



OSISKO DEVELOPMENT

TSX-V:ODV

NEWSLETTER

BULLISH FACTORS FOR GOLD

APRIL 2021

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Many of our shareholders have been asking questions about the “Bullish Factors for Gold” slide in Osisko Development’s investor presentation. Consequently, we decided to be proactive and prepare a newsletter that addresses market dynamics and updates investors regarding items impacting the price of gold.

Q1 was a tough quarter for spot gold bullion, which was down -10.3%, the worst quarterly performance in over five years. The sharp increase in the benchmark 10 year US Treasury bond yield seemed to be the culprit as real rates became slightly less negative. As shown in the chart below, the gold price is inversely correlated to “real interest rates”, as derived from the 10-year Treasury Inflation Protected Security (TIPS). The yield on the 10-year TIPS narrowed by 45bp in Q1 to -0.63%. The correlation between gold and the yield on the US 10-year TIPS has been -0.846 in the last twelve months, -0.978 in the last two years and -0.916 in the last five years.

US TREASURY 10-YEAR TIPS YIELD (WHITE LINE) VS SPOT GOLD (BLUE LINE)



In our view, the impact of the recent rise in nominal and real interest rates on gold will prove to be only a temporary headwind for the following reasons:

- Global debt outstanding stands at **\$284 trillion or 355% of global GDP** at year-end 2020, vs \$250 trillion twelve months ago & \$173 trillion ten years ago.
- The total public debt in the US is now **\$28.08 trillion** vs \$23 trillion twelve months ago, \$20 trillion two years ago & \$14 trillion ten years ago.
- Given the magnitude of debt in the economy and at the Government level, The Fed will only be able to let interest rates go so high.
- Both the M1 and M2 monetary aggregates are now growing at record-breaking rates in the US.

- Inflation expectations in the US are also showing a steep rise of late, currently at 2.60% vs 2.20% one month ago and approximately 2.00% at the beginning of 2021.
- The yield curve in the US has steepened by approximately 160bp this year based on the 2 to 10-year spread, showing that the bond market anticipates more inflation. Higher inflation combined with low interest rates should keep real rates negative for a long time.
- The combined assets of the Fed, BOJ, ECB & PBOC is now **\$29.01 trillion** vs \$20 trillion twelve months ago & \$10 trillion ten years ago.
- Global Liquidity is now **\$20.38 trillion** vs \$16.0 trillion twelve months ago & \$11.0 trillion ten years ago. The correlation between the price of gold and global liquidity has been 0.91 in the last five years. As shown in the chart below, there has been a material dislocation between global liquidity and the price of gold in 2021.
- Geopolitical concerns are not going away as evidenced by President Biden's recently imposed sanctions on Russia and sustained (and growing) tensions between China and much of the Western world.
- Global central banks' gold reserves have been increasing every month since 2009. (see chart below)
- Senior gold producers have underinvested in exploration in the last ten years. As shown in the chart below, the gold reserves of senior gold producers have declined in nine of the last ten years.
- The upcoming implementation of the Basel III regulatory standards of the Bank of International Settlements ("BIS") will be bullish for gold prices. Here's why:
 - Beginning in June of 2021, Basel III rules will require banks to hold unencumbered physical gold valued at 100%. Unallocated paper gold receipts will not be considered equal assets for the purpose of evaluating financial strength.
 - The new rules will significantly penalize bullion banks holding gold in unallocated accounts relative to fully allocated accounts. Unallocated gold can be leveraged, loaned out, more than once, creating multiple claims on the same amount of gold. Allocated cannot. In other words, the banks will be penalized for unallocated gold holdings and rewarded for holding the actual physical metal on an unlevered basis.
 - **There is more gold traded daily in London than is produced through mining in a year.** It is estimated that nearly 95% of that gold traded daily in London is unallocated paper gold. We can easily deduce from these figures a rough percentage of how many are unallocated naked shorts, and it's a big figure. Eliminating or drastically reducing this activity therefore makes it more difficult to short the metal and is therefore bullish.
 - *From page 28 of the Bank of International Settlement report on Basel III: "A 0% risk weight will apply to (i) cash owned and held at the bank or in transit; and (ii) gold bullion held at the bank or held in another bank on an allocated basis, to the extent the gold bullion assets are backed by gold bullion liabilities."* <https://www.bis.org/bcbs/publ/d424.pdf>

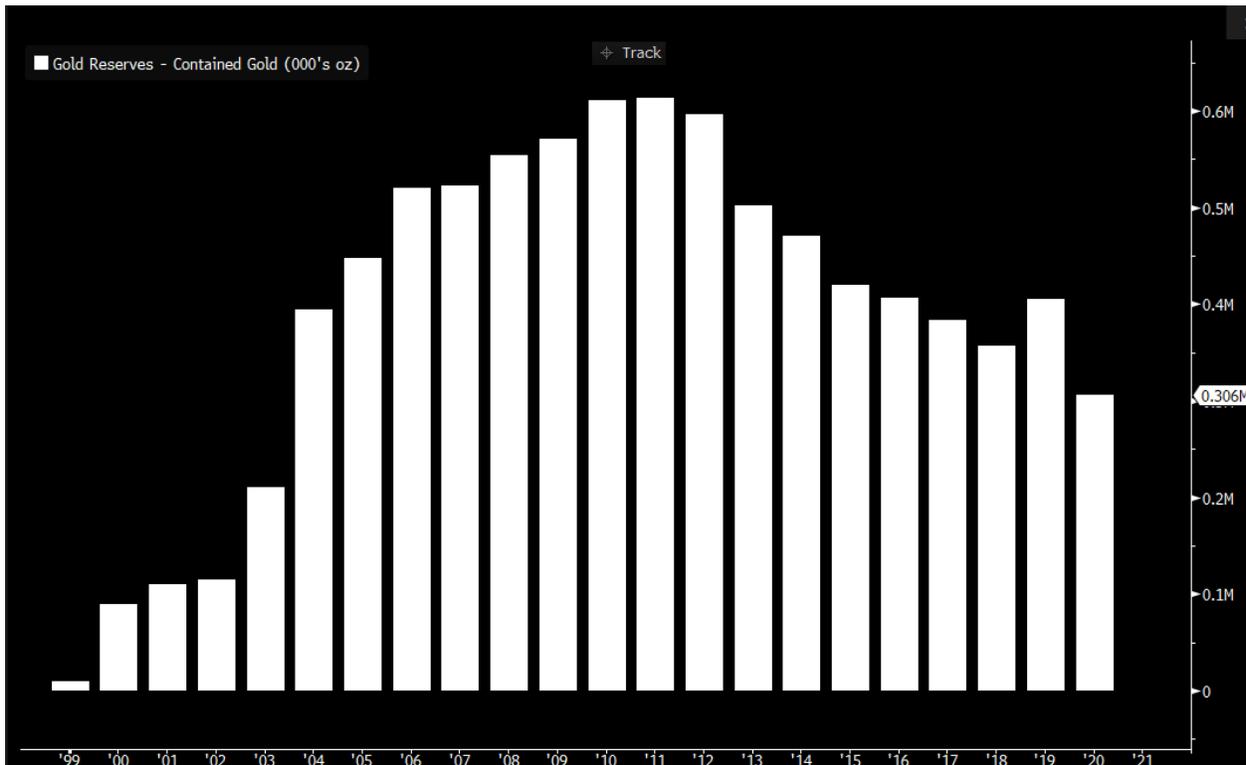
History shows us that there are only three ways for a country to reduce debt: default (unlikely), assess capital levies and pay it (unlikely) or to inflate and dilute it. Debt relief via inflation is increasingly becoming a monetary policy goal globally.

The backdrop today for precious metals is outstanding given supply constraints, rising inflation expectations, asset bubbles in traditional financial assets, record debt to GDP, double barreled fiscal and monetary stimulus, negative and declining real interest rates.

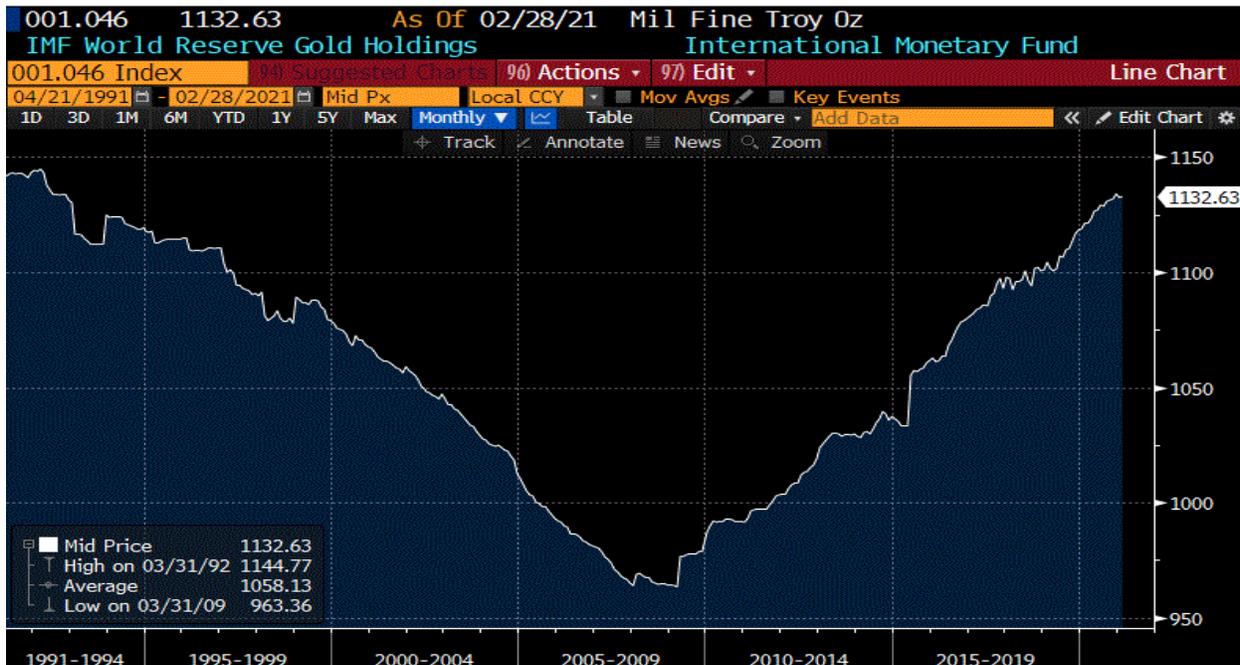
GLOBAL LIQUIDITY (WHITE LINE) VS SPOT GOLD PRICE (BLUE LINE)



SENIOR GOLD PRODUCERS GOLD RESERVES



GLOBAL CENTRAL BANKS GOLD RESERVES



ABOUT OSISKO DEVELOPMENT CORP.

Osisko Development Corp. is well-capitalized and uniquely positioned as a premier gold development company in North America to advance the Cariboo Gold Project and other Canadian and Mexican properties, with the objective of becoming the next mid-tier gold producer. The Cariboo Gold Project, located in central British Columbia, is Osisko Development's flagship asset with measured and indicated resource of 21.44 Mt at 4.6 Au g/t for a total of 3.2 million ounces of gold and inferred resource of 21.69 Mt at 3.9 Au g/t for a total of 2.7 million ounces of gold. The considerable exploration potential at depth and along strike distinguishes the Cariboo Gold Project relative to other development assets as does the historically low, all-in discovery costs of US \$19 per ounce. The Cariboo Gold Project is advancing through permitting as a 4,750 tonnes per day underground operation with a feasibility study on track for completion in the second half of 2021. Osisko Development's project pipeline is complemented by potential near-term production targeted from the San Antonio gold project, located in Sonora Mexico and early exploration stage properties including the Coulon Project and James Bay Properties located in Québec as well as the Guerrero Properties located in Mexico. Osisko Development began trading on the TSX Venture Exchange under the symbol "ODV" on December 2, 2020.

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