



# **OSISKO METALS INCORPORATED**

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

**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED  
SEPTEMBER 30, 2020 AND 2019**

**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>September 30, 2020</u>	<u>December 31, 2019</u>
	\$	\$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	1,179,784	1,507,997
Accounts receivable	84,593	784,307
Investments (Note 4)	217,110	605,063
Prepaid expenses	134,416	70,548
	<u>1,615,903</u>	<u>2,967,915</u>
<b>NON-CURRENT</b>		
Exploration and evaluation assets (Note 5)	91,284,798	95,513,266
Other assets	443,674	489,874
Investments (Note 4)	24,511	186,877
Property and equipment	74,851	106,799
	<u>91,827,834</u>	<u>96,296,816</u>
<b>Total assets</b>	<b><u>93,443,737</u></b>	<b><u>99,264,731</u></b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Trade and other payables	3,027,884	5,465,625
Deferred premium on flow-through shares (Note 6)	-	749,701
	<u>3,027,884</u>	<u>6,215,326</u>
<b>NON-CURRENT</b>		
Deferred tax liability	2,934,901	3,851,702
<b>Total liabilities</b>	<b><u>5,962,785</u></b>	<b><u>10,067,028</u></b>
<b>EQUITY</b>		
Share capital	104,501,821	102,132,975
Warrants (Note 8)	1,034,774	542,378
Contributed surplus	17,473,210	16,800,427
Deficit	(35,528,853)	(30,278,077)
<b>Total equity</b>	<b><u>87,480,952</u></b>	<b><u>89,197,703</u></b>
<b>Total liabilities and equity</b>	<b><u>93,443,737</u></b>	<b><u>99,264,731</u></b>
<b>Going concern (Note 1)</b>		
<b>Commitments and contingencies (Note 14)</b>		
<b>Subsequent events (Note 15)</b>		

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, 2020 and 2019

(Unaudited, Expressed in Canadian Dollars)

	Three-months ended		Nine-months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
<b>Expenses</b>				
Employee benefits expenses	221,742	253,025	1,004,181	929,448
Share-based compensation (Note 9)	209,440	202,213	643,243	691,319
Consulting and professional fees	146,092	100,650	402,668	498,289
Office expenses	69,605	115,007	206,313	325,818
Investor and shareholder relations	46,415	109,186	166,144	497,116
Travel expenses	12,853	47,626	55,320	264,349
Exploration and evaluation expenses	777	3,373	31,667	5,728
Write-off of exploration and evaluation expenses (Note 5)	-	698,287	4,416,621	698,287
Depreciation	15,552	12,368	31,948	39,318
Other operating expenses	-	-	-	831
<b>Operating Loss</b>	<b>(722,476)</b>	<b>(1,541,735)</b>	<b>(6,958,105)</b>	<b>(3,950,503)</b>
Financial (expenses) revenues	(2,866)	60,389	23,393	201,231
Change in fair value of investments (Note 4)	6,457	15,521	(67,431)	(32,429)
Gain on sale of investments (Note 4)	-	-	41,064	-
Gain (loss) on foreign exchange	(2,818)	4,352	43,801	4,824
<b>Loss before income taxes</b>	<b>(721,703)</b>	<b>(1,461,473)</b>	<b>(6,917,278)</b>	<b>(3,776,877)</b>
Income tax recovery	131,894	360,255	1,666,502	1,073,451
<b>Net loss and comprehensive loss for the period</b>	<b>(589,809)</b>	<b>(1,101,218)</b>	<b>(5,250,776)</b>	<b>(2,703,426)</b>
<b>Net loss per common share (Note 10)</b>				
<b>Basic and diluted</b>	<b>(0.003)</b>	<b>(0.007)</b>	<b>(0.031)</b>	<b>(0.019)</b>
<b>Weighted average number of common shares outstanding (Note 10)</b>				
<b>Basic and diluted</b>	<b>171,326,352</b>	<b>147,523,836</b>	<b>168,535,915</b>	<b>140,072,616</b>

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, 2020 and 2019

(Unaudited, Expressed in Canadian Dollars)

	Number of common shares	Share capital \$	Warrants \$	Contributed surplus \$	Deficit \$	Total \$
<b>Balance – December 31, 2019</b>	<b>167,100,411</b>	<b>102,132,975</b>	<b>542,378</b>	<b>16,800,427</b>	<b>(30,278,077)</b>	<b>89,197,703</b>
Units issued for Private Placement (Note 7)	7,500,000	2,481,003	518,997	-	-	3,000,000
Cost of unit issuance		(141,731)	(26,601)	-	-	(168,332)
Acquisition of mining properties (Note 5)	68,332	29,574	-	-	-	29,574
Share-based compensation (Note 9)	-	-	-	672,783	-	672,783
Net loss and comprehensive loss for the period	-	-	-	-	(5,250,776)	(5,250,776)
<b>Balance – September 30, 2020</b>	<b>174,668,743</b>	<b>104,501,821</b>	<b>1,034,774</b>	<b>17,473,210</b>	<b>(35,528,853)</b>	<b>87,480,952</b>
<b>Balance – December 31, 2018</b>	<b>136,259,197</b>	<b>87,046,722</b>	<b>6,807,908</b>	<b>9,019,916</b>	<b>(23,007,770)</b>	<b>79,866,776</b>
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)
<b>Balance – September 30, 2019</b>	<b>149,880,899</b>	<b>94,263,635</b>	<b>21,626</b>	<b>16,543,997</b>	<b>(25,711,196)</b>	<b>85,118,062</b>

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, 2020 and 2019

(Unaudited, Expressed in Canadian Dollars)

	Three-months ended September 30,		Nine-months ended September 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
<b>Operating activities</b>				
Loss for the period	(589,809)	(1,101,218)	(5,250,776)	(2,703,426)
Adjustments for:				
Share-based compensation (Note 9)	209,440	202,213	643,243	691,319
Depreciation	15,552	12,368	31,948	39,318
Change in fair value of investments (Note 4)	(6,457)	(15,521)	67,431	32,429
Write-off of exploration and evaluation expenses	-	698,287	4,416,621	698,287
Income tax recovery	(131,894)	(360,255)	(1,666,502)	(1,073,451)
Changes in non-cash working capital items (Note 13)	100,978	(561,963)	296,870	762,513
<b>Net cash flows used in provided by operating activities</b>	<b>(402,190)</b>	<b>(1,126,089)</b>	<b>(1,461,165)</b>	<b>(1,553,011)</b>
<b>Investing activities</b>				
Sale of royalty, net of transaction costs (Note 5)	-	-	6,436,533	-
Investments in property and equipment	-	-	-	(299)
Investments in exploration and evaluation assets	(2,468,951)	(4,529,273)	(8,531,137)	(14,844,995)
Net decrease (increase) in investments	528,523	(104,406)	482,888	5,049,424
<b>Net cash flows used in by investing activities</b>	<b>(1,940,428)</b>	<b>(4,633,679)</b>	<b>(1,611,716)</b>	<b>(9,795,870)</b>
<b>Financing activities</b>				
Proceeds from the issuance of units from a private placement (Note 7)	3,000,000	-	3,000,000	-
Proceeds from the issuance of flow-through shares (Note 7)	-	10,000,000	-	10,000,000
Proceeds from the exercise of warrants	-	-	-	384
Payment of share issue costs	(168,332)	(709,308)	(255,332)	(709,308)
<b>Net cash flows provided by financing activities</b>	<b>2,831,668</b>	<b>9,290,692</b>	<b>2,744,668</b>	<b>9,291,076</b>
<b>Increase (decrease) in cash</b>	<b>489,050</b>	<b>3,530,924</b>	<b>(328,213)</b>	<b>(2,057,805)</b>
<b>Cash, beginning of period</b>	<b>690,734</b>	<b>2,864,432</b>	<b>1,507,997</b>	<b>8,453,161</b>
<b>Cash, end of period</b>	<b>1,179,784</b>	<b>6,395,356</b>	<b>1,179,784</b>	<b>6,395,356</b>

### 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, 2020 and 2019

(Unaudited, expressed in Canadian Dollars)

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## 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 unaudited 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 September 30, 2020, the Company had negative working capital of \$1,411,981 (including a cash balance of \$1,179,784), an accumulated deficit of \$35,528,853 and had incurred a loss of \$5,250,776 for the nine-month period ended September 30, 2020. 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 September 30, 2020 will not be sufficient to meet the Company’s obligations, commitments and budgeted expenditures through September 30, 2021. 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 unaudited 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. While Management has been successful in securing financing in the past (see Notes 5 and 7), 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 which 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 nine-month periods ended September 30, 2020 and 2019

(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, 2019, which have been prepared in accordance with IFRS.

The Company's Board of Directors approved these unaudited condensed consolidated interim financial statements on November 19, 2020.

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
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 September 30, 2020, the Company holds short-term investments of \$217,110 (\$605,063 as at December 31, 2019) composed of guaranteed deposit certificates with a maturity less than twelve months.

The Company holds marketable securities in quoted mining exploration securities. As at September 30, 2020, these non-current investments total \$24,511 (\$186,877 as at December 31, 2019). 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 and nine-month periods ended September 30, 2020, the Company sold marketable securities, recording a gain of \$41,064 in other comprehensive income (\$ nil during the three-month and nine-month periods ended September 30, 2019).

During the three-month period ended September 30, 2020, the Company recorded an unrealized gain of \$6,457 in other comprehensive income (an unrealized gain of \$15,521 during the three-month period ended September 30, 2019) in relation to these marketable securities.

During the nine-month period ended September 30, 2020, the Company recorded an unrealized loss of \$67,431 in other comprehensive income (an unrealized loss of \$32,429 during the nine-month period ended September 30, 2019) 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, 2020 and 2019

(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, 2020	Additions/ Credits	Sale of Royalty (j)	Write-off	Balance as at September 30, 2020
	\$	\$	\$	\$	\$
<b>Quebec</b>					
Quebec Genex (a)					
Mining rights	252,664	-	-	(9,690)	242,974
Exploration expenses	5,993,288	159,076	-	(4,231,729)	1,920,635
	<u>6,245,952</u>	<u>159,076</u>	<u>-</u>	<u>(4,241,419)</u>	<u>2,163,609</u>
Other Quebec properties (b)					
Exploration expenses	455,624	-	-	(27,450)	428,174
	<u>455,624</u>	<u>-</u>	<u>-</u>	<u>(27,450)</u>	<u>428,174</u>
<b>New Brunswick</b>					
Gilmour South (c)					
Mining rights	74,045	62,734	-	-	136,779
Exploration expenses	4,308,077	75,875	-	-	4,383,952
	<u>4,382,122</u>	<u>138,609</u>	<u>-</u>	<u>-</u>	<u>4,520,731</u>
Key Anacon (d)					
Mining rights	1,523,058	-	-	-	1,523,058
Exploration expenses	4,852,916	151,503	-	-	5,004,419
	<u>6,375,974</u>	<u>151,503</u>	<u>-</u>	<u>-</u>	<u>6,527,477</u>
Canadian Continental (e)					
Mining rights	968,460	3,310	-	(147,752)	824,018
Exploration expenses	693,717	3,504	-	-	697,221
	<u>1,662,177</u>	<u>6,814</u>	<u>-</u>	<u>(147,752)</u>	<u>1,521,239</u>
Mount Fronsac (f)					
Mining rights	291,414	89,050	-	-	380,464
Exploration expenses	1,551,345	12,946	-	-	1,564,291
	<u>1,842,759</u>	<u>101,996</u>	<u>-</u>	<u>-</u>	<u>1,944,755</u>
Other New Brunswick Properties (g)					
Mining rights	112,008	(16,750)	-	-	95,258
Exploration expenses	391,811	50,682	-	-	442,493
	<u>503,819</u>	<u>33,932</u>	<u>-</u>	<u>-</u>	<u>537,751</u>
<b>Northwest Territories</b>					
Pine Point (h)					
Mining rights	46,232,029	62,562	(6,436,533)	-	39,858,058
Exploration expenses	27,812,810	5,970,194	-	-	33,783,004
	<u>74,044,839</u>	<u>6,032,756</u>	<u>(6,436,533)</u>	<u>-</u>	<u>73,641,062</u>
<b>Summary</b>					
Mining rights	49,453,678	200,906	(6,436,533)	(157,442)	43,060,609
Exploration expenses	46,059,588	6,423,780	-	(4,259,179)	48,224,189
	<u>95,513,266</u>	<u>6,624,686</u>	<u>(6,436,533)</u>	<u>(4,416,621)</u>	<u>91,284,798</u>

- (a) Quebec Genex: The Company's Quebec Genex Project includes, among others, its claims at Ascension, Wallace, Kempt and Montauban. During the nine-month period ended September 30, 2020, the Company wrote-off \$4,241,419, respectively, of exploration expenses incurred on this project, related to specific areas where claims are not expected to be renewed, where the Company has decided to discontinue exploration and evaluation activities or the assets carrying amount exceeds its recoverable amount.
- (b) Other properties in Quebec: Most of these other properties in Quebec are subject to a net smelter return ("NSR") royalty (the "OGR Royalty") with Osisko Gold Royalties Ltd ("OGR"), a related party (see Note 11), which is described in note (i). During the nine-month period ended September 30, 2020, the Company wrote-off \$27,450 of exploration expenses incurred on this project, related to specific areas where claims are not expected to be renewed.

# Osisko Metals Incorporated

## Notes to the Condensed Consolidated Interim Financial Statements

For the three-month and nine-month periods ended September 30, 2020 and 2019

(Unaudited, expressed in Canadian Dollars)

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### 5. Exploration and evaluation assets (continued)

- (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 nine-month period ended September 30, 2020 (\$81,000 was paid as at December 31, 2019); 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, 2020, 34,998 common shares (\$15,574) were issued (84,998 common shares were issued as at December 31, 2019, with a value of \$42,750).
- (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). 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 worth of shares were issued on December 23, 2019 (1,219,512 common shares were issued).
- (e) Canadian Continental, New-Brunswick: This project is partially subject to the OGR Royalty (i). During the nine-month period ended September 30, 2020, the Company wrote-off \$147,752 of exploration expenses incurred on this project, related to specific areas where claims are not expected to be renewed.
- (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. During the nine-month period ended September 30, 2020, \$70,000 was paid (as at December 31, 2019, \$130,000 was paid); and
    - Issuance of 200,000 common shares of the Company over a period of 4 years following the signing of this agreement. During the nine-month period ended September 30, 2020, 33,334 shares were issued with a value of \$14,000 (as at December 31, 2019, 100,002 common shares were issued with a value of \$74,668).
- (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 Investments LLC ("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 has no significant assets and liabilities other than said 3% NSR royalty. The total cost to repurchase the 3% NSR was \$12,392,049, including the first three annual prepayments (\$291,700) and transaction costs (\$81,349), 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.

# Osisko Metals Incorporated

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month and nine-month periods ended September 30, 2020 and 2019

(Unaudited, expressed in Canadian Dollars)

## 5. Exploration and evaluation assets (continued)

- (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 will be recorded as a reduction to the exploration and evaluation assets in the consolidated statement of financial position at the Sales Agreement date. Transactions cost in relation to the Sales Agreement totaled \$63,467.

## 6. Deferred premium on flow-through shares

	September 30, 2020	December 31, 2019
	\$	\$
Balance – beginning of period	749,701	3,522,000
Deferred premium on flow-through shares issued (Note 7)	-	2,113,430
Recognition of deferred premium on flow-through shares	(749,701)	(4,885,729)
Balance – end of period	-	749,701

## 7. Share capital

### Transactions impacting the nine-month period ended September 30, 2020:

On August 10, 2020, the Company completed a non-brokered private placement for 7,500,000 units (each, a "Unit") at a price of \$0.40 per Unit for gross proceeds of \$3,000,000 (the "2020 Offering"). Each Unit consists of one Common Share and one-half-of-one Warrant. Each Warrant entitles the holder thereof to acquire one Common Share at a price of \$0.52 per share for a 24-month period following the closing date of the 2020 Offering. Certain directors, officers and insiders of the Company have participated in the 2020 Offering and were issued 2,687,500 Units. These transactions were concluded under the same terms and conditions offered to the other participants.

Gross proceeds from the Units were allocated between the Common Shares (\$2,481,003) and the Warrants (\$518,997), based on the relative fair of the Common Shares as compared to the Warrants at the date of the closing of the Offering. Issue costs totaled \$168,332, of which \$141,731 was allocated to the Common Shares and \$26,601 was allocated to the Warrants, based on their respective allocated proceeds.

### Transactions impacting the year ended December 31, 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).

On December 12, 2019, the Company completed a non-brokered private placement with Osisko of 14,000,000 units of the Company (each a "Unit") at \$0.50 per Unit for gross proceeds totaling \$7,000,000 (the "Offering"). Under the Offering, each Unit consists of one Common Share and one quarter of one Warrant. Gross proceeds from the Units were allocated between the Common Shares (\$6,453,000) and the Warrants (\$547,000), based on the relative fair of the Common Shares as compared to the Warrants at the date of the closing of the Offering. Issue costs totaled \$59,189, of which \$54,567 was allocated to the Common Shares and \$4,622 was allocated to the Warrants, based on their respective allocated proceeds. Each Warrant entitles the holder to acquire for 36 months following the closing of the Offering an additional Common Share at a price of \$0.52 per Common Share.

# Osisko Metals Incorporated

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month and nine-month periods ended September 30, 2020 and 2019

(Unaudited, expressed in Canadian Dollars)

## 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, 2019	27,773,569	1.21
Issued	3,500,000	0.52
Exercised	(256)	1.50
Expired	(27,773,313)	1.21
Balance – December 31, 2019	3,500,000	0.52
Issued	3,750,000	0.52
Balance – September 30, 2020	7,250,000	0.52

## 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, 2019	6,505,867	1.18
Granted	5,870,000	0.52
Forfeited	(221,143)	0.77
Expired	(82,025)	1.68
Balance – December 31, 2019	12,072,699	0.86
Granted	150,000	0.40
Forfeited	(230,133)	0.68
Balance – September 30, 2020	11,992,566	0.86
Options exercisable – September 30, 2020	6,036,950	1.18

Share-based compensation for the three-month period ended September 30, 2020 amounted to \$199,568 (\$214,301 for the three-month period ended September 30, 2019) of which \$9,872 was reversed from exploration and evaluation assets (\$12,088 capitalized for the three-month period ended September 30, 2019).

Share-based compensation for the nine-month period ended September 30, 2020 amounted to \$672,783 (\$737,816 for the nine-month period ended September 30, 2019) of which \$29,540 were capitalized to exploration and evaluation assets (\$46,497 for the nine-month period ended September 30, 2019).

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, 2020:

Share price at date of grant	\$0.40
Exercise price at date of grant	\$0.40
Risk-free interest rate	0.26%
Expected life of options	1.0 year
Annualized expected volatility	55%
Dividend rate	0%
Weighted average fair value per option	\$0.09

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.

# Osisko Metals Incorporated

## Notes to the Condensed Consolidated Interim Financial Statements

For the three-month and nine-month periods ended September 30, 2020 and 2019

(Unaudited, expressed in Canadian Dollars)

### 10. Net loss per share

As a result of the net loss for the three-month and nine-month periods ended September 30, 2020 and 2019, 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

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 nine-month periods ended September 30, 2020 and 2019:

	Three-months ended September 30,		Nine-months ended September 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Salaries and short-term employee benefits	197,500	231,250	670,000	697,200
Share-based compensation	172,346	189,331	557,787	654,487
	<u>369,846</u>	<u>420,581</u>	<u>1,227,787</u>	<u>1,351,687</u>

During the three-month and nine-month periods ended September 30, 2020 and 2019, the Company undertook transactions with certain 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. Osisko Mining Inc. ("OSK") and Falco Resources Ltd. ("FPC") are related parties because of common officers and directors.

During the three-month period ended September 30, 2020, an amount of \$70,000 (\$104,000 for the three-month period ended September 30, 2019) was invoiced by OGR for professional services and access to offices. During the nine-month period ended September 30, 2020, an amount of \$440,000 (\$290,000 for the nine-month period ended September 30, 2019) was invoiced by OGR for professional services and access to offices. An amount of \$295,000 is included in accounts payable and accrued liabilities as at September 30, 2020 (\$80,000 as at December 31, 2019).

During the three-month period ended September 30, 2020, an amount of \$24,000 (\$575,000 for the three-month period ended September 30, 2019) was invoiced by OSK in relation to professional corporate and exploration services rendered. During the nine-month period ended September 30, 2020, an amount of \$110,000 (\$1,980,000 for the nine-month period ended September 30, 2019) was invoiced by OSK in relation to professional corporate and exploration services rendered. An amount of \$105,000 is included in accounts payable and accrued liabilities as at September 30, 2020 (\$780,000 as at December 31, 2019).

During the three-month period ended September 30, 2020, an amount of \$32,000 was invoiced by FPC for professional services (\$33,000 for the three-month period ended September 30, 2019). During the nine-month period ended September 30, 2020, an amount of \$169,000 was invoiced by FPC for professional services (\$101,000 for the nine-month period ended September 30, 2019). An amount of \$70,000 is included in trade and other payables as at September 30, 2020 (\$40,000 as at December 31, 2019).

# Osisko Metals Incorporated

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month and nine-month periods ended September 30, 2020 and 2019

(Unaudited, expressed in Canadian Dollars)

## 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, 2020 and December 31, 2019 are classified in level 1.

## 13. Supplemental disclosure – Statements of cash flows

	Three-months ended September 30,		Nine-months ended September 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
<u>Changes in non-cash working capital items:</u>				
Receivables	212,474	141,785	699,714	1,444,334
Prepaid expenses and other assets	(32,273)	(203,661)	(63,868)	(242,874)
Trade and other payables	(79,223)	(500,087)	(338,976)	(438,947)
Total	100,978	(561,963)	296,870	762,513
Exploration and evaluation asset expenditures included in trade and other payables				
Beginning of period	2,900,000	1,468,115	3,790,765	3,358,256
End of period	1,779,000	1,879,582	1,779,000	1,879,582
Share issue costs included in trade and other payables				
Beginning of period	-	-	87,000	-
End of period	-	-	-	-

## 14. Commitment and contingencies

On July 16, 2019, the Company received \$10,000,000 following the issuance of flow-through shares for which the Company renounced tax deductions as at December 31, 2019. As at September 30, 2020, this balance has been incurred.

# Osisko Metals Incorporated

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month and nine-month periods ended September 30, 2020 and 2019

(Unaudited, expressed in Canadian Dollars)

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## 15. Subsequent events

### Option Agreement

In October 2020, the Company closed an option agreement (the "Option Agreement") whereby Brunswick Exploration Inc., (formerly Komet Resources Inc.) ("Brunswick") can acquire a majority interest in Osisko Metals' Brunswick Belt exploration property (the "Property"), located in the eastern portion of the Bathurst Mining Camp in the Bathurst area in New Brunswick, including the Key Anacon and Gilmour South properties. The Option Agreement allows Brunswick to earn up to 75% interest by spending an aggregate of \$15,000,000 in three stages over a seven-year period.

The Option Agreement has three distinct earn-in requirements:

- The First Option: by funding an aggregate of \$1,000,000 on or before the first-year anniversary of the signing of the Option Agreement and completing a cash payment of \$100,000, Brunswick can earn an initial 25% interest in the Property.
- The Second Option: by funding an aggregate of \$10,000,000 (inclusive of First Option expenditures) according to the schedule below, Brunswick can earn an additional 26% interest in the Property 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.
- The Third Option: by funding an additional aggregate of \$5,000,000 and completing an Economic Study according to the schedule below, Brunswick can earn a further 24% interest in the Property for a total interest of 75%:
  - An aggregate of \$2,500,000, on or before the 6th year anniversary;
  - An aggregate of \$5,000,000, on or before the 7th year anniversary; and
  - Complete an Economic Study on or before the 7th year anniversary.

Once any one of the three earn-in requirements are met (as per Brunswick's discretion), a joint venture can be formed between Brunswick and Osisko Metals.

### Secured Loan

On November 12, 2020, the Company closed a secured senior loan agreement with OSK (the "Secured Loan") for \$1,000,000 (the "Principal Amount") with a maturity date of January 31, 2021. Under the terms of the Secured Loan, interest shall be payable on the Principal Amount at a rate per annum that is equal to 7%, compounded quarterly and accrued interest shall be payable upon repayment of the Principal Amount.