



# Management's Discussion and Analysis

## Third quarter Ended September 30, 2011

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*The following management discussion and analysis ("MD&A") of the consolidated operations and financial position of Osisko Mining Corporation ("Osisko" or the "Company") for the three and nine months ended September 30, 2011, should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2011, the Company's unaudited condensed interim consolidated financial statements for the three months ended March 31, 2011 and the Company's audited consolidated financial statements for the year ended December 31, 2010. The consolidated financial statements for the three and nine months ended September 30, 2011 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including comparative figures. The consolidated financial statements for the year ended December 31, 2010 have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The notes 6 to the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2011, for the three and six months ended June 30, 2011 and for the three and nine months ended September 30, 2011 present the IFRS adjustments made to equity and comprehensive income following the transition to IFRS. Management is responsible for the preparation of the unaudited condensed interim consolidated financial statements and other financial information relating to the Company included in this report. The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting. In furtherance of the foregoing, the Board has appointed an Audit Committee composed of three directors, who are independent and not members of management. The Committee meets with management and the auditors in order to discuss results of operations and the financial condition of the Company prior to making recommendations and submitting the financial statements to the Board of Directors for its consideration and approval for issuance to shareholders. The information included in this MD&A is as of November 11, 2011, the date where the Board of Directors has approved the Company's unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2011 following the recommendation of the Audit Committee. All monetary amounts included in this report are expressed in Canadian dollars, the Company's reporting currency, unless otherwise noted.*

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## **About Osisko**

Osisko, incorporated under the Canada Business Corporations Act, is focused on acquiring, exploring, developing and mining gold properties, with the aim of becoming a leading mid-tier gold producer.

The Company's activities are currently focused in Northern Québec, Canada, on the production ramp up to full capacity at its flagship Canadian Malartic mine, which currently has an estimated 10.71 million ounces in proven and probable reserves. The Company holds 88 km<sup>2</sup> of prospective land in the prolific gold area located within the Malartic area. Québec is recognized as one of the most advantageous places in the world to conduct mineral activity based on government's support for the industry, political stability, electrical power infrastructure and availability of skilled workforce. The Canadian Malartic mine is easily accessible by road, being located near a major highway, and is also serviced by a railway. The greater Malartic area produced some 8.7 million ounces of gold during the period from 1935 to 1983.

Osisko acquired in 2010 the Hammond Reef Gold Project, located near Atikokan in Northwestern Ontario, through the acquisition of Brett Resources Inc. ("Brett"), which was renamed to Osisko Hammond Reef Gold Ltd. It is pursuing the development of this advanced exploration project with a 500,000 metres drill program and the initiation of various environmental baseline studies.

## **Third quarter Highlights**

- Gold production of 73,814 ounces;
- \$122.9 million in sales;
- Earnings from mine operations of \$38.3 million;
- Positive operating cash flow of \$49.5 million;
- Earnings of \$9.3 million;
- Some 86,141 meters drilled to increase reserve/resource base;
- Increase in Caterpillar lease financing facility of US\$56.3 million;
- \$16.0 million flow through financing;
- Acquisition of royalty interest on Canadian Malartic.
- Commencement of construction of the \$32 million pre-crush circuit (currently 30% complete)
- Deposit of \$22.1 million in October with the government of Québec to cover 50% of the future rehabilitation costs of the Canadian Malartic mine.

### Canadian Malartic Mine

The Company declared that its flagship asset, the Canadian Malartic mine, had commenced commercial production effective May 19, 2011. The commercial production is determined following a 30-day continuous period in which the mill throughput has processed on average above the 60% of design capacity of 55,000 tonnes per day. Effective on that date, the Company is accounting revenues and expenses from its mining activities through its statement of income.

The achievement of commercial production culminates from tremendous efforts of key individuals and the project was executed very expeditiously, six years from the initiation of the drilling program in March 2005. Key project milestones to date are:

- Purchase of Canadian Malartic: October 2004
- First Drill Hole: March 2005
- Initial Resource Calculation: December 2006
- Environmental Impact Assessment: September 2008
- Feasibility Study: November 2008
- Public Hearings: March-July 2009
- Government Decree: August 2009
- Construction Release: August 2009
- Completion of Construction: March 2011
- First Gold Pour: April 2011
- Commercial Production: May 2011

The construction of the mill was completed in the first quarter 2011 and the processing plant was transferred from the construction team to the operations team on March 18, 2011. Ore was introduced to the mill in late March 2011 following a water and waste rock testing period. The first gold pour occurred on April 13, 2011.

The Canadian Malartic mine contributed a profit of \$39.9 million since the beginning of commercial production on May 19, 2011. Prior to that, the net commissioning profit of \$2.7 million was capitalized against development costs. The mine results for the quarter and the nine months ended September 30, 2011 were as follows:

	Three months ended September 30, 2011		Nine months ended September 30, 2011	
	(\$000)	\$ Per Gold Ounce Sold	(\$000)	\$ Per Gold Ounce Sold <sup>(1)</sup>
Revenues <sup>(2)</sup>	122,879	1,704	135,308	1,683
Mine operating costs				
Production costs	(74,647)	(1,035)	(84,045)	(1,045)
Royalties	(1,192)	(17)	(1,351)	(17)
Depreciation and depletion	(8,748)	(121)	(9,986)	(124)
<b>Earnings from mine operations</b>	<b>38,292</b>	<b>531</b>	<b>39,926</b>	<b>497</b>

(1) Since commercial production.

(2) Including silver revenues.

Although the commercial production period has been reached during the second quarter of 2011, the milling plant continues to be in a ramp up period, and is subject to shutdowns to allow for the equipment verification, modifications and repairs. The frequent stops and starts impact the efficiency of operations, the gold production and increase operating costs. This phase is normal in all plant commissioning and the monthly financial performance is continuing to improve reflecting the modifications made during the ramp up period.

Operating statistics since introducing ore at the mill are as follows:

	<b>Total Available Hours</b>	<b>Operating Hours</b>	<b>(%)</b>	<b>Tonnage Produced (t)</b>	<b>t/hr</b>	<b>Tonnes per Operating Day</b>
Q2 2011	2,184	1,793	82	2,481,196	1,384	29,894
Q3 2011	2,208	1,890	86	3,086,324	1,633	36,742

- (1) In Q3, the mill was shut down for an eight-day period for SAG mill liner change and maintenance and in Q2 for an eight-day period for ramp-up testing and adjustments.

The ramp up period has demonstrated that the rock hardness is as anticipated and the crusher and ball mills are performing better than their design criteria. The ramp up has also shown that the ore's SAG impact breakage index has demonstrated lower SAG grindability at areas currently being actively mined. The previously announced construction of a pre-crushing plant is expected to resolve this operating condition and operating costs are anticipated to be significantly reduced as throughput increases by approximately 50% to reach the design capacity of 55,000 tonnes per day. The Company is in the process of obtaining the operating permit for the pre-crushing plant. To date, \$11.1 million has been spent on the total direct project cost of \$32.0 million. Portable crushing units have been installed to increase the crushing capacity in the meantime.

Production statistics for 2011 are as follows:

	<b>Q2-2011</b>			<b>Q3-2011</b>	<b>YTD-2011</b>
	<b>Ramp up (48 days)</b>	<b>Commercial production (43 days)</b>	<b>Total</b>	<b>Total Commercial production</b>	<b>Total Commercial production</b>
Tonnes milled (t)	1,010,413	1,470,783	2,481,196	3,086,324	4,557,107
Grade (g/t Au)	0.69	0.65	0.67	0.85	0.79
Recovery Au (%)	87.4	88.0	87.8	87.0	87.3
Gold ounces produced (oz)	19,505	27,100	46,605	73,814	100,914
Gold ounces sold (oz)	19,500	8,300	27,800	72,100	80,400
Grade (g/t Ag)	0.65	0.58	0.66	0.73	0.68
Recovery Ag (%)	62.6	60.3	61.4	56.7	57.7
Silver ounces produced (oz)	13,246	16,432	29,678	40,751	57,183
Silver ounces sold (oz)	4,500	-	4,500	49,800	49,800

The mill recoveries are averaging approximately 87.3%, slightly higher than anticipated due to better grind and additional retention time from operating at lower than design capacity.

## Mining

The mining activities continued to progress during the period, but continued to be affected by the noise levels of the mining operations and availability of loading units. The noise mitigation program was completed in the early spring of this year and the Company continues to monitor its compliance in connection therewith. Overall availability of all trucks and loading units are above 85 percent and drills are at 80 percent and operational efficiencies are improving steadily. Abrasion and wear on truck tires appears to be significantly less than projected in the feasibility study (5,900 hours current versus 3,500 hours budgeted in the feasibility study).

A number of residents located near the green wall have expressed their interest to sell their home or be relocated. The Company has agreed to accommodate the individuals and acquired 41 houses and rental units. It also initiated the construction of 8 apartment blocks for 64 rental units in Malartic. In July, following the acquisition of the residential units located near the green wall, a new zoning by-law was adopted by the municipal authorities for this area, which allowed for the use of noise thresholds increased by approximately 10% in the monitoring of our operations. The acquisition of the units increases the buffer zone. As part of its undertakings, the Company will transform the area into a recreational park.

The mine production is as follows:

	Ore (t)	Waste (t)	Overburden (t)	Total (t)
Q1	845,597	3,214,679	1,436,266	5,496,542
Q2	1,696,366	4,473,830	856,024	7,026,220
Q3	3,004,468	7,899,020	1,029,192	11,932,680
<b>Year to date</b>	<b>5,546,431</b>	<b>15,587,529</b>	<b>3,321,482</b>	<b>24,455,442</b>

The mining activity has been significantly changed from the original feasibility study due to the inability to gain access to certain mining areas, following the delays in completing our original relocation program, constructing the green wall and the sourcing area of materials for its construction.

As a result, lower grade material was being processed. This is a scheduling issue and the Company plans to access higher grade material for the remaining portion of 2011 and 2012 as pre-strip operations open up new areas to pit development. Open pit operations mined on average 130,000 tonnes per day during the third quarter (stripping, ore and waste). Further test work is under way regarding crushing and grinding optimisation and Osisko has completed engineering work of the pre-crush circuit, which will be the key for the ramp up from 55,000 to 60,000 tonnes per day. The Company is working steadily towards achieving design capacity of the mill upon completion of the pre-crush circuit.

Grade reconciliation to the resource block model, which was established following an extensive and vigorous drilling program, is currently plus 3 percent.

## Royalties

The Company has purchased back a 1% royalty interest from Géoconseils Jack Stoch Limitée in consideration for the issuance of 460,000 common shares of Osisko. This royalty was encumbering a portion of the Canadian Malartic and Barnat deposits and is part of a 2.5% Gross Metal Royalty interest that was granted as a result of the acquisition of certain claims of the Canadian Malartic property in March 2006. Following this purchase, only 60% of the recoverable gold ounces at the Canadian Malartic mine will be subject to a 1.5% Net Smelter or Gross Metal Royalty, based on the most recently published reserve estimates.

## **Operating Costs**

The operating costs for the third quarter amounted to \$1,115 per ounce and the cash cost stood at \$918 per ounce compared to \$1,285 per ounce total cost and \$1,094 per ounce cash cost in the second quarter of 2011. While cash costs have decreased \$176 per ounce from the previous quarter, the presently high production costs are attributable to normal inefficiencies experienced in the ramp up of a new mine as well as the current lower than design throughput.

As part of the ramp up period, frequent stoppages are required to verify, modify and repair equipment and process. The processing of lower than average reserve grade ore has also resulted in a higher unit cost. The Company has also been affected by inflationary cost pressures within the industry, mainly for fuel, steel and reagents as well as the strength of the Canadian dollar.

The operating costs are expected to improve significantly over the next quarters as the mine processes higher grade ore, improves throughput rate and mill availability, and through on-going efforts to optimize operations.

## **Outlook**

As a result of ongoing modifications in the crushing and milling circuit implemented in the ramp up to date, the Company has adjusted its forecast gold production for the partial start-up year 2011 to between 190,000 and 200,000 ounces. With scheduled adjustment of the circuit, production for the fourth quarter 2011 is anticipated to achieve between 70,000 - 80,000 ounces of gold at estimated cash costs of between \$875 and \$925 per ounce. Continuing improvement in output and cost reduction is expected in 2012 with the commissioning of the pre-crush circuit, with anticipated gold production of between 610,000 - 670,000 ounces at estimated cash costs of \$510 - \$575 per ounce.

## **Update on Gold Markets and the Canadian Dollar**

Gold prices continued to set new highs in the third quarter of 2011 reaching a record high of US\$1,895 per ounce to remain in its 11<sup>th</sup> year of a bull market. Gold prices averaged US\$1,702, a 9.6% increase compared to the average of the second quarter. The market registered extreme volatility and fluctuated in a US\$400 trading range.

Among the key factors that influenced the price during the period were the ongoing Greek sovereign debt crisis, the downgrade of the US debt by Standard and Poors, the decision by Switzerland to devalue the Swiss Franc and further downgrades of European debt. The fundamentals were also supportive with a stable mine output, increased demand in India and China, net central banks purchases and growing investors interest.

The Canadian dollar continued to follow oil prices and other commodities and fluctuated erratically in the quarter between 0.9449 and 1.0389 with an average of 0.9807. The outlook for the Canadian economy has weakened this summer and should remain modest through the middle of next year and the Canadian interest rates should be on hold for the foreseeable future.

## **Reserves and Resources – Canadian Malartic**

The Company has continued to pursue reserve and resource base growth through intensive drilling campaigns. Ongoing drilling has previously identified the South Barnat deposit and other additional deposits. On March 31, 2011, Osisko issued an updated ore reserve estimate of 10.71 million ounces at the Canadian

Malartic mine. The new reserve base is calculated at US\$1,000 per ounce of gold, which is approximately 65% lower than the current market price. The growth in reserves since the issuance of the feasibility is approximately 70% (of which 13% is related to the increase in the gold price used and 57% relates to the increase in resources) and mine life has been extended to 16 years.

Ongoing drilling continued to define new mineralization in areas such as the Jeffrey and Western Porphyry Zones, which have not been included in the latest reserve update.

The table below shows the new reserve and resource statement for the Canadian Malartic mine:

**Reserve and resource estimates using base case US\$1000 engineered pit shell  
with 0.30 g/t Au (South Barnat) to 0.32 g/t Au (Canadian Malartic mine) lower cut-off grade**

Category	Tonnes (M)	Grade (g/t Au)	Au (M oz)
Proven Reserves	48.7	0.80	1.26
Probable Reserves	295.0	1.00	9.45
<b>Proven &amp; Probable Reserves</b>	<b>343.7</b>	<b>0.97</b>	<b>10.71</b>
Out-of-pit Indicated Resources	47.6	0.77	1.18
Global Inferred Resources	33.9	0.78	0.85

A revised mine plan was published in April 2011, which includes the following key highlights:

- Recoverable gold has increased by 1.46 million ounces to 9.18 million ounces (at 85.8% recovery) from the previous disclosed figure of 7.72 million ounces (at 86.1% recovery);
- Mine life has increased 31% or 3.8 years to 16.0 years, based on a 55,000 tonnes per day milling rate that will increase to 60,000 tonnes per day in mid-2012;
- Average of 625,000 ounces per year gold production during the first full five years (2012-2016);
- Average of 574,000 ounces per year gold production during the 16-year mine life.

The expansion of the pit will require the relocation of a highway. The Company has been in discussions with representatives of the Town of Malartic and the Québec Government to confirm the routing and the design of the highway.

The Company's technical group continues to conduct optimization and expansion studies to increase the throughput of the Canadian Malartic mine processing plant. The studies aim to maximize shareholder returns by increasing gold output and reducing cash operating costs.

The Canadian Malartic mine remains one of the largest gold deposits in the world, and provides Osisko with a strong foundation to build a premier intermediate gold producing company.

## Overview of Development and Exploration

### Hammond Reef Gold Project

Hammond Reef is a large and growing development project with potential to become a substantial open-pit mine.

A Preliminary Assessment Study (the "Study") was completed in November 2009, based on previously issued inferred resources of 6.70 million ounces of gold (259.4 million tonnes at a grade of 0.8 grams per tonne, using 0.3 grams per tonne cut-off), outlining an initial 14 year mine life operating at 50,000 tonnes per day. Over the first six years, on average, Hammond Reef is expected to produce 463,000 ounces of gold per year at cash costs of US\$382 per ounce (including royalties, net of silver credits). Over the life of the mine,

Hammond Reef is expected to produce a total of 5.13 million ounces of gold at an average rate of 369,000 ounces per year and average cash costs of US\$442 per ounce (including royalties, net of silver credits). Using a gold price of US\$990 per ounce the Study shows that Hammond Reef has an after-tax net present value of US\$811 million (using a 5% discount rate) and an internal rate of return of 22.9%.

A new resource estimate for Hammond Reef was released on November 7, 2011. New drilling by Osisko and Brett Resources from January 2010 to July 2011 (approximately 300,000 meters) has significantly increased the size of the deposit. Additional drilling subsequent to July 2011 is anticipated to allow for the upgrade of the entire in-pit deposit to measured and indicated category by the end of the first quarter of 2012.

The followings are the key points of this new resource estimate:

- Global Inferred resource of 10.52 million ounces of gold (based on 0.30 g/t Au lower cut-off), an increase of 65% or 4.16 million new ounces from the total resources previously released by Brett Resources in 2009.
- In-pit inferred resource of 6.86 million ounces at a diluted grade of 0.63 grams per tonne gold, based on a Whittle-optimized pit shell using a gold price of US\$1,200 per ounce, a corresponding lower cut-off grade of 0.28 grams per tonne gold and a waste/ore strip ratio of 1.25. This represents an increase of 25% or 1.36 million ounces gold above the previous in-pit resource estimate released by Brett resources in 2009.
- At US\$1,800 per ounce of gold: the in-pit inferred resource increases to 10.8 million ounces at an average grade of 0.50 grams per tonne gold.
- At a conservative gold price of US\$1,000, the in-pit inferred resource is 5.32 million ounces at a diluted grade 0.71 grams per tonne gold, with a low waste/ore strip ratio of 0.96, which is better than the industry average.

The Company was notified on April 28, 2011 by the Canadian Environmental Assessment Agency of the beginning of a 90-day pre-environmental assessment planning period to determine if a comprehensive study should be commenced. This represents a key milestone in the project permitting process.

#### Famatina Gold Project

During the third quarter of 2011, Osisko entered into a binding agreement with Energía y Minerales Sociedad Del Estado, the La Rioja state mining corporation in Argentina, regarding the development of the Famatina gold project.

#### Courville Gold Project

Osisko signed an option and joint venture agreement with Pershimco Resources Inc. Under the terms of the agreement, Osisko can earn a 51% interest in the joint venture by investing \$20.0 million in exploration over a 5-year period. Osisko is also granted a second option to earn an additional 19% interest, on or before the seventh anniversary of the agreement, either by spending an additional \$19.0 million in exploration expenditures or by funding a feasibility study. The Company will act as operator during the earn-in period and thereafter as long as the Company exercises and completes the additional option.

#### Orex Agreement

During the third quarter of 2011, Osisko decided to terminate its partnership with Orex Exploration on the Goldboro gold property. As a result, the Company wrote-off its investments of \$3.3 million.

Osisko also abandoned three other grassroots projects and wrote-off an additional \$1.6 million during the third quarter.

Exploration Summary

The Company continues to pursue the discovery of additional ounces to add to its current reserve and resource base, thereby creating value for its shareholders.

Drilling during the third quarter of 2011 has been concentrated on the delineation of the Hammond Reef deposit and the search for new deposits adjacent to identified deposits and extensions to the Canadian Malartic mine reserves and resources.

Drilling at the Jeffrey Zone (Malartic CHL) was completed during the first quarter of 2011 and a resource estimate on this deposit was calculated and will be disclosed before the end of the fourth quarter of 2011.

During the current quarter, approximately 86,141 metres were drilled and are summarized as follows:

	Third quarter 2011		Total 2011	
	No. Holes	Metres	No. Holes	Metres
Canadian Malartic	1	129	10	2,284
South Barnat	7	1,327	30	6,072
Malartic Condemnation	7	1,989	15	3,585
Malartic Geotechnical	4	1,223	41	6,915
Malartic CHL	-	-	10	1,762
Gouldie	-	-	25	2,961
Western Porphyry	3	1,074	79	20,118
<b>Total Malartic</b>	<b>22</b>	<b>5,742</b>	<b>210</b>	<b>43,697</b>
Goldboro	-	-	10	2,375
Hammond Reef	255	74,934	659	197,364
Hammond Reef Condemnation	41	5,465	44	5,915
<b>Total Osisko</b>	<b>318</b>	<b>86,141</b>	<b>923</b>	<b>249,351</b>

The following table outlines the total exploration and evaluation expenditures made during the quarter, by property (excluding properties written-off), as well as the cumulative investments in each property as at September 30, 2011:

(in thousands of dollars)	Investments in the third quarter of 2011	Cumulative investments as at Sept. 30, 2011
Canadian Malartic (including Barnat) <sup>(1)</sup>	2,673	5,107
Hammond Reef <sup>(2)</sup>	17,254	446,933
Atikokan West	62	204
Sparton	309	344
East Amphi <sup>(3)</sup>	1	12,238
Malartic CHL	-	4,719
Others - grassroots projects <sup>(4)</sup>	1,059	2,368
<b>Total</b>	<b>21,358</b>	<b>471,913</b>

(1) Cumulative amount excludes transfers to producing assets in the third quarter of 2011. Includes the Gouldie and South Barnat deposits.

(2) Cumulative amount includes acquisition and development costs.

(3) Includes the Western Porphyry deposit.

The Company continues to seek exploration opportunities within the Americas.

### Community Relations

The Company continues to maintain an active community relations program based on effective communication and support for local initiatives.

At the Canadian Malartic mine, the Company continues to work with the Town Council and the Monitoring Committee.

The Company celebrated the official opening of the Canadian Malartic mine on May 30, 2011. More than 1,100 guests, including government officials, shareholders and representatives from the investment communities participated in the special ceremonies. As part of the opening activities, Osisko sponsored two representation of the "Les Filles de Caleb" a major Québec Folk Opera for residents of Malartic and the mine employees. The Mine Management also held an "open house visit" to showcase its operations and provide background on the project in which more than 2,000 visitors participated on May 29, 2011.

In conjunction with the Abitibi-Témiscamingue Mineralogical Museum in Malartic, the Company is also sponsoring tours of its facilities for visitors since June 15, 2011. To the end of September, more than 2,700 individual had participated in this popular tourist attraction.

The Company signed a four-year sponsorship agreement with the national governing body for alpine, para-alpine and ski cross racing, Alpine Canada, that runs through 2015. At the same time, the Malartic Ski Program has been launched, through which in collaboration with the elementary and high schools of Malartic, the Company aims to invite 40 students to practice skiing at Mont-Vidéo on the week-ends of winter 2011-2012. The Company has committed to providing the skiing equipment, transportation and lift tickets for Mont-Vidéo.

The Company has received 5 notices of violation for a total of 16 for the year. The Company responds to all complaints received through a diligent investigation process and provides the information to the plaintiff, as applicable, and to the Québec's Ministry of Environment. A significant number of complaints originated from individuals who resided next to the green wall who later negotiated with the Company for the sale of their residence.

At the Hammond Reef Project, the Company continues to maintain dialogue with the residents of Atikokan and the Indigenous People surrounding the project.

## **Overview of Financial Results**

### Quarterly Financial Summary

- Net earnings of \$9.3 million or \$0.02 per basic and diluted share compared to a net loss of \$10.2 million or \$0.03 per basic and diluted share for the same quarter in 2010;
- Revenues of \$122.9 million compared to nil in the third quarter of 2010;
- Mine operating earnings of \$38.3 million compared to nil for the comparative quarter of 2010;
- Operating cash flow of \$49.5 million compared with operating cash shortfall of \$18.5 million in the third quarter of 2010;
- 72,100 ounces of gold sold at an average price of US\$1,695/oz.

During the quarter, Osisko generated earnings of \$9.3 million (earnings per share of \$0.02) compared to a net loss of \$10.2 million in 2010 (net loss per share of \$0.03). The third quarter results include \$13.2 million of non-cash items, including a write-off of \$4.9 million on the Goldboro project and three other grassroots projects, stock option expense of \$2.3 million, non-cash foreign exchange loss of \$4.3 million and unrealized loss on investments of \$4.0 million, partially offset by a gain on premium of flow-through shares in the

amount of \$2.3 million. The exclusion of these non-cash charges would result in an adjusted profit of \$22.5 million (\$0.06 per share) for the quarter. There were no commercial mining operations prior to May 2011.

During the nine months ended September 30, 2011, the net loss amounted to \$19.8 million (net loss per share of 0.05) compared to a net loss of 20.9 million in 2010 (net loss per share of \$0.06). The exclusion of non-cash items of \$31.1 million (write-off of property, plant and equipment of \$16.3 million, stock option expense of \$7.8 million, non-cash foreign exchange loss of \$2.8 million and unrealized loss on investments of \$8.5 million, partially offset by a gain on premium of flow-through shares in the amount of \$4.3 million) would result in an adjusted profit of \$11.3 million (\$0.03 per share) for the year-to-date.

Total metal sales for the quarter reached \$122.9 million for a total of \$164.4 million for the nine months ended September 30, 2011, of which \$29.1 million were capitalized in the second quarter as a reduction of development costs (amounting to a gain of \$2.7 million net of the related production costs) as those sales occurred prior to reaching commercial production. As a result, sales included in the statement of income for the nine-month period amount to \$135.3 million.

A total of 72,100 ounces of gold and 49,800 ounces of silver were sold during the quarter. For the nine months ended September 30, 2011, sales of gold reached 99,900 ounces and sales of silver reached 54,300 ounces, of which 19,500 ounces of gold and 4,500 ounces of silver were sold prior to reaching commercial production. At the end of the quarter, the Company had inventories of 20,497 ounces of gold.

Earnings from mine operations amounted to \$38.3 million for the quarter and \$39.9 million since commercial production was declared in the second quarter of 2011. The Company has not reached design capacity at its Canadian Malartic mine resulting in higher mining operating costs per ounce.

In the third quarter, the Company recorded a deferred mining tax expense of \$1.3 million as the Company's book value of assets exceeded the tax value under the Québec mining duty regime. The Company is evaluating the possibility of recognizing a deferred tax asset for the federal and provincial income taxes, as the Company moves to profitability following the successful commissioning of its Canadian Malartic mine.

Selected Quarterly Financial Information

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Gold ounces produced				
Pre-commercial production	-	-	19,505	-
Since commercial production	73,814	-	100,914	-
	73,814	-	120,419	-
Gold ounces sold				
Pre-commercial production	-	-	19,500	-
Since commercial production	72,100	-	80,400	-
	72,100	-	99,900	-
<i>(in thousands of dollars, except amounts per ounce and per share)</i>				
Revenues	122,879	-	135,308	-
Earnings from mine operations	38,292	-	39,926	-
Net earnings (loss)	9,302	(10,165)	(19,805)	(20,904)
Basic and diluted net loss per share	0.02	(0.03)	(0.05)	(0.06)
Capital expenditures	63,723	237,967	237,451	783,145
Operating cash flow	49,512	(18,488)	46,040	(25,253)
Operating cash flow per share <sup>(1)</sup>	0.13	(0.05)	0.12	(0.07)
Average selling price of gold (per ounce sold)				
Pre-commercial production (in CAD)	-	-	1,486	-
Pre-commercial production (in USD) <sup>(2)</sup>	-	-	1,525	-
Since commercial production (in CAD)	1,681	-	1,662	-
Since commercial production (in USD) <sup>(2)</sup>	1,695	-	1,679	-
Cash cost per ounce <sup>(1)</sup>				
Since commercial production (in CAD)	918	-	965	-
Since commercial production (in USD) <sup>(3)</sup>	939	-	987	-
Cash margin per ounce <sup>(1)</sup>				
Since commercial production (in CAD)	763	-	697	-
Since commercial production (in USD) <sup>(3)</sup>	756	-	692	-
Shares outstanding <i>(in thousands)</i>				
Basic weighted average	384,307	374,851	382,995	353,457
Diluted weighted average	394,528	374,851	382,995	353,457

(1) "Operating cash flow per share", "cash cost per ounce" and "cash margin per ounce" are non-IFRS financial performance measures with no standard definition under IFRS. See "Non-IFRS Financial Performance Measures" section of this MD&A.

(2) Using actual exchange rates at the date of the transactions.

(3) Using the average exchange rate for the period.

The average prices of gold and silver in US\$, since the Company entered commercial production, are summarized below:

	Three months		Nine months	
	Realized prices	Market prices <sup>(i)</sup>	Realized prices	Market prices <sup>(i)</sup>
Gold	\$ 1,695	\$ 1,702	\$ 1,679	\$ 1,646
Silver	\$ 34	\$ 39	\$ 34	\$ 38

(i) Market prices are based on the average London PM fixing for gold and average fixing for silver.

Statement of Income

The following table presents a summarized Statement of Income for the Company's most recently completed and comparative three-month and nine-month periods (in thousands of dollars):

		Three months ended September 30,		Nine months ended September 30,	
		2011	2010	2011	2010
<b>Revenues</b>	<b>(a)</b>	<b>122,879</b>	<b>-</b>	<b>135,308</b>	<b>-</b>
Mine operating costs					
Production costs	(b)	(74,647)	-	(84,045)	-
Royalties	(b)	(1,192)	-	(1,351)	-
Depreciation and depletion	(b)	(8,748)	-	(9,986)	-
<b>Earnings from mine operations</b>		<b>38,292</b>	<b>-</b>	<b>39,926</b>	<b>-</b>
General and administrative	(c)	(6,577)	(10,464)	(24,563)	(20,455)
Exploration and corporate development	(d)	(7,774)	(972)	(20,934)	(1,543)
Other operating expenses		-	-	(485)	-
<b>Earnings (loss) from operations</b>		<b>23,941</b>	<b>(11,436)</b>	<b>(6,056)</b>	<b>(21,998)</b>
Other income (expenses) - net	(e)	(12,659)	1,276	(10,773)	1,105
<b>Loss before income and mining taxes</b>		<b>11,282</b>	<b>(10,160)</b>	<b>(16,829)</b>	<b>(20,893)</b>
Income and mining tax expense	(f)	(1,980)	(5)	(2,976)	(11)
<b>Loss for the period</b>		<b>9,302</b>	<b>(10,165)</b>	<b>(19,805)</b>	<b>(20,904)</b>

(a) Revenues are comprised of the following:

	Three months ended September 30, 2011			Nine months ended September 30, 2011		
	Average realized price	Ounces sold	Total revenues	Average realized price	Ounces sold	Total revenues
Gold	1,681	72,100	121,178	1,662	80,400	133,607
Silver	34	49,800	1,701	34	49,800	1,701
			122,879			135,308

Note: an additional 19,500 ounces of gold and 4,500 ounces of silver were sold during the second quarter prior to reaching commercial production; mine operating earnings related to these ounces were accounted for as a reduction of development costs.

- (b) Production costs for the second and third quarters reflect the beginning and ramp up of commercial production. In addition, during the third quarter, mining costs were impacted by the breakdown of a shovel and increased sub-contractor costs. Milling costs were affected by harder than anticipated material which required the installation of a pre-crush circuit and resulted in increased consumption of grinding media. The temporary installation of a portable crushing unit has been completed, which also increased costs.
- (c) General and administrative expenses decreased by \$3.9 million during the three months ended September 30, 2011 compared to the corresponding period in 2010. The decrease is mainly the result of a reduction of \$4.5 million in share-based compensation, resulting mainly from changes to vesting periods.

General and administrative expenses increased by \$4.1 million for the nine months ended September 30, 2011 compared to 2010. This increase is mainly due to bonuses of \$4.3 million declared in the second quarter of 2011 following the achievement of commercial production in May 2011, and the cost for the official opening ceremonies. These increases were partially offset by lower share-based compensation.

- (d) Exploration and corporate development expenses include write-offs of \$4.9 million and \$15.8 million, respectively for the three and nine months ended September 30, 2011, for projects terminated by Osisko. In June 2011, Osisko terminated its Duparquet joint venture and wrote-off \$10.9 million of investments. In September 2011, Osisko also terminated its involvement in the Goldboro project and took a write-off of \$3.3 million. Additional write-offs of \$1.6 million were also made in relation to other grassroots projects abandoned during the third quarter of 2011.

- (e) Other income or expenses for the third quarter of 2011 include an amount of \$7.0 million of finance costs, a loss on foreign exchange of \$4.3 million and an unrealized loss on investments of \$4.0 million, partially offset by a gain on premium of flow-through shares in the amount of \$2.3 million and interest income of \$0.5 million. In the third quarter of 2010, other income came mainly from interest income amounting to \$1.0 million.

Results for the nine months ended September 30, 2011 include an amount of \$10.8 million for finance costs, a loss on foreign exchange of \$2.8 million, an unrealized loss on investments of \$8.5 million, partially offset by a realized gain on investments of \$5.0 million, interest income of \$2.0 million and a gain on premium of flow-through shares of \$4.3 million. During the comparative period of 2010, the Company generated interest income of \$2.3 million and incurred an unrealized loss on investments of \$1.1 million.

- (f) The income and mining tax expense for 2011 is related to a deferred mining tax expense of \$1.3 million and the income tax effect of the realized gains included in the other comprehensive income (\$0.7 million and \$1.7 million for the quarter and nine-month period, respectively). In 2010, the income tax expense was related only to the income tax effect of the realized gains included in the other comprehensive income.

### Liquidity and Capital Resources

As at September 30, 2011, the Company's cash and cash equivalents, short-term investments and restricted cash amounted to \$173.5 million compared to \$175.7 million as at June 30, 2011 and \$397.9 million as at December 31, 2010, as summarized below:

(In thousands of dollars)	September 30, 2011	Jun 30, 2011	December 31, 2010
Cash and cash equivalents	152,759	150,976	358,493
Short-term investments	-	3,045	17,068
Restricted cash			
Current	17,159	7,220	11,176
Non-current	3,575	14,468	11,202
	<u>173,493</u>	<u>175,709</u>	<u>397,939</u>

As at September 30, 2011, the majority of the restricted cash is pledged as security against a letter of credit issued to Hydro-Québec for the installation of a new electrical transmission line for the Canadian Malartic mine, which was completed in 2010. Amounts were also given as a guarantee for the completion of the relocation program of the southern neighborhood of the Town of Malartic and as a security against a letter of credit issued as a deposit for mobile equipment purchases.

The following table summarizes the financings completed in 2010 and 2011:

		No of Shares/ Units	Price (\$)	Gross Proceeds (000's)	Net Cash Proceeds (000's)
<b>2011</b>					
Private Placement –					
Flow-through Shares – May 2011	(a)	934,915	17.50	16,361	16,209
Private Placement –					
Flow-through Shares – September 2011	(a)	889,053	18.00	16,003	15,791
Exercise of Options	(b)	879,753	6.58	5,790	5,790
Employee Share Purchase Plan – Employee Portion		68,121	14.50	986	986
	<b>Total</b>	<u>2,771,842</u>		<u>39,140</u>	<u>38,776</u>
<b>2010</b>					
Private Placement –					
Flow-through Shares – October 2010	(a)	982,827	17.50	17,199	16,904
Exercise of Options	(b)	3,650,556	4.32	15,784	15,784
Exercise of Warrants	(c)	1,100,000	7.46	8,206	8,206
Employee Share Purchase Plan – Employee Portion		49,057	10.69	524	524
	<b>Total</b>	<u>5,782,440</u>		<u>41,713</u>	<u>41,418</u>

- (a) In May 2011, the Company completed a private placement of 934,915 flow-through shares at a price of \$17.50 per share for gross proceeds of \$16.4 million. In September 2011, the Company completed a private placement of 889,053 flow-through shares at a price of \$18.00 per share for gross proceeds of \$16.0 million.

In 2010, the Company completed a private placement of 982,827 flow-through shares at a price of \$17.50 per share for gross proceeds of \$17.2 million.

- (b) During the first nine months of 2011, the Company received \$5.8 million from the exercise of 879,753 common share options, including 42,122 common share options issued in replacement of Brett share options for gross proceeds of \$0.3 million. During the year 2010, the Company received \$15.8 million from the exercise of 3,650,556 share options, including 1,830,054 share options issued in replacement of Brett share options for gross proceeds of \$6.7 million.
- (c) During the year 2010, the Company received \$8.2 million from the exercise of 1,100,000 warrants.

The Company has also negotiated credit facilities and long-term debts during the past two years to fund the development of the Canadian Malartic mine.

The amount of principal of long-term debt payments per calendar year is as follows (in millions of dollars):

	CPPIB	IQ <sup>(1)</sup>	FSTQ	CAT
2011 (3 months)	-	-	1.3	4.7
2012	60.0	-	5.0	18.7
2013	60.0	-	5.0	19.5
2014	30.0	75.0	5.0	17.9
2015	-	-	1.7	23.0
2016	-	-	-	4.3
Less: Imputed interest	-	-	-	(6.9)
	150.0	75.0	18.0	81.2

<sup>(1)</sup> If Investissement Québec (formerly Société générale de financement) does not exercise its option to convert the debenture into shares.

On August 9, 2011 an amended and restated master funding and lease agreement has been signed with Caterpillar Financial Services to finance additional mining equipment for Canadian Malartic. As per the agreement, 90% of Caterpillar equipment cost and 75% of LeTourneau equipment cost representing US\$56.3 million will be financed with Caterpillar Financial Services under similar conditions as the original lease agreement. As at September 30, 2011, US\$14.7 million have been further drawn on the increased facility.

**Cash Flows**

The following table summarizes the cash flow activities (in thousands of dollars):

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Cash flow				
Operations	41,433	(5,806)	29,155	(13,265)
Working capital items	8,079	(12,682)	16,885	(11,988)
Operating activities	49,512	(18,488)	46,040	(25,253)
Investing activities	(56,462)	(88,206)	(276,618)	(262,652)
Financing activities	8,733	3,420	24,844	10,092
Change in cash and cash equivalents	1,783	(103,274)	(205,734)	(277,813)
Cash and cash equivalents – beginning of period	150,976	499,238	358,493	673,777
Cash and cash equivalents – end of period	152,759	395,964	152,759	395,964

Operating Activities

Cash flow from operating activities amounted to \$49.5 million during the current quarter compared to cash flow used by operating activities of \$5.8 million in 2010. During the nine months ended September 30, 2011, cash flow from operating activities reached \$46.0 million compared to cash flow used by operating activities of \$25.3 million in the comparative period of 2010.

The significant improvement in 2011 is mainly the result of earnings from mine operations of \$38.3 million in the third quarter of 2011 (\$39.9 million for the year to date).

Investing Activities

Cash flow used in investing activities amounted to \$56.5 million in the third quarter of 2011 and \$276.6 million for the nine months ended September 30, 2011. In 2010, investing activities used \$88.2 million for the third quarter and \$262.7 million for the nine months ended September 30, 2010. The construction and expansion of the Canadian Malartic mine as well as investments on the Hammond Reef project required high level of investments in 2010 and 2011.

Financing Activities

During the third quarter of 2011, cash generated from financing activities amounted to \$8.7 million compared to \$3.4 million in the third quarter of 2010. Cash generated in 2011 came mainly from a flow-through shares issuance of \$16.0 million (less payments on long-term debt and interest expense paid) while cash generated in 2010 came mainly from the exercise of common shares options.

Cash generated from financing activities during the first nine months of 2011 amounted to \$24.8 million compared to \$10.1 million in the comparative period of 2010. Cash generated in 2011 is mainly the result of the flow-through shares issuances of \$32.4 million as well as stock options exercised for \$5.8 million, less payments on the long-term debt of \$5.9 million and interest expense paid of \$7.4 million. In 2010, approximately \$19.7 million were generated through common shares issued (mainly from the exercise of stock options and warrants). This inflow of cash was partially offset by pre-payments and payments on finance leases of \$9.6 million.

Quarterly Information

The selected quarterly financial information for the past eight financial quarters is outlined below (in thousands of dollars, except for amounts per share):

	2011 (IFRS)			2010 (IFRS)				2009 (Canadian GAAP)
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Cash <sup>(1)</sup>	173,493	175,709	254,442	397,939	449,215	580,893	670,593	790,187
Working capital	103,309	101,544	180,678	282,931	385,047	560,946	638,032	760,400
Total assets	2,000,776	1,951,357	1,932,692	1,958,884	1,812,654	1,703,882	1,361,371	1,338,773
Total debt	306,784	289,379	288,338	287,886	209,284	191,346	183,946	180,069
Shareholders' equity	1,610,718	1,586,585	1,594,016	1,593,985	1,543,996	1,457,921	1,121,134	1,112,302
Revenues	122,879	12,429	-	-	-	-	-	-
Earnings from mine operations	38,292	1,634	-	-	-	-	-	-
Earnings (loss) attributable to Osisko shareholders	9,302	(23,826)	(5,281)	3,078	(10,230)	(10,123)	(551)	(8,384)
Earnings (loss) per share	0.02	(0.06)	(0.01)	0.01	(0.03)	(0.03)	0.00	(0.03)
Weighted average shares outstanding (000's)								
- Basic	384,307	382,748	381,902	381,053	374,851	348,726	336,372	309,989
- Diluted	394,528	382,748	381,902	381,053	374,851	348,726	336,372	309,989
Share price (\$/Share)								
- High	15.86	15.02	14.71	16.39	15.13	12.45	9.23	9.06
- Low	12.50	12.30	12.07	13.51	10.47	8.81	7.80	6.90
- Close	13.27	14.99	13.96	14.52	14.65	11.48	8.85	8.46
Price of gold (average US\$)	1,702	1,506	1,386	1,367	1,227	1,197	1,109	1,102
Closing exchange rate <sup>(2)</sup> (US\$/Can\$)	1.0389	0.9643	0.9718	0.9946	1.0298	1.0606	1.0156	1.0466

<sup>(1)</sup> Includes cash and cash equivalents, restricted cash, short-term investments and cash collateral investments.

<sup>(2)</sup> Bank of Canada Noon Rate.

### Contractual Obligations and Commitments

The following table presents information on the contractual obligations of the Company as at September 30, 2011 (in millions of dollars):

	Payments due by period				
	Total	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	After 5 years
Operating leases	1,100	410	617	73	-
Obligations under finance lease	88,135	18,753	37,718	31,664	-
Purchase obligations	66,404	66,404	-	-	-
Long-term debt	242,917	65,000	100,000	77,917	-
	398,556	150,567	138,335	109,654	-

There were no other major changes during the three and nine months ended September 30, 2011 with respect to our contractual obligations and commercial commitments.

### Related Party Transactions

The compensation paid or payable to key management (includes directors and senior executives) for employee services is presented below (in thousands of dollars):

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Salaries and short-term employee benefits	891	663	7,635	2,090
Share-based compensation	2,866	5,929	7,468	8,058
	3,757	6,592	15,103	10,148

Certain directors, officers and employees participated in the \$32.4 million flow through share issues on the same terms and conditions of other subscribers for a total of 106,323 flow-through shares (gross proceeds of \$1.9 million).

These transactions were concluded and accounted for at the exchange amount.

### Off-balance Sheet Items

The Company does not have any off-balance sheet arrangements other than operating leases for offices as well as letters of credit issued to suppliers. Those letters of credit are 100% secured by deposits (presented on the Company's consolidated balance sheet under *restricted cash*) and are issued to suppliers with respect to contracts and purchase orders for equipment and services. The suppliers may draw on the letters of credit in the event of a default by the Company under the terms of the contracts or the purchase orders. As at September 30, 2011, the outstanding letters of credit had a value of \$17.7 million.

### Outstanding Share Data

As of November 11, 2011, 385,438,473 common shares were issued and outstanding. A total of 15,143,475 common share options were outstanding to purchase common shares under the Company's share option plan and 12,500,000 common share purchase warrants were outstanding.

### Risks and Uncertainties

The exploration for, development and mining of mineral deposits involve significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. For additional discussion of risk factors, please refer to the Corporation's Annual Information Form which is available upon request from the Corporation or on its profile on [www.sedar.com](http://www.sedar.com). There have been no material changes to risks and uncertainties since December 31, 2010.

### Disclosure Controls and Internal Controls over Financial Reporting

The Chief Executive Officer (the "CEO"), and the Chief Financial Officer (the "CFO") of the Company are responsible for establishing and maintaining the Company's disclosure controls and procedures including adherence to the Disclosure Policy adopted by the Company. The Disclosure Policy requires all staff to keep senior management fully apprised of all material information affecting the Company so that they may evaluate and discuss this information and determine the appropriateness and timing for public release.

The CEO and the CFO are also responsible for the design of internal controls over financial reporting ("ICFR"). The fundamental issue is ensuring all transactions are properly authorized and identified and entered into a well designed, robust and clearly understood accounting system on a timely basis to minimize risk of inaccuracy, failure to fairly reflect transactions, failure to fairly record transactions necessary to present financial statements in accordance with IFRS, unauthorized receipts and expenditures, or the inability to provide assurance that unauthorized acquisitions or dispositions of assets can be detected.

The CEO and CFO have evaluated whether there were changes to the ICFR during the quarter ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, the ICFR. No such significant changes were identified through their evaluation.

### Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that effect amounts reported in the financial statements and accompanying notes. There is a full disclosure and description of the Corporation's critical accounting policies in the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2011. A disclosure and description of the critical accounting estimates can be found in the 2010 annual report as there were no significant changes in those critical accounting estimates during the first, second and third quarters of 2011.

#### New accounting policies

#### Revenue recognition

Revenues include sales of refined gold and silver. Revenues from the sale of refined gold and silver are recognized when persuasive evidence exists that the significant risks and rewards of ownership have passed to the buyer, it is probable that economic benefits associated with the transaction will flow to the Company, the sale price can be measured reliably, the Company has no significant continuing involvement and the costs incurred or to be incurred in respect of the transaction can be measured reliably. These conditions are generally satisfied when the metal is delivered to the counterparty of the transaction.

Deferred and restricted share units

Deferred share units ("DSU") and restricted share units ("RSU") may be granted to employees, directors and officers as part of their long-term compensation package entitling them to receive payout in cash based on the Company's share price at the relevant time. A liability for DSU and RSU is measured at fair value on the grant date and is subsequently adjusted at each balance sheet date for changes in fair value according to the estimation made by management of the number of DSU and RSU that will eventually vest. The liability is recognized over the vesting period, with a corresponding charge to share-based compensation.

**Accounting standards issued but not yet applied**

IAS 1, *Presentation of Financial Statements*, ("IAS 1")

IAS 1 was amended to change the disclosure of items presented in Other comprehensive income ("OCI"), including a requirement to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss in the future. This amendment is required to be applied for years beginning on or after July 1, 2012. The Company has not yet assessed the impact of the amendment.

IFRS 9, *International Financial Reporting Standard*, ("IFRS 9")

IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39, *Financial Instruments: Recognition and Measurement*, for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010, and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 10, *Consolidated Financial Statements*, ("IFRS 10")

IFRS 10 replaces parts of IAS 27, *Consolidated and Separate Financial Statements* and all of SIC-12, *Consolidation – Special Purpose Entities*. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The remainder of IAS 27, *Separate Financial Statements*, now contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates only when an entity prepares separate financial statements and is therefore not currently applicable in the Company's consolidated financial statements.

IFRS 11, *Joint Arrangements*, ("IFRS 11")

IFRS 11 replaces IAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly Controlled Entities – Non-monetary Contributions by Venturers*. IFRS 11 requires a single method, known as the equity method, to account for interests in jointly controlled entities which is consistent with the accounting treatment currently applied to investments in associates. IAS 28, *Investments in Associates and Joint Ventures*, was amended as a consequence of the issuance of IFRS 11. In addition to prescribing the accounting for investment in associates, it now sets out the requirements for the application of the equity method when accounting for joint ventures. The application of the equity method has not changed as a result of this amendment.

IFRS 12, *Disclosure of Interest in Other Entities*, ("IFRS 12")

IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The standard includes disclosure requirements for entities covered under IFRS 10 and IFRS 11.

IFRS 13, *Fair Value Measurement*, ("IFRS 13")

IFRS 13 provides guidance on how fair value should be applied where its use is already required or permitted by other standards within IFRS, including a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS.

IFRS 10 to 13 were issued by the IASB on May 12, 2011 and are effective for annual periods beginning on or after January 1, 2013. The Company has not completed its assessment of the impact of these pronouncements on the consolidated results, financial position or cash flows of the Company.

IFRIC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*, ("IFRIC 20")

On October 19, 2011, the IFRS Interpretation Committee published IFRIC 20 that applies to all types of natural resources that are extracted using the surface mining activity process. IFRIC 20 clarifies the requirements for accounting for stripping costs in the production phase of a surface mine. It provides guidance on when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. IFRIC 20 is effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. The Company has not completed its assessment of the impact of these pronouncements on the consolidated results, financial position or cash flows of the Company.

### Conversion to International Financial Reporting Standards

In February 2008, the Accounting Standards Board announced that the accounting framework under which the financial statements are prepared for all publicly accountable companies will be replaced by International Financial Reporting Standards starting January 2011. The first set of yearly financial statements under IFRS will be for the year ending December 31, 2011, including comparative information for the year ending December 31, 2010.

The Company prepared its opening balance sheet in accordance with IFRS 1, *First-time Adoption of International Financial Reporting Standards*, as at January 1, 2010, and made the required adjustments to the results for the three months ended March 31, 2010 and the year ended December 31, 2010. The interim condensed consolidated financial statements for the three months ended March 31, 2011 are incorporated by reference in this MD&A and present information relating to the impact of the transition to IFRS, including a complete set of its significant accounting policies. Disclosure requirements under IFRS are significantly greater than those that were required under former Canadian GAAP. As a result, management decided to include its full accounting policies in its first IFRS interim consolidated financial statements to ensure a clear understanding by the readers of the detailed policies.

IFRS 1, *First Time Adoption of IFRS*, offers the possibility to utilize certain exemptions from full retrospective application of IFRS. The Company evaluated the options available and elected to adopt the transition exemption on borrowing costs. This exemption allows the Company to adopt IAS 23, *Borrowing Costs*, prospectively from any date no later than January 1, 2010. The Company has elected January 1, 2010 as transition date to prospectively adopt IAS 23.

The most significant adjustments on the balance sheet as at December 31, 2010 and for the year then ended were the result of differences in the accounting treatment of an acquisition of assets (in the case of Osisko, the acquisition of Brett), impacting both the value of the acquired assets and the deferred tax recognized on the acquisition. Adjustments were also required on the accounting treatment of the flow-through shares, of the warrants held in an associate, of the tax impact on the convertible debenture and on non-controlling interests. Those adjustments also had an impact on the statement of income, but did not have a significant impact on the financial performance of the Company.

The transition from Canadian GAAP to IFRS had no significant impact on the statement of cash flows, except that, under IFRS, cash flows related to interest are classified in a consistent manner as operating, investing or financing activities each period. Under Canadian GAAP, cash flows related to interest received or paid were classified as operating activities.

The MD&A for the three months ended March 31, 2011 discloses the impact of the transition to IFRS on the Company's reported financial position as at January 1, 2010, March 31, 2010 and December 31, 2010 and on the Company's financial performance for the three months ended March 31, 2010 and the year ended December 31, 2010, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended December 31, 2010.

The reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS as at September 30, 2010 and for the three months and nine months ended September 30, 2010 are presented below (in thousands of dollars).

Reconciliation of equity

	Note	September 30, 2010	
		Canadian GAAP	Adj. IFRS
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		395,964	395,964
Short-term investments		31,506	31,506
Restricted cash		3,375	3,375
Cash collateral investments		2,002	2,002
Accounts receivable	(i)	43,585	(2,058) 41,527
Mining taxes receivable	(i)	-	2,058 2,058
Other current assets		4,187	4,187
		480,619	- 480,619
<b>Non-current assets</b>			
Restricted cash		16,368	16,368
Investment in an associate	(ii)	-	2,192 2,192
Other investments	(ii)	25,213	(2,192) 26,025
	(iii)		3,004
Property, plant and equipment	(iv)	1,397,314	(109,864) 1,287,450
		1,919,514	(106,860) 1,812,654
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		58,997	58,997
Current portion of long-term debt		36,575	36,575
		95,572	- 95,572
<b>Non-current liabilities</b>			
Long-term debt		172,709	172,709
Deferred tax liabilities	(iv)	111,294	(111,294) -
Provisions		377	377
		379,952	(111,294) 268,658
<b>Equity</b>			
<b>Equity attributable to Osisko shareholders</b>			
Share capital	(iv)	1,547,063	37,118 1,581,864
	(v)		(2,317)
Warrants		5,530	5,530
Contributed surplus		39,358	39,358
Equity component of convertible debenture	(vi)	11,036	(3,031) 8,005
Accumulated other comprehensive loss		(37)	(37)
Deficit	(iii)	(63,388)	3,004 (90,724)
	(iv)		(35,688)
	(v)		2,317
	(vi)		3,031
		1,539,562	4,434 1,543,996
		1,919,514	(106,860) 1,812,654

Reconciliation of comprehensive income

Note	Three months ended September 30, 2010			Nine months ended September 30, 2010		
	Cdn GAAP <sup>(1)</sup>	Adj.	IFRS	Cdn GAAP <sup>(1)</sup>	Adj.	IFRS
<b>Expenses</b>						
	10,464		10,464	20,455		20,455
	972		972	1,543		1,543
	-		-	-		-
<b>Loss before the following items</b>						
	(11,436)	-	(11,436)	(21,998)	-	(21,998)
	981		981	2,282		2,282
	(191)		(191)	(99)		(99)
	(412)		(412)	(610)		(610)
	(36)	934	898	(432)	(985)	(468)
(iii)						
(v)					949	
	(11,094)	934	(10,160)	(20,857)	(36)	(20,893)
<b>Non-controlling interest</b>						
(vii)	(65)	65	-	-	-	-
<b>Loss before income taxes</b>						
	(11,159)	999	(10,160)	(20,857)	(36)	(20,893)
	(5)		(5)	2,575	(2,586)	(11)
(v)						
<b>Loss for the period</b>						
	(11,164)	999	(10,165)	(18,282)	(2,622)	(20,904)
<b>Other comprehensive loss</b>						
	6,374		6,374	(37)		(37)
<b>Comprehensive loss for the period</b>						
	(4,790)	999	(3,791)	(18,319)	(2,622)	(20,941)
Attributable to:						
	(4,790)		(3,856)	(18,319)		(20,941)
	-		65	-		-
	(4,790)		(3,791)	(18,319)		(20,941)
<b>Loss per share</b>						
	(0.03)		(0.03)	(0.05)		(0.06)

(1) Certain Canadian GAAP figures have been reclassified to conform to the Company's IFRS financial statement presentation (note viii).

Explanatory notes

- (i) Under IFRS (IAS 1, *Presentation of Financial Statements*), income and mining taxes receivable or payable must be presented on a specific heading on the balance sheet while under Canadian GAAP, they were included within *accounts receivable* or *accounts payable and accrued liabilities*.
- (ii) Under IFRS (IAS 1), investments in associates must be presented on a specific heading on the balance sheet while under Canadian GAAP, all investments were presented under the same heading. As a result, the Company now presents its investment in Bowmore Exploration Limited under *investment in an associate*. Investments other than in associates are presented under *other investments*.
- (iii) Under Canadian GAAP, the warrants held by the Company in an associate were considered to form part of the investment in such associate and, accordingly, were not recorded at fair value. Under IFRS (IAS 39), these warrants are considered stand-alone derivative financial instruments and are recorded at fair value with subsequent changes recorded in the statement of income. As a result, the Company increased its other investments and decreased its deficit as at September 30, 2010 by \$3,004,000 (cumulative impact including the IFRS transition adjustment as at January 1, 2010) and adjusted its other gains or (losses) on the statement of income by \$934,000 and (\$985,000) for the three and nine months ended September 30, 2010, respectively.
- (iv) In 2010, the Company acquired 100% ownership of Brett in two stages. The transaction was accounted for as an acquisition of assets under Canadian GAAP, which is consistent with IFRS requirements. However, two adjustments were required in relation to this acquisition of assets and are presented below.

→ Under IFRS, the fair value of the shares issued at the transaction dates (and the cash paid) must be used to evaluate the cost of the assets acquired and no adjustments are permitted.

As a result, the following adjustments were made:

	<b>Impact as at September 30, 2010</b>
	<b>\$</b>
Increase (decrease)	
Property, plant and equipment	1,430
Share capital	37,118
Retained earnings	(35,688)

→ Under Canadian GAAP, deferred taxes must be calculated in relation to acquired assets and assumed liabilities, whereas under IFRS, when the assets are not acquired in a business combination and, at the time of acquisition, neither accounting profit nor taxable profit are affected, therefore no deferred taxes are recorded.

As a result, the following adjustments were made:

	<b>Impact as at September 30, 2010</b>
	<b>\$</b>
Increase (decrease)	
Property, plant and equipment	(111,294)
Deferred tax liabilities	(111,294)

*Summary of adjustments:*

Increase (decrease)	September 30, 2010
	\$
Property, plant and equipment	(109,864)
Deferred tax liabilities	(111,294)
Share capital	37,118
Retained earnings	(35,688)

- (v) Under Canadian GAAP, when flow-through shares are issued, they are initially recorded in share capital at their issue price. On the date the expenses are renounced (by filing the prescribed forms) to the investors, a deferred tax liability is recognized as a cost of issuing the shares (a reduction in share capital). Under IFRS, flow-through shares are recognized based on the quoted price of the existing shares on the date of the issue. The difference ("premium") between the amount recognized in share capital and the amount the investors pay for the shares is recognized as a deferred gain which is reversed into earnings as eligible expenditures are made. The tax effect resulting from the renunciation is recorded as a deferred tax expense when eligible expenditures have been made.
- (vi) Under Canadian GAAP, if a compound financial instrument like a convertible debenture can be settled without incurring taxes, there is no temporary difference. The component of a compound financial instrument classified as a liability will normally be different from the tax basis of the instrument. If the liability component were to be settled for its carrying amount, this would otherwise give rise to taxable or deductible amounts that would be included in the determination of taxable income. However, Canadian GAAP recognizes that settlement of the instrument in accordance with its terms, either through settlement on maturity or conversion, might not result in the incidence of tax to the issuer. Therefore, when an entity is able to settle the instrument without the incidence of tax, the tax basis of the liability component is considered to be the same as its carrying amount and there is no temporary difference.
- IFRS does not contain any special exemption relating to the recognition of deferred taxes arising on compound financial instruments. Hence, a deferred tax liability is recognized with respect to any temporary difference that arises from the initial recognition of the equity component separately from the debt component. The deferred tax is charged directly to the carrying amount of the equity component. Subsequent changes in the deferred tax liability are recognized through the statement of income.
- (vii) Under IFRS, the non-controlling interests' share of the net assets of subsidiaries is included in equity and their share of the comprehensive income of subsidiaries is allocated directly to equity. Under Canadian GAAP, non-controlling interests were presented as a separate item between liabilities and equity in the statement of financial position, and the non-controlling interests' share of income and other comprehensive income were deducted in calculating net income and comprehensive income of the entity. The non-controlling interests' share of net loss of \$65,000 for nine months ended September 30, 2010 has been reversed in the statement of income.
- (viii) Under IFRS, the Company has elected to present the statement of income by function to be in line with industry practice. Therefore, adjustments to the classification of expenses were made for the three and nine months ended September 30, 2010.

### Non-IFRS Financial Performance Measures

The Company has included certain non-IFRS measures including “cash cost per ounce”, “operating cash flow per share”, “cash margin per ounce”, “adjusted profit” and “adjusted profit per share” to supplement its financial statements, which are presented in accordance with International Financial Reporting Standards (“IFRS”).

The Company believes that these measures, together with measures determined in accordance with IFRS, provide investors with an improved ability to evaluate the underlying performance of the Company. Non-IFRS measures do not have any standardized meaning prescribed under IFRS, and therefore they may not be comparable to similar measures employed by other companies. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

#### Cash cost per ounce

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Gold ounces produced	73,814	-	100,914	-
<i>(in thousands of dollars, except per ounce)</i>				
Production costs	74,647	-	84,045	-
Royalties	1,192	-	1,351	-
Share-based compensation	(755)	-	(1,087)	-
By-product credit (silver sales)	(1,701)	-	(1,700)	-
Inventory variation	(5,599)	-	14,815	-
Total cash cost for the period	67,784	-	97,424	-
Cash cost per ounce	918	-	965	-

#### Operating cash flow per share

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Cash flow from operating activities (\$000)	49,512	(18,488)	46,040	(25,253)
Weighted average number of common shares outstanding (000)	384,307	374,851	382,995	353,457
Operating cash flow per share	0.13	(0.05)	0.12	(0.07)

#### Cash margin per ounce (US\$ per ounce)

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Average selling price of gold (per ounce sold)	1,681	-	1,662	-
Cash cost (per ounce produced)	918	-	965	-
Cash margin per ounce	763	-	697	-

Adjusted profit and adjusted profit per share

	<b>Three months ended September 30</b>		<b>Nine months ended September 30</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
<i>(in thousands of dollars, except per share)</i>				
Earnings (loss) for the period	9,302	(10,165)	(19,805)	(20,904)
Adjustments:				
Write of property, plant and equipment	4,895	-	16,276	-
Share-based compensation	2,262	6,792	7,708	9,607
Foreign exchange loss (gain)	4,331	119	2,817	99
Unrealized loss on investments	4,044	415	8,515	415
Gain on premium on flow-through shares	(2,262)	-	(4,282)	(949)
Adjusted profit (loss)	22,572	(2,839)	11,229	(11,732)
Weighted average number of common shares outstanding (000)	384,307	374,851	382,995	353,457
Adjusted profit (loss) per share	0.06	(0.01)	0.03	(0.03)

### Caution Regarding Forward-Looking Statements

Certain statements contained in this report constitute forward-looking statements. These statements relate to future events or the Company's future performance, business prospects or opportunities. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These forward-looking statements include statements regarding the future price of gold and silver, the timing and amount of estimated future production, costs of production, currency fluctuations, capital expenditures, permitting timelines, the requirements for future capital, drill results and the estimation of mineral resources and reserves. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements contained into this report should not be unduly relied upon. These statements speak only as of the date of this report. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this report. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about:

- general business and economic conditions;
- the supply and demand for, deliveries of, and the level and volatility of prices of gold and silver as well as petroleum products;
- impact of change in foreign currency exchange rates and interest rates;
- the timing of the receipt of regulatory and governmental approvals for the Company's development project and other operations;
- the availability of financing for the Company's development for future projects;
- the Company's estimation of its costs of production, its expected production and its productivity levels;
- power prices;
- the ability to procure equipment and operating supplies in sufficient quantities and on a timely basis;
- the ability to attract and retain skilled staff;
- engineering and construction timetables and capital costs for the Company's development project;
- market competition;
- the accuracy of the Company's resource estimate (including, with respect to size, grade and recoverability) and the geological, operational and price assumptions on which it is based;
- change in governments regulations, policies and change in tax benefits and tax rates;
- environmental risks including increased regulatory constraints;
- the ability to deviate highway 117 to allow for the mining of the South Barnat deposit;
- the Company's ongoing relations with its employees, its business partners and the community of the Town of Malartic.

Additional risk factors are described in more detail in the Company's Annual Information Form filed with the securities commissions or similar authorities in certain of the provinces of Canada. Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur. The Company cautions that the foregoing list of important factors is not exhaustive. Investors and others who base themselves on the Company's forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. The forward-looking statements contained in this report are expressly qualified by this cautionary statement.

**(Signed) Sean Roosen**

Sean Roosen  
President and Chief Executive Officer

**(Signed) Bryan A. Coates**

Bryan A. Coates  
Vice President Finance and Chief Financial Officer

**November 11, 2011**

## **Corporate Information**

### **Osisko Mining Corporation**

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#### **Directors and Officers**

Victor H. Bradley, Chairman of the Board  
Sean Roosen, President, CEO and Director  
Robert Wares, Executive Vice President Exploration and Resource Development and Director  
Staph Leavenworth Bakali, Director  
Marcel Côté, Director  
William A. MacKinnon, Director  
Richard Ross, Director  
Norman Storm, Director  
Serge Vézina, Director  
John Burzynski, Vice President Corporate Development  
Sergio Cattalani, Vice President Exploration  
Bryan A. Coates, Vice President Finance and Chief Financial Officer  
Jean-Sébastien David, Vice President Sustainable Development  
André Le Bel, Vice President Legal Affairs and Corporate Secretary  
Luc Lessard, Senior Vice President and Chief Operating Officer  
Elif Lévesque, Vice President and Controller  
Robert Mailhot, Vice President Human Resources

#### **Legal Counsel**

Lavery, de Billy  
Fraser Milner Casgrain

#### **Auditors**

PricewaterhouseCoopers LLP

#### **Transfer Agent**

Canadian Stock Transfer Company, Inc.

#### **Exchange listings**

TSX Exchange - OSK  
Deutsche Boerse - EWX