



OSISKO METALS INCORPORATED

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

**FOR THE THREE-MONTH PERIODS ENDED
MARCH 31, 2023 AND 2022**

**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)

| | March 31, 2023 (Unaudited) | December 31, 2022 (Audited) |
|--|---|--|
| | \$ | \$ |
| ASSETS | | |
| CURRENT | | |
| Cash and cash equivalents | 1,916,075 | 3,078,856 |
| Accounts receivable | 1,735,512 | 1,509,579 |
| Prepaid expenses (Note 4) | 141,348 | 1,378,235 |
| | <u>3,792,935</u> | <u>5,966,670</u> |
| NON-CURRENT | | |
| Exploration and evaluation assets (Note 5) | 109,014,360 | 97,986,603 |
| Deposits (Note 4) | 710,315 | 710,315 |
| Property and equipment | 110,544 | 170,667 |
| Investments | 5,850 | 5,319 |
| | <u>109,841,069</u> | <u>98,872,904</u> |
| Total assets | <u>113,634,004</u> | <u>104,839,574</u> |
| LIABILITIES | | |
| CURRENT | | |
| Trade and other payables | 7,927,601 | 4,402,304 |
| Convertible Loan (Note 5) | 6,700,000 | - |
| Secured Loan (Note 10) | 6,257,425 | 6,057,700 |
| Deferred premium on flow-through shares (Note 9) | 176,165 | 188,705 |
| | <u>21,061,191</u> | <u>10,648,709</u> |
| NON-CURRENT | | |
| Deferred tax liability | 8,493,071 | 8,752,288 |
| Total liabilities | <u>29,554,262</u> | <u>19,400,997</u> |
| EQUITY | | |
| Share capital | 124,337,665 | 124,337,665 |
| Warrants | 2,330,377 | 2,330,377 |
| Contributed surplus | 18,786,987 | 18,693,448 |
| Deficit | (61,375,287) | (59,922,913) |
| Total equity | <u>84,079,742</u> | <u>85,438,577</u> |
| Total liabilities and equity | <u>113,634,004</u> | <u>104,839,574</u> |
| Going concern (Note 1) | | |
| 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 periods ended March 31, 2023 and 2022

(Unaudited, Expressed in Canadian Dollars)

| | <u>2023</u> | <u>2022</u> |
|--|--------------------|--------------------|
| | \$ | \$ |
| Expenses | | |
| Employee benefits expenses | 340,380 | 354,549 |
| Consulting and professional fees | 804,817 | 92,316 |
| Investor and shareholder relations | 146,965 | 92,525 |
| Share-based compensation (Note 7) | 87,738 | 75,224 |
| Office expenses | 38,041 | 63,001 |
| Travel expenses | 51,617 | 16,055 |
| Depreciation | 35,671 | 3,535 |
| | <hr/> | <hr/> |
| Operating Loss | (1,505,229) | (697,205) |
| Financial revenues | 13,704 | 7,049 |
| Interest expense on Secured Loan (Note 10) | (199,725) | - |
| Change in fair value of investments | 531 | (1,153) |
| Loss on foreign exchange | (33,412) | (3,782) |
| | <hr/> | <hr/> |
| Loss before income taxes | (1,724,131) | (695,091) |
| Income tax recovery | 271,757 | 76,647 |
| | <hr/> | <hr/> |
| Net loss and comprehensive loss for the period | (1,452,374) | (618,444) |
| | <hr/> | <hr/> |
| Net loss per common share (Note 8) | | |
| Basic and diluted | (0.006) | (0.003) |
| | <hr/> | <hr/> |
| Weighted average number of common shares outstanding (Note 8) | | |
| Basic and diluted | 225,671,771 | 201,843,055 |
| | <hr/> | <hr/> |

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 periods ended March 31, 2023 and 2022

(Unaudited, Expressed in Canadian Dollars)

| | Number of common shares | Share capital \$ | Warrants \$ | Contributed surplus \$ | Deficit \$ | Total \$ |
|--|----------------------------|---------------------|------------------|------------------------------|---------------------|-------------------|
| Balance – December 31, 2022 | 225,671,771 | 124,337,665 | 2,330,377 | 18,693,448 | (59,922,913) | 85,438,577 |
| Share-based compensation (Note 7) | - | - | - | 93,539 | - | 93,539 |
| Net loss and comprehensive loss for the period | - | - | - | - | (1,452,374) | (1,452,374) |
| Balance – March 31, 2023 | 225,671,771 | 124,337,665 | 2,330,377 | 18,786,987 | (61,375,287) | 84,079,742 |
| 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 | 34,998 | 13,649 | - | - | - | 13,649 |
| Share-based compensation (Note 7) | - | - | - | 78,632 | - | 78,632 |
| Net loss and comprehensive loss for the period | - | - | - | - | (618,444) | (618,444) |
| Balance – March 31, 2022 | 201,868,438 | 115,378,150 | 1,004,240 | 18,147,771 | (41,972,729) | 92,557,432 |

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 periods ended March 31, 2023 and 2022

(Unaudited, Expressed in Canadian Dollars)

| | <u>2023</u> | <u>2022</u> |
|--|---------------------------|-------------------------|
| | \$ | \$ |
| Operating activities | | |
| Loss for the period | (1,452,374) | (618,444) |
| Adjustments for: | | |
| Share-based compensation (Note 7) | 87,738 | 75,224 |
| Interest on Secured Loan (Note 10) | 199,725 | - |
| Depreciation | 35,671 | 3,535 |
| Change in fair value of investments | (531) | 1,153 |
| Income tax recovery | (271,757) | (76,647) |
| | <u>(1,401,528)</u> | <u>(615,179)</u> |
| Changes in non-cash working capital items (Note 13) | <u>1,396,492</u> | <u>(377,432)</u> |
| Net cash flows used in operating activities | <u>(5,036)</u> | <u>(992,611)</u> |
| Investing activities | | |
| Sale of royalty, net of transaction costs | - | 6,500,000 |
| Investments in exploration and evaluation assets | <u>(7,857,745)</u> | <u>(4,908,900)</u> |
| Net cash flows (used in) provided by investing activities | <u>(7,857,745)</u> | <u>1,591,100</u> |
| Financing activities | | |
| Issuance of a Convertible Loan (Note 5) | 6,700,000 | - |
| Payment of share issue costs | <u>-</u> | <u>(91,402)</u> |
| Net cash flows provided by (used in) financing activities | <u>6,700,000</u> | <u>(91,402)</u> |
| (Decrease) increase in cash and cash equivalents | <u>(1,162,781)</u> | <u>507,087</u> |
| Cash and cash equivalents, beginning of period | <u>3,078,856</u> | <u>6,469,732</u> |
| Cash and cash equivalents, end of period | <u>1,916,075</u> | <u>6,976,819</u> |
| 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 periods ended March 31, 2023 and 2022

(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 ("TSX-V"), under the symbol "OB5" on the Frankfurt Stock Exchange and under the symbol "OMZNF" on the OTCQX Best Market (the "OTCQX").

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

These condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. In assessing whether the going concern assumption is appropriate, Management of the Company ("Management") takes into account all available information about the future, which is at least, but not limited to twelve months from the end of the reporting period. As at March 31, 2023, the Company had a negative working capital of \$17,268,256 (including a cash and cash equivalent balance of \$1,916,075), an accumulated deficit of \$61,375,287 and had incurred a loss of \$1,452,374 for the three-month period ended March 31, 2023. 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 March 31, 2023 will not be sufficient to meet the Company's obligations, commitments and budgeted expenditures through March 31, 2024. 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, the issuance of debt (Notes 5 and 10) or equity instruments (Note 15) or the completion of joint venture arrangements (Notes 5 and 15). 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 periods ended March 31, 2023 and 2022

(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, 2022, 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 May 17, 2023.

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 |
| 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 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. Prepaid expenses and deposits

| | March 31, 2023 | December 31, 2022 |
|--|---------------------------|------------------------------|
| | \$ | \$ |
| Exploration and water permit security deposits | 710,315 | 1,143,394 |
| Supplier deposits | 71,500 | 886,388 |
| Prepaid expenses | 69,848 | 58,768 |
| | 851,663 | 2,088,550 |
| Classified as short-term | 141,348 | 1,378,235 |
| Classified as long-term | 710,315 | 710,315 |

Osisko Metals Incorporated

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2023 and 2022

(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, 2023 \$ | Additions \$ | Balance as at March 31, 2023 \$ |
|--|---|-------------------|---|
| Quebec | | | |
| Gaspé Copper (a) | | | |
| Mining rights | 6,729 | - | 6,729 |
| Exploration expenses | 10,587,797 | 120,333 | 10,708,130 |
| | <u>10,594,526</u> | <u>120,333</u> | <u>10,714,859</u> |
| New Brunswick | | | |
| Gilmour South (b) | | | |
| Mining rights | 246,713 | - | 246,713 |
| Exploration expenses | - | - | - |
| | <u>246,713</u> | <u>-</u> | <u>246,713</u> |
| Key Anacon (c) | | | |
| Mining rights | 1,807,406 | - | 1,807,406 |
| Exploration expenses | - | - | - |
| | <u>1,807,406</u> | <u>-</u> | <u>1,807,406</u> |
| Canadian Continental (d) | | | |
| Mining rights | 130,718 | - | 130,718 |
| Exploration expenses | - | - | - |
| | <u>130,718</u> | <u>-</u> | <u>130,718</u> |
| Mount Fronsac (e) | | | |
| Mining rights | 511,464 | - | 511,464 |
| Exploration expenses | - | - | - |
| | <u>511,464</u> | <u>-</u> | <u>511,464</u> |
| Other New Brunswick properties (f)(| | | |
| Mining rights | 83,897 | - | 83,897 |
| Exploration expenses | - | - | - |
| | <u>83,897</u> | <u>-</u> | <u>83,897</u> |
| Northwest Territories | | | |
| Pine Point (h)(i) | | | |
| Mining rights | 26,978,739 | - | 26,978,739 |
| Exploration expenses | 57,633,140 | 10,907,424 | 68,540,564 |
| | <u>84,611,879</u> | <u>10,907,424</u> | <u>95,519,303</u> |
| Summary | | | |
| Mining rights | 29,765,666 | - | 29,765,666 |
| Exploration expenses | 68,220,937 | 11,027,757 | 79,248,694 |
| | <u>97,986,603</u> | <u>11,027,757</u> | <u>109,014,360</u> |

- (a) 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, Québec for consideration comprising: (i) a US\$25,000,000 convertible note (the “Note”) issued to Glencore at successful closing of this transaction, (ii) a cash payment of US\$20,000,000 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.

Osisko Metals Incorporated

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2023 and 2022

(Unaudited, expressed in Canadian Dollars)

5. Exploration and evaluation assets (*continued*)

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.

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 TSX-V.

- (b) 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 11), which is described in note (g).
- (c) Key Anacon, New-Brunswick: This project is located 20 km south of Bathurst, New Brunswick and is partially subject to the OGR Royalty (g).
- (d) Canadian Continental, New-Brunswick: This project is partially subject to the OGR Royalty (g).
- (e) Mount Fronsac, New-Brunswick: This property is subject to the OGR Royalty (g).
- (f) 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 (g).
- (g) 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.

Osisko Metals Incorporated

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2023 and 2022

(Unaudited, expressed in Canadian Dollars)

5. Exploration and evaluation assets (continued)

- (h) 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.

- (i) On February 21, 2023, the Company entered into an investment agreement (the "Investment Agreement") with a subsidiary of Appian Natural Resources Fund III LP ("Appian"), a fund advised by Appian Capital Advisory LLP, a London-based private equity group specializing in the acquisition and development of mining assets, pursuant to which Osisko Metals and Appian have agreed to form a joint venture for the advancement of the Pine Point Project (the "Transaction").

Some highlights of the transaction include:

- Commitment by Appian to invest up to \$100,000,000 over an estimated four-year period, to acquire an undivided 60% interest in PPML, a wholly-owned subsidiary of Osisko Metals and owner of the Pine Point Project.
- The \$100,000,000 investment includes an estimated \$75,300,000 of funding (\$19,800,000 of which will be provided upon establishment of the joint venture, the "Initial Subscription") to advance the Pine Point Project to a Final Investment Decision ("FID"), or construction approval, and approximately \$24,700,000 in cash payments, comprised of:
 - An \$8,300,000 initial payment on closing of the Transaction to acquire an initial 9% interest in PPML; and
 - A milestone payment upon positive FID to bring Appian's ownership in PPML to 60%, expected to be approximately \$16,400,000. The final milestone payment will increase or decrease should the actual amount spent to FID differ from the estimated budget of \$75,300,000.
- In addition, Appian has agreed to make a \$5,000,000 investment in the common shares of Osisko Metals on closing, priced at \$0.2481 per share (being the 20-day VWAP calculated as of the date of this announcement).

Concurrent with the execution of the Investment Agreement, Osisko Metals and Appian entered into an agreement for the issuance of a convertible instrument (the Convertible Loan") to provide PPML with short-term interim funding of up to \$11,500,000 to fund the current drilling program on the Pine Point Project, in accordance with the agreed initial program and budget. As at March 31, 2023, \$6,700,000 was advanced to the Company by Appian.

If the Investment Agreement is terminated and the Transaction does not close, the principal amount then outstanding under the convertible instrument would then become repayable. Subject to the approval of the TSX-V at such a repayment event, the amount then outstanding under the convertible instrument would be repaid by the issuance of common shares of Osisko Metals, at the minimum permitted price under the policies of the TSX-V, for up to 19.95% of the pro forma number of issued and outstanding common shares of Osisko Metals, and the remaining amount (if any) will be converted into a senior secured term loan.

If the Transaction is completed, any outstanding amounts under the convertible instrument would be converted into an ownership interest in PPML and the Initial Subscription would be reduced for the amounts outstanding under the convertible instrument.

On March 17, 2023, the Company announced that it has received the requisite shareholder and TSX-V approvals to close the Transaction. The Transaction closed on April 6, 2023 (see also Note 15).

Osisko Metals Incorporated

Notes to the Condensed Consolidated Interim Financial Statements
For the three-month periods ended March 31, 2023 and 2022
(Unaudited, expressed in Canadian Dollars)

6. Warrants

The following table details the changes in share purchase warrants (“Warrants”) issued to shareholders:

| | Number of Warrants | Weighted average exercise price (\$) |
|-----------------------------|-------------------------------|---|
| Balance – January 1, 2022 | 9,315,125 | 0.53 |
| Issued | 10,999,791 | 0.57 |
| Expired | (9,315,125) | 0.53 |
| Balance – December 31, 2022 | 10,999,791 | 0.57 |
| Balance – March 31, 2023 | 10,999,791 | 0.57 |

7. 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, 2022 | 11,902,800 | 0.81 |
| Granted | 3,365,000 | 0.33 |
| Exercised | (36,666) | 0.50 |
| Expired | (3,075,000) | 1.64 |
| Balance – December 31, 2022 | 12,156,134 | 0.47 |
| Balance – March 31, 2023 | 12,156,134 | 0.47 |
| Options exercisable – March 31, 2023 | 8,269,457 | 0.53 |

Share-based compensation for the three-month period ended March 31, 2023 amounted to \$93,539 (\$78,632 for the three-month period ended March 31, 2022) of which \$5,801 (\$3,408 for the three-month period ended March 31, 2022) were capitalized to exploration and evaluation assets.

8. Net loss per share

As a result of the net loss for the three-month periods ended March 31, 2023 and 2022, all potentially dilutive common shares (Notes 6 and 7) are deemed to be antidilutive and thus diluted net loss per share is equal to the basic net loss per share for these periods.

9. Deferred premium on flow-through shares

| | March 31, 2023 | December 31, 2022 |
|--|---------------------------|------------------------------|
| | \$ | \$ |
| Balance – beginning of period | 188,705 | 1,088,653 |
| Deferred premium on flow-through shares issued | - | 1,381,284 |
| Recognition of deferred premium on flow-through shares | (12,540) | (2,281,232) |
| Balance – end of period | 176,165 | 188,705 |

10. Secured Loan

On December 5, 2022, the Company closed a secured senior loan agreement (the “Secured Loan”) with Osisko Mining Inc. (“OSK”), a related party (see Note 11), for \$6,000,000 (the “Principal Amount”) with a maturity date of March 31, 2023. This maturity date was extended to April 30, 2023 on March 31, 2023. Under the terms of the Secured Loan, interest is payable on the Principal Amount at a rate per annum that is equal to 13.5%, compounded quarterly and accrued interest was payable upon repayment of the Principal Amount. During the three-month period ended March 31, 2023, the Company incurred \$199,725 of interest expense that is recorded in the consolidated statements of loss and comprehensive loss. The Secured Loan was repaid on April 6, 2023.

Osisko Metals Incorporated

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2023 and 2022

(Unaudited, expressed in Canadian Dollars)

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 for the three-month periods ended March 31, 2023 and 2022 are:

| | 2023 | 2022 |
|---|----------------|----------------|
| | \$ | \$ |
| Salaries and short-term employee benefits | 162,500 | 172,750 |
| Share-based compensation | 72,405 | 60,810 |
| | <u>234,905</u> | <u>233,560</u> |

During the three-month periods ended March 31, 2023 and 2022, 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. OSK and Falco Resources Ltd. ("FPC") are related parties because of common officers and directors.

During the three-month period ended March 31, 2023, an amount of \$15,000 (\$24,000 for the three-month period ended March 31, 2022) was invoiced by OGR for professional services and rental of offices. An amount of \$50,000 is included in accounts payable and accrued liabilities as at March 31, 2023 (\$35,000 as at December 31, 2022).

During the three-month period ended March 31, 2023, an amount of \$3,000 (\$3,000 for the three-month period ended March 31, 2022) was invoiced by OSK in relation to professional services rendered. An amount of \$2,000 is included in accounts payable and accrued liabilities as at March 31, 2023 (\$ nil as at December 31, 2022).

During the three-month period ended March 31, 2023, an amount of \$42,000 (\$37,000 for the three-month period ended March 31, 2022) was invoiced by FPC for professional services, of which \$102,000 is included in trade and other payables as at March 31, 2023 (\$70,000 as at December 31, 2022).

12. Fair value of financial instruments

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 consolidated statement of financial position as at March 31, 2023 and 2022 are classified in level 1.

As at March 31, 2023, the fair values of the Convertible Loan and the Secured Loan were \$6,700,000 and \$6,257,425, respectively (Level 3 measurement).

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Notes to the Condensed Consolidated Interim Financial Statements
For the three-month periods ended March 31, 2023 and 2022
(Unaudited, expressed in Canadian Dollars)

13. Supplemental disclosure – Statements of cash flows

| | Three-months ended March 31, | |
|---|------------------------------|-----------|
| | 2023 | 2022 |
| | \$ | \$ |
| <u>Changes in non-cash working capital items:</u> | | |
| Receivables | (209,964) | (71,444) |
| Prepaid expenses and other assets | 1,236,887 | (103,151) |
| Trade and other payables | 369,569 | (202,837) |
| Total | 1,396,492 | (377,432) |
| Exploration and evaluation asset expenditures included in trade and other payables | | |
| Beginning of period | 2,672,458 | 2,733,010 |
| End of period | 5,828,186 | 2,981,539 |
| Share issue costs included in trade and other payables | | |
| Beginning of period | - | 91,402 |
| End of period | - | - |
| Depreciation capitalized to exploration and evaluation assets | 24,452 | 30,075 |

14. Commitments 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:

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

On June 16, 2022, the Company received \$12,650,000 following the issuance of flow-through shares for which the Company renounced tax deductions as at December 31, 2022. As at March 31, 2023, \$1,630,000 remains to be incurred by December 31, 2023.

15. Subsequent event

Joint-venture

On April 6, 2023, the Company closed the Transaction with Appian. As part of the closing of the Transaction:

- Appian purchased 20,153,164 common shares of the Company at a price of \$0.2481 per share for gross proceeds of \$5,000,000;
- Appian has purchased share capital of PPML from Osisko Metals in exchange for a payment in the amount of \$8,300,000;
- Appian has subscribed for share capital of PPML in exchange for a payment to PPML in the amount of \$13,100,000; and
- the Convertible Loan made by Appian to Osisko Metals in the amount of \$6,700,000 was converted for share capital in PPML.