



OSISKO MINING CORPORATION

.....
*Unaudited Condensed Interim
Consolidated Financial Statements*

*For the three and six months
ended
June 30, 2011*

Osisko Mining Corporation

Consolidated Balance Sheets

(Unaudited)

(tabular amounts expressed in thousands of Canadian dollars)

	Notes	June 30, 2011	December 31, 2010
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		150,976	358,493
Short-term investments		3,045	17,068
Restricted cash		7,220	11,176
Accounts receivable		38,243	30,731
Mining taxes receivable		-	2,058
Inventories	7	42,077	-
Other current assets		8,011	7,329
		<u>249,572</u>	<u>426,855</u>
Non-current assets			
Restricted cash		14,468	11,202
Investment in an associate		1,707	2,158
Other investments		34,064	40,851
Property, plant and equipment	8	1,651,546	1,477,818
		<u>1,951,357</u>	<u>1,958,884</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		70,821	73,519
Current portion of long-term debt	9	77,207	70,405
		<u>148,028</u>	<u>143,924</u>
Non-current liabilities			
Long-term debt	9	212,172	217,481
Provisions		4,572	3,494
		<u>364,772</u>	<u>364,899</u>
Equity attributable to Osisko Mining Corporation shareholders			
Share capital		1,627,120	1,606,051
Warrants		13,166	13,166
Contributed surplus		50,465	43,390
Equity component of convertible debenture		8,005	8,005
Accumulated other comprehensive income		4,582	11,019
Deficit		(116,753)	(87,646)
		<u>1,586,585</u>	<u>1,593,985</u>
		<u>1,951,357</u>	<u>1,958,884</u>

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Osisko Mining Corporation

Consolidated Statements of Income (Loss)

For the three and six months ended June 30, 2011 and 2010

(Unaudited)

(tabular amounts expressed in thousands of Canadian dollars, except per share amounts)

	Notes	Three months ended June 30,		Six months ended June 30,	
		2011 \$	2010 \$	2011 \$	2010 \$
Revenues		12,429	-	12,429	-
Mine operating costs					
Production costs		(9,398)	-	(9,398)	-
Royalties		(159)	-	(159)	-
Depreciation and depletion		(1,238)	-	(1,238)	-
Earnings from mine operations		1,634	-	1,634	-
General and administrative expenses		(12,018)	(5,444)	(18,194)	(9,991)
Exploration and corporate development expenses	8	(11,811)	(210)	(13,160)	(571)
Other expenses		-	-	(485)	-
Loss from operations		(22,195)	(5,654)	(30,205)	(10,562)
Interest income		601	652	1,510	1,301
Finance costs		(3,771)	-	(3,771)	-
Foreign exchange gain (loss)		466	(2,803)	1,514	92
Share of loss of associate		(345)	-	(451)	(198)
Other gains (losses)		1,984	(2,088)	3,292	(1,366)
Loss before income taxes		(23,260)	(9,893)	(28,111)	(10,733)
Income tax expense		(566)	(295)	(996)	(6)
Loss for the period		(23,826)	(10,188)	(29,107)	(10,739)
Attributable to:					
Osisko Mining Corporation		(23,826)	(10,123)	(29,107)	(10,674)
Non-controlling interests		-	(65)	-	(65)
		(23,826)	(10,188)	(29,107)	(10,739)
Loss per share					
Basic and diluted		(0.06)	(0.03)	(0.08)	(0.03)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Osisko Mining Corporation

Consolidated Statements of Comprehensive Income (Loss) For the three and six months ended June 30, 2011 and 2010 (Unaudited)

(tabular amounts expressed in thousands of Canadian dollars)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2011	2010	2011	2010
	\$	\$	\$	\$
Loss for the period	(23,826)	(10,188)	(29,107)	(10,739)
Other comprehensive loss:				
Changes in fair value of available-for-sale financial assets				
Unrealized loss	(3,473)	(8,569)	(2,415)	(6,411)
Income tax effect	463	290	320	-
Disposal of available-for-sale financial assets				
Reclassification to statement of income of realized gain	(761)	-	(5,017)	-
Income tax effect	103	-	675	-
Other comprehensive loss for the period, net of taxes	(3,668)	(8,279)	(6,437)	(6,411)
Comprehensive loss for the period	(27,494)	(18,467)	(35,544)	(17,150)
Attributable to:				
Osisko Mining Corporation	(27,494)	(18,402)	(35,544)	(17,085)
Non-controlling interests	-	(65)	-	(65)
	(27,494)	(18,467)	(35,544)	(17,150)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Osisko Mining Corporation

Consolidated Statements of Changes in Equity For the six months ended June 30, 2011 and 2010 (Unaudited)

(tabular amounts expressed in thousands of Canadian dollars)

	Number of common shares outstanding	Equity attributable to Osisko shareholders							Non- controlling interests	Total equity
		Share capital	Warrants	Contributed surplus	Equity component of convertible debenture	Accumulated other comprehen- sive income	Deficit	Total		
		\$	\$	\$	\$	\$	\$	\$		
Balance – January 1, 2011	381,760,065	1,606,051	13,166	43,390	8,005	11,019	(87,646)	1,593,985	-	1,593,985
Loss for the period	-	-	-	-	-	-	(29,107)	(29,107)	-	(29,107)
Other comprehensive loss, net of taxes	-	-	-	-	-	(6,437)	-	(6,437)	-	(6,437)
Comprehensive loss for the period	-	-	-	-	-	(6,437)	(29,107)	(35,544)	-	(35,544)
Issue of flow-through shares (note 13)	934,915	12,287	-	-	-	-	-	12,287	-	12,287
Share options:										
Share-based compensation	-	-	-	8,598	-	-	-	8,598	-	8,598
Fair value of options exercised	-	1,257	-	(1,257)	-	-	-	-	-	-
Proceeds from exercise of options	499,732	2,832	-	-	-	-	-	2,832	-	2,832
Replacement share options										
Fair value of replacement options exercised	-	266	-	(266)	-	-	-	-	-	-
Proceeds from exercise of options	42,122	278	-	-	-	-	-	278	-	278
Employee share purchase plan	63,743	917	-	-	-	-	-	917	-	917
Payment of interest	208,620	2,840	-	-	-	-	-	2,840	-	2,840
Property payment	43,000	544	-	-	-	-	-	544	-	544
Share issue costs	-	(152)	-	-	-	-	-	(152)	-	(152)
Balance – June 30, 2011	383,552,197	1,627,120	13,166	50,465	8,005	4,582	(116,753)	1,586,585	-	1,586,585
Balance – January 1, 2010	336,287,092	1,111,326	5,871	24,272	8,005	-	(34,132)	1,115,342	-	1,115,342
Loss for the period	-	-	-	-	-	-	(10,674)	(10,674)	(65)	(10,739)
Other comprehensive loss, net of taxes	-	-	-	-	-	(6,411)	-	(6,411)	-	(6,411)
Comprehensive loss for the period	-	-	-	-	-	(6,411)	(10,674)	(17,085)	(65)	(17,150)
Acquisition of Brett Resources	30,020,141	305,980	-	-	-	-	-	305,980	19,484	325,464
Share options:										
Share-based compensation	-	-	-	4,833	-	-	-	4,833	-	4,833
Fair value of options exercised	-	1,370	-	(1,370)	-	-	-	-	-	-
Proceeds from exercise of options	620,669	2,784	-	-	-	-	-	2,784	-	2,784
Replacement share options										
Fair value of options issued at the acquisition of Brett Resources	-	-	-	11,481	-	-	-	11,481	-	11,481
Fair value of replacement options exercised	-	5,397	-	(5,397)	-	-	-	-	-	-
Proceeds from exercise of options	887,071	2,907	-	-	-	-	-	2,907	-	2,907
Warrants										
Fair value of warrants exercised	-	341	(341)	-	-	-	-	-	-	-
Proceeds from exercise of warrants	1,100,000	8,206	-	-	-	-	-	8,206	-	8,206
Employee share purchase plan	37,662	322	-	-	-	-	-	322	-	322
Payment of interest	383,272	3,732	-	-	-	-	-	3,732	-	3,732
Balance – June 30, 2010	369,335,907	1,442,365	5,530	33,819	8,005	(6,411)	(44,806)	1,438,502	19,419	1,457,921

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Osisko Mining Corporation
Consolidated Statements of Cash Flows
For the six months ended June 30, 2011 and 2010
(Unaudited)

(tabular amounts expressed in thousands of Canadian dollars)

	Notes	2011 \$	2010 \$
Operating activities			
Loss for the period		(29,107)	(10,739)
Adjustments for:			
Interest income		(1,510)	(1,301)
Share-based compensation		5,453	2,815
Depreciation		1,574	186
Finance costs		1,292	-
Write-off of property, plant and equipment		11,381	-
Unrealized foreign exchange loss (gain)		(2,009)	10
Share of loss of associate		451	198
Loss (gain) on sale of available-for-sale financial assets		(5,017)	396
Unrealized net loss on financial assets at fair value through profit and loss		4,471	1,919
Deferred gain - premium on flow-through shares		(2,228)	(949)
Provisions		135	-
Deferred tax expense		996	6
Other non-cash gain		(639)	-
		(14,757)	(7,459)
Change in non-cash working capital items	12	9,175	694
Net cash flows used in operating activities		(5,582)	(6,765)
Investing activities			
Net decrease in short-term investments		14,023	30,329
Net decrease in restricted cash		690	1,575
Decrease in cash collateral investments		-	2,851
Acquisition of investments		(11,294)	(24,447)
Proceeds on disposal of investments		11,834	3,891
Property, plant and equipment, net of government credits		(237,023)	(229,787)
Acquisition of assets		-	39,861
Interest income		1,614	1,281
Net cash flows used in investing activities		(220,156)	(174,446)
Financing activities			
Debt issuance costs		(18)	-
Finance lease payments		(819)	(7,322)
Long-term debt repayments		(833)	-
Issuance of common shares, net of issue expenses		19,891	13,994
Net cash flows generated from financing activities		18,221	6,672
Decrease in cash and cash equivalents		(207,517)	(174,539)
Cash and cash equivalents – beginning of period		358,493	673,777
Cash and cash equivalents – end of period		150,976	499,238
Interest paid		6,883	4,348
Additional information related to the statement of cash flows	12		

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Osisko Mining Corporation

Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2011 and 2010

(Unaudited)

(tabular amounts expressed in thousands of Canadian dollars, except per share amounts)

1. Nature of activities

Osisko Mining Corporation and its subsidiaries (together "Osisko" or the "Company") are engaged in the business of acquiring, exploring, developing and operating gold properties, with interests substantially in Canada. Osisko is incorporated and domiciled in Canada. The address of its registered office is 1100, avenue des Canadiens-de-Montréal, Suite 300, Montréal, Québec.

The Company's operations, development projects and exploration activities are concentrated mostly in its wholly owned Canadian Malartic gold property in the Abitibi Gold Belt, immediately south of the Town of Malartic, Québec and on its wholly owned Hammond Reef gold property located near the town of Atikokan and approximately 170 kilometres west of the City of Thunder Bay, in Western Ontario.

The Canadian Malartic mine reached commercial production on May 19, 2011, which is defined in the gold industry as the first day of a period of 30 consecutive days of plant operation at a rate of 60% of design capacity, representing 33,000 tonnes per day for the Canadian Malartic mine. The Company is actively working to ramp up production to full capacity.

The Hammond Reef gold property is currently in the pre-feasibility phase. A preliminary assessment study was completed in November 2009, and exploration is continuing on the property.

The recoverability of the amounts shown for property, plant and equipment is dependent on future profitable production or proceeds from the disposal of properties.

2. Basis of preparation and adoption of IFRS

The accompanying consolidated financial statements have been prepared using the same accounting policies as those used in the Company's condensed interim consolidated financial statements for the three months ended March 31, 2011, except as described in note 3. The accounting policies are in accordance with *Canadian generally accepted accounting principles* as set out in Part 1 of the *Handbook of the Canadian Institute of Chartered Accountants* ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate the *International Financial Reporting Standards* ("IFRS"), as published by the *International Accounting Standards Board*, and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in its condensed interim consolidated financial statements for the three months ended March 31, 2011. In these condensed interim consolidated financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including *International Accounting Standard* ("IAS") 34, *Interim Financial Reporting*, and IFRS 1, *First-time Adoption of International Financial Reporting Standards*. Subject to certain transition elections disclosed in note 6, the Company has consistently applied the same accounting policies in its opening IFRS balance sheet at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 6 discloses the impact of the transition to IFRS on the Company's reported financial position as at June 30, 2010, on the Company's financial performance for the three months and six months ended June 30, 2010 and on the Company's cash flows for the six months ended June 30, 2010. 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, 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, are presented in the condensed interim consolidated financial statements for the three months ended March 31, 2011.

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued as of August 11, 2011, the date the Board of Directors approved the financial statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these condensed interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS and presented in the condensed interim consolidated financial statements for the three months ended March 31, 2011.

The condensed interim consolidated financial statements should be read in conjunction with the Company's IFRS condensed interim consolidated financial statements for the three months ended March 31, 2011 and the Company's Canadian GAAP annual consolidated financial statements for the year ended December 31, 2010.

Osisko Mining Corporation

Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2011 and 2010

(Unaudited)

(tabular amounts expressed in thousands of Canadian dollars, except per share amounts)

3. 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.

4. 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.

Osisko Mining Corporation

Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2011 and 2010

(Unaudited)

(tabular amounts expressed in thousands of Canadian dollars, except per share amounts)

4. Accounting standards issued but not yet applied *(continued)*

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.

5. Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company also makes estimates and assumptions concerning the future. The determination of estimates requires the exercise of judgment based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results could differ from those estimates.

The more significant areas requiring the use of management estimates and assumptions are presented in the condensed interim consolidated financial statements for the three months ended March 31, 2011.

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

6. Transition to IFRS

The transition exemption elected by the Company for the transition from Canadian GAAP to IFRS as well as the additional information on an IFRS basis for the year ended December 31, 2010 considered relevant to an understanding of the financial statements are summarized in note 6 of the condensed interim consolidated financial statements for the three months ended March 31, 2011.

The effect of the Company's transition from Canadian GAAP to IFRS as at June 30, 2010 and for the three and six months then ended is presented below as follows:

- a) Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS
- b) Adjustments to the statement of cash flows

Osisko Mining Corporation
Notes to Condensed Interim Consolidated Financial Statements
For the three and six months ended June 30, 2011 and 2010
(Unaudited)

(tabular amounts expressed in thousands of Canadian dollars, except per share amounts)

6. Transition to IFRS (continued)

(a) Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS

	Note 6 (a)	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
Property, plant and equipment	(iii) (iv)	1,103,037	2,070 (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) (v)	1,419,165	25,517 (2,317)	1,442,365
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) (v) (vi)	(52,224)	2,070 2,317 3,031	(44,806)
		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

Osisko Mining Corporation
Notes to Condensed Interim Consolidated Financial Statements
For the three and six months ended June 30, 2011 and 2010
(Unaudited)

(tabular amounts expressed in thousands of Canadian dollars, except per share amounts)

6. Transition to IFRS (continued)

(a) *Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS (continued)*

Note 6 (a)	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	(iii) (393)	(1,695)	(2,088)	(396)	(1,919)	(1,366)
	(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)	(6)
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)
Comprehensive 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)	-	(65)	(65)
	(16,707)		(18,467)	(13,529)		(17,150)
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 6 (a)(viii)).

Osisko Mining Corporation
Notes to Condensed Interim Consolidated Financial Statements
For the three and six months ended June 30, 2011 and 2010
(Unaudited)

(tabular amounts expressed in thousands of Canadian dollars, except per share amounts)

6. Transition to IFRS (continued)

- (a) *Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS (continued)*

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 Resources 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:

	<u>Impact as at June 30, 2010</u>
Increase (decrease)	\$
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 is affected, no deferred taxes are recorded.

As a result, the following adjustments were made:

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

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6. Transition to IFRS (continued)

(a) *Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS (continued)*

Summary of adjustments:

	<u>June 30, 2010</u>
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.

(b) *Adjustments to the statement of cash flows*

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.

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7. Inventories

	June 30, 2011	December 31, 2010
	\$	\$
Finished products	12,293	-
Work-in-process	11,747	-
Stockpiles	5,503	-
Mine supplies	12,534	-
	<u>42,077</u>	<u>-</u>

8. Property, plant and equipment

	Exploration and evaluation	Mine development	Producing assets ⁽ⁱ⁾	Total ⁽ⁱⁱ⁾
	\$	\$	\$	\$
Balance – January 1, 2010				
Cost	88,002	418,479	-	506,481
Accumulated depreciation	-	(2,176)	-	(2,176)
Net book value	<u>88,002</u>	<u>416,303</u>	<u>-</u>	<u>504,305</u>
Year ended December 31, 2010				
Opening net book value	88,002	416,303	-	504,305
Additions, net of government credits	77,389	488,096	-	565,485
Acquisition of a subsidiary	375,221	1,408	-	376,629
Asset retirement obligations	-	3,139	-	3,139
Amortization of debt issuance cost	-	3,001	-	3,001
Interests capitalized	-	17,444	-	17,444
Share-based compensation capitalized	1,850	6,678	-	8,528
Depreciation	-	(5,855)	-	(5,855)
Depreciation capitalized	354	5,028	-	5,382
Write-off	(240)	-	-	(240)
Closing net book value	<u>542,576</u>	<u>935,242</u>	<u>-</u>	<u>1,477,818</u>
Balance – December 31, 2010				
Cost	542,576	943,636	-	1,486,212
Accumulated depreciation ⁽ⁱⁱⁱ⁾	-	(8,394)	-	(8,394)
Net book value	<u>542,576</u>	<u>935,242</u>	<u>-</u>	<u>1,477,818</u>
Six months ended June 30, 2011				
Opening net book value	542,576	935,242	-	1,477,818
Additions, net of government credits	42,833	99,266	43,062	185,161
Asset retirement obligations	-	530	375	905
Amortization of debt issuance cost	-	3,179	-	3,179
Interests capitalized	-	8,260	-	8,260
Share-based compensation capitalized	962	1,467	518	2,947
Depreciation	(309)	(3,055)	(5,165)	(8,529)
Depreciation capitalized	262	2,894	-	3,156
Transfers to stockpile inventories	-	(8,342)	-	(8,342)
Transfers to current assets	-	(1,509)	-	(1,509)
Transfers between categories ^(iv)	(115,071)	(1,037,447)	1,152,518	-
Disposition	(119)	-	-	(119)
Write-off ^(v)	(10,896)	(485)	-	(11,381)
Closing net book value	<u>460,238</u>	<u>-</u>	<u>1,191,308</u>	<u>1,651,546</u>
Balance – June 30, 2011				
Cost	461,275	-	1,207,194	1,668,469
Accumulated depreciation	(1,037)	-	(15,886)	(16,923)
Net book value	<u>460,238</u>	<u>-</u>	<u>1,191,308</u>	<u>1,651,546</u>

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8. Property, plant and equipment *(continued)*

- i) Including equipment under finance lease having net book values of \$72,836,000 and \$78,888,000 as at June 30, 2011 and December 31, 2010, respectively.
- ii) All property, plant and equipment are located in Canada.
- iii) Accumulated depreciation includes an amount of \$363,000 related to the acquisition of Brett Resources Inc.
- iv) Effective May 19, 2011, the Company determined that commercial production has been achieved at the Canadian Malartic mine and ore processing mill complex. Therefore, assets have been transferred from exploration and evaluation and mine development to producing assets.
- v) The Company terminated its participation in the Duparquet Mining Camp Project and has written-off the costs capitalized in relation to this project amounting to \$10,896,000.

9. Long-term debt

	Six months ended June 30, 2011	Year ended December 31, 2010
	\$	\$
Balance – January 1	287,886	180,069
New debt – loans	-	75,000
Transaction costs – loans	(18)	(8,582)
New debt – obligations under finance lease	-	50,565
Repayment of debt – loans	(833)	-
Repayment of debt – obligations under finance lease	(818)	(11,098)
Accretion expense – convertible debenture	974	1,805
Amortization of transaction costs	4,199	3,001
Foreign exchange revaluation impact	(2,011)	(2,874)
Balance – end of period	289,379	287,886

Summary of the long-term debt is as follows:

	June 30, 2011	December 31, 2010
	\$	\$
Loans	169,167	170,000
Convertible debenture	66,730	65,756
Obligations under finance leases	64,222	67,069
Long-term debt	300,119	302,825
Debt issuance costs	(10,740)	(14,939)
Long-term debt, net of issuance cost	289,379	287,886
Current portion	77,207	70,405
Non-current portion	212,172	217,481
	289,379	287,886

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9. Long-term debt *(continued)*

Repayment schedule of the long-term debt is as follows:

	Loans	Convertible debenture	Obligations under finance leases	Total
	\$	\$	\$	\$
2011 (6 months)	2,500	-	7,142	9,642
2012	65,000	-	14,261	79,261
2013	65,000	-	14,945	79,945
2014	35,000	75,000	13,497	123,497
2015	1,667	-	18,240	19,907
2016	-	-	1,702	1,702
	169,167	75,000	69,787	313,954
Less: imputed interest	-	-	(5,565)	(5,565)
	169,167	75,000	64,222	308,389

10. Share options

	Six months ended June 30, 2011		Year ended December 31, 2010	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance – January 1	13,471,728	7.77	9,619,500	5.30
Granted	330,000	13.25	5,585,000	11.15
Replacement options issued ⁽ⁱ⁾	-	-	1,971,118	3.81
Exercised	(499,732)	5.67	(1,820,502)	5.01
Replacement options exercised	(42,122)	6.59	(1,830,054)	3.64
Forfeited	(40,000)	10.29	(53,334)	5.70
Balance – end of period	13,219,874	7.98	13,471,728	7.77
Options exercisable – closing balance	8,446,534	6.48	7,677,558	5.80

(i) In 2010, the Company acquired Brett Resources Inc. and issued Osisko replacement share options in exchange for Brett share options outstanding at the transaction date.

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11. Compensation of key management

Key management includes directors (executive and non-executive) and senior executives. The compensation paid or payable to key management for employee services is presented below:

	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

12. Cash flow information

	Six months ended June 30	
	2011	2010
	\$	\$
Changes in non-cash working capital items		
Decrease (increase) in accounts receivable	(5,713)	113
Increase in inventories	(33,197)	-
Decrease (increase) in other current assets	827	(511)
Increase in accounts payable and accrued liabilities	47,258	1,092
	9,175	694
Non-cash transactions		
Share-based compensation allocated to property, plant and equipment or inventories	3,145	2,017
Equipment under finance lease acquired	-	15,780
Properties paid by issuance of shares	544	-
Depreciation allocated to property, plant and equipment	3,156	2,023
Amortization of debt issuance costs allocated to property, plant and equipment	3,179	1,364
Interest expense allocated to property, plant and equipment	8,260	4,601
Shares issued for payment of interest on long-term debt	2,840	3,732
Accrued refundable tax credits	1,903	4,683

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13. Flow-through shares

During the three months ended June 30, 2011, the Company closed a non-brokered private placement with funds, certain accredited investors, employees and officers. The Company issued 934,915 flow-through shares at a price of \$17.50 per share for gross proceeds of \$16.4 million.

The employees and officers have subscribed to the flow-through shares under the same terms and conditions set forth for all subscribers for a total of 77,770 shares.

14. Subsequent event

Canadian Malartic property

In August 2011, the Company announced that it has purchased back a 1% royalty interest from Géoconseils Jack Stock 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, 60% of the recoverable gold ounces at the Canadian Malartic mine will be subject to a 1.5% net smelter or gross metal royalty.