



OSISKO METALS INCORPORATED

(PREVIOUSLY BOWMORE EXPLORATION LTD.)

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

**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED
SEPTEMBER 30, 2018 AND 2017**

**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 30, 2018 (Unaudited)	December 31, 2017 (Audited)
	<u>\$</u>	<u>\$</u>
ASSETS		
CURRENT		
Cash and cash equivalents (Note 4)	14,892,143	29,053,274
Accounts receivable	1,854,466	531,861
Investments (Note 5)	9,768,144	8,013,445
Prepaid expenses and other assets (Note 6)	882,802	16,207
	<u>27,397,555</u>	<u>37,614,787</u>
NON-CURRENT		
Property and equipment	167,093	110,264
Investments (Note 5)	494,541	86,208
Exploration and evaluation assets (Note 7)	59,164,447	5,544,448
	<u>59,826,081</u>	<u>5,740,920</u>
Total assets	<u>87,223,636</u>	<u>43,355,707</u>
LIABILITIES		
CURRENT		
Trade and other payables	7,596,103	2,099,099
Current portion of purchase price payable (Note 7)	-	2,096,875
Deferred premium on flow-through shares (Note 8)	3,271,300	2,106,353
	<u>10,867,403</u>	<u>6,302,327</u>
NON-CURRENT		
Long-term portion of purchase price payable (Note 7)	500,000	500,000
Total liabilities	<u>11,367,403</u>	<u>6,802,327</u>
EQUITY		
Share capital	81,400,489	43,543,921
Warrants (Note 10)	7,450,879	5,731,861
Contributed surplus	8,108,847	6,197,134
Accumulated other comprehensive loss	(98,166)	(56,499)
Deficit	(21,005,816)	(18,863,037)
Total equity	<u>75,856,233</u>	<u>36,553,380</u>
Total liabilities and equity	<u>87,223,636</u>	<u>43,355,707</u>
Commitments and contingencies (Note 16)		
Subsequent event (Note 17)		

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, 2018 and 2017

(Unaudited, Expressed in Canadian Dollars)

	Three-months ended September 30,		Nine-months ended September 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Expenses				
Consulting and professional fees	134,880	363,086	643,033	528,592
Employee benefits expenses	365,004	33,971	998,564	34,213
Share-based compensation (Note 11)	393,206	659,120	1,657,600	727,292
Advertising and convention costs	49,068	49,298	278,605	60,526
Travel expenses	129,214	33,280	383,528	40,636
Office expenses	123,916	47,302	285,412	84,845
Loss (gain) on foreign exchange	12,340	(10,812)	32,876	9,403
Registration and shareholders' information costs	48,171	21,482	108,435	45,765
Exploration expenses	3,532	-	21,012	-
Write-off of exploration expenses (Note 7)	-	552,425	30,370	553,876
Depreciation	14,634	6,741	38,090	7,626
Other operating expenses	18,482	17,647	25,237	38,142
Management fees	-	40,000	-	160,000
Operating loss	(1,292,447)	(1,813,540)	(4,502,762)	(2,290,916)
Financial revenues (expenses)	(9,310)	30,310	204,330	30,513
Other income – premium on flow through shares (Note 8)	979,351	23,758	2,106,353	60,212
Gain on the sale of property (Note 7)	49,300	-	49,300	-
Net loss for the period	(273,106)	(1,759,472)	(2,142,779)	(2,200,191)
Other comprehensive income that will be reclassified subsequently to profit or loss				
Unrealized (loss) gain on available-for sale investments (Note 5)	(41,432)	(31,936)	(41,667)	5,939
Total comprehensive loss for the period	(314,538)	(1,791,408)	(2,184,446)	(2,194,252)
Net loss per common share (Note 12)				
Basic and diluted	(0.00)	(0.04)	(0.02)	(0.06)
Weighted average number of common shares outstanding (Note 12)				
Basic and diluted	117,540,582	58,591,016	107,224,493	39,250,382

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, 2018 and 2017

(Unaudited, Expressed in Canadian Dollars)

	Number of common shares	Share capital \$	Warrants \$	Contributed surplus \$	Acc. other comprehensive income	Deficit \$	Total \$
Balance – January 1, 2018	70,384,217	43,543,921	5,731,861	6,197,134	(56,499)	(18,863,037)	36,553,380
Issuance of flow-through shares (Note 9)	10,870,000	10,000,400	-	-	-	-	10,000,400
Deferred premium on flow- through shares (Note 8)	-	(3,271,300)	-	-	-	-	(3,271,300)
Cost of share issuance	-	(591,649)	-	-	-	-	(591,649)
Acquisition of mining properties (Notes 7 and 9)	44,919,313	31,618,925	1,736,619	-	-	-	33,355,544
Options exercised	33,333	19,000	-	(9,000)	-	-	10,000
Warrants exercised	105,965	81,192	(17,601)	-	-	-	63,591
Share-based compensation (Note 11)	-	-	-	1,920,713	-	-	1,920,713
Net loss for the period	-	-	-	-	-	(2,142,779)	(2,142,779)
Other comprehensive loss	-	-	-	-	(41,667)	-	(41,667)
Balance – September 30, 2018	126,312,828	81,400,489	7,450,879	8,108,847	(98,166)	(21,005,816)	75,856,233
Balance – January 1, 2017	28,605,321	14,900,028	284,926	3,436,016	(941,085)	(15,987,106)	1,692,779
Units issued for private placement	31,562,500	20,548,510	4,701,940	-	-	-	25,250,000
Issuance of flow-through Shares (Note 9)	8,094,333	11,495,900	-	-	-	-	11,495,000
Deferred premium on flow- through shares	-	(2,231,830)	-	-	-	-	(2,231,830)
Acquisition of mining properties (Note 7)	1,008,334	334,084	-	-	-	-	334,084
Warrants exercised	1,113,729	786,098	(117,859)	-	-	-	668,238
Warrants expired	-	-	(1,250)	1,250	-	-	-
Share-based compensation (Note 11)	-	-	-	727,292	-	-	727,292
Cost of share issuance	-	(1,454,870)	-	-	-	-	(1,454,670)
Net loss for the period	-	-	-	-	-	(2,200,191)	(2,200,191)
Other comprehensive loss	-	-	-	-	5,939	-	5,939
Balance – September 30, 2017	70,384,217	44,378,120	4,867,307	4,164,558	(935,146)	(18,187,296)	34,287,543

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, 2018 and 2017

(Unaudited, Expressed in Canadian Dollars)

	Three-months ended September 30,		Nine-months ended September 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Operating activities				
Loss for the period	(273,106)	(1,759,472)	(2,142,779)	(2,200,191)
Adjustments for:				
Share-based compensation (Note 11)	393,206	659,120	1,657,600	727,292
Depreciation	14,634	6,741	38,090	7,626
Financial (revenues) expenses	9,310	-	(204,330)	-
Write-off of exploration expenses	-	552,425	30,370	552,425
Other income – premium on flow through shares (Note 8)	(979,351)	(23,758)	(2,106,353)	(60,212)
Changes in non-cash working capital items (Note 15)	3,781,969	(314,514)	3,307,804	200,724
Net cash flows (used in) provided by operating activities	2,946,662	(879,458)	580,402	(772,337)
Investing activities				
Acquisitions of property and equipment	(31,908)	(86,794)	(94,919)	(106,326)
Investments in exploration and evaluation assets	(12,164,826)	(564,573)	(21,319,287)	(941,641)
Payment of current portion of purchase price payable	-	-	(850,000)	-
Net (increase) decrease in investments	2,537,553	-	(1,959,669)	-
Net cash flows used in investing activities	(9,659,181)	(651,366)	(24,223,875)	(1,057,967)
Financing activities				
Proceeds from the issuance of shares and warrants in a private placement	-	25,250,000	-	25,250,000
Proceeds from the issuance of flow-through shares (Note 9)	10,000,400	11,495,900	10,000,400	11,495,900
Proceeds from the exercise of stock options	10,000	-	10,000	-
Proceeds from the exercise of warrants	-	210,000	63,591	668,238
Payment of share issue costs	(591,649)	(1,452,209)	(591,649)	(1,454,670)
Net cash flows provided by financing activities	9,418,751	35,503,690	9,482,342	35,959,468
(Decrease) increase in cash and cash equivalents	2,706,232	33,972,867	(14,161,131)	34,129,163
Cash and cash equivalents, beginning of period	12,185,911	353,661	29,053,274	197,365
Cash and cash equivalents, end of period	14,892,143	34,326,528	14,892,143	34,326,528
Supplemental disclosure (Note 15)				

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, 2018 and 2017

(Unaudited, expressed in Canadian Dollars)

1. Nature of activities and liquidity risk

Osisko Metals Incorporated (“Osisko Metals”) and its subsidiaries (collectively, the “Company”) specialize in 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 and obtained a listing as a Capital Pool Company pursuant to the policies of the TSX Venture Exchange (“TSX-V”) on August 22, 2001. Since May 2017, the Company is registered under the British Columbia Business Corporations Act. In June 2017, the Company amended its name from “Bowmore Exploration Ltd” to “Osisko Metals Incorporated”.

The Company’s shares are listed under the symbol OM on the TSX-V and under the symbol OB5 on the Frankfurt Stock Exchange.

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

Management of the Company believes that it has sufficient funds to pay its ongoing general and administrative expenses and to meet its liabilities, obligations and existing commitments for the ensuing twelve months as they fall due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

2. Basis of presentation

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

These unaudited condensed consolidated interim financial statements have been prepared in accordance with *International Financial Reporting Standards* (“IFRS”) as issued by the *International Accounting Standards Board* (“IASB”) applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 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, 2017, which have been prepared in accordance with IFRS as issued by the IASB.

These unaudited condensed consolidated interim financial statements were approved by the Company’s Board of Directors (the “Board”) on November 14, 2018.

The unaudited condensed consolidated interim financial statements include the accounts of Osisko Metals and its subsidiaries. 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.

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

<u>Name of subsidiary</u>	<u>Activity</u>	<u>Country of Incorporation</u>	<u>Equity interest</u>
Bowmore Exploracion de Mexico S.A. de C.V.	Mineral exploration in Mexico	Mexico	100%
Pine Point Mining Limited (“Pine Point”)	Mineral exploration in Northwest Territories, Canada	Canada	100%
Bowmore O & G	Holding Company	Canada	100%

Osisko Metals Incorporated

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month and nine-month periods ended September 30, 2018 and 2017

(Unaudited, expressed in Canadian Dollars)

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. Cash and cash equivalents

	<u>September 30, 2018</u>	<u>December 31, 2017</u>
	\$	\$
Cash	9,984,297	22,041,155
Cash equivalents	4,907,846	7,012,119
	<u>14,892,143</u>	<u>29,053,274</u>

As at September 30, 2018 and December 31, 2017, cash equivalents consist of banker's acceptances, bonds and guaranteed deposit certificates and promissory notes with an initial maturity of less than 3 months.

5. Investments

As at September 30, 2018, the Company holds short-term investments of \$9,768,144 (\$8,013,445 as at December 31, 2017) composed of banker's acceptances, bonds and guaranteed deposit certificates and promissory notes with a maturity less than 12 months.

The Company holds marketable securities in quoted mining exploration companies. These non-current investments are measured at fair value and directly attributable changes in fair value are recognized in other comprehensive income.

	<u>September 30, 2018</u>	<u>December 31, 2017</u>
	\$	\$
Amex Exploration Inc. – 50,000 common shares	3,000	6,000
Global Resources Investment Trust. – 518,246 common shares	41,541	80,208
Canadian Metals Inc. – 6,000,000 common shares	450,000	-
	<u>494,541</u>	<u>86,208</u>

During the three-month period ended September 30, 2018, the Company recorded an unrealized loss of \$41,432 in other comprehensive income (an unrealized loss of \$31,936 during the three-month period ended September 30, 2017) in relation to these marketable securities.

During the nine-month period ended September 30, 2018, the Company recorded an unrealized loss of \$41,667 in other comprehensive income (an unrealized gain of \$5,939 during the nine-month period ended September 30, 2017) in relation to these marketable securities.

6. Prepaid expenses and other assets

	<u>September 30, 2018</u>	<u>December 31, 2017</u>
	\$	\$
Security deposits	827,674	2,800
Prepaid expenses and other assets	55,128	13,407
	<u>882,802</u>	<u>16,207</u>

Osisko Metals Incorporated

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month and nine-month periods ended September 30, 2018 and 2017

(Unaudited, expressed in Canadian Dollars)

7. Exploration and evaluation assets

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

Property	Balance as at January 1, 2018	Additions	Disposition	Write-off	Balance as at September 30, 2018
	\$	\$		\$	\$
Quebec					
Silica South (a)					
Mining rights	10,016	525	-	-	10,541
Exploration expenses	278,278	5,603	-	-	283,881
	<u>288,294</u>	<u>6,128</u>	<u>-</u>	<u>-</u>	<u>294,422</u>
Urban-Barry (b)					
Mining rights	-	-	-	-	-
Exploration expenses	-	501,560	-	-	501,560
	<u>-</u>	<u>501,560</u>	<u>-</u>	<u>-</u>	<u>501,560</u>
Other Quebec properties (c)					
Mining rights	4,761	9,037	(2,520)	-	11,278
Exploration expenses	258,342	158,074	(38,180)	-	378,236
	<u>263,103</u>	<u>167,111</u>	<u>(40,700)</u>	<u>-</u>	<u>389,514</u>
New Brunswick					
Moose Brook (d)					
Mining rights	-	-	-	-	-
Exploration expenses	27,223	3,147	-	(30,370)	-
	<u>27,223</u>	<u>3,147</u>	<u>-</u>	<u>(30,370)</u>	<u>-</u>
Gilmour South (e)					
Mining rights	-	-	-	-	-
Exploration expenses	1,682,742	2,086,131	-	-	3,768,873
	<u>1,682,742</u>	<u>2,086,131</u>	<u>-</u>	<u>-</u>	<u>3,768,873</u>
Key Anacon (f)					
Mining rights	1,500,000	8,990	-	-	1,508,990
Exploration expenses	36,711	3,261,396	-	-	3,298,107
	<u>1,536,711</u>	<u>3,270,386</u>	<u>-</u>	<u>-</u>	<u>4,807,097</u>
Canadian Continental (g)					
Mining rights	909,040	45,000	-	-	954,040
Exploration expenses	-	140	-	-	140
	<u>909,040</u>	<u>45,140</u>	<u>-</u>	<u>-</u>	<u>954,180</u>
Mount Fronsac (h)					
Mining rights	142,500	68,764	-	-	211,264
Exploration expenses	413,082	1,174,540	-	-	1,587,622
	<u>555,582</u>	<u>1,243,304</u>	<u>-</u>	<u>-</u>	<u>1,798,886</u>
Other New Brunswick Properties (i)					
Mining rights	54,476	58,818	-	-	113,294
Exploration expenses	227,277	341,053	-	-	568,330
	<u>281,753</u>	<u>399,871</u>	<u>-</u>	<u>-</u>	<u>681,624</u>
Northwest Territories					
Pine Point (j)					
Royalty Option Agreement (j)	-	193,580	-	-	193,580
Mining rights	-	33,164,680	-	-	33,164,680
Exploration expenses	-	12,610,031	-	-	12,610,031
	<u>-</u>	<u>45,968,291</u>	<u>-</u>	<u>-</u>	<u>45,968,291</u>
Summary					
Royalty Option Agreement (j)	-	193,580	-	-	193,580
Mining rights	2,620,793	33,355,814	(2,520)	-	35,974,087
Exploration expenses	2,923,655	20,141,675	(38,180)	(30,370)	22,996,780
	<u>5,544,448</u>	<u>53,691,069</u>	<u>(40,700)</u>	<u>(30,370)</u>	<u>59,164,447</u>

Osisko Metals Incorporated

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month and nine-month periods ended September 30, 2018 and 2017

(Unaudited, expressed in Canadian Dollars)

7. Exploration and evaluation assets *(continued)*

- (a) Silica South, Quebec: This property is composed of 72 claims covering an area of 4,360 hectares.
- (b) Urban-Barry, Quebec: On March 26, 2018 (the "Effective Date"), the Company concluded an option agreement (the "Agreement") with Osisko Mining Inc. ("OSK") to earn a 50% interest in the Urban-Barry Base Metals Project (the "Project"), a select package of 151 claims located within OSK's Urban-Barry claim group. Pursuant to the Agreement, the Company may earn a 50% interest in the Project by funding an aggregate of \$5,000,000 in exploration expenditures over four years, in accordance with the following schedule:

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

OSK shall retain a 100% interest over any fortuitous precious metals (gold-silver) discoveries on the claims covered by the Agreement and will be the Project's operator during the earn-in period.

As at September 30, 2018, the Company has completed the first payment of \$500,000.

- (c) Other properties in Quebec: The other properties are composed of 917 claims covering an area of 49,167 hectares within the province of Quebec. Most of these properties are subject to a royalty with Osisko Gold Royalties Ltd ("OGR"), a related party (see Note 12), which is described in note (k).

In accordance with a purchase and sales agreement dated August 1, 2018, the Company sold its Silica East property to Canadian Metals Inc. ("CME") in exchange for 1,000,000 common shares of CME. The Company recognized a gain on this sale of this property of \$49,300 in the consolidated statement of loss during the three-month period ended September 30, 2018.

- (d) Moose Brook, New-Brunswick: In accordance with an option agreement signed on May 1, 2017 (the "Moose Brook Agreement"), the Company had the option to acquire a 100% interest in this property. On April 27, 2018, the Company terminated the Moose Brook Agreement and has written-off \$30,370 of exploration expenses on this date.
- (e) Gilmour South, New-Brunswick: This project is composed of 472 claim units covering an area of 10,322 hectares, is located 20km south-southeast of the Brunswick No. 12 mine and is subject to the OGR royalty (k).

In accordance with an option agreement signed on March 7, 2017, the Company may acquire a 100% interest in Gilmour South (in addition to the Flat Landing Brook and Louvicourt projects) in exchange for:

- Cash payments totaling \$216,000 over a period of 5 years following the signing of this agreement. \$21,000 was paid in 2017 and \$30,000 was paid during the nine-month period ended September 30, 2018; and
- Issuance of 190,000 common shares of the Company over a period of 5 years following the signing of this agreement. 25,000 common shares were issued in 2017 and 25,000 common shares were issued during the nine-month period ended September 30, 2018.

- (f) Key Anacon, New-Brunswick: This project is composed of 51 claim units covering an area of 1,114 hectares and is partially subject to the OGR royalty (k).

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 and \$500,000 to be issued on the 2nd anniversary of the closing of this transaction.

- (g) Canadian Continental, New-Brunswick: This project is composed of 1,163 claim units covering an area of 25,400 hectares.

In addition to existing claims owned by the Company, in accordance with a purchase and sale agreement signed on December 27, 2017, the Company acquired additional claims in this project in exchange for:

- Cash payment of \$100,000, paid on March 9, 2018; and
- Issuance of 1,000,000 common shares of the Company, issued on February 28, 2018.

Osisko Metals Incorporated

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month and nine-month periods ended September 30, 2018 and 2017

(Unaudited, expressed in Canadian Dollars)

7. Exploration and evaluation assets (*continued*)

- (h) Mount Fronsac, New-Brunswick: This project is composed of 515 claim units covering an area of 11,255 hectares and is subject to the OGR royalty (k).

In addition to existing claims owned by the Company, the acquisition in this project is composed of the following two transactions:

- i. In accordance with a purchase and sale agreement signed on November 24, 2017, the Company acquired a 100% interest in 39 claim units of this project in exchange for 150,000 common shares of the Company, which were issued on February 28, 2018.
 - ii. In accordance with an option agreement signed on June 28, 2017, the Company may acquire a 100% interest in 32 additional claim units of this project in exchange for:
 - Cash payments totaling \$300,000 over a period of 4 years following the signing of this agreement. \$30,000 was paid in 2017 and \$45,000 was paid during the nine-month period ended September 30, 2018; and
 - Issuance of 200,000 common shares of the Company over a period of 4 years following the signing of this agreement. 33,334 common shares were issued in 2017 and 33,334 common shares were issued during the nine-month period ended September 30, 2018.
- (i) Other properties in the Bathurst Mining Camp ("BMC"): The other properties are composed of 683 claims covering an area of 14,925 hectares encompassing the Brunswick Belt and surrounding properties owned by the Company. These properties are subject to the OGR royalty (k).

Other agreements concluded in 2017 on these other properties in the BMC:

- i. In accordance with a purchase and sale agreement signed on September 11, 2017, the Company acquired a 100% interest in the property Coulee (Slam) in exchange of a \$100,000 cash payment.
- ii. In accordance with the purchase and sale agreement signed on December 29, 2017, the Company acquired a 100% interest in the property Camel Back in exchange for 62,500 common shares of the Company, which were issued on February 28, 2018.

On August 1, 2018 (the "Effective Date"), the Company concluded an option agreement with CME. Pursuant to this option agreement, CME may earn a 50% interest in the Company's Tetagouche, Six Mile Brook and Middle River properties in the BMC by funding an aggregate of \$250,000 in exploration expenditures over a one year period as outlined below:

- i. \$250,000, in diamond drilling on established targets on or before the 1st year anniversary of the Effective Date; and
- ii. After the earn-in period CME and Osisko Metals shall have a respective 50% ownership of this project.

Osisko Metals will be the project operator during the earn-in period.

- (j) On February 21, 2018, the Company acquired all of the issued and outstanding common shares of Pine Point. A newly-formed corporation, Generation Mining Limited ("Spinco") was created to hold all of the assets and liabilities of Pine Point with the exception of the Pine Point property located near Hay River in the Northwest Territories (the "Pine Point Property"). The Pine Point Property is a former producing property, consisting of 13 claims and 44 mining leases over an area of approximately 22,000 hectares.

The Company has an option agreement to purchase a 50% interest in a 3% net smelter return held on the Pine Point Property. An initial payment of US\$75,000 was made upon signing of this agreement by Pine Point on July 26, 2017. Additional payments of US\$75,000 will be made on each anniversary of this agreement until commercial production is achieved, at which point the Company can exercise this option by paying US\$3,000,000, less the prepaid amounts.

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(Unaudited, expressed in Canadian Dollars)

7. Exploration and evaluation assets (continued)

- (k) The acquisition described in note (f) is a firm agreement and as at September 30, 2018, the balance payable of \$500,000 is recorded as a non-current liability.

On October 12, 2017, the Company concluded an agreement with OGR whereby OGR acquired a 1% net smelter return royalty on nearly all of the Company's portfolio of projects within both the BMC and Quebec, as at this date, for a cash consideration of \$5,000,000. The acquired royalty will also apply to areas that the Company may acquire in the future that fall within a one-kilometer distance from their current property holdings. OGR may also acquire existing royalty buy-back agreements on current projects and will hold rights of first refusal on any future royalty or metal stream sale from existing or newly acquired properties by the Company.

The proceeds were recorded as a reduction to the mining properties and exploration expenses up to the capitalized amounts at October 12, 2017, and the balance of \$2,461,986 was recorded as a gain on the sale of royalty in the statement of loss and comprehensive loss during the year ended December 31, 2017.

8. Deferred premium on flow-through shares

	<u>September 30, 2018</u>	<u>December 31, 2017</u>
	\$	\$
Balance – beginning of period	2,106,353	60,212
Deferred premium on flow-through shares issued (Note 9)	3,271,300	2,106,353
Recognition of deferred premium on flow-through shares	<u>(2,106,353)</u>	<u>(60,212)</u>
Balance – end of period	<u>3,271,300</u>	<u>2,106,353</u>

9. Share capital

Pine Point

- (a) On February 21, 2018, the Company announced that the purchase of Pine Point received final approval from the Ontario Superior Court of Justice for the proposed arrangement pursuant to which:
- (i) the Company acquired all of the issued and outstanding common shares of Pine Point; and
 - (ii) Spinco was been created to hold all of the assets and liabilities of Pine Point, with the exception of the Pine Point Property, all of which was completed by way of a statutory plan of arrangement. The Company holds no interest in Spinco.
- (b) Under the terms of the arrangement, each former shareholder of Pine Point was entitled to receive, in exchange for each share of Pine Point held immediately prior to the effective time of the arrangement: (i) 0.2710 of a common share of the Company ("Common Share"); (ii) 0.0677 of a common share purchase warrant of the Company, with each whole warrant entitling the holder thereof to acquire one Common Share at an exercise price of \$1.50 per share for a period of 12 months from the date of the arrangement; and (iii) one common share of Spinco, which shares were consolidated on a 10:1 basis under this arrangement. The Company issued 43,278,524 common shares, 10,811,885 warrants and 5,185,443 replacement warrants.

Flow-through shares issued during the nine-month period ended September 30, 2018:

On September 12, 2018, the Company closed a private placement of 10,870,000 common flow-through shares at a price of \$0.92 per share for aggregate gross proceeds of \$10,000,400 (the "2018 Offering"). In connection with the 2018 Offering, the Company paid the underwriters a cash commission equal to 5% of the gross proceeds of the 2018 Offering and share issue costs totaled \$591,649. The fair value of the 10,870,000 common shares was estimated to be \$6,522,000. An amount of \$3,478,400 (net of share issue costs of \$207,100) was allocated to the deferred premium on flow-through shares (Note 7).

Flow-through shares issued during the year ended December 31, 2017:

On September 20, 2017, the Company closed a private placement of 4,211,000 common flow-through shares at a price of \$1.90 per share for aggregate gross proceeds of \$8,000,900 (the "2017 Offering"). In connection with the 2017 Offering, the Company paid the underwriters a cash commission equal to 5% of the gross proceeds of the offering on eligible issuances totaling \$359,047. The fair value of the 4,211,000 common shares was estimated at \$5,769,070. An amount of \$2,231,830 (net of share issue costs of \$125,477) was allocated to the deferred premium on flow-through shares (Note 7).

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9. Share capital (continued)

On July 18, 2017, the Company closed a private placement of 3,883,333 common flow-through shares at a price of \$0.90 per share for aggregate gross proceeds of \$3,495,000 (the "July 2017 Offering"). In connection with the July 2017 Offering, the Company paid the underwriters a cash commission equal to 5% of the gross proceeds of the offering on eligible issuances totaling \$174,750. No amount was allocated to the deferred premium on flow-through shares.

10. 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, 2017	2,132,778	0.51
Issued	15,781,250	1.00
Exercised	(1,113,729)	0.60
Expired	(20,834)	0.60
Balance – December 31, 2017	16,779,465	0.97
Issued	15,997,328	1.37
Exercised	(105,965)	0.60
Expired	(892,263)	0.60
Balance – September 30, 2018	<u>31,778,565</u>	<u>1.19</u>

11. 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, 2017	1,400,000	0.48
Granted	3,650,000	1.70
Expired	(200,000)	1.50
Balance – December 31, 2017	4,850,000	1.36
Exercised	(33,333)	0.30
Cancelled	(50,000)	1.70
Balance – September 30, 2018	<u>4,766,667</u>	<u>1.36</u>
Options exercisable – September 30, 2018	<u>3,570,099</u>	<u>1.24</u>

Share-based compensation for the three-month period ended September 30, 2018 amounted to \$455,621 (\$659,120 for the three-month period ended September 30, 2017) of which \$62,415 (\$ nil for the three-month period ended September 30, 2017) were capitalized to exploration and evaluation assets.

Share-based compensation for the nine-month period ended September 30, 2018 amounted to \$1,920,713 (\$727,292 for the nine-month period ended September 30, 2017) of which \$263,113 (\$ nil for the nine-month period ended September 30, 2017) were capitalized to exploration and evaluation assets.

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12. Net loss per share

The calculation of basic and diluted loss per share for the three-month and nine-month periods ended September 30, 2018, was based on the net loss attributable to shareholders of \$273,106 and \$2,142,779, respectively (net loss attributable to shareholders of \$1,759,472 and \$2,200,191 for the three-month and nine-month periods ended September 30, 2017, respectively) and the weighted average number of common shares outstanding for the three-month and nine-month periods ended September 30, 2018, of 117,540,582 and 107,224,493, respectively (58,591,016 and 39,250,382 common shares for the three-month and nine-month periods ended September 30, 2017, respectively). As a result of the net loss for the three-month and nine-month periods ended September 30, 2018 and 2017, all potentially dilutive common shares (Notes 10 and 11) are deemed to be antidilutive and thus diluted net loss per share is equal to the basic net loss per share for these periods.

13. Key management and related party transactions

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

Key management includes directors (executive and non-executive) and officers of the Company. The compensation paid or payable to key management for employee services is presented below for the three-month and nine-month periods ended September 30, 2018 and 2017:

	Three-months ended September 30,		Nine-months ended September 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Salaries and short-term employee benefits ⁽¹⁾	235,750	110,995	728,550	236,361
Share-based compensation	393,206	496,674	1,657,601	564,846
	<u>628,956</u>	<u>607,669</u>	<u>2,386,151</u>	<u>801,207</u>

⁽¹⁾ Including consulting and management fees.

Other related transactions

During the three-month and nine-month periods ended September 30, 2018 and 2017, the Company undertook transactions with certain officers and directors, certain companies controlled by officers and other related companies. OGR is a related party because it has a significant influence on the Company due to the number of shares held and common officers and directors.

During the three-month period ended September 30, 2018, an amount of \$141,000 (\$ nil for the three-month period ended September 30, 2017) was invoiced by OGR for professional services and rental of offices. During the nine-month period ended September 30, 2018, an amount of \$282,000 (\$ nil for the nine-month period ended September 30, 2017) was invoiced by OGR for professional services and rental of offices. An amount of \$86,140 is included in accounts payable and accrued liabilities as at September 30, 2018 (\$14,183 as at December 31, 2017).

14. 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, 2018 and December 31, 2017 are classified in level 1.

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15. Supplemental disclosure – Statements of cash flows

	Three-months ended		Nine-months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
<u>Changes in non-cash working capital items:</u>				
Receivables	(891,870)	(41,986)	(1,322,605)	(162,818)
Prepaid expenses and other assets	(412,262)	(51,003)	(866,595)	(49,312)
Trade and other payables	5,086,101	(221,524)	5,497,004	412,854
Total	3,781,969	(314,514)	3,307,804	200,724
Unrealized (loss) gain on available-for-sale investments	(41,432)	(31,936)	(41,667)	5,939

16. Commitment and contingencies

(a) 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 July 18, 2017, the Company received \$3,495,000 following the issuance of flow-through shares for which the Company renounced tax deductions as at December 31, 2017. As at September 30, 2018, \$200,000 of this balance remains to be spent.

On September 20, 2017, the Company received \$8,000,900 following the issuance of flow-through shares for which the Company renounced tax deductions as at December 31, 2017. The commitment related to this issuance was complete as at September 30, 2018.

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

(b) During the year ended December 31, 2017, the Company identified certain adjustments associated with indemnities payable to subscribers with respect to the issuance of flow-through shares in 2011, 2012 and 2013, following a reassessment in 2016 by the Canada Revenue Agency. These adjustments were recorded in 2017 and resulted in a provision for indemnities payable in relation to the issuance of flow-through shares for \$580,000, which is recorded in trade and other payables as at September 30, 2018 and December 31, 2017.

17. Subsequent event

On November 6, 2018, the Company closed a bough deal private placement of 9,946,369 common flow-through shares at a price of \$0.75 per share for aggregate gross proceeds of \$7,459,777 (the "November 2018 Offering"). In connection with the November 2018 Offering, the Company paid the underwriters a cash commission equal to 5% of the gross proceeds of this offering on eligible issuances.