



Management's Discussion and Analysis

Second Quarter Ended June 30, 2011

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 six months ended June 30, 2011, should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three and six months ended June 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 six months ended June 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 and for the three and six months ended June 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 August 11, 2011, the date where the Board of Directors has approved the Company's unaudited condensed interim consolidated financial statements for the three and six months ended June 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 230 km² of prospective land in the prolific gold area located within the Malartic-Cadillac 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.

Second Quarter Highlights

- Commencement of commercial production at the Canadian Malartic mine on May 19, 2011;
- Initial quarterly production of 46,605 ounces;
- \$1.6 million mine operating profit;
- Some 88,336 metres drilled to increase reserve/resource base;
- Withdrawal from Duparquet Joint Venture - \$10.9 million write-off;
- \$16.4 million flow through financing;
- Quarterly loss of \$23.8 million;

Shortly after the quarter-end:

- Acquisition of royalty interest on Canadian Malartic.

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. This also marks the completion of the construction period with direct investments to date of \$968.8 million and an estimated amount of \$12.1 million to complete the remaining work. The project was finished on time and on budget with a 5% overrun as a result of the successful project execution.

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 \$1.6 million during the 43 days of operation. Prior to that, the net commissioning costs of \$2.7 million were capitalized as development costs. The mine results for the quarter were as follows:

	(\$000)	\$ Per Ounce Sold ⁽¹⁾
Revenues	12,429	1,497
Mine operating costs		
Production costs	9,398	1,132
Royalties	159	19
Depreciation and depletion	1,238	149
Earnings from mine operations	1,634	197

(1) Based on 8,300 ounces sold.

Although the commercial production period has been reached, the milling plant continues to be in a commissioning and 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.

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

Month	Total Available Hours	Operating Hours	(%)	Tonnage Produced (t)	t/hr	Tonnes per Calendar Day
April	720	468	65	465,900	995	15,530
May	744	646	87	892,553	1,382	28,792
June	720	679	94	1,122,742	1,654	37,425
July ⁽¹⁾	744	595	80	1,006,497	1,691	32,468

⁽¹⁾ In early July, the mill was shut down for a three-day period for SAG mill liner change.

During the last 20 days of July, the mill averaged 38,972 tonnes per day, reaching a high of 45,689 tonnes on July 30th. Plant availability is targeted at 92% when the mine is fully commissioned.

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. The addition of a pre-crush circuit will allow for throughput expansion to 60,000+ tonnes per day. The units have been ordered and will be available in early 2012, with the project costs estimated at \$32 million. A portable crushing unit has been installed to increase the crushing capacity in the meantime.

Production statistics for the quarter are as follows:

	Ramp up (48 days)	Commercial production (43 days)	Total Q2-2011
Tonnes milled (t)	1,010,413	1,470,783	2,481,196
Grade (g/t Au)	0.69	0.65	0.67
Recovery (%)	87.4	88.0	87.8
Ounces produced (oz)	19,505	27,100	46,605
Ounces sold (oz)	19,500	8,300	27,800

The mill recoveries are averaging approximately 87.4% as of July 31, 2011, 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 were affected by limited availability of loading equipment and continued noise level mitigation measures. The Company experienced low availability for its electric shovels during May and June, which impacted production and costs. Furthermore, the delays in the delivery of mining equipment, due to the increased activities within the mining sector, including a LeTourneau L1850 wheel loader which was to be operational in June 2011, have affected mining production and costs.

The mining operations were affected early in the year by the complaints from certain members of the community with respect to noise leading to the night mining activities being suspended in February. Following the issuance of a modified decree by the Government of Québec on April 13, 2011, mining activities resumed on a 24-hour basis.

The Company has implemented a number of measures to lower the noise level, including:

- All mobile equipments utilized in the mine were equipped with white noise type backup alarm as well as blue strobe light utilized at night in replacement of the backup alarm;
- Extra quiet retrofit kits were installed on the Caterpillar 793F haul trucks;
- Rubber liners for the Caterpillar 793F haul trucks were installed to reduce the level of noise when the first bucket is loaded in the truck box;
- Two new wheel dozers were ordered and are expected to be received in August 2011 to replace the one currently used, which will also reduce the noise level at night.

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, a new zoning was established by the municipal authorities, which has increased the minimum noise levels by approximately 10%. 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
Year to date	2,541,963	7,688,509	2,292,290	12,522,762

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. Production results are in line with the block model, which was established following an extensive and vigorous drilling program.

Operating Costs

The operating costs for the period amounted to \$1,285 per ounce and the cash cost stood at \$1,094 per ounce. The higher operating costs are understandable as the mine is at the early stages of commercial production. As part of the ramp up period, frequent stoppages are required to verify, modify and repair equipment and process. The ramp up period includes inherent inefficiencies and higher use of material reagents. 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 six months 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 the challenges faced in the ramp up to date, the Company has reduced its gold production for 2011 to between 285,000 and 295,000 ounces. Production for the second semester is expected to reach between 235,000 and 245,000 ounces of gold at an estimated cash cost of \$675 to \$775 per ounce. The progression should continue in 2012 with the mine producing approximately 700,000 ounces at an estimated cash cost of \$450 to \$500 per ounce.

The plan to produce one million ounces during the 18-month period ending in December 2012 remains in place.

Reserves and Resources

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
Proven & Probable Reserves	343.7	0.97	10.71
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.

Update on Gold Markets and the Canadian Dollar

Gold prices continued to progress during the quarter to reach new records and passed the US\$1,550 per ounce threshold in April 2011. During the quarter, gold price fluctuated between US\$1,418 and US\$1,553 per ounce with an average price of US\$1,506 per ounce, an 8.6% increase compared to the average price of the first quarter. The favourable momentum in the gold market continues in the third quarter as new record highs are being established regularly. To August 11, 2011, the third quarter gold price amounted to \$1,603 per ounce.

Concerns over the U.S. debt situation, Europe's fiscal problems and political turmoil in the Middle East made gold a more attractive safe haven investment. Gold demand was strong for the first half of the year (jewellery, investment, physical gold bars and coins and technology), especially in India and China. The official sector was active, as central banks were net buyers, diversifying their reserves.

The Canadian dollar continued to be supported by the energy and commodity prices, the relative financial sector strength and currency diversification.

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. Hammond Reef currently hosts a National Instrument 43-101 – *Standards for Disclosure for Mineral Projects* ("NI 43-101") compliant inferred resource 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), of which 97% lies within 300 metres of surface.

A Preliminary Assessment Study (the "Study") was completed in November 2009 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%.

In addition to the current resource, Hammond Reef offers exciting exploration potential as recent drilling confirmed continuity of mineralization along strike two kilometres northeast of the existing resource. Brett had also identified several parallel structures in the project area that host mineralization similar to the main body.

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.

Duparquet Joint Venture

On June 17, 2011, Osisko announced that it had notified Clifton Star Resources Inc. of its decision to terminate its participation in the Duparquet Mining Camp Project, in Abitibi, Québec, in accordance with the option and joint venture agreement.

The Company completed its \$15 million spending commitment in 2010, and upon review of the geological data and initial metallurgical results concluded that the project did not warrant additional investment. Accordingly, the Company retreated from the project and a write-off of \$10.9 million, representing the net investment, was recorded.

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 second 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.

As definition drilling is ongoing at Hammond Reef, geological modelling and resource estimation is under way with the expectation that an updated resource estimate will be disclosed before the end of the third quarter of 2011.

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 third quarter of 2011.

During the current quarter, approximately 88,336 metres were drilled and are summarized as follows:

	Second Quarter 2011		Total 2011	
	No. Holes	Metres	No. Holes	Metres
Canadian Malartic	9	2,155	9	2,155
South Barnat	-	-	23	4,745
Malartic Condemnation	8	1,596	8	1,596
Malartic Geotechnical	30	4,037	37	5,692
Malartic CHL	-	-	10	1,762
Gouldie	21	2,353	25	2,961
Western Porphyry	36	9,357	76	19,044
Total Malartic	104	19,498	188	37,955
Goldboro	10	2,375	10	2,375
Hammond Reef	224	66,013	404	122,430
Hammond Reef Condemnation	3	450	3	450
Total Osisko	341	88,336	605	163,210

The following table outlines the total exploration and evaluation expenditures made during the quarter, by property, as well as the cumulative investments in each property as at June 30, 2011:

(in thousands of dollars)	Investments in Q2-2011	Cumulative investments as at June 30, 2011
Canadian Malartic (including Barnat) ⁽¹⁾	2,434	2,434
Hammond Reef ⁽²⁾	14,393	429,679
Hammond Reef West	142	142
Sparton	35	35
East Amphi ⁽³⁾	966	12,237
Malartic CHL	18	4,719
Cadillac	-	686
Dunn	-	368
Mountjoy	20	372
Goldboro	214	3,142
Others - grassroots projects (4)	960	1,264
Total	19,182	455,078

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

(2) Cumulative amount includes acquisition 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 July, more than 1,400 people had participated in this popular tourist attraction.

The Company has received more than 400 complaints from residents in Malartic for noise, vibration and dust issues which led to the issuance of 12 notices of violation. 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 loss of \$23.8 million or \$0.06 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 \$12.4 million compared to nil in the first quarter of 2010;
- Mine operating earnings of \$1.6 million compared to nil for the comparative quarter of 2010;
- Cash flows used in operations (before changes in non-cash working capital) of \$9.9 million compared with \$6.4 million in the first quarter of 2010;
- 8,300 ounces of gold sold at an average price of US\$1,535/oz.

During the quarter and the six months ended June 30, 2011, Osisko incurred net losses of \$23.8 million and \$29.1 million, respectively (net losses per share of \$0.06 and \$0.08) compared to net losses of \$10.2 million and \$10.7 (net losses per share of \$0.03) in 2010.

The Company completed its first sale during the second quarter of 2011 and total revenues from metal sales for the second quarter amounted to \$41.5 million, of which \$29.1 million were capitalized as a reduction of development costs (amounting to \$2.7 million net of the related production costs), as those sales occurred prior to reaching commercial production, and \$12.4 million were included in the statement of income.

A total of 27,800 ounces of gold and 4,500 ounces of silver were sold, including 8,300 ounces of gold since the first day of commercial production. At the end of the quarter, the Company had inventories of 18,800 ounces of gold.

Earnings from mine operations amounted to \$1.6 million. The Company has not reached design capacity at its Canadian Malartic mine resulting in higher mining operating costs per ounce.

Selected Quarterly Financial Information

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Gold ounces produced				
Pre-commercial production	19,505	-	19,505	-
Since commercial production	27,100	-	27,100	-
	46,605	-	46,605	-
Gold ounces sold				
Pre-commercial production	19,500	-	19,500	-
Since commercial production	8,300	-	8,300	-
	27,800	-	27,800	-
<i>(in thousands of dollars, except amounts per ounce and per share)</i>				
Revenues	12,429	-	12,429	-
Earnings from mine operations	1,634	-	1,634	-
Net loss	(23,826)	(10,188)	(29,107)	(10,739)
Basic and diluted net loss per share	(0.06)	(0.03)	(0.08)	(0.03)
Capital expenditures	67,029	134,683	173,728	247,991
Cash flow from operating activities ⁽¹⁾	(9,906)	(6,417)	(14,757)	(7,459)
Operating cash flow per share ⁽²⁾	(0.03)	(0.02)	(0.04)	(0.02)
Average selling price of gold (per ounce sold)				
Pre-commercial production (in CAD)	1,486	-	1,486	-
Pre-commercial production (in USD) ⁽³⁾	1,525	-	1,525	-
Since commercial production (in CAD)	1,497	-	1,497	-
Since commercial production (in USD) ⁽³⁾	1,535	-	1,535	-
Total cash cost (per ounce produced) ⁽⁴⁾				
Since commercial production (in CAD)	1,094	-	1,094	-
Since commercial production (in USD) ⁽⁵⁾	1,120	-	1,120	-
Shares outstanding <i>(in thousands)</i>				
Basic weighted average	382,748	348,726	382,328	342,583
Diluted weighted average	382,748	348,726	382,328	342,583

(1) Cash flow from operating activities excludes changes in non-cash working capital items.

(2) Operating cash flow per share is a non-IFRS financial performance measure with no standard definition under IFRS. See "Non-IFRS Financial Performance Measures" section of this MD&A.

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

(4) Total cash cost is a non-IFRS financial performance measure with no standard definition under IFRS and represents the mining operating costs, including royalties, per ounce produced. See "Non-IFRS Financial Performance Measures" section of this MD&A.

(5) Using average exchange rate for the period.

The average prices of gold and silver, in US\$, for the second quarter of 2011 are summarized below:

	Realized prices	Market prices ⁽ⁱ⁾
Gold	\$ 1,528	\$ 1,506
Silver	\$ 36	\$ 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 six-month periods (in thousands of dollars):

		Three months ended June 30,		Six months ended June 30,	
		2011	2010	2011	2010
Revenues	(a)	12,429	-	12,429	-
Mine operating costs					
Production costs	(b)	(9,398)	-	(9,398)	-
Royalties	(b)	(159)	-	(159)	-
Depreciation and depletion	(b)	(1,238)	-	(1,238)	-
Earnings from mine operations		1,634	-	1,634	-
General and administrative	(c)	(12,018)	(5,444)	(18,194)	(9,991)
Exploration and corporate development	(d)	(11,811)	(210)	(13,160)	(571)
Other operating expenses		-	-	(485)	-
Loss from operations		(22,195)	(5,654)	(30,205)	(10,562)
Other income (expenses) - net	(e)	(1,065)	(4,239)	2,094	(171)
Loss before income taxes		(23,260)	(9,893)	(28,111)	(10,733)
Income tax expense	(f)	(566)	(295)	(996)	(6)
Loss for the period		(23,826)	(10,188)	(29,107)	(10,739)

(a) Revenues are comprised of the following:

	Average realized price	Ounces sold	Total revenues
Gold	1,497	8,300	12,429
Silver	-	-	-
			<u>12,429</u>

Note: an additional 19,500 ounces of gold and 4,500 ounces of silver were sold during the 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 quarter reflect the beginning of commercial production.
- (c) General and administrative expenses increased respectively by \$6.6 million and \$8.2 million during the three and six months ended June 30, 2011, compared to the corresponding periods of 2010. The increase is the result of additional personnel hired to support the growth of the Company and to move from a development stage to a production stage. Results for the second quarter of 2011 also include accrued bonuses of \$4.3 million following achievement of commercial production in May 2011, and the cost for the official opening ceremonies.
- (d) Exploration and corporate development expenses include a write-off of \$10.9 million related to the Duparquet joint venture agreement that was terminated by Osisko in June 2011.
- (e) Other income or expenses include for the second quarter of 2011 an amount of \$3.8 million for finance costs, \$0.6 million of interest income and a gain on premium of flow-through shares issued in the amount of \$2.0 million. In the second quarter of 2010, interest income amounted to \$0.7 million and the Company incurred a foreign exchange loss of \$2.8 million as well as an unrealized loss on investments of \$2.1 million.

Results for the six months ended June 30, 2011 include an amount of \$3.8 million for finance costs, interest income of \$1.5 million, a gain on premium of flow-through shares of \$2.2 million and a gain on foreign exchange of \$1.5 million. During the comparative period of 2010, the Company generated interest income of \$1.3 million compensated by an unrealized loss on investment of \$1.4 million.

- (f) The tax expenses for 2011 and 2010 are related the income tax effect of the realized gains included in the other comprehensive income and reclassified to the statement of income.

Liquidity and Capital Resources

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

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

As at June 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)
2011					
Private Placement –					
Flow-through Shares – May 2011	(a)	934,915	17.50	16,361	16,209
Exercise of Options	(b)	541,854	5.74	3,110	3,110
Employee Share Purchase Plan – Employee Portion		<u>39,931</u>	<u>14.37</u>	<u>572</u>	<u>572</u>
	Total	<u>1,516,700</u>		<u>20,047</u>	<u>19,891</u>
2010					
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		<u>49,057</u>	<u>10.69</u>	<u>524</u>	<u>524</u>
	Total	<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 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 six months of 2011, the Company received \$3.1 million from the exercise of 541,854 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 ⁽¹⁾	FSTQ	CAT
2011 (6 months)	-	-	2.5	7.2
2012	60.0	-	5.0	14.3
2013	60.0	-	5.0	14.9
2014	30.0	75.0	5.0	13.5
2015	-	-	1.7	18.2
2016	-	-	-	1.7
Less: Imputed interest	-	-	-	(5.6)
	150.0	75.0	19.2	64.2

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

Cash Flows

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

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Cash flow				
Operations	(9,906)	(6,417)	(14,757)	(7,459)
Working capital items	24,878	2,503	9,175	694
Operating activities	14,972	(3,914)	(5,582)	(6,765)
Investing activities	(104,071)	(77,692)	(220,156)	(174,446)
Financing activities	17,079	12,574	18,221	6,672
Change in cash and cash equivalents	(72,020)	(69,032)	(207,517)	(174,539)
Cash and cash equivalents – beginning of period	222,996	568,270	358,493	673,777
Cash and cash equivalents – end of period	150,976	499,238	150,976	499,238

Operating Activities

Cash flow used by operations amounted to \$9.9 million during the current quarter compared to \$6.4 million in 2010. The variation is mainly attributable to a higher loss in 2011.

During the six months ended June 30, 2011, cash flow used by operations increased by \$7.3 million from \$7.5 million in 2010 to \$14.8 million in 2011, mainly as a result of the higher loss for the period.

Investing Activities

Cash flow used in investing activities amounted to \$104.1 million in the second quarter of 2011 and \$220.2 million for the six months ended June 30, 2011. In 2010, investing activities used \$77.7 million for the second quarter and \$174.4 million for the six months ended June 30, 2010. The increase in cash used is the result of a higher level of investment to complete the construction of the Canadian Malartic mine and investments on the Hammond Reef project.

Financing Activities

During the second quarter of 2011, cash generated from financing activities amounted to \$17.1 million compared to \$12.6 million in the second quarter of 2010. Cash generated in 2011 came mainly from a flow-through shares issuance of \$16.4 million while cash generated in 2010 came mainly from the exercise of common shares options and warrants.

Cash generated from financing activities during the first six months of 2011 amounted to \$18.2 million compared to \$6.7 in the comparative period of 2010. Cash generated in 2011 is the result of the flow-through shares issuance as well as stock options exercised. In 2010, approximately \$14.0 million was 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 \$7.3 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)	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Cash ⁽¹⁾	175,709	254,442	397,939	449,215	580,893	670,593	790,187	454,136
Working capital	101,544	180,678	282,931	385,047	560,946	638,032	760,400	427,515
Total assets	1,951,357	1,932,692	1,958,884	1,812,654	1,703,882	1,361,371	1,338,773	878,803
Total debt	289,379	288,338	287,886	209,284	191,346	183,946	180,069	25,729
Shareholders' equity	1,586,585	1,594,016	1,593,985	1,543,996	1,457,921	1,121,134	1,112,302	809,734
Revenues	12,429	-	-	-	-	-	-	-
Earnings from mine operations	1,634	-	-	-	-	-	-	-
Profit (loss) attributable to Osisko shareholders	(23,826)	(5,281)	3,078	(10,230)	(10,123)	(551)	(8,384)	(5,747)
Profit (loss) per share	(0.06)	(0.01)	0.01	(0.03)	(0.03)	0.00	(0.03)	(0.02)
Weighted average shares outstanding (000's)								
- Basic	382,748	381,902	381,053	374,851	348,726	336,372	309,989	269,216
- Diluted	382,748	381,902	381,053	374,851	348,726	336,372	309,989	269,216
Share price (\$/Share)								
- High	15.02	14.71	16.39	15.13	12.45	9.23	9.06	9.24
- Low	12.30	12.07	13.51	10.47	8.81	7.80	6.90	6.14
- Close	14.99	13.96	14.52	14.65	11.48	8.85	8.46	7.96
Price of gold (average US\$)	1,506	1,386	1,367	1,227	1,197	1,109	1,102	960
Closing exchange rate ⁽²⁾ (US\$/Can\$)	0.9643	0.9718	0.9946	1.0298	1.0606	1.0156	1.0466	1.0722

⁽¹⁾ Includes cash and cash equivalents, restricted cash, short-term investments and cash collateral investments.

⁽²⁾ Bank of Canada Noon Rate.

Contractual Obligations and Commitments

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

	Payments due by period				After 5 years
	Total	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	
Operating leases	1,228	441	640	147	-
Obligations under finance lease	69,789	14,277	28,751	26,761	-
Purchase obligations	77,952	77,952	-	-	-
Long-term debt	244,167	65,000	100,000	79,167	-
	393,136	157,670	129,391	106,075	-

There were no other major changes during the three and six months ended June 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 June 30		Six months ended June 30	
	2011	2010	2011	2010
Salaries and short-term employee benefits	5,884	802	6,744	1,427
Share-based payments	2,411	950	4,602	2,129
	8,295	1,752	11,346	3,556

Certain directors, officers and employees participated in the \$16.4 million flow through issue on the same terms and conditions of other subscribers for a total of 77,770 flow-through shares (gross proceeds of \$1.4 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 June 30, 2011, the outstanding letters of credit had a value of \$20.0 million.

Outstanding Share Data

As of August 11, 2011, 384,300,059 common shares were issued and outstanding. A total of 12,972,141 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. 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 June 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 and second quarters of 2011.

New accounting policy: 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.

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.

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 June 30, 2010 and for the three months and six months ended June 30, 2010 are presented below (in thousands of dollars).

Reconciliation of equity

	Notes	June 30, 2010		
		Canadian GAAP	Adj.	IFRS
Assets				
Current assets				
Cash and cash equivalents		499,238		499,238
Short-term investments		53,735		53,735
Restricted cash		9,185		9,185
Cash collateral investments		2,601		2,601
Accounts receivable	(i)	48,924	(2,058)	46,866
Mining taxes receivable	(i)	-	2,058	2,058
Other current assets		3,230		3,230
		616,913	-	616,913
Non-current assets				
Restricted cash		16,134		16,134
Investment in an associate	(ii)	-	2,604	2,604
Other investments	(ii)	19,282	(2,604)	18,748
	(iii)		2,070	
Property, plant and equipment	(iv)	1,103,037	(53,554)	1,049,483
		1,755,366	(51,484)	1,703,882
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities		54,246		54,246
Current portion of long-term debt		1,721		1,721
		55,967	-	55,967
Non-current liabilities				
Long-term debt		189,625		189,625
Deferred tax liabilities	(iv)	79,071	(79,071)	-
Provisions		369		369
		325,032	(79,071)	245,961
Non-controlling interests	(vii)	19,419	(19,419)	-
Equity				
Equity attributable to Osisko shareholders				
Share capital	(iv)	1,419,165	25,517	1,442,365
	(v)		(2,317)	
Warrants		5,530		5,530
Contributed surplus		33,819		33,819
Equity component of convertible debenture	(vi)	11,036	(3,031)	8,005
Accumulated other comprehensive loss		(6,411)		(6,411)
Deficit	(iii)	(52,224)	2,070	(44,806)
	(v)		2,317	
	(vi)		3,031	
		1,410,915	27,587	1,438,502
Non-controlling interests	(vii)	-	19,419	19,419
		1,410,915	47,006	1,457,921
		1,755,366	(51,484)	1,703,882

Reconciliation of comprehensive income

Notes	Three months ended June 30, 2010			Six months ended June 30, 2010		
	Cdn GAAP ⁽¹⁾	Adj.	IFRS	Cdn GAAP ⁽¹⁾	Adj.	IFRS
Expenses						
General and administrative expenses	5,444		5,444	9,991		9,991
Exploration and corporate development	210		210	571		571
Other expenses	-		-	-		-
Loss before the following items	(5,654)	-	(5,654)	(10,562)	-	(10,562)
Interest income	652		652	1,301		1,301
Foreign exchange gain (loss)	(2,803)		(2,803)	92		92
Share of equity investee loss	-		-	(198)		(198)
Other losses	(393)	(1,695)	(2,088)	(396)	(1,919)	(1,366)
(iii)						
(v)	-		-	-	949	-
	(8,198)	(1,695)	(9,893)	(9,763)	(970)	(10,733)
Non-controlling interest	(vii)	65	(65)	-	65	(65)
Loss before income taxes	(8,133)	(1,760)	(9,893)	(9,698)	(1,035)	(10,733)
Income tax recovery (expense)	(v)	(295)		(295)	2,580	(2,586)
Loss for the period	(8,428)	(1,760)	(10,188)	(7,118)	(3,621)	(10,739)
Other comprehensive loss						
Net loss on available-for-sale financial assets, net of deferred income tax recovery of \$290,000 and \$nil	(8,279)		(8,279)	(6,411)		(6,411)
Total comprehensive income (loss) for the period	(16,707)	(1,760)	(18,467)	(13,529)	(3,621)	(17,150)
Attributable to:						
Osisko Mining Corporation	(16,707)		(18,402)	(13,529)		(17,085)
Non-controlling interests	-		(65)	-		(65)
	<u>(16,707)</u>		<u>(18,467)</u>	<u>(13,529)</u>		<u>(17,150)</u>
Loss per share						
Basic and diluted	(0.02)		(0.03)	(0.02)		(0.03)

(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 June 30, 2010 by \$2,070,000 (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 (\$1,695,000) and (\$1,919,000) for the three and six months ended June 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:

	Impact as at June 30, 2010
Increase (decrease)	<u>\$</u>
Property, plant and equipment	25,517
Share capital	25,517

→ 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:

	Impact as at June 30, 2010
Increase (decrease)	<u>\$</u>
Property, plant and equipment	(79,071)
Deferred tax liabilities	(79,071)

Summary of adjustments:

	June 30, 2010
Increase (decrease)	<u>\$</u>
Property, plant and equipment	(53,554)
Deferred tax liabilities	(79,071)
Share capital	25,517

- (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. Non-controlling interests of \$19,419,000 as at June 30, 2010, as determined under Canadian GAAP, have been reclassified to equity. The non-controlling interests' share of net loss of \$65,000 for the three and six months ended June 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 six months ended June 30, 2010.

Non-IFRS Financial Performance Measures

The Company has included certain non-IFRS measures including “cash cost per ounce produced” and “operating cash flow 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 produced

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Gold ounces produced	27,100	-	27,100	-
<i>(in thousands of CAD dollars, except per ounce)</i>				
Production costs	9,398	-	9,398	-
Royalties	159	-	159	-
Share-based compensation	(332)	-	(332)	-
Inventory variation	20,414	-	20,414	-
Total cash cost for the period	29,639	-	29,639	-
Cash cost per ounce produced	1,094	-	1,094	-

Operating cash flow per share

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
<i>(in thousands of dollars / common shares)</i>				
Cash flow from operating activities ⁽ⁱ⁾	(9,906)	(6,417)	(14,757)	(7,459)
Weighted average number of common shares outstanding	382,748	348,725	382,328	348,583
Operating cash flow per share	(0.03)	(0.02)	(0.04)	(0.02)

(i) Cash flow from operating activities excludes changes in non-cash working capital items.

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 complete the relocation program of the southern neighborhood of the Town of Malartic;
- 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

August 11, 2011

Corporate Information

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Sean Roosen, President, CEO and Director
Robert Wares, Executive Vice President Exploration and Resource Development and Director
Staph Leavenworth Bakali, Director
Marcel Côté, Director
André J. Douchane, Director
William A. MacKinnon, 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

Trust CIBC Mellon

Exchange listings

TSX Exchange - OSK
Deutsche Boerse - EWX