



OSISKO METALS INCORPORATED

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

**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED
SEPTEMBER 30, 2022 AND 2021**

**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)

	September, 2022 (Unaudited)	December 31, 2021 (Audited)
	\$	\$
ASSETS		
CURRENT		
Cash and cash equivalents	3,727,505	6,469,732
Accounts receivable	2,281,556	388,837
Prepaid expenses	1,230,946	85,213
	<u>7,240,007</u>	<u>6,943,782</u>
NON-CURRENT		
Exploration and evaluation assets (Note 4)	106,141,251	92,527,246
Other assets	780,000	489,511
Property and equipment	186,912	263,757
Investments	5,230	7,713
	<u>107,113,393</u>	<u>93,288,227</u>
Total assets	<u>114,353,400</u>	<u>100,232,009</u>
LIABILITIES		
CURRENT		
Trade and other payables	8,154,693	3,834,073
Deferred premium on flow-through shares (Note 5)	390,000	1,088,653
	<u>8,544,693</u>	<u>4,922,726</u>
NON-CURRENT		
Deferred tax liability	4,767,523	2,225,688
	<u>4,767,523</u>	<u>2,225,688</u>
Total liabilities	<u>13,312,216</u>	<u>7,148,414</u>
EQUITY		
Share capital	124,310,816	115,364,501
Warrants	2,330,377	1,004,240
Contributed surplus	18,569,260	18,069,139
Deficit	(44,169,269)	(41,354,285)
Total equity	<u>101,041,184</u>	<u>93,083,595</u>
Total liabilities and equity	<u>114,353,400</u>	<u>100,232,009</u>
Going concern (Note 1)		
Commitments and contingencies (Note 13)		
Subsequent event (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 nine-month periods ended September 30, 2022 and 2021

(Unaudited, Expressed in Canadian Dollars)

	Three-months ended		Nine-months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Expenses				
Employee benefits expenses	223,599	244,166	901,640	952,099
Consulting and professional fees	187,924	77,916	389,808	219,633
Investor and shareholder relations	104,154	84,931	280,162	241,328
Office expenses	40,429	49,521	216,523	167,427
Share-based compensation (Note 8)	69,687	139,080	214,490	394,468
Travel expenses	48,811	13,466	112,506	16,293
Depreciation	3,037	4,932	9,209	13,999
Write-off of exploration and evaluation expenses	-	3,236,994	-	3,238,863
Operating Loss	(677,641)	(3,851,006)	(2,124,338)	(5,244,110)
Financial revenues	55,625	14,267	79,866	35,401
Change in fair value of investments	(1,121)	(4,699)	(2,483)	(15,337)
Loss on foreign exchange	(21,259)	(653)	(33,213)	(14,761)
Loss before income taxes	(644,396)	(3,842,091)	(2,080,168)	(5,238,807)
Income (expense) tax recovery	(719,107)	882,726	(734,816)	1,153,610
Net loss and comprehensive loss for the period	(1,363,503)	(2,959,365)	(2,814,984)	(4,085,197)
Net loss per common share (Note 9)				
Basic and diluted	(0.006)	(0.015)	(0.013)	(0.022)
Weighted average number of common shares outstanding (Note 9)				
Basic and diluted	225,671,771	191,340,513	211,160,020	185,846,254

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, 2022 and 2021

(Unaudited, Expressed in Canadian Dollars)

	Number of common shares	Share capital \$	Warrants \$	Contributed surplus \$	Deficit \$	Total \$
Balance – December 31, 2021	201,833,440	115,364,501	1,004,240	18,069,139	(41,354,285)	93,083,595
Acquisition of mining properties (Note 4)	34,998	13,649	-	-	-	13,649
Issuance of flow-through shares (Note 6)	23,766,667	11,010,999	1,639,001	-	-	12,650,000
Deferred premium on flow-through shares	-	(1,381,284)	-	-	-	(1,381,284)
Cost of share issuance	-	(997,135)	(29,062)	-	-	(1,026,197)
Tax recoveries on share issue costs	-	272,919	-	-	-	272,919
Expiration of warrants (Note 7)	-	-	(283,802)	283,802	-	-
Share-based compensation (Note 8)	-	-	-	225,036	-	225,036
Exercise of stock options	36,666	27,167	-	(8,717)	-	18,450
Net loss and comprehensive loss for the period	-	-	-	-	(2,814,984)	(2,814,984)
Balance – September 30, 2022	225,671,771	124,310,816	2,330,377	18,569,260	(44,169,269)	101,041,184
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	101,664	40,699	-	-	-	40,699
Issuance of flow-through shares (Note 6)	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 8)	-	-	-	432,931	-	432,931
Exercise of stock options	500,000	286,344	-	(136,344)	-	150,000
Net loss and comprehensive loss for the period	-	-	-	-	(4,085,197)	(4,085,197)
Balance – September 30, 2021	191,400,657	111,625,172	1,004,240	17,939,104	(40,185,983)	90,382,533

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, 2022 and 2021

(Unaudited, Expressed in Canadian Dollars)

	Three-months ended September 30,		Nine-months ended September 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Operating activities				
Loss for the period	(1,363,503)	(2,959,365)	(2,814,984)	(4,085,197)
Adjustments for:				
Share-based compensation (Note 8)	69,687	139,080	214,490	394,468
Depreciation	3,037	4,932	9,209	13,999
Change in fair value of investments	1,121	4,699	2,483	15,337
Write-off of exploration and evaluation expenses	-	3,236,994	-	3,238,863
Income tax expense (recovery)	719,107	(882,726)	734,816	(1,153,610)
Changes in non-cash working capital items (Note 12)	(1,523,380)	(269,848)	(2,406,847)	(576,557)
Net cash flows used in operating activities	(2,093,931)	(726,234)	(4,260,833)	(2,152,697)
Investing activities				
Sale of royalty, net of transaction costs (Note 4)	-	-	6,500,000	-
Investments in property and equipment	-	-	-	(198,382)
Investments in exploration and evaluation assets	(6,739,233)	(1,346,985)	(16,532,245)	(5,283,970)
Net change in investments	(411)	(103)	-	(336)
Net cash flows used in investing activities	(6,739,644)	(1,347,088)	(10,032,245)	(5,482,688)
Financing activities				
Proceeds from the issuance of flow-through shares	-	-	12,650,000	6,000,000
Proceeds from the exercise of options	-	-	18,450	150,000
Payment of share issue costs	(150,675)	-	(1,117,599)	(525,315)
Net cash flows (used in) provided by financing activities	(150,675)	-	11,550,851	5,624,685
Decrease in cash and cash equivalents	(8,984,250)	(2,073,322)	(2,742,227)	(2,010,700)
Cash and cash equivalents, beginning of period	12,711,755	7,378,231	6,469,732	7,315,609
Cash and cash equivalents, end of period	3,727,505	5,304,909	3,727,505	5,304,909
Supplemental disclosure (Note 12)				

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, 2022 and 2021

(Unaudited, expressed in Canadian Dollars)

1. Nature of activities and going concern

Osisko Metals Incorporated and its subsidiaries (collectively, "Osisko Metals" or 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 ("TSXV"), 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 September 30, 2022, the Company had a negative working capital of \$1,304,686 (including a cash and cash equivalent balance of \$3,727,505), an accumulated deficit of \$42,899,519 and had incurred a loss of \$1,545,234 for the nine-month period ended September 30, 2022. 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, 2022 will not be sufficient to meet the Company's obligations, commitments and budgeted expenditures through September 30, 2023. 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 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 4) and the issuance of debt or equity instruments (Note 6). 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 nine-month periods ended September 30, 2022 and 2021

(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, 2021, 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 November 17, 2022.

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.

Osisko Metals Incorporated

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month and nine-month periods ended September 30, 2022 and 2021

(Unaudited, expressed in Canadian Dollars)

4. Exploration and evaluation assets

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

Property	Balance as at January 1, 2022	Additions	Sale of Royalty	Income tax credits	Balance as at September 30, 2022
	\$	\$	\$		\$
Quebec					
Gaspé Copper (i)					
Mining rights	-	-	-	-	-
Exploration expenses	-	10,927,206	-	(1,015,221)	9,911,985
	-	10,927,206	-	(1,015,221)	9,911,985
New Brunswick					
Gilmour South (a)(f)(h)					
Mining rights	187,828	58,649	-	-	246,477
Exploration expenses	4,446,414	10,805	-	-	4,457,219
	4,634,242	69,454	-	-	4,703,696
Key Anacon (b)(f)(h)					
Mining rights	1,811,842	-	-	-	1,811,842
Exploration expenses	4,939,937	-	-	-	4,939,937
	6,751,779	-	-	-	6,751,779
Canadian Continental (c)					
Mining rights	134,968	-	-	-	134,968
Exploration expenses	-	-	-	-	-
	134,968	-	-	-	134,968
Mount Fronsac (d)(f)					
Mining rights	511,464	-	-	-	511,464
Exploration expenses	1,564,291	-	-	-	1,564,291
	2,075,755	-	-	-	2,075,755
Other New Brunswick properties (e)(f)					
Mining rights	92,607	-	-	-	92,607
Exploration expenses	-	-	-	-	-
	92,607	-	-	-	92,607
Northwest Territories					
Pine Point (g)					
Mining rights	33,423,044	55,695	(6,500,000)	-	26,978,739
Exploration expenses	45,414,851	10,076,871	-	-	55,491,722
	78,837,895	10,132,566	(6,500,000)	-	82,470,461
Summary					
Mining rights	36,161,753	114,344	(6,500,000)	-	29,776,097
Exploration expenses	56,365,493	21,014,882	-	(1,015,221)	76,365,154
	92,527,246	21,129,226	(6,500,000)	(1,015,221)	106,141,251

- (a) Gilmour South, New-Brunswick: This property is located 20 km south-southeast of the Brunswick No. 12 Mine and is subject to a net smelter return ("NSR") royalty (the "OGR Royalty") with Osisko Gold Royalties Ltd ("OGR"), a related party (see Note 10), which is described in note (f). This property is subject to an option agreement with Brunswick Exploration Inc. ("Brunswick Exploration") (the "Option Agreement"), which is described in note (h).

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 during the nine-month period ended September 30, 2022 (\$171,000 was paid as at December 31, 2021); and
- Issuance of 189,992 common shares of the Company (each a "Common Share") over a period of 5 years following the signing of this agreement. During the nine-month period ended September 30, 2022, 34,998 Common Shares (\$13,649) were issued (154,994 Common Shares were issued as at December 31, 2021, with a value of \$73,023).
- As at September 30, 2022, the Company had completed its obligations related to this agreement.

Osisko Metals Incorporated

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month and nine-month periods ended September 30, 2022 and 2021

(Unaudited, expressed in Canadian Dollars)

4. Exploration and evaluation assets (*continued*)

- (b) Key Anacon, New-Brunswick: This project is located 20 km south of Bathurst, New Brunswick and is partially subject to the OGR Royalty (f). This property is subject to the Option Agreement with Brunswick Exploration (h).
- (c) Canadian Continental, New-Brunswick: This project is partially subject to the OGR Royalty (f).
- (d) Mount Fronsac, New-Brunswick: This property is subject to the OGR Royalty (f). 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 acquired a 100% interest in 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; and
 - Issuance of 200,000 Common Shares over a period of 4 years following the signing of this agreement.
 - As at December 31, 2021, the Company had completed its obligations related to this agreement.
- (e) Other properties in the Bathurst Mining Camp (New Brunswick) and are subject to the OGR Royalty (f).
- (f) On October 12, 2017, the Company concluded an agreement with OGR whereby OGR acquired a 1% NSR royalty on nearly all of Osisko Metals' 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 Osisko Metals.
- (g) 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 Sale 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.

On February 25, 2022, the Company finalized an additional amendment to the Sales Agreement with OGR, pursuant to which OGR was granted a further 1.0% NSR royalty on the Pine Point Project in exchange for cash consideration of \$6,500,000. OGR holds a combined 3% NSR royalty on the Pine Point Project.

The proceeds from these transactions were recorded as a reduction to the exploration and evaluation assets in the consolidated statement of financial position at the time of the transactions.

- (h) In August 2020, the Company signed the Option Agreement, which was amended in April 2021 and approved by the TSXV on August 3, 2021 (the "Effective Date"), whereby 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").

The Option Agreement allows Brunswick Exploration to earn up to 51% interest by spending an aggregate of \$10,000,000 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 Effective Date 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 \$4,000,000, on or before the 3rd year anniversary of the Effective Date;
 - An aggregate of \$6,500,000, on or before the 4th year anniversary of the Effective Date; and
 - An aggregate of \$10,000,000, on or before the 5th year anniversary of the Effective Date.

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.

Osisko Metals Incorporated

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month and nine-month periods ended September 30, 2022 and 2021

(Unaudited, expressed in Canadian Dollars)

4. Exploration and evaluation assets (continued)

- (i) On March 28, 2022, the Company signed a binding term sheet with Glencore Canada Corporation (“Glencore”) (together, with the Company, the “Parties”), with respect to a purchase agreement (the “Purchase Agreement”), which, if entered into, would provide Osisko Metals with an option (the “Gaspé Option”) to acquire a 100% interest in the former Gaspé Copper Mine (the “Gaspé Copper Project”) located near Murdochville, Quebec for consideration comprising: (i) a US\$25 million convertible note (the “Note”) issued to Glencore at successful closing of this transaction, (ii) a cash payment of US\$20 million payable to Glencore upon the start of commercial production at the Gaspé Copper Project, and (iii) certain offtake right and royalties in favour of Glencore as outlined below.

The Note will bear interest at a rate equal to the Secured Overnight Financing Rate (SOFR) + 4%, payable annually, subject to a right by Osisko Metals to defer the payment of interest until the maturity date, and unless converted before then and subject to events of default and certain acceleration rights, the principal shall be repaid in totality at a date that is 36 months from the closing of the transaction.

The Note will be convertible by Glencore into units of Osisko Metals (each, a “Unit”) at a price of \$0.40 per Unit. Each Unit will consist of one common share and a one-half common share purchase warrant of Osisko Metals. Each whole warrant will entitle Glencore to acquire one common share at a price of \$0.46 per common share for a period of three years following the closing of the Gaspé Option transaction. In addition, Glencore will retain a 1% NSR on the historical Mount Copper open pit (“Mount Copper”) and a 3% NSR on all other mineral products extracted from this property.

The Gaspé Option grants Osisko Metals the exclusive right to acquire a 100% interest in the Gaspé Copper Project, subject to the following terms:

- Incurring drilling costs of \$5,000,000 to test oxidation levels within the mineralization that surrounds Mount Copper and providing a letter indicating its intent to exercise the Gaspé Option by June 30, 2022 (the “Acquisition Election Notice”); and
- Completing all necessary due diligence inquiries and negotiating any outstanding matters by the Parties.

Effective June 30, 2022, the Parties agreed to extend to July 8, 2022, the time for exercise of the Gaspé Option.

Assuming the Purchase Agreement has been entered into by the Parties, and Osisko Metals elects to exercise the Gaspé Option, the Parties would then have three months from the date of the Acquisition Election Notice to close the transaction.

As part of the transaction terms, Osisko Metals will also be required to incur a total of \$55,000,000 in exploration and development expenditures, including permitting expenditures, over a period of four years from March 25, 2022, with a minimum of \$20,000,000 to be incurred within the first two years from March 25, 2022. Glencore will retain a commercially reasonable offtake for 100% of concentrates produced during the renewed life of mine at the Gaspé Copper Project.

On July 11, 2022, Osisko Metals announced it entered into definitive documentation with Glencore for the Gaspé Option granted to the Company to acquire the Gaspé Copper Project. In addition, the Company has given notice of its exercise of the Gaspé Option to Glencore.

The Gaspé Option and acquisition by Osisko Metals of a 100% interest in the Gaspé Copper Project remain subject to, among other things, the satisfaction or waiver of certain closing conditions, including approval of the TSXV.

5. Deferred premium on flow-through shares

	September 30, 2022	December 31, 2021
	\$	\$
Balance – beginning of period	1,088,653	-
Deferred premium on flow-through shares issued (Note 6)	1,381,284	1,741,052
Recognition of deferred premium on flow-through shares	(2,079,937)	(652,399)
Balance – end of period	<u>390,000</u>	<u>1,088,653</u>

Osisko Metals Incorporated

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month and nine-month periods ended September 30, 2022 and 2021

(Unaudited, expressed in Canadian Dollars)

6. Share capital

On June 16, 2022, the Company completed a brokered private placement (the "2022 Offering") of an aggregate of (i) 4,600,000 common flow-through shares at an issue price of \$0.50 per share, and (ii) 19,166,667 units of the Company ("Flow-Through Units") at an issue price of \$0.54 per Flow-Through Unit, for aggregate gross proceeds of \$12,650,000. Each Flow-Through Unit is comprised of one common share of the Company (a "Common Share") and one-half of one Common Share purchase warrant of the Company (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to acquire one Common Share (each, a "Warrant Share") at a price of \$0.57 per Warrant Share for a period of 60 months following the closing date of the 2022 Offering.

In connection with the 2022 Offering, share issue costs totaled \$1,034,713, including \$929,713 in cash and the issuance of 1,416,458 compensation warrants (the "Compensation Warrants"). Each Compensation Warrant entitles the holder thereof to purchase one Common Share at a price of \$0.54 per Common Share for a period of 24 months from the closing date of the 2022 Offering. The Compensation Warrants were accounted for at their fair value of \$105,001, determined by the Black-Scholes option pricing model based on the following weighted average assumptions:

Warrant exercise price	\$0.57
Share price at date of grant	\$0.40
Risk-free interest rate	3.38%
Expected life of Warrants	2 years
Annualized expected volatility	57%
Dividend rate	-
Fair value per Warrant	\$0.17

Gross proceeds from the 2022 Offering were allocated between share capital (\$11,010,999) and the Warrants (\$1,639,001) using the relative fair value method. Share issue costs were also allocated between share capital (\$900,651) and the Warrants (\$134,063) using the relative fair value method.

An amount of \$1,381,284 (net of share issue costs of \$122,049) was allocated to the deferred premium on flow-through shares (Note 5).

Transactions impacting the year ended December 31, 2021:

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 \$68,292) was allocated to the deferred premium on flow-through shares (Note 5).

On December 22, 2021, the Company completed a brokered private placement of 10,432,783 common flow-through shares for aggregate gross proceeds of \$5,007,736 (the "2021 Placement"). Under the 2021 Placement, the common flow-through shares were issued at a price of \$0.48 per share. In connection with the 2021 Placement, the Company paid the underwriters a cash commission of \$221,470 and total share issue costs were \$514,655. The fair value of the 10,432,783 Common Shares was estimated to be \$3,860,130. An amount of \$1,029,344 (net of share issue costs of \$118,262) was allocated to the deferred premium on flow-through shares (Note 5).

7. Warrants

The following table details the changes in Warrants issued to shareholders:

	Number of Warrants	Weighted average exercise price (\$)
Balance – January 1, 2021	9,315,125	0.53
Balance – December 31, 2021	9,315,125	0.53
Issued	10,999,791	0.57
Expired	(3,750,000)	0.52
Balance – September 30, 2022	16,564,916	0.56

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8. Share-based compensation

The following table summarizes information about the movement of the Company's incentive stock options ("Options"):

	Number of Options	Weighted average exercise price (\$)
Balance – January 1, 2021	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 – December 31, 2021	11,902,800	0.81
Granted	685,000	0.37
Exercised	(36,666)	0.50
Expired	(3,075,000)	1.64
Balance – September 30, 2022	9,476,134	0.52
Options exercisable – September 30, 2022	6,369,453	0.55

On February 4, 2022, the Company approved the grant of Options to certain directors, officers, key employees and key consultants to purchase up to an aggregate of 685,000 Common Shares. This grant is subject to a three-year vesting period and a five-year term at an exercise price of \$0.37 per share.

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 nine-month period ended September 30, 2022:

Share price at date of grant	\$0.36
Exercise price at date of grant	\$0.37
Risk-free interest rate	1.66%
Expected life of Options	4.6 years
Annualized expected volatility	60%
Dividend rate	0%
Weighted average fair value per Option	\$0.18

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 September 30, 2022 amounted to \$73,275 (\$162,798 for the three-month period ended September 30, 2021) of which \$3,588 were capitalized to exploration and evaluation assets (\$23,718 for the three-month period ended September 30, 2021).

Share-based compensation for the nine-month period ended September 30, 2022 amounted to \$225,036 (\$432,931 for the nine-month period ended September 30, 2021) of which \$10,546 were capitalized to exploration and evaluation assets (\$38,463 for the nine-month period ended September 30, 2021).

9. Net loss per share

As a result of the net loss for the three-month and nine-month periods ended September 30, 2022 and 2021, all potentially dilutive common shares (Notes 7 and 8) 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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10. 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, 2022 and 2021:

	Three-months ended September 30,		Nine-months ended September 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Salaries and short-term employee benefits	172,750	175,080	518,250	528,580
Share-based compensation	55,847	140,677	172,549	414,024
	<u>228,597</u>	<u>315,757</u>	<u>690,799</u>	<u>942,604</u>

During the three-month and nine-month periods ended September 30, 2022 and 2021, the Company undertook transactions with certain related companies. OGR is a related party as they have a significant influence on the Company due to the number of shares held and common officers and directors. Falco Resources Ltd. ("FPC") is a related party because of common officers and directors.

During the three-month period ended September 30, 2022, an amount of \$10,000 was invoiced by OGR for professional services and rental of offices (\$32,000 for the three-month period ended September 30, 2021). During the nine-month period ended September 30, 2022, an amount of \$122,000 was invoiced by OGR for professional services and rental of offices (\$110,000 for the nine-month period ended September 30, 2021). An amount of \$13,000 is included in accounts payable and accrued liabilities as at September 30, 2022 (\$80,000 as at December 31, 2021).

During the three-month period ended September 30, 2022, an amount of \$36,000 was invoiced by FPC for professional corporate services rendered (\$28,000 for the three-month period ended September 30, 2021). During the nine-month period ended September 30, 2022, an amount of \$110,000 was invoiced by FPC for professional corporate services rendered (\$83,000 for the nine-month period ended September 30, 2021). An amount of \$28,000 is included in trade and other payables as at September 30, 2022 (\$10,000 as at December 31, 2021).

11. 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, 2022 and December 31, 2021 are classified in level 1.

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12. Supplemental disclosure – Statements of cash flows

	Three-months ended September 30,		Nine-months ended September 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
<u>Changes in non-cash working capital items:</u>				
Receivables	(445,955)	49,826	(877,498)	74,126
Prepaid expenses	(1,157,697)	(81,764)	(1,436,222)	(116,991)
Trade and other payables	80,272	(237,910)	(93,127)	(533,692)
Total	(1,523,380)	269,848	(2,406,847)	(576,557)
Exploration and evaluation asset expenditures included in trade and other payables				
Beginning of period	4,710,941	433,983	2,733,010	1,297,606
End of period	7,238,160	806,977	7,238,160	806,977
Share issue costs included in trade and other payables				
Beginning of period	54,191	-	91,402	-
End of period	-	-	-	-

13. 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 December 22, 2021, the Company received \$5,007,736 following the issuance of flow-through shares for which the Company renounced tax deductions as at December 31, 2021. As at September 30, 2022, this commitment is complete.

On June 16, 2022, the Company received \$12,650,000 following the issuance of flow-through shares for which the Company will renounce tax deductions as at December 31, 2022. As at September 30, 2022, \$3,600,000 remains to be incurred by December 31, 2023.

14. Subsequent event

On October 7, 2022, the Company approved the grant of Options to certain directors, officers, key employees and key consultants to purchase up to an aggregate of 2,680,000 Common Shares. This grant is subject to a three-year vesting period and a five-year term at an exercise price of \$0.32 per share.