<u>-</u>	<u>72,125,310</u>
Summary					
Mining rights	36,491,647	64,699	-	-	36,556,126
Exploration expenses	49,993,861	3,073,809	-	-	53,066,021
	<u>86,485,508</u>	<u>3,138,508</u>	<u>-</u>	<u>(1,869)</u>	<u>89,622,147</u>

- (a) Quebec Genex: The Company's Quebec Genex Project includes, among others, its claims at Ascension, Wallace, Kempt and Montauban.
- (b) Other properties in Quebec: Most of these other properties in Quebec are subject to a net smelter return ("NSR") royalty with Osisko Gold Royalties Ltd ("OGR") (the "OGR Royalty"), a related party (see Note 11), which is described in note (i).
- (c) Gilmour South, New Brunswick: This property is located 20 km south-southeast of the Brunswick No. 12 Mine and is subject to the OGR Royalty (i). In accordance with an option agreement signed on March 7, 2017, the Company may acquire a 100% interest in this property (in addition to the Flat Landing Brook and Louvicourt properties) in exchange for:
- Cash payments totaling \$216,000 over a period of 5 years following the signing of this agreement. \$45,000 was paid in the six-month period ended June 30, 2021 (\$126,000 was paid as at December 31, 2020); and
 - Issuance of 190,000 common shares of the Company (each a "Common Share") over a period of 5 years following the signing of this agreement. In the six-month period ended June 30, 2021, 34,998 Common Shares (\$14,699) were issued (119,996 Common Shares were issued as at December 31, 2020, with a value of \$58,324).

Osisko Metals Incorporated

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month and six-month periods ended June 30, 2021 and 2020

(Unaudited, expressed in Canadian Dollars)

5. Exploration and evaluation assets (*continued*)

- (d) Key Anacon, New Brunswick: This project is located 20 km south of Bathurst, New Brunswick and is partially subject to the OGR Royalty (i).
- (e) Canadian Continental, New Brunswick: This project is partially subject to the OGR Royalty (i).
- (f) Mount Fronsac, New Brunswick: This property is subject to the OGR Royalty (i). In addition to existing claims owned by the Company, the acquisition in this project is composed of the following transaction:
 - i. In accordance with an option agreement signed on June 28, 2017, the Company may acquire a 100% interest in 32 additional claim units of this project in exchange for:
 - Cash payments totaling \$300,000 over a period of 4 years following the signing of this agreement. As at June 30, 2021 and December 31, 2020, \$200,000 was paid; and
 - Issuance of 200,000 Common Shares over a period of 4 years following the signing of this agreement. As at June 30, 2021 and December 31, 2020, 133,336 Common Shares were issued with a value of \$88,668.
- (g) Other properties in the Bathurst Mining Camp (“BMC”): The other New Brunswick properties are located in the BMC and are subject to the OGR Royalty (i).
- (h) On February 23, 2018, the Company acquired all of the issued and outstanding common shares of Pine Point which holds the Pine Point property located near Hay River in the Northwest Territories (the “Pine Point Property”).

Pine Point had an option agreement with Karst to purchase a 50% interest in a 3% NSR royalty held by Karst on the Pine Point Property (the “Option”). To keep the Option in force, annual payments of US\$75,000 were made on each anniversary of this agreement. The Option was exercisable at any time, prior to Pine Point’s commercial production, by paying US\$3,000,000, less the prepaid amounts.

On December 17, 2019, the Company closed the acquisition of Karst in exchange for an aggregate consideration of US\$8,500,000 (\$11,209,000) and 2,000,000 common shares (\$810,000) of the Company. Karst had no significant assets and liabilities other than said 3% NSR royalty. The total cost to repurchase the 3% NSR was \$12,392,049 and is capitalized in exploration and evaluation assets in the consolidated statement of financial position.

- (i) On October 12, 2017, the Company concluded an agreement with OGR whereby OGR acquired a 1% NSR royalty on nearly all of the Company’s portfolio of projects within both the BMC and Quebec, as at the date of this agreement, for a cash consideration of \$5,000,000. The OGR Royalty will also apply to areas that the Company may acquire in the future that fall within a one-kilometer distance from the property holdings at the time of this agreement. OGR has rights of first refusal on future royalty or metal stream sales from existing or newly acquired properties by the Company.
- (j) On January 23, 2020, the Company concluded an agreement with OGR (the “Sales Agreement”) to sell a 1.5% NSR royalty on the Pine Point Property, for cash consideration of \$6,500,000 (the “NSR Sale”). Pursuant to the terms of the Sales Agreement, in connection with the NSR Sale, the Company granted to OGR a right of first offer on any future sales by the Company of any additional royalties, streams or similar interests on the Pine Point Project. The proceeds from this transaction were recorded as a reduction to the exploration and evaluation assets in the consolidated statement of financial position at the Sales Agreement date. The Sales Agreement was amended on December 30, 2020 (the “NSR Amendment”). Pursuant to the NSR Amendment, the Company granted an additional 0.5% NSR royalty to OGR on the Pine Point Project for \$6,500,000, which resulted in OGR holding a combined 2% NSR royalty on the Pine Point Project.

Osisko Metals Incorporated

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month and six-month periods ended June 30, 2021 and 2020

(Unaudited, expressed in Canadian Dollars)

5. Exploration and evaluation assets (continued)

(k) In August 2020, the Company announced an option agreement whereby Brunswick Exploration Inc. (“Brunswick Exploration”) can acquire a majority interest in Osisko Metals’ Brunswick Belt exploration property in the eastern portion of the BMC (the “Brunswick Belt Project”). On April 21, 2021, Osisko Metals announced that, following a TSX-V review, the terms of this option agreement were amended (the “Option Agreement”).

The Option Agreement allows Brunswick Exploration to earn up to 51% interest by spending an aggregate of \$10 million in two stages over a five-year period. The Option Agreement has two distinct earn-in requirements:

- The First Option: by funding an aggregate of \$2,000,000 on or before the second-year anniversary of the signing of the Option Agreement and completing a cash payment of \$100,000, Brunswick Exploration can earn an initial 15% interest in the Brunswick Belt Project.
- The Second Option: by funding an aggregate of \$10,000,000 (inclusive of First Option expenditures) according to the schedule below, Brunswick Exploration can earn an additional 36% interest in the Brunswick Belt Project for a total interest of 51%:
 - An aggregate of \$2,000,000, on or before the 2nd year anniversary;
 - An aggregate of \$4,000,000, on or before the 3rd year anniversary;
 - An aggregate of \$6,500,000, on or before the 4th year anniversary; and
 - An aggregate of \$10,000,000, on or before the 5th year anniversary.

Once any one of the two earn-in requirements are met (as per Brunswick Exploration’s discretion), a joint venture can be formed between Brunswick Exploration and Osisko Metals. Brunswick Exploration is considered a related party due to common officers and directors.

6. Deferred premium on flow-through shares

	<u>June 30, 2021</u>
	\$
Balance – beginning of period	-
Deferred premium on flow-through shares issued (Note 7)	711,708
Recognition of deferred premium on flow-through shares	<u>(34,365)</u>
Balance – end of period	<u>677,343</u>

7. Share capital

On April 29, 2021, the Company completed a brokered private placement of 12,000,000 common flow-through shares for aggregate gross proceeds of \$6,000,000 (the “2021 Offering”). Under the 2021 Offering, the common flow-through shares were issued at a price of \$0.50 per share. In connection with the 2021 Offering, the Company paid the underwriters a cash commission equal to 6% of the gross proceeds of this offering on eligible issuances and share issue costs totaled \$525,315. The fair value of the 12,000,000 common shares was estimated to be \$5,220,000. An amount of \$711,708 (net of share issue costs of \$68,291) was allocated to the deferred premium on flow-through shares (Note 6).

8. Warrants

The following table details the changes in the Company’s warrants issued to shareholders:

	<u>Number of warrants</u>	<u>Weighted average exercise price (\$)</u>
Balance – January 1, 2020	3,500,000	0.52
Issued	<u>5,815,125</u>	<u>0.54</u>
Balance – December 31, 2020	9,315,125	0.53
Balance – June 30, 2021	<u>9,315,125</u>	<u>0.53</u>

Osisko Metals Incorporated

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month and six-month periods ended June 30, 2021 and 2020

(Unaudited, expressed in Canadian Dollars)

9. Share-based compensation

The following table summarizes information about the movement of the Options:

	Number of options	Weighted average exercise price (\$)
Balance – January 1, 2020	12,072,699	0.86
Granted	150,000	0.40
Forfeited	(164,870)	0.54
Expired	(65,263)	1.00
Balance – December 31, 2020	11,992,566	0.86
Granted	2,250,000	0.44
Exercised	(500,000)	0.30
Forfeited	(1,173,100)	1.09
Expired	(666,666)	0.30
Balance – June 30, 2021	11,902,800	0.81
Options exercisable – June 30, 2021	6,505,178	1.08

The Options, when granted, are accounted for at their fair value determined by the Black-Scholes option pricing model based on the following weighted average assumptions for the six-month period ended June 30, 2021:

Share price at date of grant	\$0.44
Exercise price at date of grant	\$0.44
Risk-free interest rate	0.42%
Expected life of options	5.0 years
Annualized expected volatility	60%
Dividend rate	0%
Weighted average fair value per option	\$0.22

The expected volatility was determined by calculating the “historical” volatility of the Company’s common share price back from the date of the grant and for a period corresponding to the expected life of the Options. When computing historical volatility, Management may disregard an identifiable period of time in which it considers that the share price was extraordinarily volatile because of a specific event that is not expected to recur during the expected life of the Option.

Share-based compensation for the three-month period ended June 30, 2021 amounted to \$104,222 (\$226,998 for the three-month period ended June 30, 2020) of which \$7,527 were capitalized to exploration and evaluation assets (\$19,079 for the three-month period ended June 30, 2020).

Share-based compensation for the six-month period ended June 30, 2021 amounted to \$270,133 (\$473,215 for the six-month period ended June 30, 2020) of which \$14,745 were capitalized to exploration and evaluation assets (\$39,412 for the six-month period ended June 30, 2020).

10. Net loss per share

As a result of the net loss for the three-month and six-month periods ended June 30, 2021 and 2020, all potentially dilutive common shares (Notes 8 and 9) are deemed to be antidilutive and thus diluted net loss per share is equal to the basic net loss per share for these periods.

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Notes to the Condensed Consolidated Interim Financial Statements

For the three-month and six-month periods ended June 30, 2021 and 2020

(Unaudited, expressed in Canadian Dollars)

11. Key management and related party transactions

Key management includes directors and officers of the Company. The compensation paid or payable to key management for employee services is presented below for the three-month and six-month periods ended June 30, 2021 and 2020:

	Three-months ended		Six-months ended	
	June 30,		June 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Salaries and short-term employee benefits	176,750	237,500	353,500	472,500
Share-based compensation	140,123	178,670	273,347	385,441
	<u>316,873</u>	<u>416,170</u>	<u>626,847</u>	<u>857,941</u>

During the three-month and six-month periods ended June 30, 2021 and 2020, the Company undertook transactions with certain related companies. Osisko Development Corp. is a subsidiary of OGR and they are both related parties as they have a significant influence on the Company due to the number of shares held and common officers and directors. Osisko Mining Inc. ("OSK") and Falco Resources Ltd. ("FPC") are related parties because of common officers and directors.

During the three-month period ended June 30, 2021, an amount of \$46,000 was invoiced by OGR for professional services and rental of offices (\$160,000 for the three-month period ended June 30, 2020). During the six-month period ended June 30, 2021, an amount of \$78,000 was invoiced by OGR for professional services and rental of offices (\$370,000 for the six-month period ended June 30, 2020). An amount of \$37,000 is included in accounts payable and accrued liabilities as at June 30, 2021 (\$320,000 as at December 31, 2020).

During the three-month period ended June 30, 2021, an amount of \$3,000 was invoiced by OSK in relation to professional corporate and exploration services rendered (\$43,000 for the three-month period ended June 30, 2020). During the six-month period ended June 30, 2021, an amount of \$6,000 was invoiced by OSK in relation to professional corporate and exploration services rendered (\$86,000 for the six-month period ended June 30, 2020). An amount of \$1,000 is included in accounts payable and accrued liabilities as at June 30, 2021 (\$5,000 as at December 31, 2020).

During the three-month period ended June 30, 2021, an amount of \$27,000 was invoiced by FPC for professional services (\$82,000 for the three-month period ended June 30, 2020). During the six-month period ended June 30, 2021, an amount of \$55,000 was invoiced by FPC for professional services (\$137,000 for the six-month period ended June 30, 2020). An amount of \$28,000 is included in trade and other payables as at June 30, 2021 (\$60,000 as at December 31, 2020).

12. Fair value of financial instruments

Financial instruments measured at fair value

The following presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy.

This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities at the reporting date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for assets or liabilities that are not based on observable data (unobservable inputs).

The fair value of the investments in shares have been estimated by reference to their quoted prices at the reporting date. Investments measured at fair value in the statement of financial position as at June 30, 2021 and December 31, 2020 are classified in level 1.

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Notes to the Condensed Consolidated Interim Financial Statements

For the three-month and six-month periods ended June 30, 2021 and 2020

(Unaudited, expressed in Canadian Dollars)

13. Supplemental disclosure – Statements of cash flows

	Three-months ended		Six-months ended	
	June 30,		June 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
<u>Changes in non-cash working capital items:</u>				
Receivables	33,523	(4,786)	24,300	487,240
Prepaid expenses and other assets	(2,530)	22,744	(35,227)	(31,595)
Trade and other payables	4,111	(195,740)	(295,782)	(259,753)
Total	35,104	(177,782)	(306,709)	195,892
Exploration and evaluation asset expenditures included in trade and other payables				
Beginning of period	1,009,064	2,417,000	1,297,606	3,790,765
End of period	433,983	2,900,000	433,983	2,900,000
Share issue costs included in trade and other payables				
Beginning of period	-	-	-	87,000
End of period	-	-	-	-

14. Commitment and contingencies

The Company is partially financed through the issuance of flow-through shares, and accordingly, the Company is engaged to complete mining exploration activities. These tax rules also set deadlines for carrying out the exploration work no later than the first of the following dates:

- a. Two years following the flow-through placements;
- b. One year after the Company has renounced the tax deductions relating to the exploration work.

On April 29, 2021, the Company received \$6,000,000 following the issuance of flow-through shares for which the Company will renounce tax deductions as at December 31, 2021. As at June 30, 2021, \$5,700,000 of this balance remains to be incurred by December 31, 2022.