



**OSISKO MINING CORPORATION**

**(a development stage company)**

.....  
*Interim Consolidated Financial Statements*  
*For the nine months ended*  
*September 30, 2008*

# Osisko Mining Corporation

(a development stage company)

## Consolidated Balance Sheets

(unaudited, expressed in thousands of dollars)

	As at September 30, 2008	As at December 31, 2007
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 4)	105,512	108,133
Short-term investments	-	55,000
Restricted cash (note 5)	14,442	-
Cash collateral investments (note 6)	11,408	17,592
Accounts receivable (note 7)	16,393	13,957
Prepays and deposits	2,019	650
	<u>147,123</u>	<u>195,332</u>
<b>Cash collateral investments</b> (note 6)	7,258	1,353
<b>Property, plant and equipment</b> (note 8)	57,872	24,783
<b>Mineral properties and deferred expenditures</b> (note 9)	100,168	42,926
	<u>315,072</u>	<u>264,394</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	22,961	11,856
Current portion of long-term debt (note 10)	786	-
	<u>23,747</u>	<u>11,856</u>
<b>Long-term debt</b> (note 10)	23,149	-
	<u>46,896</u>	<u>11,856</u>
<b>Shareholders' Equity</b>		
Share capital (note 11)	256,039	246,999
Warrants (note 11)	18,387	19,481
Contributed surplus (note 13)	15,948	11,800
Deficit	(22,198)	(25,742)
	<u>268,176</u>	<u>252,538</u>
	<u>315,072</u>	<u>264,394</u>

**APPROVED ON BEHALF OF THE BOARD**

(signed) Sean Roosen, Director

(signed) Victor H. Bradley, Director

See accompanying notes to interim consolidated financial statements.

# Osisko Mining Corporation

(a development stage company)

## Consolidated Statements of Operations, Comprehensive Income (Loss) and Deficit

(unaudited, expressed in thousands of dollars, except for per share amount)

	Three months ended		Nine months ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
	\$	\$	\$	\$
<b>Expenses</b>				
Salaries and fringe benefits	771	322	1,925	1,091
General and administrative expenses	496	226	1,700	1,247
Stock-based compensation	569	3,723	1,306	5,051
Investor relations and corporate development	478	685	1,382	1,446
Amortization of property, plant and equipment	52	31	152	65
<b>Loss before the following items</b>	(2,366)	(4,987)	(6,465)	(8,900)
Interest income	1,005	919	3,804	2,226
Foreign exchange gain (loss)	1,234	(1,304)	1,729	(3,291)
<b>Loss before income taxes</b>	(127)	(5,372)	(932)	(9,965)
Future income tax recovery (note 16)	-	-	4,476	-
<b>Net income (loss) and comprehensive income (loss) for the period</b>	(127)	(5,372)	3,544	(9,965)
<b>Deficit – beginning of period</b>	(22,071)	(18,543)	(25,742)	(13,950)
<b>Deficit – end of period</b>	(22,198)	(23,915)	(22,198)	(23,915)
<b>Basic net earning (loss) per share</b>	(0.01)	(0.04)	0.01	(0.08)
<b>Diluted net earning (loss) per share</b>	(0.01)	(0.04)	0.01	(0.08)
<b>Weighted average number of shares outstanding</b>				
- Basic	162,017,104	134,828,435	161,295,732	129,511,688
- Diluted	162,017,104	134,828,435	168,404,155	129,511,688

See accompanying notes to interim consolidated financial statements.

**Osisko Mining Corporation**  
(a development stage company)  
**Consolidated Statements of Cash Flows**

(unaudited, expressed in thousands of dollars)

	Three months ended		Nine months ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
	\$	\$	\$	\$
<b>Cash flows from</b>				
<b>Operating activities</b>				
Net income (loss) for the period	(127)	(5,372)	3,544	(9,965)
Adjustments for				
Stock-based compensation	569	3,723	1,306	5,051
Amortization of property, plant and equipment	52	31	152	65
Unrealized foreign exchange loss (gain) (notes 5, 6,10 and 14)	(892)	1,286	(1,319)	3,128
Future income tax recovery (note 16)	-	-	(4,476)	-
	(398)	(332)	(793)	(1,721)
Change in non-cash working capital items (note 14)	182	(760)	(3,327)	(1,560)
	(216)	(1,092)	(4,120)	(3,281)
<b>Financing activities</b>				
Long-term debt	-	-	20,000	-
Obligation under capital lease	(129)	-	(129)	-
Deferred financing fees	-	-	(491)	-
Issuance of common shares, net of issue expenses	12,408	24,383	13,492	102,770
	12,279	24,383	32,872	102,770
<b>Investing activities</b>				
Deposit in escrow	-	2,713	-	(250)
Acquisition of short-term investments	-	(45,000)	-	(55,000)
Disposal of short-term investments	-	-	55,000	7,013
Increase in Restricted cash	(912)	-	(13,935)	-
Increase in Cash collateral investments	-	-	(9,588)	(22,231)
Decrease in Cash collateral investments	6,766	-	10,826	-
Property, plant and equipment	(16,621)	(5,862)	(30,963)	(13,700)
Proceeds on disposal of property, plant and equipment	-	-	1,675	-
Mineral properties and deferred expenditures	(20,021)	(8,727)	(51,784)	(18,846)
Tax credit and mining duties received	7,396	3,168	7,396	3,168
	(23,392)	(53,708)	(31,373)	(99,846)
<b>Decrease in cash and cash equivalents</b>	(11,329)	(30,417)	(2,621)	(357)
<b>Cash and cash equivalents – beginning of period</b>	116,841	35,942	108,133	5,882
<b>Cash and cash equivalents – end of period</b>	105,512	5,525	105,512	5,525

See accompanying notes to interim consolidated financial statements.

# Osisko Mining Corporation

(a development stage company)  
Notes to Interim Consolidated Financial Statements  
**September 30, 2008**

---

(unaudited, expressed in thousands of dollars)

## 1. Nature of activities

Osisko Mining Corporation (“Osisko” or the “Company”) is a precious metals company at the development stage with interests in Canada and Brazil. The Company’s main focus is the Canadian Malartic Project located in Malartic, Quebec, Canada.

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves. The recoverability of the amounts shown for mineral properties and related deferred expenditures is dependent upon the ability of the Company to obtain the necessary financing to complete the exploration and development and upon future profitable production or proceeds from the disposition of properties. The Company will have to raise additional funds to complete the development phase of its programs and, while it has been successful in doing so in the past, there can be no assurance that it will be able to do so in the future.

The amounts shown as mineral properties and deferred expenditures represent costs to date and do not necessarily represent present or future values. Changes in future conditions could require material write-downs of the carrying amounts of the mineral properties.

The interim consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles, except that they do not contain all disclosures as required for annual financial statements. The interim consolidated financial statements have been prepared following the same accounting policies as for the consolidated financial statements for the year ended December 31, 2007 except as noted. Accordingly, they should be read in conjunction with the 2007 consolidated financial statements and the notes thereto.

In the opinion of management, all adjustments considered necessary for fair presentation of the results for the periods presented have been reflected in the interim consolidated financial statements.

On May 8, 2008, the shareholders of the Company approved a name change of Osisko Exploration Ltée to Osisko Mining Corporation effective June 13, 2008.

## 2. New accounting standards

On January 1, 2008, the Company adopted new accounting standards related to general standards of financial statement presentation, capital disclosure and financial instruments that were issued by the Canadian Institute of Chartered Accountants (“CICA”). The new CICA standards are as follows:

### Section 1400, *General Standards of Financial Statement Presentation*

This Section specifies the requirements for assessing an entity’s ability to continue as a going concern and disclosing any material uncertainties that cast doubt on its ability to continue as a going concern. The Company’s disclosure reflects such assessment.

### Section 1535, *Capital Disclosures*

This Section specifies the disclosure of information that enables users of an entity’s financial statements to evaluate its objectives, policies and processes for managing capital such as qualitative information about these objectives, policies and processes for managing capital, summary quantitative data about what the entity manages as capital, whether it has complied with any capital requirements and, if it has not complied, the consequences of non-compliance. Disclosure requirements pertaining to this Section are contained in note 11.

**Osisko Mining Corporation**  
(a development stage company)  
Notes to Interim Consolidated Financial Statements  
**September 30, 2008**

---

(unaudited, expressed in thousands of dollars)

**2. New accounting standards** *(continued)*

Section 3862, *Financial Instruments – Disclosures*

Section 3863, *Financial Instruments – Presentation*

These Sections replace Section 3861, *Financial Instruments – Disclosure and Presentation*, revising and enhancing disclosure requirements while carrying forward its presentation requirements. These new sections place increased emphasis on disclosure about the nature and extent of risk arising from financial instruments and how the entity manages those risks. Disclosure requirements pertaining to this section are contained in note 18.

**3. Significant accounting policies**

**Financial instruments**

The Company has implemented the following classification:

- *Cash and cash equivalents* is classified as held for trading.
- The Company's *Short-term investments*, *Restricted cash*, *Cash collateral investments* and *Accounts receivable* are classified as loans and receivables and invested in guaranteed investment certificates.
- *Accounts payable and accrued liabilities* and *Long-term debt* are classified as other liabilities.

**Leases**

Leases are classified as capital or operating depending on the terms and conditions of the lease agreements. Payments under operating leases are expensed in the period in which they are incurred. The value of assets recorded under capital leases are amortized over their useful lives. An offsetting liability is established to reflect the future obligation under capital leases and reduced by principal payments.

**Flow-through shares**

The Company finances some exploration expenses through the issuance of flow-through shares. The resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. The Company recognizes future income tax liability and reduces Shareholder's Equity when the expenditures are renounced and when renunciation forms are filed with tax authorities.

**Capitalization of interest**

Interest for the development and construction of a mineral property is capitalized until it begins commercial operation or the development ceases.

**Deferred financing fees**

Deferred financing fees on the unsecured loan are presented as a reduction of long-term debt and are amortized according to the effective interest rate method. Those on the obligation under capital lease are also presented as a reduction of the obligation and amortized over the repayment period of sixty months.

**Osisko Mining Corporation**  
(a development stage company)  
Notes to Interim Consolidated Financial Statements  
**September 30, 2008**

(unaudited, expressed in thousands of dollars)

**4. Cash and cash equivalents**

	<b>As at September 30, 2008</b>	<b>As at December 31, 2007</b>
	<b>\$</b>	<b>\$</b>
Bank balances and cash on hand	3,798	8,133
Guaranteed Investment Certificate, 4.10%, matured in January 2008	-	100,000
Guaranteed Investment Certificates, bearing interest between 1.32% and 3.09%, maturing in October 2008	61,714	-
Guaranteed Investment Certificates, bearing interest between 2.93% and 3.09%, maturing in November 2008	28,000	-
Guaranteed Investment Certificates, bearing interest between 2.98% and 3.12%, maturing in December 2008	12,000	-
	<b>105,512</b>	<b>108,133</b>

**5. Restricted cash**

	<b>As at September 30, 2008</b>	<b>As at December 31, 2007</b>
	<b>\$</b>	<b>\$</b>
Current		
Guaranteed Investment Certificate, 2.60%, maturing in October 2008 (US\$900,000) <sup>(1)</sup>	954	-
Guaranteed Investment Certificates, 2.75%, maturing in December 2008 (US\$11,593,000) <sup>(1)</sup>	12,288	-
Guaranteed Investment Certificate, 2.75%, maturing in April 2009	1,200	-
	<b>14,442</b>	<b>-</b>

<sup>(1)</sup> The funds are held in US dollars. For the three months and nine months ended September 30, 2008, an amount of \$521,000 and \$507,000 was respectively accounted for as unrealized foreign exchange gain on the translation of these certificates on the consolidated statement of operations.

All investments are automatically renewed until the fulfillment of the obligations or conditions set forth in the contracts.

**Osisko Mining Corporation**  
(a development stage company)  
Notes to Interim Consolidated Financial Statements  
**September 30, 2008**

(unaudited, expressed in thousands of dollars)

**6. Cash collateral investments**

In an effort to accelerate the future development of the Canadian Malartic project, the Company has entered into commitments to acquire long-lead standard mining equipment. To secure these orders, the Company is required to make progress payments on key milestone dates. Furthermore, Osisko is required to secure some commitments of these items with letters of credit. As part of these arrangements, financial institutions have issued as at September 30, 2008, letters of credit totalling \$18.7 million (US\$17.6 million), which are secured by guaranteed investment certificates.

The funds are held in US dollars. For the three months and nine months ended September 30, 2008, an amount of \$ 727,000 and \$959,000 was respectively accounted for as unrealized foreign exchange gain (2007 - loss of \$1,286,000 and \$3,128,000 respectively) on the translation of these certificates on the consolidated statement of operations. Also, for the three months and nine months ended September 30, 2008, the Company realized a foreign exchange loss of \$652,000 and \$1,251,000 (2007 – nil) respectively on certificates used for progress payments.

	<b>As at September 30, 2008</b>	<b>As at December 31, 2007</b>
	<b>\$</b>	<b>\$</b>
Current		
Guaranteed Investment Certificate, 3.15%, matured in January 2008 (US\$10,956,000)	-	10,826
Guaranteed Investment Certificate, 4.70%, matured in August 2008 (US\$6,848,000)	-	6,766
Guaranteed Investment Certificates, 2.3363%, maturing in December 2008 (US\$9,394,000)	9,957	-
Guaranteed Investment Certificate, 4.45%, maturing in June 2009 (2008 – US\$1,369,000)	1,451	-
	<hr/>	<hr/>
	11,408	17,592
Non-current		
Guaranteed Investment Certificate, 4.45%, maturing in June 2009 (2007 – US\$1,369,000)	-	1,353
Guaranteed Investment Certificate, 4.45%, maturing in November 2009 (US\$6,848,000)	7,258	-
	<hr/>	<hr/>
	7,258	1,353
	<hr/>	<hr/>
	18,666	18,945

All cash collateral investments are automatically renewed until progress payments guaranteed by the letter of credit are requested.

**Osisko Mining Corporation**  
(a development stage company)  
Notes to Interim Consolidated Financial Statements  
**September 30, 2008**

(unaudited, expressed in thousands of dollars)

**7. Accounts receivable**

	<b>As at September 30, 2008</b>	<b>As at December 31, 2007</b>
	<b>\$</b>	<b>\$</b>
Refundable tax credits and mining duties	10,828	9,552
Sales tax	4,460	2,724
Interest income receivable	470	1,456
Advance to suppliers and others	635	56
Receivable from related party	-	169
	<b>16,393</b>	<b>13,957</b>

**8. Property, plant and equipment**

	<b>As at September 30, 2008</b>		<b>As at December 31, 2007</b>	
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net book value</b>	<b>Net book value</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Leasehold improvements	701	234	467	370
Furniture and office equipment	767	215	552	404
Exploration equipment and facilities	1,939	377	1,562	3,211
Equipment under capital lease	4,726	106	4,620	-
Advances on contracts to purchase equipment	50,671	-	50,671	20,798
	<b>58,804</b>	<b>932</b>	<b>57,872</b>	<b>24,783</b>

Equipment under capital lease is amortized using the straight line method to their estimated residual value over an estimated useful life of seven years.

All property, plant and equipment are located in Canada.

**Osisko Mining Corporation**  
(a development stage company)  
Notes to Interim Consolidated Financial Statements  
**September 30, 2008**

(unaudited, expressed in thousands of dollars)

**9. Mineral properties and deferred expenditures**

	<b>Nine months ended</b>	
	<b>September 30, 2008</b>	<b>September 30, 2007</b>
	<b>\$</b>	<b>\$</b>
<b>Balance – beginning of period</b>	42,926	9,525
<b>Additions</b>		
<u>Acquisition and maintenance costs</u>	262	8,498
<u>Exploration</u>		
Drilling	15,349	9,037
Geology and geophysics	2,014	1,518
Assaying	2,532	1,018
Sampling	1,780	895
Line cutting, drill pad preparation	467	180
Surveying	153	143
Resources calculation	218	103
Logistics	1,316	598
Management fees	1,201	1,171
Stock-based compensation	78	-
Amortization of property, plant and equipment	231	118
<u>Feasibility study</u>		
Studies	5,779	845
Detailed Engineering	1,182	-
Sustainable development	162	-
Management	847	107
Stock-based compensation	1,335	546
<u>Development</u>		
Relocation	24,474	696
Civil work	1,436	-
Site maintenance	1,679	617
Freight – Processing equipment	950	-
Management	873	129
Stock-based compensation	508	149
Amortization of property, plant and equipment	217	-
Amortization of deferred financing fees	55	-
Interest on long-term debt	815	-
<b>Total additions</b>	65,913	26,368
<b>Deductions</b>		
Refundable tax credit and mining duties	8,671	5,385
<b>Balance – end of period</b>	100,168	30,508

**Osisko Mining Corporation**  
(a development stage company)  
Notes to Interim Consolidated Financial Statements  
**September 30, 2008**

(unaudited, expressed in thousands of dollars)

**9. Mineral properties and deferred expenditures (continued)**

Description	As at December 31, 2007 \$	Net additions \$	As at September 30, 2008 \$
<b>Canada</b>			
<u>Canadian Malartic</u>			
Acquisition and maintenance costs	1,581	5	1,586
Exploration costs	34,555	23,676	58,231
Feasibility costs	3,836	9,305	13,141
Development costs	5,321	31,007	36,328
Tax credits and mining duties	(12,711)	(8,159)	(20,870)
	32,582	55,834	88,416
<u>East Amphi</u>			
Acquisition and maintenance costs	8,186	58	8,244
Exploration costs	349	217	566
Tax credits and mining duties	(84)	(70)	(154)
	8,451	205	8,656
<u>Malartic CHL</u>			
Acquisition and maintenance costs	77	35	112
Exploration costs	890	1,354	2,244
Tax credits and mining duties	(325)	(440)	(765)
	642	949	1,591
<u>Cadillac</u>			
Acquisition and maintenance costs	127	-	127
Exploration costs	435	6	441
Tax credits and mining duties	(176)	(2)	(178)
	386	4	390
<b>Total Canada</b>	<b>42,061</b>	<b>56,992</b>	<b>99,053</b>
<b>Brazil</b>			
<u>Castelo dos Sonhos</u>			
Acquisition and maintenance costs	546	164	710
Exploration costs	319	86	405
<b>Total Brazil</b>	<b>865</b>	<b>250</b>	<b>1,115</b>
<b>Total</b>	<b>42,926</b>	<b>57,242</b>	<b>100,168</b>

**Osisko Mining Corporation**  
(a development stage company)  
Notes to Interim Consolidated Financial Statements  
**September 30, 2008**

(unaudited, expressed in thousands of dollars)

**10. Long-term debt**

	<u>As at September 30, 2008</u>	<u>As at December 31, 2007</u>
	\$	\$
Unsecured loan of \$20,000,000, bearing interest at 9.50% payable semi-annually in shares or cash prior to commercial production and in cash thereafter, principal repayable in a minimum of forty-eight monthly equal instalments commencing on the earlier of commercial production or May 9, 2011 <sup>(1)</sup>	20,000	-
Obligation under capital lease of US\$4,630,000, bearing interest at one (1) month LIBOR plus 2.75%, capital and interest repayable in sixty monthly instalments commencing on August 1, 2008	4,776	-
Long-term debt	24,776	-
Deferred financing fees <sup>(2)(3)</sup>	(841)	-
Long-term debt, net of deferred financing fees	23,935	-
Current portion of long-term debt		
Unsecured loan	-	-
Obligation under capital lease	(786)	-
Long-term portion of long-term debt	23,149	-

<sup>(1)</sup> Prior to issuance of a positive Bankable Feasibility Study, the Lender may request the Company to grant security on cash resources up to \$21 million.

<sup>(2)</sup> The Company granted 1,100,000 warrants to the lender. Each warrant entitles its holder to purchase one common share of the Company at a price of \$7.46 until May 9, 2013. The warrants are subject to an accelerated expiry if, at any time following five months after May 9, 2008 ("Closing date"), the market price is more than 130% of the exercise price of the warrant for the first two years following the Closing date and 135% thereafter. A fair value of \$341,000 was assigned to these warrants.

<sup>(3)</sup> Financing fees, paid in cash, on the \$20 million long-term debt and the capital lease amounted to \$491,000 and \$61,000 respectively.

The obligation under capital lease is in US dollars. For the three months and nine months ended September 30, 2008, an amount of \$176,000 was accounted for as unrealized foreign exchange loss on the translation of the obligation on the consolidated statement of operations including an unrealized exchange gain of \$3,000 on the deferred financing fees.

The aggregate amount of the long-term debt payments required in each of the next years is as follows:

	<u>Unsecured loan</u>	<u>Obligation under capital lease</u>	<u>Total</u>
	\$	\$	\$
Last quarter of 2008	-	196,000	196,000
2009	-	786,000	786,000
2010	-	786,000	786,000
2011	3,333,000	786,000	4,119,000
2012	5,000,000	786,000	5,786,000
2013	5,000,000	1,436,000	6,436,000
Thereafter	6,667,000	-	6,667,000
	<u>20,000,000</u>	<u>4,776,000</u>	<u>24,776,000</u>

**Osisko Mining Corporation**  
(a development stage company)  
Notes to Interim Consolidated Financial Statements  
**September 30, 2008**

(unaudited, expressed in thousands of dollars)

**11. Share capital and warrants**

**Capital management**

Osisko is currently in the process of developing the Canadian Malartic Project (“the Project”). On March 31, 2008, the Company issued a Preliminary Assessment Report which outlined the estimated cost of the Project at US\$760 million. The Company intends to fund the construction and development of the Project from its cash resources, external debt, and the issuance of capital. Osisko has entered into two financing agreements for a \$20 million unsecured debt and a US\$83 million capital lease financing facility as part of a financing package to develop the Project.

The Company is monitoring market conditions to secure the funding at the lowest cost of capital. The Company is exposed to various funding and market risks which could curtail its access to funds.

**Common shares**

Authorized

Unlimited number of common shares, without par value

Issued and paid

The following table details the changes in the Company’s common shares:

		As at September 30, 2008
	Number of shares	Amount \$
Balance – beginning of period	160,423,193	246,999
Flow-through private placement <sup>(1)</sup>	2,916,725	11,760
Flow-through private placement (note 16)	-	(4,476)
Exercise of warrants	615,000	738
Fair value of warrants exercised	-	253
Exercise of options (note 12)	1,674,000	504
Fair value of options exercised	-	261
Balance – end of period	165,628,918	256,039

<sup>(1)</sup> On September 30, 2008, the Company closed a non-brokered private placement of 2,916,725 flow-through shares at a price of \$4.20 per share for gross proceeds of \$12,250,245. Share issue expenses of \$490,000 were incurred and paid on October 6, 2008.

**Employee share purchase plan**

The shareholders of the Company approved on May 8, 2008 the establishment of an Employee Share Purchase Plan. Under the terms of the Plan, the Company will contribute an amount equal to 60% of the eligible employee’s contribution towards the acquisition of shares on a quarterly basis from treasury. A maximum of 5% of the issued and outstanding common shares are reserved for issuance under the Employee Share Purchase Plan. There were no shares issued under this Plan during the quarter.

**Osisko Mining Corporation**  
(a development stage company)  
Notes to Interim Consolidated Financial Statements  
**September 30, 2008**

(unaudited, expressed in thousands of dollars)

**11. Share capital and warrants** *(continued)*

**Warrants**

The following table summarizes information about the Company's warrants outstanding:

	<b>As at September 30, 2008</b>	
	<b>Number of warrants</b>	<b>Amount</b>
		<b>\$</b>
Balance – beginning of period	17,380,000	19,481
Granted to the lender (note 10)	1,100,000	341
Exercised	(615,000)	(253)
Expired	(735,000)	(1,182)
Balance – end of period	<u>17,130,000</u>	<u>18,387</u>

On August 8, 2008, 735,000 warrants expired without being exercised.

The following table summarizes the Company's warrants outstanding as at September 30, 2008:

<u>Expiry date</u>	<u>Number of warrants</u>	<u>Exercise price</u>
		<b>\$</b>
November 2008	2,000,000	4.25
May 2009	4,405,000	2.00
November 2009	9,625,000	7.90
May 2013	1,100,000	7.46
	<u>17,130,000</u>	

The warrants, when issued, are accounted for at their fair value determined by the Black-Scholes model based on the following weighted average assumptions:

<b>Granted to a lender</b>	<u>2008</u>
Average dividend per share	0%
Volatility	60%
Risk-free interest rate	3%
Weighted average life expected	3 years
Weighted average fair value of warrants granted	\$0.31

**Osisko Mining Corporation**  
(a development stage company)  
Notes to Interim Consolidated Financial Statements  
**September 30, 2008**

(unaudited, expressed in thousands of dollars)

**12. Share options**

The following table summarizes information about the Company's stock options outstanding:

	Number of options	As at September 30, 2008 Weighted average exercise price \$
Balance – beginning of period	9,417,100	3.20
Granted	3,090,000	2.41
Exercised	(1,674,000)	0.30
Cancelled	(5,000)	4.18
Balance – end of period	<u>10,828,100</u>	3.42
Options exercisable – end of period	<u>7,439,768</u>	3.55

The shareholders approved the adoption of a new Stock Option Plan on May 8, 2008. Under the new Plan, there will be a maximum of 10% of the issued and outstanding common shares reserved for the issuance under the Stock Option Plan from time to time. The options outstanding under the old stock plan were continued under the new Plan.

The following table summarizes the Company's stock options outstanding as at September 30, 2008:

Exercise price \$	Options outstanding		Options exercisable	
	Number	Weighted average remaining contractual life (years)	Number	Weighted average remaining contractual life (years)
0.10	200,000	1.0	200,000	1.0
0.16	800,000	0.2	800,000	0.2
1.60	550,000	0.5	550,000	0.5
2.20	2,765,000	4.9	460,834	4.9
3.125	2,198,100	1.1	2,198,100	1.1
4.18	320,000	4.6	53,334	4.6
5.325	1,070,000	3.5	770,000	3.4
5.46	2,325,000	3.5	1,807,500	3.3
5.50	600,000	1.8	600,000	1.8
	<u>10,828,100</u>	2.9	<u>7,439,768</u>	2.1

**Osisko Mining Corporation**  
(a development stage company)  
Notes to Interim Consolidated Financial Statements  
**September 30, 2008**

(unaudited, expressed in thousands of dollars)

**12. Share options** *(continued)*

The options, when granted, are accounted for at their fair value determined by the Black-Scholes model based on the vesting period and on the following weighted average assumptions:

	<u>2008</u>
Average dividend per share	0%
Volatility	60%
Risk-free interest rate	3%
Weighted average life expected	3 years
Weighted average fair value of options granted	\$1.02

**13. Contributed surplus**

The following table details the changes in the Company's contributed surplus:

	<u>As at September 30, 2008</u>
	\$
Balance – beginning of period	11,800
Stock-based compensation	3,227
Fair value of warrants expired	1,182
Fair value of options exercised	<u>(261)</u>
Balance – end of period	<u>15,948</u>

Stock-based compensation for the three months and nine months ended September 30, 2008 has been included in the undernoted items on the Consolidated Financial Statement as follows:

	<u>Three months ended</u>		<u>Nine months ended</u>	
	<u>September 30, 2008</u>	<u>September 30, 2007</u>	<u>September 30, 2008</u>	<u>September 30, 2007</u>
	\$	\$	\$	\$
Expenses				
Stock-based compensation	569	3,723	1,306	5,051
Mineral properties and deferred expenditures				
Exploration costs	78	-	78	-
Feasibility costs	395	546	1,335	546
Development costs	210	149	508	149
	<u>1,252</u>	<u>4,418</u>	<u>3,227</u>	<u>5,746</u>

**Osisko Mining Corporation**  
(a development stage company)  
Notes to Interim Consolidated Financial Statements  
**September 30, 2008**

(unaudited, expressed in thousands of dollars)

**14. Cash flow information**

The changes in non-cash working capital items are as follows:

	Three months ended		Nine months ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
	\$	\$	\$	\$
Decrease (increase) in Accounts receivable	40	(637)	(1,161)	(1,456)
Decrease (increase) in Prepaids and deposits	(438)	39	(1,401)	(208)
Increase (decrease) in Accounts payable and accrued liabilities	580	(162)	(765)	104
	182	(760)	(3,327)	(1,560)

Supplemental information

Obligation under capital lease allocated to property, plant and equipment	4,726	-	4,726	-
Stock-based compensation allocated to mineral properties and deferred expenditures	683	695	1,921	695
Accrued interest allocated to mineral properties and deferred expenditures	480	-	755	-
Amortization of property, plant and equipment allocated to mineral properties and deferred expenditures	242	49	448	118
Warrants issued in conjunction with long-term debt and accounted for as deferred financing fees	-	-	341	-
Prepaids and deposits allocated to long-term debt as deferred financing fees	61	-	61	-
Amortization of deferred financing fees allocated to mineral properties and deferred expenditures	34	-	55	-
Unrealized exchange gain on prepaids and deposits	29	-	29	-
Warrants issued in conjunction with private placement and accounted for as share issue expenses	-	-	-	1,182

For the three months and nine months period ended September 30, 2008, the Company acquired property, plant and equipment amounting to \$12,563,000 and \$30,638,000 respectively (2007 – \$4,638,000 and \$13,842,000 respectively) and amounts of \$16,621,000 and \$30,963,000 (2007 – \$5,862,000 and \$13,700,000 respectively) have been respectively paid. Also, for the nine months ended September 30, 2008, the Company disposed property, plant and equipment for an amount of \$1,675,000 (2007 – nil).

**Osisko Mining Corporation**  
(a development stage company)  
Notes to Interim Consolidated Financial Statements  
**September 30, 2008**

(unaudited, expressed in thousands of dollars)

**14. Cash flow information** *(continued)*

For the three months and nine months period ended September 30, 2008, the Company's investments in mineral properties and deferred expenditures amounted to \$29,179,000 and \$62,734,000 respectively (2007 – \$8,255,000 and \$19,456,000) of which amounts of \$20,021,000 and \$51,784,000 (2007 – \$8,727,000 and \$18,846,000) have been paid. Also, the Company accrued refundable tax credit and mining duties of \$1,648,000 and \$8,671,000 respectively (2007 - \$2,109,000 and \$5,385,000 respectively).

During the three months and nine months ended September 30, 2008, the Company received the 2007 refundable tax credit amounted to \$7,396,000 (2007 - \$3,168,000)

**15. Related party transactions**

Related party transactions occurred in the normal course of business and were recorded at the exchange value, which is the consideration determined and agreed to by the related parties.

The Company entered into the following transactions with officers or companies owned by officers:

	Three months ended		Nine months ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
	\$	\$	\$	\$
General and Administrative expenses (office rent) paid to a company controlled by an officer	33	33	99	99
General and Administrative expenses (office rent) charged to a significant shareholder	23	-	69	-
	56	33	168	99

An approximate \$377,000 security deposit is pledged against the long-term lease entered into with a company controlled by an officer. The security deposit is equal to approximately two years' rent and may be applied to the initial five-year lease in case of default of payment and is accounted for as Prepaids and deposits.

The Company entered into an agreement with a significant shareholder for the sub-lease of an office facility.

**16. Income taxes**

Future income tax liability

On July 12, 2007, the Company issued 3,333,333 flow-through shares for gross proceeds of \$25,000,000. Under the flow-through share agreements, the Company agreed to renounce \$25,000,000 of qualifying expenditures to the investors effective December 31, 2007, although under Canadian tax law, the expenditures may actually be incurred up to December 31, 2008.

**Osisko Mining Corporation**  
(a development stage company)  
Notes to Interim Consolidated Financial Statements  
**September 30, 2008**

(unaudited, expressed in thousands of dollars)

**16. Cash flow information (continued)**

Under CICA Emerging Issues Committee Abstract 146, *Flow-Through Shares*, the Company is required to record a provision at the time the actual renunciation forms are filed with the tax authorities, by an increase in the share issue expenses relating to the flow-through shares, for the future income taxes related to the tax deductions the Company had forgone. The Company has estimated that the future income taxes recorded at the time of renunciation would be approximately \$4,476,000. Consequently, the Company has recognized share issue expenses and an increase in future income tax liability of \$4,476,000 at the time of renunciation.

The Company has future income tax assets of loss carry-forwards and deductible temporary differences that it had not recognized in previous years as a result of applying the "more likely than not" test. The taxable temporary differences which arose through the issuance of the flow-through shares in 2007 are expected to reverse, so that part of the unrecognized future income tax assets can be applied against the full taxable temporary differences. Accordingly, the Company has recognized that portion of its unrecognized future income tax assets by reversing a valuation allowance of \$4,476,000 in the consolidated statement of operations in the first quarter of 2008.

**17. Commitments**

The Company's obligations under various contracts are as follows:

	Q4 2008	2009	2010	2011	2012	2013 and thereafter
	\$	\$	\$	\$		\$
Office leases (note 15)	70	805	770	720	640	1,105
Mining equipment	8,020	39,715	555	-	-	-
Mining fleet	-	25,755	56,165	-	-	-
Detailed Engineering	2,565	8,520	-	-	-	-
Relocation program	4,820	12,110	1,035	-	-	-
Civil work	2,210	4,240	1,585	-	-	-
	17,685	91,145	60,110	720	640	1,105

**Exploration**

The Company has a contract with a supplier to provide technical services in connection with exploration programs on its properties. Since February 2008, the management fee applicable on the aggregate amount of fees and expenses for each work phase of the Canadian Malartic project was reduced from 10% to 5%. A management fee of 5% is charged on all other projects located in Quebec, Canada. The contract expired on August 2, 2007 and was renewed for a seventeen-month period ending December 31, 2008.

The Company is committed to incur Canadian Exploration Expenses of \$25 million by December 31, 2008, and to transfer these expenditures to the subscribers of its flow-through share underwriting completed on July 12, 2007. As at September 30, 2008, the full amount of \$25 million has been incurred against this commitment.

The Company is committed to incur Canadian Exploration Expenses of \$12,25 million by December 31, 2009 and to transfer these expenditures to the subscribers of its flow-through share underwriting completed on September 30, 2008. As at September 30, 2008, no amount has been incurred against this commitment.

**Osisko Mining Corporation**  
(a development stage company)  
Notes to Interim Consolidated Financial Statements  
**September 30, 2008**

---

(unaudited, expressed in thousands of dollars)

**17. Commitments** *(continued)*

**Relocation program**

The Company has initiated the relocation program in Malartic to allow for the future exploitation of the Canadian Malartic Project. The program consists of the relocation or the acquisition of approximately 205 homes, and the construction of five institutional buildings.

**Sustainability fund**

On March 11, 2008, the Company announced the creation of the "Fonds Eссор Malartic Osisko", a sustainable development fund for the Town of Malartic. The fund will be managed by a Board of Directors comprised of seven individuals, including two from Osisko. The Company has pledged an initial contribution of 300,000 shares which are to be held in escrow until certain project milestones, and an annual cash contribution of \$150,000 during the duration of the Canadian Malartic operations. The shares and contributions will be made upon the fund receiving government designation as a charitable foundation.

**Mining fleet and Capital lease financing agreement**

In preparation for the development of the Canadian Malartic Project, the Company has entered into an agreement with Hewitt Equipment Limited for the acquisition of a mining fleet for a commitment of approximately US\$83 million. The equipment will be delivered in stages over the next 18 months. To secure the order, the Company issued to the supplier three letters of credit as follows:

- US\$7,948,325, expiring not later than January 31, 2010
- US\$3,645,017, expiring not later than August 31, 2010
- US\$900,000, expiring not later than July 2<sup>nd</sup>, 2009

The letters of credit issued by a chartered bank are supported by term deposits and classified as Restricted cash.

To finance the acquisition of the mining fleet, the Company has entered into a Capital Lease Financing Agreement with Caterpillar Financial Services Limited for an amount of US\$83 million. Lease payments are scheduled for a 60-month period, at an interest rate of one (1) month LIBOR plus 2.75% in two tranches of US\$6 million and US\$77 million respectively. The lease features a buy-out clause at the term of the lease which the Company intends to exercise. The Company is required to place letters of credit up to 15% of the value of the lease to cover the cost of demobilization in the event of default.

The Company has agreed to pay an arrangement fee of 1% on the first tranche and 0.9% on the second one for total of \$798,000 (US\$753,000) which was paid in June 2008. \$64,000 (US\$60,000) and \$734,000 (US\$693,000) was accounted for as Deferred financing fees and Prepaids and deposits respectively. The capital lease facility has commitment fee of 0.50% of the unused amount.

**Osisko Mining Corporation**  
(a development stage company)  
Notes to Interim Consolidated Financial Statements  
**September 30, 2008**

(unaudited, expressed in thousands of dollars)

**18. Financial instruments**

Financial risk factors

The Company's activities are exposed to financial risks: market risks (including currency risk and interest rate risk), credit risk and liquidity risk.

a) Market risks

i) Fair value

The fair value of financial instruments as at September 30, 2008 and December 31, 2007 is summarized as follows:

	As at September 30, 2008		As at December 31, 2007	
	Carrying amount	Fair Value	Carrying amount	Fair value
	\$	\$	\$	\$
<b>Financial Assets</b>				
<i>Held for trading</i>				
Cash and cash equivalents	105,512	105,512	108,133	108,133
<i>Loans and receivables</i>				
Short-term investments	-	-	55,000	55,000
Restricted cash	14,442	14,442	-	-
Cash collateral investments	18,666	18,666	18,945	18,945
Accounts receivable	16,393	16,393	13,957	13,957
<b>Financial Liabilities</b>				
<i>Other liabilities</i>				
Accounts payable and accrued liabilities	22,961	22,961	11,856	11,856
Long-term debt	23,935	23,935	-	-

**Osisko Mining Corporation**  
(a development stage company)  
Notes to Interim Consolidated Financial Statements  
**September 30, 2008**

(unaudited, expressed in thousands of dollars)

**18. Financial instruments (continued)**

Fair value estimates are made at the balance sheet date, based on relevant market information and other information about the financial instruments.

ii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Cash and cash equivalents, short-term investments, restricted cash and cash collateral investments bear interest at fixed rates.

Other current financial assets and liabilities are not exposed to interest rate because they are non-interest bearing.

The long-term debt bears interest at a fixed rate and is not exposed to interest rate risk. The capital lease obligation is subject to market sensitivity of the London Inter-Bank Offer Rate ("LIBOR").

iii) Currency risk

The Company is exposed to currency fluctuations in the acquisition of mining equipment manufactured outside of Canada and concluded in foreign currencies. The Company is often required to place deposits against future commitments. Also, the Company holds balances in cash and cash equivalents, restricted cash, cash collateral investments and accounts payable and accrued liabilities in various currencies and is therefore exposed to gains or losses on foreign exchange. The Company does not use derivatives to mitigate its exposures to foreign currency risk.

As at September 30, 2008, the balances in foreign currencies were as follows:

	<b>US dollars</b>	<b>Euro</b>	<b>Australian dollars</b>	<b>Brazilian real</b>
Cash and cash equivalents	2,122	-	-	54
Restricted cash	12,493	-	-	-
Cash collateral investments	17,611	-	-	-
Accounts receivable	182	-	-	-
Accounts payable and accrued liabilities	(2,134)	(1,214)	(85)	-
Obligation under capital lease	(4,449)	-	-	-
Net balance	<u>25,825</u>	<u>(1,214)</u>	<u>(85)</u>	<u>54</u>
Equivalent in Canadian dollars	<u>27,372</u>	<u>(1,811)</u>	<u>(71)</u>	<u>30</u>

Based on the balances as at September 30, 2008, a 1% variation in the exchange rates on that date would have resulted in a variation of approximately \$255,000 in the net income.

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents, short-term investments, restricted cash, cash collateral investments and accounts receivable. The Company has reduced its credit risk by investing its cash and cash equivalents, short-term investments, restricted cash and cash collateral investments in guaranteed investment certificates with Canadian chartered banks. Also, as the majority of its receivables are with the governments of Quebec and Canada in the form of sales tax and government incentives, the credit risk is minimal.

**Osisko Mining Corporation**  
(a development stage company)  
Notes to Interim Consolidated Financial Statements  
**September 30, 2008**

(unaudited, expressed in thousands of dollars)

**18. Financial instruments** *(continued)*

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet the obligations associated with its financial liabilities. At the end of September 2008, the Company had enough funds available to meet its financial liabilities and future financial liabilities from its commitments for the current year.

The following table summarizes the Company's financial liabilities as at September 30, 2008:

	<b>Less than one year</b>	<b>Between one and two years</b>	<b>More than two years</b>
	\$	\$	\$
Accounts payable and accrued liabilities	22,961	-	-
Long-term debt	786	1,572	22,418
	<u>23,747</u>	<u>1,572</u>	<u>22,418</u>

**19. Comparative figures**

Certain comparative figures have been reclassified to conform to the presentation adopted for the period ended September 30, 2008.

**20. Subsequent events**

On October 17, 2008, the Company announced that the Toronto Stock Exchange (the "TSX") has accepted the Corporation's notice of intention to make a normal course issuer bid. Under the terms of the normal course issuer bid, Osisko may acquire up to 11,669,526 of its common shares, representing approximately 10% of the public float of Osisko as of October 15, 2008. As at November 6, 2008, the Company had purchased 91,000 common shares at an average price of \$1.93.

On November 4, 2008, the Company issued 489,927 common shares to Solidarity Fund QFL in payment of interest on the unsecured loan.