



OSISKO METALS INCORPORATED

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

**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED
SEPTEMBER 30, 2019 AND 2018**

**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
(Unaudited, Expressed in Canadian Dollars)

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
	\$	\$
ASSETS		
CURRENT		
Cash	6,395,356	8,453,161
Investments (Note 4)	5,787,494	10,836,918
Accounts receivable	546,913	1,991,247
Prepaid expenses	435,979	193,105
	<u>13,165,742</u>	<u>21,474,431</u>
NON-CURRENT		
Exploration and evaluation assets (Note 5)	80,398,853	67,645,072
Investments (Note 4)	332,444	364,873
Other assets	489,874	489,874
Property and equipment	116,127	155,146
	<u>81,337,298</u>	<u>68,654,965</u>
Total assets	<u>94,503,040</u>	<u>90,129,396</u>
LIABILITIES		
CURRENT		
Trade and other payables	3,085,797	5,003,418
Current portion of purchase price payable (Note 5)	500,000	500,000
Deferred premium on flow-through shares (Note 6)	2,552,943	3,522,000
	<u>6,138,740</u>	<u>9,025,418</u>
NON-CURRENT		
Deferred tax liability	3,246,238	1,237,202
	<u>3,246,238</u>	<u>1,237,202</u>
Total liabilities	<u>9,384,978</u>	<u>10,262,620</u>
EQUITY		
Share capital	94,263,635	87,046,722
Warrants	21,626	6,807,908
Contributed surplus	16,543,997	9,019,916
Deficit	(25,711,196)	(23,007,770)
Total equity	<u>85,118,062</u>	<u>79,866,776</u>
Total liabilities and equity	<u>94,503,040</u>	<u>90,129,396</u>
Commitments and contingencies (Note 14)		
Subsequent event (Note 15)		

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 nine-month periods ended September 30, 2019 and 2018

(Unaudited, Expressed in Canadian Dollars)

	Three-months ended		Nine-months ended	
	September 30,		September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Expenses				
Employee benefits expenses	253,025	365,004	929,448	998,564
Share-based compensation (Note 9)	202,213	393,206	691,319	1,657,600
Consulting and professional fees	100,650	134,880	498,289	643,033
Investor and shareholder relations	109,186	97,239	497,116	387,040
Office expenses	115,007	123,916	325,818	285,412
Travel expenses	47,626	129,214	264,349	383,528
Write-off of exploration expenses (Note 5)	698,287	-	698,287	30,370
Depreciation	12,368	14,634	39,318	38,090
Exploration and evaluation expenses	3,373	3,532	5,728	21,012
Other operating expenses	-	18,482	831	25,237
Operating Loss	(1,541,735)	(1,280,107)	(3,950,503)	(4,469,886)
Financial revenues (expenses)	60,389	(9,310)	201,231	204,330
Gain on the sale of property	-	49,300	-	49,300
Change in fair value of investments (Note 4)	15,521	(41,432)	(32,429)	(41,667)
Gain (loss) on foreign exchange	4,352	(12,340)	4,824	(32,876)
Loss before income taxes	(1,461,473)	(1,293,889)	(3,776,877)	(4,290,799)
Income tax recovery	360,255	979,351	1,073,451	2,106,353
Net loss and comprehensive loss for the period	(1,101,218)	(314,538)	(2,703,426)	(2,184,446)
Net loss per common share (Note 10)				
Basic and diluted	(0.01)	(0.00)	(0.02)	(0.02)
Weighted average number of common shares outstanding (Note 10)				
Basic and diluted	147,523,836	117,540,582	140,072,616	107,224,493

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 nine-month periods ended September 30, 2019 and 2018

(Unaudited, Expressed in Canadian Dollars)

	Number of common shares	Share capital \$	Warrants \$	Contributed surplus \$	Acc. other comprehensive loss \$	Deficit \$	Total \$
Balance – December 31, 2018	136,259,197	87,046,722	6,807,908	9,019,916	-	(23,007,770)	79,866,776
Issuance of flow-through shares (Note 7)	13,553,114	10,000,000	-	-	-	-	10,000,000
Deferred premium on flow-through shares	-	(2,274,730)	-	-	-	-	(2,274,730)
Cost of share issuance	-	(548,008)	-	-	-	-	(548,008)
Acquisition of mining properties (Note 5)	68,332	39,250	-	-	-	-	39,250
Warrants exercised (Note 8)	256	401	(17)	-	-	-	384
Warrants expired	-	-	(6,786,265)	6,786,265	-	-	-
Share-based compensation (Note 9)	-	-	-	737,816	-	-	737,816
Net loss and comprehensive loss for the period	-	-	-	-	-	(2,703,426)	(2,703,426)
Balance – September 30, 2019	149,880,899	94,263,635	21,626	16,543,997	-	(25,711,196)	85,118,062
Balance – December 31, 2017	70,384,217	43,543,921	5,731,861	6,197,134	(56,499)	(18,863,037)	36,553,380
Adjustment on initial application of IFRS 9	-	-	-	-	56,499	(56,499)	-
Adjusted balance - January 1, 2018	70,384,217	43,543,921	5,731,861	6,197,134	-	(18,919,536)	36,553,380
Issuance of flow-through shares (Note 7)	10,870,000	10,000,400	-	-	-	-	10,000,400
Deferred premium on flow-through shares	-	(3,271,300)	-	-	-	-	(3,271,300)
Cost of share issuance	-	(591,649)	-	-	-	-	(591,649)
Acquisition of mining properties (Notes 5 and 7)	44,919,313	31,618,925	1,736,619	-	-	-	33,355,544
Warrants exercised	105,965	81,192	(17,601)	-	-	-	63,591
Options exercised	33,333	19,000	-	(9,000)	-	-	10,000
Share-based compensation (Note 9)	-	-	-	1,920,713	-	-	1,920,713
Net loss and comprehensive loss for the period	-	-	-	-	-	(2,184,446)	(2,184,446)
Balance – September 30, 2018	126,312,828	81,400,489	7,450,879	8,108,847	-	(21,103,982)	75,856,233

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 nine-month periods ended September 30, 2019 and 2018

(Unaudited, Expressed in Canadian Dollars)

	Three-months ended September 30,		Nine-months ended September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Operating activities				
Loss for the period	(1,101,218)	(314,538)	(2,703,426)	(2,184,446)
Adjustments for:				
Share-based compensation (Note 9)	202,213	393,206	691,319	1,657,600
Depreciation	12,368	14,634	39,318	38,090
Change in fair value of investments	(15,521)	50,742	32,429	(162,663)
Write-off of exploration expenses	698,287	-	698,287	30,370
Income tax recovery	(360,255)	(979,351)	(1,073,451)	(2,106,353)
Changes in non-cash working capital items (Note 13)	(561,963)	3,781,969	762,513	3,307,804
Net cash flows (used in) provided by operating activities	(1,126,089)	2,946,662	(1,553,011)	580,402
Investing activities				
Acquisitions of property and equipment	-	(31,908)	(299)	(94,919)
Investments in exploration and evaluation assets	(4,529,273)	(12,164,826)	(14,844,995)	(21,319,287)
Payment of current portion of purchase price payable	-	-	-	(850,000)
Net decrease (increase) in investments	(104,406)	2,537,553	5,049,424	(1,959,669)
Net cash flows used in investing activities	(4,633,679)	(9,659,181)	(9,795,870)	(24,223,875)
Financing activities				
Proceeds from the issuance of flow-through shares (Note 7)	10,000,000	10,000,400	10,000,000	10,000,400
Proceeds from the exercise of stock options	-	10,000	-	10,000
Proceeds from the exercise of warrants	-	-	384	63,591
Payment of share issue costs	(709,308)	(591,649)	(709,308)	(591,649)
Net cash flows provided by financing activities	9,290,692	9,418,751	9,291,076	9,482,342
Increase (decrease) in cash	3,530,924	2,706,232	(2,057,805)	(14,161,131)
Cash, beginning of period	2,864,432	12,185,911	8,453,161	29,053,274
Cash, end of period	6,395,356	14,892,143	6,395,356	14,892,143
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 nine-month periods ended September 30, 2019 and 2018

(Unaudited, expressed in Canadian Dollars)

1. Nature of activities and liquidity risk

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.

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.

Management of the Company (“Management”) believes that it has sufficient funds to pay its ongoing general and administrative expenses and to meet its liabilities, obligations and existing commitments for the ensuing twelve months as they fall due. In assessing whether the going concern assumption is appropriate, 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.

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* (“IFRS”) as issued by the *International Accounting Standards Board* (“IASB”) 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, 2018, which have been prepared in accordance with IFRS as issued by the IASB.

These unaudited condensed consolidated interim financial statements were approved by the Company’s Board of Directors (the “Board”) on November 14, 2019.

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

<u>Name of subsidiary</u>	<u>Activity</u>	<u>Country of Incorporation</u>
Bowmore Exploracion de Mexico S.A. de C.V.	Inactive	Mexico
Pine Point Mining Limited (“Pine Point”)	Mineral exploration in Northwest Territories, Canada	Canada
Bowmore O & G	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.

Osisko Metals Incorporated

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month and nine-month periods ended September 30, 2019 and 2018

(Unaudited, expressed in Canadian Dollars)

2. Basis of presentation (continued)

The policies applied in these condensed consolidated interim financial statements are the same accounting policies and methods as those in Osisko Metals' most recent audited annual consolidated financial statements, except as noted below:

Impact on financial statements IFRS 16, Leases

Effective January 1, 2019, the Company has adopted IFRS 16 on a retrospective basis without restatement of comparative periods in accordance with the transitional provisions of IFRS 16. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, which is the customer ("lessee") and the supplier ("lessor"). IFRS 16 replaces IAS 17, *Leases*, and related interpretations. Save for limited exceptions, all leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Applying that model, a lessee is required to recognize:

- (i) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and
- (ii) depreciation of lease assets separately from interest on lease liabilities in the statement of income.

The adoption of IFRS 16 did not have a significant effect on the transition date.

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 September 30, 2019, the Company holds short-term investments of \$5,787,494 (\$10,836,918 as at December 31, 2018) composed of banker's acceptances, bonds and guaranteed deposit certificates and promissory notes with a maturity less than twelve months.

The Company holds marketable securities in quoted mining exploration companies. These non-current investments are measured at fair value and changes in fair value are recognized the net loss for the period.

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
	\$	\$
Amex Exploration Inc. – 50,000 common shares	57,720	10,500
Global Resources Investment Trust. – 518,246 common shares	36,724	29,373
Canadian Metals Inc. – 600,000 common shares, 250,000 warrants	238,000	325,000
	<u>332,444</u>	<u>364,873</u>

During the three-month period ended September 30, 2019, the Company recorded an unrealized gain of \$15,521 in other comprehensive income (an unrealized loss of \$41,432 during the three-month period ended September 30, 2018) in relation to these marketable securities.

During the nine-month period ended September 30, 2019, the Company recorded an unrealized loss of \$32,429 in other comprehensive income (unrealized loss of \$41,667 during the nine-month period ended September 30, 2018) in relation to these marketable securities.

Osisko Metals Incorporated

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month and nine-month periods ended September 30, 2019 and 2018

(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, 2019	Additions (net of credits)	Disposition	Write-off	Balance as at September 30, 2019
	\$	\$	\$	\$	\$
Quebec					
Quebec Genex (a)					
Mining rights	39,127	213,392	-	-	252,519
Exploration expenses	1,219,259	3,781,744	-	(403,865)	4,597,138
	<u>1,258,386</u>	<u>3,995,136</u>	<u>-</u>	<u>(403,865)</u>	<u>4,849,657</u>
Urban-Barry (b)					
Exploration expenses	500,000	-	-	-	500,000
	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500,000</u>
Quevillon (c)					
Exploration expenses	279,790	1,314,516	-	-	1,594,306
	<u>279,790</u>	<u>1,314,516</u>	<u>-</u>	<u>-</u>	<u>1,594,306</u>
Silica South (d)					
Mining rights	10,541	-	-	(10,541)	-
Exploration expenses	283,881	-	-	(283,881)	-
	<u>294,422</u>	<u>-</u>	<u>-</u>	<u>(294,422)</u>	<u>-</u>
Ashuanipi (e)					
Exploration expenses	-	356,989	-	-	356,989
	<u>-</u>	<u>356,989</u>	<u>-</u>	<u>-</u>	<u>356,989</u>
Other Quebec properties (f)					
Exploration expenses	16,084	429,409	-	-	445,493
	<u>16,084</u>	<u>429,409</u>	<u>-</u>	<u>-</u>	<u>445,493</u>
New Brunswick					
Gilmour South (g)					
Mining rights	25,286	46,009	-	-	71,295
Exploration expenses	3,847,925	136,133	-	-	3,984,058
	<u>3,873,211</u>	<u>182,142</u>	<u>-</u>	<u>-</u>	<u>4,055,353</u>
Key Anacon (h)					
Mining rights	1,511,540	(33,310)	-	-	1,478,230
Exploration expenses	3,937,081	756,780	-	-	4,693,861
	<u>5,448,621</u>	<u>723,470</u>	<u>-</u>	<u>-</u>	<u>6,172,091</u>
Canadian Continental (i)					
Mining rights	957,880	(48,880)	-	-	909,000
Exploration expenses	645,470	94,674	-	-	740,144
	<u>1,603,350</u>	<u>45,794</u>	<u>-</u>	<u>-</u>	<u>1,649,144</u>
Mount Fronsac (j)					
Mining rights	211,264	69,050	-	-	280,314
Exploration expenses	1,562,009	-	-	-	1,562,009
	<u>1,773,273</u>	<u>69,050</u>	<u>-</u>	<u>-</u>	<u>1,842,323</u>
Other New Brunswick Properties (k)					
Mining rights	88,009	14,310	-	-	102,319
Exploration expenses	279,477	24,266	-	-	303,743
	<u>367,486</u>	<u>38,576</u>	<u>-</u>	<u>-</u>	<u>406,062</u>
Northwest Territories					
Pine Point (l)					
Royalty Option Agreement (l)	193,580	98,108	-	-	291,688
Mining rights	33,602,570	313,423	-	-	33,915,993
Exploration expenses	18,434,299	5,885,455	-	-	24,319,754
	<u>52,230,449</u>	<u>6,296,986</u>	<u>-</u>	<u>-</u>	<u>58,527,435</u>
Summary					
Royalty Option Agreement	193,580	98,108	-	-	291,688
Mining rights	36,446,217	573,994	-	(10,541)	37,009,670
Exploration expenses	31,005,275	12,779,966	-	(687,746)	43,097,495
	<u>67,645,072</u>	<u>13,452,068</u>	<u>-</u>	<u>(698,287)</u>	<u>80,398,853</u>

Osisko Metals Incorporated

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month and nine-month periods ended September 30, 2019 and 2018

(Unaudited, expressed in Canadian Dollars)

5. Exploration and evaluation assets (continued)

- (a) Quebec Genex: The Company's Quebec Genex Project includes, among others, its claims at Ascension, Wallace, Kempt and Montauban.

In addition to its existing claims at Montauban, on December 5, 2018, the Company concluded an option agreement (the "Montauban Agreement") with DNA Canada Inc. ("DNA") to earn an 80% interest in certain mining claims located in the Montauban and Chavigny regions of Quebec (the "DNA Claims"). On April 25, 2019, the Company terminated the Montauban Agreement with DNA and has written-off \$403,865 of exploration expenses incurred on the DNA Claims.

- (b) Urban-Barry, Quebec: On March 26, 2018 (the "Effective Date"), the Company concluded an option agreement (the "Agreement") with Osisko Mining Inc. ("OSK"), a related party (see Note 11) to earn a 50% interest in the Urban-Barry Base Metals Project (the "Project"), a select package of claims located within OSK's Urban-Barry claim group. Pursuant to the Agreement, the Company may earn a 50% interest in the Project by funding an aggregate of \$5,000,000 in exploration expenditures over four years, in accordance with the following schedule:

- i. \$500,000, before the 1st year anniversary of the Effective Date;
- ii. \$1,000,000, before the 2nd year anniversary of the Effective Date;
- iii. \$1,500,000, before the 3rd year anniversary of the Effective Date; and
- iv. \$2,000,000, before the 4th year anniversary of the Effective Date.

OSK shall retain a 100% interest over any fortuitous precious metals (gold-silver) discoveries on the claims covered by the Agreement and will be the Project's operator during the earn-in period. The first payment of \$500,000 was completed in accordance with this schedule.

- (c) Quevillon, Quebec: On November 12, 2018, the Company entered into an option agreement (the "Quevillon Agreement") with OSK to earn a 50% interest in the Quevillon claim group (the "Quevillon Project"), a select package of claims located immediately west of OSK's Urban-Barry claim group. Pursuant to the Quevillon Agreement, the Company may earn a 50% interest in the Quevillon Project by funding an aggregate of \$8,000,000 in exploration expenditures over four years, in accordance with the following schedule:

- i. \$2,000,000, before November 12, 2019;
- ii. \$2,000,000, before November 12, 2020;
- iii. \$2,000,000, before November 12, 2021; and
- iv. \$2,000,000, before November 12, 2022.

OSK shall retain a 100% interest over any fortuitous precious metals (gold-silver) discoveries on the claims covered by the Quevillon Agreement and will be the Quevillon Project's operator during the earn-in period. As at September 30, 2019, the Company has funded \$1,500,000. The balance of the required exploration expenditures for the first year of the Quevillon Agreement (\$500,000) was incurred subsequent to September 30, 2019.

- (d) Silica South, Quebec: This property is composed of 72 claims covering an area of 4,360 hectares. The Company will no longer perform exploration activities on this property and has written-off \$294,422 of exploration and evaluation expenses.
- (e) Ashuanipi, Quebec: On August 27, 2019, the Company entered into an option agreement (the "Ashuanipi Agreement") with O3 Mining Inc. ("O3M") to earn a 50% interest in the Ashuanipi claim group (the "Ashuanipi Project"). The Ashuanipi Project covers 9,370 hectares and is located 560 km north of Chibougamau, Québec. This property is located within the Raynourad greenstone belt within the Archean Ashuanipi geological Province. Pursuant to the Ashuanipi Agreement, the Company may earn a 50% interest in the Ashuanipi Project by funding an aggregate of \$3,500,000 in exploration expenditures over two years, in accordance with the following schedule:

- i. \$1,500,000, before August 27, 2020; and
- ii. \$2,000,000, before August 27, 2021.

In addition, the Company can earn an additional 25% interest in the Ashuanipi Project by funding an aggregate of \$5,000,000 in exploration expenditures over two years following the initial earn-in period. O3M will be project operator during the earn-in period. As at September 30, 2019, the Company has funded \$500,000.

- (f) Other Quebec properties: Most of these other properties in Quebec are subject to a net smelter return ("NSR") royalty with Osisko Gold Royalties Ltd ("OGR"), a related party (see Note 11), which is described in note (m).

Osisko Metals Incorporated

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month and nine-month periods ended September 30, 2019 and 2018

(Unaudited, expressed in Canadian Dollars)

5. Exploration and evaluation assets (continued)

- (g) 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 (m). In accordance with an option agreement signed on March 7, 2017, the Company may acquire a 100% interest in Gilmour South (in addition to the Flat Landing Brook and Louvicourt projects) in exchange for:
- Cash payments totaling \$216,000 over a period of 5 years following the signing of this agreement. \$30,000 was paid in the nine-month period ended September 30, 2019 (\$51,000 was paid as at December 31, 2018); and
 - Issuance of 190,000 common shares of the Company over a period of 5 years following the signing of this agreement. In the nine-month period ended September 30, 2019, 34,998 common shares (\$19,249) were issued (50,000 common shares were issued as at December 31, 2018, with a value of \$23,500).
- (h) Key Anacon, New-Brunswick: This project is located 20 km south of Bathurst, New-Brunswick and is partially subject to the OGR royalty (m). In accordance with a purchase and sale agreement signed on December 21, 2017, the Company acquired a 100% interest in this project in exchange for:
- Cash payments totaling \$750,000, paid on February 22, 2018; and
 - Issuance of common shares of the Company worth \$750,000. \$250,000 worth of common shares were issued on January 19, 2018 (319,957 common shares were issued) and \$500,000 to be issued on December 21, 2019. As at September 30, 2019 and December 31, 2018, the balance payable of \$500,000 is recorded as a current liability.
- (i) Canadian Continental, New-Brunswick: This project is partially subject to the OGR royalty (m). In addition to existing claims owned by the Company, in accordance with a purchase and sale agreement signed on December 27, 2017, the Company acquired additional claims in this project in exchange of:
- Cash payment of \$100,000, paid on March 9, 2018;
 - Issuance of 1,000,000 common shares of the Company, issued on February 28, 2018 (\$800,000); and
 - Transaction costs equivalent to 50,000 common shares of the Company were issued on February 28, 2018 (\$45,000).
- (j) Mount Fronsac, New-Brunswick: This property is subject to the OGR royalty (m). In addition to existing claims owned by the Company, the acquisition in this project is composed of the following two transactions:
- i. In accordance with a purchase and sale agreement signed on November 24, 2017, the Company acquired a 100% interest in this project in exchange for 150,000 common shares of the Company, issued on February 28, 2018 (\$142,500).
 - ii. 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. \$55,000 was paid in the nine-month period ended September 30, 2019 (\$75,000 was paid as at December 31, 2018); and
 - Issuance of 200,000 common shares of the Company over a period of 4 years following the signing of this agreement. In the nine-month period ended September 30, 2019, 33,334 common shares (\$20,000) were issued (66,668 common shares were issued as at December 31, 2018, with a value of \$54,668).
- (k) Other New Brunswick properties: The other New Brunswick properties are located in the Bathurst Mining Camp (the "BMC") and are subject to the OGR royalty (m). Agreements concluded on these other properties in the BMC include:
- i. In accordance with a purchase and sale agreement signed on September 11, 2017, the Company acquired a 100% interest in the Coulee (Slam) property in exchange of \$100,000 cash.
 - ii. In accordance with the purchase and sale agreement signed on December 29, 2017, the Company acquired a 100% interest in the Camel Back property in exchange of 62,500 common shares of the Company, issued on February 28, 2018 (\$54,375).
 - iii. In accordance with the purchase and sale agreement signed on March 7, 2017, the Company acquired a 100% interest in the Brunswick Belt properties (Southeast and West) in exchange of 916,667 common shares (\$275,000).

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(Unaudited, expressed in Canadian Dollars)

5. Exploration and evaluation assets (continued)

- (l) On February 23, 2018, the Company acquired all of the issued and outstanding common shares of Pine Point (see Note 7) which holds the Pine Point property located near Hay River in the Northwest Territories (the "Pine Point Property").

Pine Point has an option agreement with Karst Investments LLC ("Karst") to purchase a 50% interest in a 3% NSR royalty held on the Pine Point Property (see also Note 15). To keep this option in force, annual payments of US\$75,000 (\$99,000) will be made on each anniversary of this agreement until commercial production is achieved, at which point the Company can exercise this option by paying US\$3,000,000 (\$3,970,000), less the prepaid amounts. As at September 30, 2019 the first three annual payments towards this NSR totaling \$291,688 are capitalized as exploration and evaluation assets in the consolidated statement of financial position (\$193,580 as at December 31, 2018).

- (m) 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 NSR 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.

6. Deferred premium on flow-through shares

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
	\$	\$
Balance – beginning of period	3,522,000	2,106,353
Deferred premium on flow-through shares issued (Note 7)	2,113,430	5,320,000
Recognition of deferred premium on flow-through shares	<u>(3,082,487)</u>	<u>(3,904,353)</u>
Balance – end of period	<u>2,552,943</u>	<u>3,522,000</u>

7. Share capital

Pine Point

On February 23, 2018 (the "Closing Date"), the Company completed a plan of arrangement pursuant to which, among other things:

- (i) the Company acquired all of the issued and outstanding common shares of Pine Point; and
- (ii) A newly-formed corporation, Generation Mining Limited ("Spinco") was created to hold all of the assets and liabilities of Pine Point, with the exception of the Pine Point Property, all of which was completed by way of a statutory plan of arrangement (the "Arrangement"). The Company holds no interest in Spinco.

Under the terms of the Arrangement, each former shareholder of Pine Point was entitled to receive, in exchange for each share of Pine Point held immediately prior to the effective time of the Arrangement: (i) 0.2710 of a common share of the Company ("Common Share"); (ii) 0.0677 of a common share purchase warrant of the Company, with each whole warrant entitling the holder thereof to acquire one Common Share at an exercise price of \$1.50 per share for a period of twelve months from the date of the Arrangement; and (iii) one common share of Spinco, which shares were consolidated on a 10:1 basis under the Arrangement. The Company issued 43,278,524 common shares, 10,811,585 warrants and 5,185,443 replacement warrants, having a fair market value of \$32,031,586.

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7. Share capital (continued)

The transaction has been accounted for as an asset acquisition as Pine Point does not meet the definition of a business under IFRS 3, Business Combinations.

The assets acquired and liabilities assumed were recognized at their estimated fair value at the Closing Date. Acquisition-related transaction costs in the amount of \$1,591,147 are capitalized as exploration and evaluation assets in the consolidated statement of financial position as at June 30, 2019 and December 31, 2018.

The following table shows the purchase price allocation between the assets acquired and liabilities assumed, based on the fair value of the total consideration at the Closing Date. The fair value was estimated based on market participant information that Management considered reasonable for assessment purposes:

	\$
Fair value of consideration paid:	
Common shares and warrants issued	32,031,586
Acquisition-related transaction costs	1,591,147
	<u>33,622,733</u>
Fair value of net assets acquired:	
Current assets	271,668
Royalty Option Agreement	93,785
Mining rights	33,602,570
Current liabilities	(345,290)
	<u>33,622,733</u>

Flow-through shares issued during the nine-month period ended September 30, 2019:

On July 16, 2019, the Company completed a private placement of 13,553,114 common flow-through shares for aggregate gross proceeds of \$10,000,000 (the "2019 Offering"). Under the 2019 Offering, 6,410,257 common flow-through shares were issued at a price of \$0.78 per share and 7,142,857 common flow-through shares were issued at a price of \$0.70 per share. In connection with the 2019 Offering, the Company paid the underwriters a cash commission equal to 5% of the gross proceeds of this offering on eligible issuances and share issue costs totaled \$709,308. The fair value of the 13,553,114 common shares was estimated to be \$7,725,270. An amount of \$2,274,730 (net of share issue costs of \$161,300) was allocated to the deferred premium on flow-through shares (Note 6).

Flow-through shares issued during the year ended December 31, 2018:

On September 12, 2018, the Company completed a private placement of 10,870,000 common flow-through shares at a price of \$0.92 per share for aggregate gross proceeds of \$10,000,400 (the "2018 Offering"). In connection with the 2018 Offering, the Company paid the underwriters a cash commission equal to 5% of the gross proceeds of the 2018 Offering and share issue costs totaled \$591,649. The fair value of the 10,870,000 common shares was estimated to be \$6,522,000. An amount of \$3,271,300 (net of share issue costs of \$207,100) was allocated to the deferred premium on flow-through shares (Note 6).

On November 6, 2018, the Company completed a bought deal private placement of 9,946,369 common flow-through shares at a price of \$0.75 per share for aggregate gross proceeds of \$7,459,777 (the "November 2018 Offering"). In connection with the November 2018 Offering, the Company paid the underwriters a cash commission equal to 5% of the gross proceeds of this offering on eligible issuances and share issue costs totaled \$481,010. The fair value of the 9,946,369 common shares was estimated to be \$5,271,576. An amount of \$2,048,700 (net of share issue costs of \$139,501) was allocated to the deferred premium on flow-through shares (Note 6).

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8. Warrants

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

	Number of Warrants	Weighted Average Exercise Price
		\$
Balance – January 1, 2018	16,779,465	0.97
Issued	15,997,028	1.37
Exercised	(105,965)	0.60
Expired	(4,896,959)	0.97
Balance – December 31, 2018	27,773,569	1.21
Exercised	(256)	1.50
Expired	(27,676,566)	1.21
Balance – September 30, 2019	96,747	1.11

9. Share-based compensation

The following table summarizes information about the movement of the share options:

	Number of Options	Weighted Average Exercise Price
		\$
Balance – January 1, 2018	4,850,000	1.36
Granted	1,748,400	0.70
Exercised	(33,333)	0.30
Forfeited/Cancelled	(59,200)	1.54
Balance – December 31, 2018	6,505,867	1.18
Granted	2,665,000	0.55
Forfeited/Cancelled	(278,501)	1.05
Balance – September 30, 2019	8,892,366	1.00
Options exercisable – September 30, 2019	4,666,666	1.35

Share option compensation for the three-month period ended September 30, 2019 amounted to \$214,301 (\$455,621 for the three-month period ended September 30, 2018) of which \$12,088 (\$62,415 for the three-month period ended September 30, 2018) were capitalized to exploration and evaluation assets.

Share option compensation for the nine-month period ended September 30, 2019 amounted to \$737,816 (\$1,920,713 for the nine-month period ended September 30, 2018) of which \$46,497 (\$263,113 for the nine-month period ended September 30, 2018) were capitalized to exploration and evaluation assets.

The share options, when granted, are accounted for at their fair value determined by the Black-Scholes option pricing model based on the vesting period and on the following weighted average assumptions for the nine-month period ended September 30, 2019:

Share price at date of grant	\$0.50
Exercise price at date of grant	\$0.55
Risk-free interest rate	1.85%
Expected life of options	4.9 years
Annualized expected volatility	73%
Dividend rate	0%
Weighted average fair value per option	\$0.28

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 share 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 share option.

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10. Net loss per share

The calculation of basic and diluted loss per share for the three-month and nine-month periods ended September 30, 2019, was based on the net loss attributable to shareholders of \$1,101,218 and \$2,703,426, respectively (net loss attributable to shareholders of \$314,538 and \$2,184,446 for the three-month and nine-month periods ended September 30, 2018, respectively) and the weighted average number of common shares outstanding for the three-month and nine-month periods ended September 30, 2019, of 147,523,836 and 140,072,616, respectively (117,540,582 and 107,224,493 common shares for the three-month and nine-month periods ended September 30, 2018, respectively). As a result of the net loss for the three-month and nine-month periods ended September 30, 2019 and 2018, 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.

11. Key management and related party transactions

Related party transactions and balances, not otherwise disclosed, are summarized below:

Key management includes directors (executive and non-executive) and officers of the Company. The compensation paid or payable to key management for employee services is presented below for the three-month and nine-month periods ended September 30, 2019 and 2018:

	Three-months ended September 30,		Nine-months ended September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Salaries and short-term employee benefits ⁽¹⁾	231,250	235,750	697,200	728,550
Share-based compensation	189,331	393,206	654,487	1,657,601
	<u>420,581</u>	<u>628,956</u>	<u>1,351,687</u>	<u>2,386,151</u>

⁽¹⁾ Including consulting and management fees.

During the three-month and nine-month periods ended September 30, 2019 and 2018, the Company undertook transactions with certain officers and directors, certain companies controlled by officers and other related companies. OGR is a related party because it has a significant influence on the Company due to the number of shares held and common officers and directors. OSK, O3M and Falco Resources Ltd. ("FPC") are related parties because of common officers and directors.

During the three-month period ended September 30, 2019, an amount of \$104,000 (\$141,000 for the three-month period ended September 30, 2018) was invoiced by OGR for professional services and rental of offices. During the nine-month period ended September 30, 2019, an amount of \$290,000 (\$282,000 for the nine-month period ended September 30, 2018) was invoiced by OGR for professional services and rental of offices. An amount of \$14,000 is included in accounts payable and accrued liabilities as at September 30, 2019 (\$130,000 as at December 31, 2018).

During the three-month period ended September 30, 2019, an amount of \$575,000 (\$ nil for the three-month period ended September 30, 2018) was invoiced by OSK in relation to the Urban-Barry Project, the Quevillon Project, the Quebec Genex Project and for professional services rendered to Osisko Metals. During the nine-month period ended September 30, 2019, an amount of \$1,980,000 (\$500,000 for the nine-month period ended September 30, 2018) was invoiced by OSK in relation to the Urban-Barry Project, the Quevillon Project, the Quebec Genex Project and for professional services rendered to Osisko Metals. An amount of \$390,000 is included in accounts payable and accrued liabilities as at September 30, 2019 (\$335,000 as at December 31, 2018).

During the three-month period ended September 30, 2019, an amount of \$33,000 was invoiced by FPC for professional services (\$33,000 for the three-month period ended September 30, 2018). During the nine-month period ended September 30, 2019, an amount of \$101,000 was invoiced by FPC for professional services (\$66,000 for the nine-month period ended September 30, 2018). An amount of \$13,000 is included in trade and other payables as at September 30, 2019 (\$18,000 as at December 31, 2018).

During the three-month and nine-month periods ended September 30, 2019, an amount of \$357,000 was invoiced by O3M for professional services related to the Ashuanipi Project (\$ nil for the three-month and nine-month periods ended September 30, 2018). An amount of \$143,000 is included in prepaid expenses as at September 30, 2019 (\$ nil as at December 31, 2018).

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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 September 30, 2019 and December 31, 2018 are classified in level 1.

13. Supplemental disclosure – Statements of cash flows

	Three-months ended September 30,		Nine-months ended September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
<u>Changes in non-cash working capital items:</u>				
Receivables	141,785	(891,870)	1,444,334	(1,322,605)
Prepaid expenses	(203,661)	(412,262)	(242,874)	(866,595)
Trade and other payables	(500,087)	5,086,101	(438,947)	5,497,004
Total	(561,963)	3,781,969	762,513	3,307,804
Exploration and evaluation asset expenditures included in trade and other payables				
Beginning of period	1,468,115	-	3,358,256	-
End of period	1,879,582	-	1,879,582	-

14. Commitment and contingencies

On September 12, 2018, the Company received \$10,000,400 following the issuance of flow-through shares for which the Company renounced tax deductions as at December 31, 2018. As at September 30, 2019, \$3,000,000 of this balance remains to be spent.

On November 6, 2018, the Company received \$7,459,777 following the issuance of flow-through shares for which the Company renounced tax deductions as at December 31, 2018. As at September 30, 2019, this commitment is complete.

On July 16, 2019, the Company received \$10,000,000 following the issuance of flow-through shares for which the Company will renounce tax deductions as at December 31, 2019. As at September 30, 2019, \$7,400,000 of this balance remains to be spent.

15. Subsequent event

On October 15, 2019, the Company announced that it had entered into a binding term sheet with Karst and its owners to acquire a 100% interest in Karst, which holds a 3% NSR royalty on the Pine Point Property (the "Karst Purchase"). Osisko Metals will acquire Karst in exchange for an aggregate consideration of US\$8,500,000 (\$11,255,000) and 2,000,000 common shares of the Company. Osisko Metals will, within 60 days, enter into a definitive purchase agreement with Karst and its owners providing for the Karst Purchase. The completion of the Karst Purchase is dependent on Management's ability to secure additional financing in the future, which may be met in a number of ways, including, but not limited to, the issuance of debt or equity instruments.