



**OSISKO MINING CORPORATION**

.....  
*Unaudited Interim  
Consolidated Financial Statements  
For three-month period ended  
March 31, 2011*

# Osisko Mining Corporation

## Consolidated Balance Sheets

(Unaudited)

(tabular amounts expressed in thousands of Canadian dollars)

	Notes	March 31, 2011	December 31, 2010	January 1, 2010
		\$	\$	\$
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents		222,996	358,493	673,777
Short-term investments		9,119	17,068	84,064
Restricted cash		8,265	11,176	10,760
Cash collateral investments		-	-	5,452
Accounts receivable		46,176	30,731	30,149
Mining taxes receivable		2,058	2,058	7,610
Stockpile inventories		7,226	-	-
Other current assets		5,063	7,329	790
		300,903	426,855	812,602
<b>Non-current assets</b>				
Restricted cash		14,062	11,202	16,134
Investment in an associate		2,052	2,158	2,802
Other investments		30,042	40,851	6,919
Property, plant and equipment	7	1,584,517	1,477,818	504,305
Other assets		1,116	-	-
		1,932,692	1,958,884	1,342,762
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities		46,179	73,519	46,996
Current portion of long-term debt	8	74,046	70,405	6,155
		120,225	143,924	53,151
<b>Non-current liabilities</b>				
Long-term debt	8	214,292	217,481	173,914
Provisions		4,159	3,494	355
		338,676	364,899	227,420
<b>Equity attributable to Osisko Mining Corporation shareholders</b>				
Share capital		1,610,542	1,606,051	1,111,326
Warrants		13,166	13,166	5,871
Contributed surplus		46,980	43,390	24,272
Equity component of convertible debenture		8,005	8,005	8,005
Accumulated other comprehensive income		8,250	11,019	-
Deficit		(92,927)	(87,646)	(34,132)
		1,594,016	1,593,985	1,115,342
		1,932,692	1,958,884	1,342,762

### APPROVED ON BEHALF OF THE BOARD

(signed) Victor H. Bradley, Director

(signed) Sean Roosen, Director

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

**Osisko Mining Corporation**  
**Consolidated Statements of Income (Loss)**  
**For the three months ended March 31, 2011 and 2010**  
**(Unaudited)**

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

	<u>2011</u>	<u>2010</u>
	\$	\$
<b>Expenses</b>		
General and administrative	5,968	4,547
Exploration and corporate development	1,349	361
Other expenses	485	-
	<hr/>	<hr/>
<b>Operating loss</b>	(7,802)	(4,908)
Interest income	909	649
Foreign exchange gain	1,048	2,895
Share of loss of associate	(106)	(198)
Other gains	1,100	722
	<hr/>	<hr/>
<b>Loss before income taxes</b>	(4,851)	(840)
Income tax recovery (expense)	(430)	289
	<hr/>	<hr/>
<b>Loss for the period attributable to Osisko Mining Corporation shareholders</b>	<hr/> <b>(5,281)</b>	<hr/> <b>(551)</b>
<b>Loss per share</b>		
Basic and diluted	(0.01)	0.00

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

# Osisko Mining Corporation

## Consolidated Statements of Comprehensive Income (Loss)

For the three months ended March 31, 2011 and 2010

(Unaudited)

(tabular amounts expressed in thousands of Canadian dollars)

	<u>2011</u>	<u>2010</u>
	\$	\$
<b>Loss for the period</b>	(5,281)	(551)
<b>Other comprehensive income:</b>		
Changes in fair value of available-for-sale financial assets		
Unrealized gain	1,058	2,158
Income tax effect	(143)	(290)
Disposal of available-for-sale financial assets		
Reversal of unrealized gain	(4,256)	-
Income tax effect	572	-
<b>Other comprehensive income (loss) for the period, net of taxes</b>	<u>(2,769)</u>	<u>1,868</u>
<b>Total comprehensive income (loss) for the period attributable to Osisko Mining Corporation shareholders</b>	<u>(8,050)</u>	<u>1,317</u>

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

# Osisko Mining Corporation

## Consolidated Statements of Changes in Equity

For the three months ended March 31, 2011 and 2010

(Unaudited)

(tabular amounts expressed in thousands of Canadian dollars)

	Number of common shares outstanding	Share capital	Warrants	Contributed surplus	Equity component of convertible debenture	Accumulated other comprehensive income	Deficit	Total of equity attributable to Osisko shareholders
		\$	\$	\$	\$	\$	\$	\$
<b>Balance – January 1, 2011</b>	381,760,065	1,606,051	13,166	43,390	8,005	11,019	(87,646)	1,593,985
Loss for the period	-	-	-	-	-	-	(5,281)	(5,281)
Other comprehensive loss, net of taxes	-	-	-	-	-	(2,769)	-	(2,769)
Comprehensive loss for the period	-	-	-	-	-	(2,769)	(5,281)	(8,050)
Share options:								
Share-based compensation	-	-	-	4,283	-	-	-	4,283
Fair value of options exercised	-	603	-	(603)	-	-	-	-
Proceeds from exercise of options	205,832	1,362	-	-	-	-	-	1,362
Replacement share options								
Fair value of replacement options exercised	-	90	-	(90)	-	-	-	-
Proceeds from exercise of options	14,322	94	-	-	-	-	-	94
Employee share purchase plan	26,940	407	-	-	-	-	-	407
Payment of interest	105,148	1,435	-	-	-	-	-	1,435
Property payment	40,000	504	-	-	-	-	-	504
Share issue costs	-	(4)	-	-	-	-	-	(4)
<b>Balance – March 31, 2011</b>	<b>382,152,307</b>	<b>1,610,542</b>	<b>13,166</b>	<b>46,980</b>	<b>8,005</b>	<b>8,250</b>	<b>(92,927)</b>	<b>1,594,016</b>
<b>Balance – January 1, 2010</b>	336,287,092	1,111,326	5,871	24,272	8,005	-	(34,132)	1,115,342
Loss for the period	-	-	-	-	-	-	(551)	(551)
Other comprehensive income, net of taxes	-	-	-	-	-	1,868	-	1,868
Comprehensive income (loss) for the period	-	-	-	-	-	1,868	(551)	1,317
Share options:								
Share-based compensation	-	-	-	2,642	-	-	-	2,642
Fair value of options exercised	-	127	-	(127)	-	-	-	-
Proceeds from exercise of options	131,668	300	-	-	-	-	-	300
Employee share purchase plan	17,469	146	-	-	-	-	-	146
Payment of interest	167,476	1,387	-	-	-	-	-	1,387
<b>Balance – March 31, 2010</b>	<b>336,603,705</b>	<b>1,113,286</b>	<b>5,871</b>	<b>26,787</b>	<b>8,005</b>	<b>1,868</b>	<b>(34,683)</b>	<b>1,121,134</b>

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

**Osisko Mining Corporation**  
**Consolidated Statements of Cash Flows**  
**For the three months ended March 31, 2011 and 2010**  
**(Unaudited)**

(tabular amounts expressed in thousands of Canadian dollars)

	Notes	2011 \$	2010 \$
<b>Operating activities</b>			
Loss for the period		(5,281)	(551)
Adjustments for:			
Interest income		(909)	(649)
Share-based compensation		2,678	1,539
Depreciation		120	86
Write-off of property, plant and equipment		485	-
Unrealized foreign exchange gain		(1,514)	(654)
Share of loss of associate		106	198
Loss (gain) on sale of available-for-sale financial assets		(4,256)	3
Unrealized net loss on financial assets at fair value through profit and loss		3,675	224
Deferred gain - premium on flow-through shares		-	(949)
Provisions		135	-
Deferred tax expense (recovery)		430	(289)
Other non-cash gain		(520)	-
		(4,851)	(1,042)
Change in non-cash working capital items	11	(15,703)	(1,809)
Net cash flows used in operating activities		(20,554)	(2,851)
<b>Investing activities</b>			
Net decrease in short-term investments		7,949	11,471
Net decrease in restricted cash		51	665
Decrease in cash collateral investments		-	1,922
Acquisition of investments		(899)	(24,447)
Proceeds on disposal of investments		9,611	3,891
Property, plant and equipment, net of government credits		(133,770)	(90,910)
Interest income		973	654
Net cash flows used in investing activities		(116,085)	(96,754)
<b>Financing activities</b>			
Debt issuance costs		(18)	-
Finance lease payments		(546)	(6,348)
Issuance of common shares, net of issue expenses		1,706	446
Net cash flows generated from (used in) financing activities		1,142	(5,902)
<b>Decrease in cash and cash equivalents</b>		(135,497)	(105,507)
<b>Cash and cash equivalents – beginning of period</b>		358,493	673,777
<b>Cash and cash equivalents – end of period</b>		222,996	568,270
Interest paid		2,907	2,739
Additional information related to the statement of cash flows	11		

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

# Osisko Mining Corporation

## Notes to Interim Consolidated Financial Statements

### For the three months ended March 31, 2011 and 2010

(Unaudited)

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

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#### 1. Nature of activities

Osisko Mining Corporation and its subsidiaries (together "Osisko" or the "Company") are engaged in the business of acquiring, exploring and developing 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 property in the Abitibi Gold Belt, immediately south of the Town of Malartic and approximately 25 kilometres west of the City of Val-d'Or, Québec. On August 20, 2009, the Conseil des ministres du Québec approved the order-in-council authorizing the development of the Canadian Malartic project (the "Project"). The Canadian Malartic Project is currently in the commissioning stage and is expected to reach commercial production in the second quarter of 2011.

The Company acquired a 77.13% interest in Brett Resources Inc. ("Brett") on May 19, 2010. Brett is the holder of the Hammond Reef gold project located near Atikokan in Western Ontario. The Company increased its participation to 100% through a plan of arrangement which was confirmed at a Special Meeting of Shareholders of Brett held on August 11, 2010.

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 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 these interim consolidated financial statements. In the financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These 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, financial performance and cash flows, 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 policies applied in these condensed interim consolidated financial statements are based on IFRS issued as of May 12, 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 interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

The condensed interim consolidated financial statements should be read in conjunction with the Company's Canadian GAAP annual consolidated financial statements for the year ended December 31, 2010. Note 6 discloses IFRS information for the year ended December 31, 2010 which have not been provided in the 2010 annual consolidated financial statements and is useful in understanding these interim consolidated financial statements.

# Osisko Mining Corporation

## Notes to Interim Consolidated Financial Statements

### For the three months ended March 31, 2011 and 2010

(Unaudited)

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

### 3. Significant accounting policies

The significant accounting policies used in the preparation of these consolidated interim financial statements are described below.

(a) *Basis of measurement*

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities to fair value.

(b) *Consolidation*

The Company's financial statements consolidate the accounts of Osisko Mining Corporation and its subsidiaries. All intercompany transactions, balances and unrealized gains or losses from intercompany transactions are eliminated on consolidation.

Subsidiaries are all entities which the Company controls by having the power to govern the financial and operating policies and, generally, more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by Osisko and are de-consolidated from the date that control ceases. Accounting policies of subsidiaries are consistent with the policies adopted by Osisko.

(c) *Non-controlling interests*

Non-controlling interests represent equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity. Their share of net income and comprehensive income is recognized directly in equity. Changes in the parent Company's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

(d) *Foreign currency translation*

(i) *Functional and presentation currency*

Items included in the financial statements of each consolidated entity in the Osisko group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars, which is Osisko Mining Corporation's functional currency.

(ii) *Transactions and balances*

Foreign currency transactions, including revenues and expenses, are translated into the functional currency at the rate of exchange prevailing on the date of each transaction or valuation when items are re-measured. Monetary assets and liabilities denominated in currencies other than the operation's functional currencies are translated into the functional currency at exchange rates in effect at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of those transactions and from period-end translations are recognized in the statement of income.

Foreign exchange gains and losses that relate to long-term debt, cash and cash equivalents, short-term investments, restricted cash and cash collateral investments are presented in the statement of income within *foreign exchange gain or loss*. All other foreign exchange gains and losses are presented in the statement of income within *other expenses or income*.

Non-monetary assets and liabilities are translated at historical rates, unless such assets and liabilities are carried at market value, in which case, they are translated at the exchange rate in effect at the date of the balance sheet. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

# Osisko Mining Corporation

## Notes to Interim Consolidated Financial Statements

### For the three months ended March 31, 2011 and 2010

(Unaudited)

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

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### 3. Significant accounting policies (continued)

#### (e) Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

All financial instruments are required to be measured at fair value on initial recognition. The fair value is based on quoted market prices, unless the financial instruments are not traded in an active market. In this case, the fair value is determined by using valuation techniques like the Black-Scholes option pricing model or other valuation techniques.

Measurement in subsequent periods depends on the classification of the financial instrument. At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

#### (i) Financial assets and liabilities at fair value through profit or loss

A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of income. Gains and losses arising from changes in fair value are presented in the statement of income within *other gains or losses* in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the balance sheet date, which is classified as non-current.

#### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are recognized initially at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment. Loans and receivables are included in current assets, except for instruments with maturities greater than twelve months after the end of the reporting period, which are classified as non-current assets.

#### (iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Available-for-sale financial assets are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income. Interest on available-for-sale investments, calculated using the effective interest method, is recognized in the statement of income as part of interest income. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income to the statement of income and are included in *other gains or losses*.

Available-for-sale financial assets are classified as non-current, unless the investment matures within twelve months, or management expects to dispose of them within twelve months.

**Osisko Mining Corporation**  
**Notes to Interim Consolidated Financial Statements**  
**For the three months ended March 31, 2011 and 2010**  
**(Unaudited)**

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

**3. Significant accounting policies** *(continued)*

*(e) Financial instruments (continued)*

*(iv) Financial liabilities at amortized cost*

Financial liabilities at amortized cost include accounts payable and accrued liabilities and long-term debt. Accounts payable and liabilities are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, accounts payable and accrued liabilities are measured at amortized cost using the effective interest method. Long-term debt is recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

The Company has classified its financial instruments as follows:

<u>Category</u>	<u>Financial instrument</u>
Financial assets and liabilities at fair value through profit and loss	Investments in warrants
Loans and receivables	Cash and cash equivalents Short-term investments Restricted cash Cash collateral investments Amounts receivable
Available-for-sale financial assets	Investments in shares and equity instruments, other than in warrants
Financial liabilities at amortized cost	Accounts payable and accrued liabilities Long-term debt

*(f) Impairment of financial assets*

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition (a "loss event") and that loss event has an impact on the estimated cash flows of the financial assets that can be reliably estimated. If such evidence exists, the Company recognizes an impairment loss, as follows:

*(i) Financial assets carried at amortized cost*

The impairment loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Impairment losses as well as reversals are recognized in the statement of income.

**Osisko Mining Corporation**  
Notes to Interim Consolidated Financial Statements  
**For the three months ended March 31, 2011 and 2010**  
**(Unaudited)**

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

**3. Significant accounting policies** *(continued)*

*(f) Impairment of financial assets (continued)*

*(ii) Available-for-sale financial assets*

The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of income. This amount represents the cumulative loss in accumulated other comprehensive income that is reclassified to the statement of income.

Impairment losses on available-for-sale equity financial assets are not reversed.

*(g) Cash and cash equivalents*

Cash and cash equivalents include cash on hand, deposits held with banks and other highly liquid short-term investments with original maturities of three months or less.

*(h) Refundable tax credits for mining exploration expenses*

The Company is entitled to a refundable tax credit on qualified mining exploration expenses incurred in the province of Québec. The credit is accounted for against the exploration expenses incurred.

*(i) Inventory*

Material extracted from mines is classified as either ore or waste. Ore represents material that, at the time of extraction, is expected to be processed into a saleable form and sold at a profit. Raw materials are comprised of ore in stockpiles. Ore is accumulated in stockpiles that are subsequently processed into gold in a saleable form. Work in process represents gold in the processing circuit that has not completed the production process, and is not yet in a saleable form. Finished goods inventory represents gold in saleable form that has not yet been sold. Mine operating supplies represent commodity consumables and other raw materials used in the production process, as well as spare parts and other maintenance supplies that are not classified as capital items.

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a weighted average basis and includes all costs incurred, based on a normal production capacity, in bringing each product to its present location and condition. Cost of inventories includes direct labor, materials and contractor expenses, including non-capitalized stripping costs; depreciation on property, plant and equipment including capitalized stripping costs; and an allocation of mine site overhead costs. As ore is removed for processing, costs are removed based on the average cost per ounce in the stockpile.

The Company records provisions to reduce inventory to net realizable value to reflect changes in economic factors that impact inventory value and to reflect present intentions for the use of slow moving and obsolete supplies inventory. Net realizable value is determined with reference to relevant market prices less applicable variable selling expenses. Provisions recorded also reflect an estimate of the remaining costs of completion to bring the inventory into its saleable form. Provisions are also recorded to reduce mine operating supplies to net realizable value, which is generally calculated by reference to its salvage or scrap value, when it is determined that the supplies are obsolete. Provisions are reversed to reflect subsequent recoveries in net realizable value where the inventory is still on hand.

# Osisko Mining Corporation

## Notes to Interim Consolidated Financial Statements

### For the three months ended March 31, 2011 and 2010

(Unaudited)

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

#### 3. Significant accounting policies (continued)

##### (j) Investments in associates

Associates are entities over which the Company has significant influence, but not control. The financial results of the Company's investments in its associates are included in the Company's results according to the equity method. Subsequent to the acquisition date, the Company's share of profits or losses of associates is recognized in the statement of income and its share of other comprehensive income or loss of associates is included in the other comprehensive income (loss) account.

Unrealized gains on transactions between the Company and an associate are eliminated to the extent of the Company's interest in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising from changes in interests in investments in associates are recognized in the statement of income.

The Company assesses at each year-end whether there is any objective evidence that its interests in associates are impaired. If impaired, the carrying value of the Company's share of the underlying assets of associates is written down to its estimated recoverable amount (being the higher of fair value less cost to sell and value in use) and charged to the statement of income.

##### (k) Joint ventures

The Company's interests in jointly controlled entities are accounted for by proportionate consolidation. The Company combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Company's consolidated financial statements. The Company recognizes the portion of gains or losses on the sale of assets by the Company to the joint venture that is attributable to the other venturers. The Company does not recognize its share of profits or losses from the joint venture that result from the Company's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognized immediately if the loss provides evidence of a reduction in the net realizable value of current assets, or an impairment loss. As at March 31, 2011, the Company has no joint ventures.

##### (l) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of an asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced.

Repairs and maintenance costs are charged to the statement of income during the period in which they are incurred.

Depreciation is calculated to amortize the cost of the property, plant and equipment less their residual values over their estimated useful lives using the straight-line method and following periods by major categories:

Producing assets	Unit of production
Leasehold improvements	Lease term
Furniture and office equipment	3-5 years
Exploration equipment and facilities	3-20 years
Mining and construction fleet	7-10 years

Depreciation of property, plant and equipment, if related to exploration, is expensed or capitalized to exploration and evaluation expenditures according to the capitalization policy of exploration and evaluation expenditures. Depreciation of property, plant and equipment, if related to mine development expenditures, is capitalized in mine development costs. These amounts will be recognized in the consolidated statement of income through depreciation of property, plant and equipment when they are put into production. For those which are not related to exploration and development activities, depreciation expense is recognized directly in the consolidated statement of income.

# Osisko Mining Corporation

## Notes to Interim Consolidated Financial Statements

### For the three months ended March 31, 2011 and 2010

(Unaudited)

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

### 3. Significant accounting policies (continued)

#### (l) Property, plant and equipment (continued)

The Company allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of *other gains or losses* in the statement of income.

#### *Exploration and evaluation expenditures*

Expenditures incurred on activities that precede exploration for and evaluation of mineral resources, being all expenditures incurred prior to securing the legal rights to explore an area, are expensed immediately.

Exploration expenditures includes rights in mining properties, paid or acquired through a business combination or an acquisition of assets, and costs related to the initial search for mineral deposits with economic potential or to obtain more information about existing mineral deposits.

Mining rights are recorded at acquisition cost or at fair value in the case of a devaluation caused by an impairment of value. Mining rights and options to acquire undivided interests in mining rights are depreciated only as these properties are put into production. These costs are written off when properties are abandoned or when cost recovery or access to resources is uncertain. Proceeds from the sale of mineral properties are applied in reduction of related carrying costs and any excess or shortfall is recorded as a gain or loss in the consolidated statements of income. In the case of partial sale, if the carrying costs exceed the proceeds, only the losses are recorded.

Exploration expenditures also typically include costs associated with prospecting, sampling, trenching, drilling and other work involved in searching for ore like topographical, geological, geochemical and geophysical studies. Generally, expenditures relating to exploration activities are expensed as incurred. Capitalization of exploration expenditures commence when it is more likely than not (i.e. probable) that future economic benefits will be realized. The assessment of probability is based on factors such as the level of exploration and the degree of management's confidence in the ore body.

Exploration and evaluation expenditures reflect costs related to establishing the technical and commercial viability of extracting a mineral resource identified through exploration or acquired through a business combination or asset acquisition. Exploration and evaluation expenditures include the cost of:

- establishing the volume and grade of deposits through drilling of core samples, trenching and sampling activities in an ore body that is classified as either a mineral resource or a proven and probable reserve;
- determining the optimal methods of extraction and metallurgical and treatment processes;
- studies related to surveying, transportation and infrastructure requirements;
- permitting activities; and
- economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, prefeasibility and final feasibility studies.

Exploration and evaluation expenditures are capitalized if management determines that there is sufficient evidence to support probability of generating positive economic returns in the future. When a mine project moves into the development phase, exploration and evaluation expenditures are capitalized to mine development costs. If an exploration and evaluation activity does not prove viable, all irrecoverable costs with the project are written off.

Exploration and evaluation expenditures include overhead expenses directly attributable to the related activities.

Cash flows attributable to capitalized exploration and evaluation costs are classified as investing activities in the consolidated statement of cash flows under the heading *property, plant and equipment*.

# Osisko Mining Corporation

## Notes to Interim Consolidated Financial Statements

### For the three months ended March 31, 2011 and 2010

(Unaudited)

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

#### 3. Significant accounting policies (continued)

##### (l) Property, plant and equipment (continued)

###### *Mine development costs*

The mine development phase generally begins after completion of a feasibility study and the decision by management to proceed with the commercial development of a project and ends upon the commencement of commercial production. Mine development expenditures include transferred exploration and evaluation expenses as well as costs incurred in accessing the ore body.

In open pit mining operations, it is necessary to remove overburden and other waste materials to access ore from which minerals can be extracted economically. The process of mining overburden and waste materials is referred to as stripping. Stripping costs incurred in order to provide initial access to the ore body (referred to as pre-production stripping) are capitalized as mine development costs.

Stripping costs incurred during the production stage ("production phase stripping") are accounted for as current period production costs unless these costs result in a future economic benefit. Production phase stripping costs generate a future economic benefit when the related stripping activity: (i) provides access to ore to be mined in the future; (ii) increases the fair value of the mine as access to future mineral reserves becomes less costly; (iii) increases the productive capacity or extends the productive life of the pit. Such production phase stripping costs are capitalized as mine development costs. For periods where production phase stripping activity generates a future economic benefit, the life-of-pit waste tons to ore tons ratio (the "strip ratio") is considered, along with other factors such as the length and intensity of the stripping campaign, to determine the amount of production stripping costs incurred that is related to current production versus the amount that relates to the future economic benefit.

Assets under construction are included in mine development costs until they are brought into working condition for their intended use, at which point they are transferred to producing assets and depreciation begins. Assets under construction include borrowing costs and the estimated present value of related asset retirement obligations at recognition.

Once a project enters commercial production, mine development costs related to this project are depreciated on a unit-of-production basis.

###### *Borrowing costs*

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as interest expense in the statement of income in the period in which they are incurred.

###### *Impairment*

The carrying value of property, plant and equipment is reviewed regularly and whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Property, plant and equipment that are not depreciated are subject to an annual impairment test. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). The recoverable amount is the higher of an asset's fair value less cost to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Expected future cash flows for property, plant and equipment are based on estimates of future metal prices and foreign exchange rates, proven and probable reserves, estimated value beyond proven and probable reserves, and future operating, capital, and reclamation cost assumptions.

The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

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**3. Significant accounting policies** *(continued)*

*(m) Convertible debenture*

The liability and equity components of convertible debentures are presented separately on the consolidated balance sheet starting from initial recognition.

The liability component is recognized initially at the fair value, by discounting the stream of future payments of interest and principal at the prevailing market rate for a similar liability of comparable credit status and providing substantially the same cash flows that do not have an associated conversion option. Subsequent to initial recognition, the liability component is measured at amortized cost using the effective interest method; the liability component is increased by accretion of the discounted amounts to reach the nominal value of the debentures at maturity.

The carrying amount of the equity component is calculated by deducting the carrying amount of the financial liability from the amount of the debentures and is presented in shareholders' equity as equity component of convertible debenture. The equity component is not re-measured subsequent to initial recognition except on conversion or expiry. 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 liability 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.

Transaction costs are distributed between liability and equity on a pro-rata basis of their carrying amounts.

*(n) Provisions*

Provisions for environmental restoration, restructuring costs and legal claims, where applicable, are recognized when: (i) the Company has a present legal or constructive obligation as a result of past events; (ii) it is more likely than not that an outflow of resources will be required to settle the obligation; and (iii) the amount can be reliably estimated.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material. The increase in the provision due to passage of time is recognized as interest expense. Changes in assumptions or estimates are reflected in the period in which they occur.

Provision for environmental restoration represents the legal and constructive obligations associated with the eventual closure of the Company's property, plant and equipment. These obligations consist of costs associated with reclamation and monitoring of activities and the removal of tangible assets. The discount rate used is based on a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability, excluding the risks for which future cash flow estimates have already been adjusted.

# Osisko Mining Corporation

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#### 3. Significant accounting policies *(continued)*

##### *(o) Current and deferred income tax*

###### *Current income and mining taxes*

The tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income and mining tax charge is the expected tax payable on the taxable income for the year, using the tax laws enacted or substantively enacted at the balance sheet date in the jurisdictions where the Company, its subsidiaries and its joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Tax on income in interim periods is accrued using the tax rate that would be applicable to expected total annual earnings.

###### *Deferred income and mining taxes*

The Company uses the asset and liability method of accounting for income and mining taxes. Under this method, deferred income and mining tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income and mining tax assets and liabilities are measured using enacted or substantively enacted tax rates that are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is recorded against any deferred income and mining tax asset if it is more likely than not that the asset will not be realized. Mining taxes represent Canadian provincial taxes levied on mining operations and are classified as income taxes since such taxes are based on a percentage of mining profits.

Deferred income and mining tax assets and liabilities are presented as non-current and are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred tax assets and liabilities relate to income or mining taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

##### *(p) Share capital and warrants*

Common shares and warrants are classified as equity. Incremental costs directly attributable to the issuance of shares or warrants are recognized as a deduction from the proceeds in equity in the period where the transaction occurs.

###### *Flow-through shares*

The Company finances some exploration expenditures 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 a deferred tax liability for flow-through shares and a deferred tax expense, at the moment the eligible expenditures are made. The difference ("premium") between the amount recognized in common shares and the amount the investors pay for the shares is recognized as a deferred gain which is reversed into earnings when eligible expenditures have been made.

# Osisko Mining Corporation

## Notes to Interim Consolidated Financial Statements

### For the three months ended March 31, 2011 and 2010

(Unaudited)

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

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#### 3. Significant accounting policies *(continued)*

##### *(q) Leases*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Company leases certain equipment. Leases of equipment for which the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased equipment and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in long-term debt. The interest element of the finance cost is charged to the statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

##### *(r) Share-based compensation*

The Company offers a share option plan for its directors, officers, employees and consultants. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

Any consideration paid on exercise of share options is credited to share capital. The contributed surplus resulting from share-based compensation is transferred to share capital when the options are exercised.

##### *(s) Earnings per share*

The calculation of earnings per share ("EPS") is based on the weighted average number of shares outstanding for each period. The basic EPS is calculated by dividing the profit or loss attributable to the equity owners of Osisko Mining Corporation by the weighted average number of common shares outstanding during the period.

The computation of diluted EPS assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the income per share. The treasury stock method is used to determine the dilutive effect of the warrants, share options and the if-converted method is used for convertible debentures. When the Company reports a loss, the diluted net loss per common share is equal to the basic net loss per common share due to the anti-dilutive effect of the outstanding warrants, share options and convertible debentures.

#### 4. Accounting standard issued but not yet applied

##### 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.

# Osisko Mining Corporation

## Notes to Interim Consolidated Financial Statements

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#### (Unaudited)

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

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

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.

#### 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 relate to ore reserves and estimates of recoverable gold that are the basis of future cash flow estimates for asset impairments/reversals and unit-of-production depreciation and depletion calculations; environmental rehabilitation obligations; income and mining taxes; share-based compensation and the fair value and accounting treatment of financial instruments. These estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The Company is also exposed to numerous legal risks. The outcome of currently pending and future proceedings cannot be predicted with certainty. Thus, an adverse decision in a lawsuit could result in additional costs that are not covered, either wholly or partly, under insurance policies and that could significantly influence the business and results of operations.

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.

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**6. Transition to IFRS**

The effect of the Company's transition from Canadian GAAP to IFRS, as described in Note 2, is summarized in this note as follows:

- a) Transition elections;
- b) Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS;
- c) Adjustments to the statement of cash flows;
- d) Additional IFRS information for the year ended December 31, 2010.

*(a) Transition elections*

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 following transition exemption:

*(i) 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.

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**6. Transition to IFRS (continued)**

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

Note 6 (b)	December 31, 2010			March 31, 2010			January 1, 2010		
	Canadian GAAP	Adj.	IFRS	Canadian GAAP	Adj.	IFRS	Canadian GAAP	Adj.	IFRS
<b>Assets</b>									
<b>Current assets</b>									
Cash and cash equivalents	358,493	-	358,493	568,270	-	568,270	673,777	-	673,777
Short-term investments	17,068	-	17,068	72,593	-	72,593	84,064	-	84,064
Restricted cash	11,176	-	11,176	10,095	-	10,095	10,760	-	10,760
Cash collateral investments	-	-	-	3,501	-	3,501	5,452	-	5,452
Accounts receivable (i)	32,789	(2,058)	30,731	39,628	(8,027)	31,601	37,759	(7,610)	30,149
Mining taxes receivable (i)	-	2,058	2,058	-	8,027	8,027	-	7,610	7,610
Other current assets	7,329	-	7,329	1,527	-	1,527	790	-	790
	<u>426,855</u>	<u>-</u>	<u>426,855</u>	<u>695,614</u>	<u>-</u>	<u>695,614</u>	<u>812,602</u>	<u>-</u>	<u>812,602</u>
<b>Non-current assets</b>									
Restricted cash	11,202	-	11,202	16,134	-	16,134	16,134	-	16,134
Investment in an associate (ii)	-	2,158	2,158	-	2,604	2,604	-	2,802	2,802
Other investments (ii)	38,527	(2,158)	40,851	28,245	(2,604)	29,406	5,732	(2,802)	6,919
		4,482			3,765			3,989	
Property, plant and equipment (iv)	1,587,682	(109,864)	1,477,818	617,613	-	617,613	504,305	-	504,305
	<u>2,064,266</u>	<u>(105,382)</u>	<u>1,958,884</u>	<u>1,357,606</u>	<u>3,765</u>	<u>1,361,371</u>	<u>1,338,773</u>	<u>3,989</u>	<u>1,342,762</u>
<b>Liabilities</b>									
<b>Current liabilities</b>									
Accounts payable and accrued liabilities (v)	73,311	208	73,519	55,930	-	55,930	46,047	949	46,996
Current portion of long-term debt	70,405	-	70,405	1,652	-	1,652	6,155	-	6,155
	<u>143,716</u>	<u>208</u>	<u>143,924</u>	<u>57,582</u>	<u>-</u>	<u>57,582</u>	<u>52,202</u>	<u>949</u>	<u>53,151</u>
<b>Non-current liabilities</b>									
Long-term debt	217,481	-	217,481	182,294	-	182,294	173,914	-	173,914
Deferred tax liabilities (iv)	111,294	(111,294)	-	-	-	-	-	-	-
Provisions	3,494	-	3,494	361	-	361	355	-	355
	<u>475,985</u>	<u>(111,086)</u>	<u>364,899</u>	<u>240,237</u>	<u>-</u>	<u>240,237</u>	<u>226,471</u>	<u>949</u>	<u>227,420</u>
<b>Equity attributable to Osisko shareholders</b>									
Share capital (iv)	1,574,257	37,118	1,606,051	1,115,603	-	1,113,286	1,116,229	-	1,111,326
		(5,324)			(2,317)			(4,903)	
Warrants (v)	13,166	-	13,166	5,871	-	5,871	5,871	-	5,871
Contributed surplus	43,390	-	43,390	26,787	-	26,787	24,272	-	24,272
Equity component of convertible debenture (vi)	11,036	(3,031)	8,005	11,036	(3,031)	8,005	11,036	(3,031)	8,005
Accumulated other comprehensive income	11,019	-	11,019	1,868	-	1,868	-	-	-
Deficit (iii)	(64,587)	4,482	(87,646)	(43,796)	3,765	(34,683)	(45,106)	3,989	(34,132)
		(35,688)			-			-	
		5,116			2,317			3,954	
		3,031			3,031			3,031	
	<u>1,588,281</u>	<u>5,704</u>	<u>1,593,985</u>	<u>1,117,369</u>	<u>3,765</u>	<u>1,121,134</u>	<u>1,112,302</u>	<u>3,040</u>	<u>1,115,342</u>
	<u>2,064,266</u>	<u>(105,382)</u>	<u>1,958,884</u>	<u>1,357,606</u>	<u>3,765</u>	<u>1,361,371</u>	<u>1,338,773</u>	<u>3,989</u>	<u>1,342,762</u>

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**6. Transition to IFRS (continued)**

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

	Year ended December 31, 2010			Three months ended March 31, 2010		
	Note 6 (b) Cdn GAAP <sup>(1)</sup>	Adj.	IFRS	Cdn GAAP <sup>(1)</sup>	Adj.	IFRS
<b>Expenses</b>						
General and administrative expenses	31,955	-	31,955	4,547	-	4,547
Exploration and corporate development	2,473	-	2,473	361	-	361
Other expenses	240	-	240	-	-	-
<b>Operating loss</b>	<b>(34,668)</b>	<b>-</b>	<b>(34,668)</b>	<b>(4,908)</b>	<b>-</b>	<b>(4,908)</b>
Interest income	3,363	-	3,363	649	-	649
Foreign exchange gain	2,751	-	2,751	2,895	-	2,895
Share of equity investee loss	(644)	-	(644)	(198)	-	(198)
Other gains (losses)	(iii) 5,431	493	9,672	(3)	(224)	722
	(v)	3,748			949	
<b>Loss before income taxes</b>	<b>(23,767)</b>	<b>4,241</b>	<b>(19,526)</b>	<b>(1,565)</b>	<b>725</b>	<b>(840)</b>
Income tax recovery (expense)	(v) 4,286	(2,586)	1,700	2,875	(2,586)	289
<b>Profit (loss) attributable to Osisko shareholders</b>	<b>(19,481)</b>	<b>1,655</b>	<b>(17,826)</b>	<b>1,310</b>	<b>(1,861)</b>	<b>(551)</b>
<b>Other comprehensive income</b>						
Net gain on available-for-sale financial assets, net of deferred income taxes of \$1,800,000 and \$290,000	10,349	-	10,349	1,868	-	1,868
Net realized loss on available-for-sale financial assets, net of deferred income tax recovery of \$100,000	670	-	670	-	-	-
<b>Total comprehensive income (loss)</b>	<b>(8,462)</b>	<b>1,655</b>	<b>(6,807)</b>	<b>3,178</b>	<b>(1,861)</b>	<b>1,317</b>
<b>Profit (loss) per share</b>						
Basic and diluted	(0.05)	-	(0.05)	0.00	-	0.00

<sup>1</sup> Certain Canadian GAAP figures have been reclassified to conform with the Company's IFRS financial statement presentation (note 6 (b)(vii)).

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**6. Transition to IFRS (continued)**

(b) *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 at the transition date (January 1, 2010) by \$3,989,000 and adjusted its other gains or (losses) on the statement of income by \$493,000 for the year ended December 31, 2010 and by (\$224,000) for the three months ended March 31, 2010.
- (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. In addition, the purchase of additional subsidiary shares once control is obtained must be accounted for as an equity transaction, which affected the second and final acquisition of shares of Brett Resources.

As a result, the following adjustments were made:

	<u>May 19, 2010</u>	<u>August 13, 2010</u>	<u>Net impact as at December 31, 2010</u>
Increase (decrease)	\$	\$	\$
Property, plant and equipment	25,517	(24,087)	1,430
Share capital	25,517	11,601	37,118
Retained earnings	-	(35,688)	(35,688)

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

As a result, the following adjustments were made:

	<u>May 19, 2010</u>	<u>August 13, 2010</u>	<u>Net impact as at December 31, 2010</u>
Increase (decrease)	\$	\$	\$
Property, plant and equipment	(79,071)	(32,223)	(111,294)
Deferred tax liabilities	(79,071)	(32,223)	(111,294)

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**6. Transition to IFRS (continued)**

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

*Summary of adjustments by period:*

	<b>December 31, 2010</b>	<b>March 31, 2010</b>	<b>January 1, 2010</b>
Increase (decrease)	\$	\$	\$
Property, plant and equipment	(109,864)	-	-
Deferred tax liabilities	(111,294)	-	-
Share capital	37,118	-	-
Retained earnings	(35,688)	-	-

(v) Under Canadian GAAP, when flow-through shares are issued, they are initially recorded in share capital at their issue price. On the date the expenses are renounced (by filing the prescribed forms) to the investors, a deferred tax liability is recognized as a cost of issuing the shares (a reduction in share capital). While IFRS does not provide specific guidance on the accounting for flow-through shares, it is generally agreed that the method required by the Securities and Exchange Commission - under US GAAP - is appropriate. As a result, 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 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 year ended December 31, 2010 and the three months ended March 31, 2010. Note 6 (d) (iv) presents expenses by nature for the year ended December 31, 2010 as required by IFRS in annual financial statements when a statement of income is presented by function.

*(c) 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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**6. Transition to IFRS (continued)**

(d) *Additional IFRS information for the year ended December 31, 2010*

(i) *Fair value of financial instruments*

The following table summarizes the classification of the Company's financial instruments that are measured at fair value under IFRS, which were previously measured on a different basis under Canadian GAAP.

	Assets measured at fair value December 31, 2010			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Financial assets at fair value through profit and loss<sup>(*)</sup></b>				
Investments in warrants	-	-	4,482	4,482
	-	-	4,482	4,482

(\*) Under Canadian GAAP, the IFRS category of financial instruments *financial assets through profit and loss* was *held-for-trading financial assets*.

The following table presents a reconciliation from the beginning balance to the ending balance of the Level 3 financial assets discussed in the table above:

	Reconciliation of long-term investments measured at fair value based on Level 3 inputs Year ended December 31, 2010
	\$
Balance - beginning of period	3,989
Acquisition	-
Unrealized change in fair value	493
Balance - end of period	4,482

The following gains, included in net loss for the year ended December 31, 2010, were not previously included in net loss under Canadian GAAP:

	Year ended December 31, 2010
	\$
<b>Financial assets at fair value through profit and loss</b>	
Unrealized fair value gains	493

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**6. Transition to IFRS (continued)**

d) *Additional IFRS information for the year ended December 31, 2010 (continued)*

(ii) *Investment in an associate*

The following summarizes financial information about the Company's share of assets, liabilities, revenue and profit or loss of its associate for the year ended December 31, 2010.

	<b>December 31, 2010</b>
	<b>\$</b>
Assets	5,300
Liabilities	522
Revenues	-
Loss	1,850
Share of loss	644

(iii) *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:

	<b>Year ended December 31, 2010</b>
	<b>\$</b>
Salaries and short-term employee benefits	4,838
Post-employment benefits	-
Other long-term benefits	-
Share-based payments	11,499
Termination benefits	-
	<b>16,337</b>

(iv) *Expenses by nature*

	<b>Year ended December 31, 2010</b>
	<b>\$</b>
Employee benefit expense (see below)	23,354
Consulting and professional fees	4,062
Rent and office expenses	1,991
Travelling expenses	1,707
Communication and promotion expenses	1,486
Depreciation	473
Write-off of property, plant and equipment	240
Other expenses	1,355
Total	<b>34,668</b>

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**6. Transition to IFRS (continued)**

d) *Additional IFRS information for the year ended December 31, 2010 (continued)*

(iv) *Expenses by nature (continued)*

Employee benefit expense

	<b>Year ended December 31, 2010</b>
	<b>\$</b>
Salaries and wages	9,724
Share-based compensation	13,630
Total	<u>23,354</u>

Other gains (losses)

	<b>Year ended December 31, 2010</b>
	<b>\$</b>
Net unrealized gain on financial assets at fair value through profit and loss	7,218
Net realized loss on available-for-sale financial assets	(770)
Gain - premium on flow-through shares	3,748
Others	(524)
Total	<u>9,672</u>

(v) *Earnings per share*

	<b>Year ended December 31, 2010</b>
	<b>\$</b>
Loss attributable to shareholders of Osisko Mining Corporation	(17,826)
Basic weighted average number of common shares outstanding (in thousands)	360,413
Dilutive effect of warrants	-
Dilutive effect of share options	-
Dilutive effect of convertible debenture	-
Diluted weighted average number of common shares	<u>360,413</u>
Loss per share Basic and diluted	(0.05)

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**7. Property, plant and equipment**

	Exploration and evaluation \$	Mine development <sup>(i)</sup> \$	Total <sup>(ii)</sup> \$
<b>Balance – January 1, 2010</b>			
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>504,305</u>
<b>Year ended December 31, 2010</b>			
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>1,477,818</u>
<b>Balance – December 31, 2010</b>			
Cost	542,576	943,636	1,486,212
Accumulated depreciation <sup>(iii)</sup>	-	(8,394)	(8,394)
Net book value	<u>542,576</u>	<u>935,242</u>	<u>1,477,818</u>
<b>Three months ended March 31, 2011</b>			
Opening net book value	542,576	935,242	1,477,818
Additions, net of government credits	22,609	83,619	106,228
Asset retirement obligations	-	530	530
Amortization of debt issuance cost	-	2,053	2,053
Interests capitalized	-	5,230	5,230
Share-based compensation capitalized	362	1,243	1,605
Depreciation	-	(2,132)	(2,132)
Depreciation capitalized	41	1,971	2,012
Transfers to stockpile inventories	-	(8,342)	(8,342)
Write-off	-	(485)	(485)
Closing net book value	<u>565,588</u>	<u>1,018,929</u>	<u>1,584,517</u>
<b>Balance – March 31, 2011</b>			
Cost	565,588	1,029,455	1,595,043
Accumulated depreciation	-	(10,526)	(10,526)
Net book value	<u>565,588</u>	<u>1,018,929</u>	<u>1,584,517</u>

i) Including equipment under finance lease having net book values of \$76,845,000 and \$78,888,000 as at March 31, 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.

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**8. Long-term debt**

	<b>March 31, 2011</b>	<b>December 31, 2010</b>
	<b>\$</b>	<b>\$</b>
Balance – January 1	287,886	180,069
New debt – loan	-	75,000
Transaction costs – loan	(18)	(8,582)
New debt – obligations under finance lease	-	50,565
Repayment of debt – obligations under finance lease	(546)	(11,098)
Accretion expense – convertible debenture	477	1,805
Amortization of transaction costs	2,052	3,001
Foreign exchange revaluation impact	(1,513)	(2,874)
Balance – end of period	<u>288,338</u>	<u>287,886</u>
Current portion	74,046	70,405
Non-current portion	<u>214,292</u>	<u>217,481</u>
	<u>288,338</u>	<u>287,886</u>

**9. Share options**

	<b>Three months ended March 31, 2011</b>		<b>Year ended December 31, 2010</b>	
	<b>Number of options</b>	<b>Weighted average exercise price</b>	<b>Number of options</b>	<b>Weighted average exercise price</b>
		<b>\$</b>		<b>\$</b>
Balance – January 1	13,471,728	7.77	9,619,500	5.30
Granted	125,000	13.69	5,585,000	11.15
Replacement options issued <sup>(i)</sup>	-	-	1,971,118	3.81
Exercised	(205,832)	6.62	(1,820,502)	5.01
Replacement options exercised	(14,322)	6.59	(1,830,054)	3.64
Forfeited	(30,000)	10.01	(53,334)	5.70
Balance – end of period	<u>13,346,574</u>	<u>7.84</u>	<u>13,471,728</u>	<u>7.77</u>
Options exercisable – closing balance	<u>8,392,400</u>	<u>6.35</u>	<u>7,677,558</u>	<u>5.80</u>

(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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**10. 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:

	<b>Three months ended March 31</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Salaries and short-term employee benefits	650	625
Post-employment benefits	-	-
Other long-term benefits	-	-
Share-based payments	1,613	1,179
Termination benefits	-	-
	<b>2,263</b>	<b>1,804</b>

**11. Cash flow information**

	<b>Three months ended March 31</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Changes in non-cash working capital items		
Decrease (increase) in accounts receivable	(13,893)	835
Increase in mining taxes receivable	-	(417)
Increase in stockpile inventories	(3,382)	-
Decrease (increase) in other current assets	2,266	(737)
Decrease in accounts payable and accrued liabilities	(694)	(1,490)
	<b>(15,703)</b>	<b>(1,809)</b>
Non-cash transactions		
Share-based compensation allocated to property, plant and equipment	1,605	1,103
Equipment under finance lease acquired	-	10,078
Depreciation allocated to property, plant and equipment	2,012	931
Amortization of debt issuance costs allocated to property, plant and equipment	2,053	669
Interest expense allocated to property, plant and equipment	2,333	468
Shares issued for payment of interest on long-term debt	1,435	1,387
Supplementary cash flow information		
Refundable tax credits received	-	-
Mining taxes received	-	-

For the three months ended March 31, 2011, the Company's investments in property, plant and equipment amounted to \$106,699,000 (2010 – \$113,308,000) and \$133,770,000 (2010 – \$90,910,000) have been paid. Also, the Company accrued refundable tax credits of \$1,615,000 (2010 – \$1,437,000).

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**12. Commitments**

As at March 31, 2011, the total purchase commitments for the Canadian Malartic Project amount to approximately \$68,291,000.

**13. Subsequent event**

In May 2011, the Company completed a flow-through share financing of 925,170 shares at a price of \$17.50 per share for gross proceeds of \$16,190,000.