



OSISKO DEVELOPMENT

**OSISKO DEVELOPMENT CORP.**

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

**For the three and nine months ended  
September 30, 2022**

**Osisko Development Corp.**  
**Consolidated Statements of Financial Position**  
**As at September 30, 2022 and December 31, 2021**  
**(Unaudited)**

(Expressed in thousands of Canadian dollars)

	Notes	September 30, 2022 \$	December 31, 2021 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash	4	133,138	33,407
Amounts receivable	5	16,400	7,951
Inventories	6	10,848	18,596
Other current assets		7,718	1,471
		<u>168,104</u>	<u>61,425</u>
<b>Non-current assets</b>			
Investments in associates	7	8,900	12,964
Other investments	7	31,486	49,516
Mining interests	3,8	613,898	475,621
Property, plant and equipment	3,9	100,245	83,712
Exploration and evaluation	3,10	49,383	3,635
Other assets		35,899	16,251
		<u>1,007,915</u>	<u>703,124</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	11	31,414	25,117
Deferred premium on flow-through shares	15	-	914
Lease liabilities	13	1,360	8,104
Contract liability	14	1,961	3,822
Current Portion of long term debt	12	4,542	1,610
Environmental rehabilitation provision	16	10,571	2,287
Deferred Consideration and contingent payments	3	3,427	-
		<u>53,275</u>	<u>41,854</u>
<b>Non-current liabilities</b>			
Long term debt	12	4,599	2,154
Lease liabilities	13	182	1,762
Contract liability	14	55,045	20,998
Environmental rehabilitation provision	16	44,827	50,949
Warrant liability		19,691	-
Deferred Consideration and contingent payments	3	13,164	-
Deferred income taxes	3	23,294	1,205
		<u>214,077</u>	<u>118,922</u>
<b>Equity</b>			
Share capital	17	1,032,797	714,373
Warrants	17	1,573	-
Contributed surplus		10,793	6,436
Accumulated other comprehensive income		7,510	6,764
Deficit		(258,835)	(143,371)
		<u>793,838</u>	<u>584,202</u>
		<u>1,007,915</u>	<u>703,124</u>

**APPROVED ON BEHALF OF THE BOARD**  
*(signed)* Sean Roosen, Director

*(signed)*, Charles Page, Director

**Osisko Development Corp.**  
**Consolidated Statements of Loss**  
**For the three and nine months ended September 30, 2022 and 2021**  
**(Unaudited)**

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

	Notes	Three months ended September 30		Nine months ended September 30,	
		2022	2021	2022	2021
		\$	\$	\$	\$
<b>Revenues</b>		<b>22,791</b>	3,906	<b>44,821</b>	4,681
<b>Operating expenses</b>					
Cost of sales	19	(23,435)	(3,906)	(44,811)	(4,681)
Other operating cost	19	(21,444)	-	(57,292)	-
General and administrative	20	(8,710)	(6,862)	(26,451)	(15,533)
Exploration and evaluation, net of tax credits		(90)	(338)	(367)	(1,518)
Impairment of assets	8	(81,000)	(33,320)	(81,000)	(73,799)
<b>Operating loss</b>		<b>(111,888)</b>	(40,520)	<b>(165,100)</b>	(90,850)
Accretion expense		(1,410)	(314)	(3,625)	(446)
Share of loss of associates		(103)	(146)	(575)	(1,302)
Gain on change in fair value of warrant liability		2,565	-	21,946	-
Other income, net	21	7,104	5,282	21,280	9,055
<b>Loss before income taxes</b>		<b>(103,732)</b>	(35,698)	<b>(126,074)</b>	(83,543)
Income tax recovery (expense)		1	3,953	(1,489)	6,694
<b>Net loss</b>		<b>(103,731)</b>	(31,745)	<b>(127,563)</b>	(76,849)
Basic and diluted loss per share	22	(1.37)	(0.71)	(2.13)	(1.68)

**Osisko Development Corp.**  
**Consolidated Statements of Comprehensive Loss**  
**For the three and nine months ended September 30, 2022 and 2021**  
**(Unaudited)**

(Expressed in thousands of Canadian dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
<b>Net loss</b>	<b>(103,731)</b>	<b>(31,745)</b>	<b>(127,563)</b>	<b>(76,849)</b>
<b>Other comprehensive income (loss)</b>				
<i>Items that will not be reclassified to the consolidated statements of loss</i>				
Changes in fair value of financial assets at fair value through comprehensive income	<b>(3,349)</b>	(16,111)	<b>(5,223)</b>	(18,713)
Income tax effect	<b>266</b>	1,916	<b>299</b>	1,969
Share of other comprehensive loss of associates	-	-	<b>(294)</b>	-
<i>Items that may be reclassified to the consolidated statements of loss</i>				
Currency translation adjustments	<b>14,413</b>	(184)	<b>17,657</b>	(1,474)
<b>Other comprehensive income (loss)</b>	<b>11,330</b>	(14,379)	<b>12,439</b>	(18,218)
<b>Comprehensive loss</b>	<b>(92,401)</b>	<b>(46,124)</b>	<b>(115,124)</b>	<b>(95,067)</b>

**Osisko Development Corp.**  
**Consolidated Statements of Cash Flows**  
**For the three and nine months ended September 30, 2022 and 2021**  
**(Unaudited)**

(Expressed in thousands of Canadian dollars)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2022	2021	2022	2021
		\$	\$	\$	\$
<b>Operating activities</b>					
Net loss		(103,731)	(31,745)	(127,563)	(76,849)
Adjustments for:					
Share-based compensation		2,192	1,926	5,389	3,601
Depreciation		2,569	16	9,883	80
Accretion		2,411	312	3,625	446
Loss (gain) on disposal of assets		(51)	111	(11,905)	(114)
Share of loss of associates		104	145	576	1,302
Net gain on acquisition of investments		-	(222)	-	(222)
Change in fair value of financial assets and liabilities at fair value through profit and loss		(2,561)	467	(21,558)	772
Unrealized gain on dilution		-	-	-	(1,391)
Unrealized Foreign exchange loss		(8,336)	(993)	(10,433)	542
Deferred income tax expense (recovery)		-	(3,954)	1,490	(6,694)
Impairment of assets	8	81,000	33,320	81,000	73,799
Premium on flow-through shares	15	-	(2,600)	(914)	(5,868)
Proceeds from Contract liability	14	27,414	-	27,414	5,653
Other		(1,287)	(2,687)	528	(2,245)
Net cash flows used in operating activities before changes in non-cash working capital items		(276)	(5,904)	(42,468)	(7,188)
Changes in non-cash working capital items	23	13,360	2,965	3,466	(11,877)
Net cash flows used in operating activities		<u>13,084</u>	<u>(2,939)</u>	<u>(39,002)</u>	<u>(19,065)</u>
<b>Investing activities</b>					
Mining interests		(12,820)	(41,451)	(37,746)	(116,581)
Property, plant and equipment		(5,541)	(14,469)	(14,619)	(28,965)
Exploration and evaluation expenses		(1,555)	(3,250)	(2,241)	(4,413)
Proceeds on disposals of investments		353	-	21,634	23,233
Acquisition of investments in associates		-	(2,200)	-	(2,200)
Acquisition of other investments		(212)	(7,741)	(212)	(9,156)
Acquisition of Tintic, net of cash acquired	3	-	-	(66,627)	-
Reclamation deposit		-	-	(13,371)	-
Other		(765)	(43)	(1,803)	(245)
Net cash flows used in investing activities		<u>(20,540)</u>	<u>(69,154)</u>	<u>(114,985)</u>	<u>(138,327)</u>
<b>Financing activities</b>					
Private placements	17	-	-	255,543	38,841
Issuance of common shares		114	-	114	-
Share issue expense	17	-	-	(7,238)	(2,581)
Exercise of warrants		-	-	-	3
Capital payments on lease liabilities	13	(396)	(1,588)	(6,295)	(3,956)
Long-term debt		1,202	-	8,738	-
Repayment of long-term debt		(1,082)	-	(3,662)	-
Net cash flows (used in) provided by financing activities		<u>(162)</u>	<u>(1,588)</u>	<u>247,200</u>	<u>32,307</u>
Increase (decrease) in cash before impact of exchange rate		<u>(7,618)</u>	<u>(73,681)</u>	<u>93,213</u>	<u>(125,085)</u>
Effects of exchange rate changes on cash		<u>4,454</u>	<u>1,210</u>	<u>6,518</u>	<u>(191)</u>
<b>Increase (decrease) in cash</b>		<u>(3,164)</u>	<u>(72,471)</u>	<u>99,731</u>	<u>(125,276)</u>
<b>Cash – Beginning of period</b>		<u>136,302</u>	<u>144,622</u>	<u>33,407</u>	<u>197,427</u>
<b>Cash – end of period</b>		<u>133,138</u>	<u>72,151</u>	<u>133,138</u>	<u>72,151</u>

**Osisko Development Corp.**  
**Consolidated Statements of Changes in Equity**  
**For the nine months ended September 30, 2022**  
**(Unaudited)**

(Expressed in thousands of Canadian dollars except number of shares)

	Notes	Number of common shares Outstanding <sup>(i)</sup>	Share capital (\$)	Warrants (\$)	Contributed surplus (\$)	Accumulated other comprehensive income (loss) (\$)	Retained earnings (deficit) (\$)	Total (\$)
<b>Balance – January 1, 2022</b>	17	44,400,854	714,373	-	6,436	6,764	(143,371)	584,202
Net loss		-	-	-	-	-	(127,563)	(127,563)
Other comprehensive loss		-	-	-	-	12,439	-	12,439
Comprehensive loss		-	-	-	-	12,439	(127,563)	(115,124)
Transfer of realized loss on financial assets at fair value through other comprehensive income, net of taxes		-	-	-	-	(11,693)	11,693	-
Private placements – Brokered	17	7,752,917	101,873	1,628	-	-	-	103,501
Private placements – Non- Brokered	17	11,363,933	112,207	-	-	-	-	112,207
Share-issue costs		-	(6,231)	(55)	-	-	-	(6,286)
Share options - Share-based compensation		-	-	-	2,511	-	-	2,511
Equity-settled compensation plan		-	-	-	1,846	-	406	2,252
Shares issued - employee share purchase plan		25,778	310	-	-	-	-	310
Shares issued on Acquisition of Tintic	3	12,049,449	109,657	-	-	-	-	109,657
Share issued from RSU/DSU Redemption		27,651	608	-	-	-	-	608
<b>Balance – September 30, 2022</b>		<b>75,620,582</b>	<b>1,032,797</b>	<b>1,573</b>	<b>10,793</b>	<b>7,510</b>	<b>(258,835)</b>	<b>793,838</b>

- (i) The common shares outstanding presented have been adjusted to reflect the effect of the 3:1 share consolidation that took place on May 4, 2022. Common share, warrants and per share amounts have been adjusted for the 3:1 share consolidation unless noted otherwise.

**Osisko Development Corp.**  
**Consolidated Statements of Changes in Equity**  
**For the nine months ended September 30, 2021**  
**(Unaudited)**

(Expressed in thousands of Canadian dollars except number of shares)

	Notes	Number of common shares Outstanding	Share capital \$	Contributed surplus \$	Accumulated other comprehensive income (loss) \$	Retained earnings (deficit) \$	Total \$
<b>Balance – January 1, 2021</b>		39,649, 958	687,072	69	15,018	(2,593)	699,566
Net loss		-	-	-	-	(76,849)	(76,849)
Other comprehensive loss		-	-	-	(18,218)	-	(18,218)
Comprehensive loss		-	-	-	(18,218)	(76,849)	(95,067)
Transfer of realized loss on financial assets at fair value through other comprehensive income, net of taxes		-	-	-	17,812	(17,812)	-
Private placements – Non-brokered	17	3,620,732	6,156	-	-	-	6,156
Private placements – Flow-through	17	1,130,081	25,257	-	-	-	25,257
Issue costs on financings (net of income taxes)		-	(1,897)	-	-	-	(1,897)
Share options - Share-based compensation		-	-	2,001	-	-	2,001
Exercise of warrants		83	3	-	-	-	3
Restricted share units (including from former Parent Company) Share-based compensation		-	-	1,160	-	-	1,160
Deferred share units to be settled in common shares - Share-based compensation		-	-	902	-	-	902
Income tax impact		-	-	(159)	-	-	(159)
<b>Balance – September 30, 2021</b>		<b>44,400,854</b>	<b>716,591</b>	<b>3,973</b>	<b>14,612</b>	<b>(97,254)</b>	<b>637,922</b>

- (i) The common shares outstanding presented have been adjusted to reflect the effect of the 3:1 share consolidation that took place on May 4, 2022. Common share, warrants and per share amounts have been adjusted for the 3:1 share consolidation unless noted otherwise.

# Osisko Development Corp.

## Notes to the Consolidated Financial Statements

### For the three and nine months ended September 30, 2022 and 2021 (Unaudited)

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

#### 1. Nature of operations

Osisko Development Corp. (“**Osisko Development**” or the “**Company**”) is a mineral exploration and development company focused on the acquisition, exploration and development of precious metals resource properties in North and Central America. The common shares of Osisko Development began trading on the TSX Venture Exchange (“**TSX-V**”) on December 2, 2020 and on the New York Stock Exchange (“**NYSE**”) under the symbol “**ODV**” on May 27, 2022. The Company’s registered and business address is 1100, avenue des Canadiens-de-Montréal, suite 300, Montreal, Québec. The common shares outstanding presented have been adjusted to reflect the effect of the 3:1 share consolidation that took place on May 4, 2022. Common share, warrants and per share amounts have been adjusted for the 3:1 share consolidation unless noted otherwise.

On September 30, 2022, the former parent Company, Osisko Gold Royalties (OGR) held an interest of 44.1% (compared to 75.1% as at December 31, 2021) in Osisko Development Corp. Effective on September 30, 2022, following certain changes made to OGR’s investment agreement with Osisko Development, it was determined that OGR was no longer in a position of control over Osisko Development.

The principal subsidiaries of the Company and their geographic locations at September 30, 2022 were as follows:

<b>Entity</b>	<b>Jurisdiction</b>	<b>% ownership</b>
Barkerville Gold Mines Ltd. (“ <b>Barkerville</b> ”)	British Columbia	100%
Sapuchi Minera, S. de R.L. de C.V. (“ <b>Sapuchi</b> ”)	Mexico	100%
Tintic Consolidated Metals LLC (“ <b>Tintic</b> ”)	USA	100%

Osisko Development is focused on exploring and developing its mining assets, including the Cariboo Gold Project in British Columbia, the San Antonio gold project in Mexico and Trixie test mine in the USA.

As at September 30, 2022, the Company’s working capital was \$114.8 million, which included cash of \$133.1 million, and, the Company incurred a loss of \$127.6 million for the nine months ended on September 30, 2022. With the financings completed in May 2022 (note 17), management believes that the Company will have sufficient funds to meet its obligations and planned expenditures for the ensuing twelve months as they fall due. In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. In order to execute on its planned activities, the Company will be required to secure additional financing in the future, which may be completed in several ways including, but not limited to, a combination of selling additional investments from its portfolio, project debt finance, offtake or royalty financing and other capital market alternatives. Failure to secure future financings may impact and/or curtail the planned activities for the Company, which may include, but are not limited to, the suspension of certain development activities and the disposal of certain investments to generate liquidity.

#### 2. Basis of presentation

These unaudited condensed interim consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”) applicable to the preparation of interim financial statements, including IAS 34 *Interim Financial Reporting*. The condensed interim consolidated financial statements should be read in conjunction with the Company’s annual consolidated financial statements for the year ended December 31, 2021, which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies, methods of computation and presentation applied in these unaudited condensed interim consolidated financial statements are consistent with those of the previous financial year, unless otherwise noted.

The Board of Directors approved these condensed interim consolidated financial statements on November 7, 2022.



**Osisko Development Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2022 and 2021**  
**(Unaudited)**

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

**3. Acquisition of Tintic Consolidated Metals LLC**

On May 27, 2022, the Company completed its previously announced acquisition of Tintic Consolidated Metals LLC, which owns the producing Trixie test mine, as well as mineral claims in Central Utah's historic Tintic Mining District (the "Tintic Transaction").

Under the terms of the Tintic Transaction, the Company funded the acquisition through:

- (i) the issuance of 12,049,449 common shares of Osisko Development;
- (ii) aggregate cash payments of approximately US\$58.7 million (\$74.7million)
- (iii) the issuance of an aggregate of 2% NSR royalties, with a 50% buyback right in favour of Osisko Development exercisable within five years;
- (iv) US\$12.5 million in deferred payments (\$15.9 million); and
- (v) the granting of certain other contingent payments, rights and obligations.

During the three and nine months ended September 30, 2022, transaction costs related to the acquisition were expensed under general and administrative expenses and amounted to approximately \$1.0 million and \$5.6 million respectively. The total consideration paid amounted to approximately US\$156.6 million (\$199.5 million).

In accordance with IFRS 3, *Business Combinations*, a business combination is a transaction in which an acquirer obtains control of a business which is defined as an integrated set of activities and assets that is capable of being conducted and managed to provide a return to investors. For an integrated set of activities and assets to be considered a business, the set needs to contain inputs, and processes. The acquisition of Tintic meets the definition of a business combination as Tintic generates revenues and has processes. Consequently, the transaction has been recorded as a business combination.

The provisional purchase price allocation over the identifiable net assets of Tintic may be subject to change. Information to confirm the fair value of certain assets and liabilities, mainly the mining interests and plant and equipment, the exploration and evaluation assets, the fair value of certain liabilities and the carrying value of the deferred income tax liability, are still to be obtained or confirmed. The allocation is expected to be completed by December 31, 2022.

The table below presents the provisional purchase price allocation based on the best available information to the Company to date:

<b>Consideration paid</b>	<b>\$</b>
Issuance of 12,049,449 common shares of Osisko Development	109,656
Cash	63,881
Convertible instruments <sup>(i)</sup>	10,827
Fair value of deferred consideration of US\$12.5 million (CA\$15.9 million)	13,414
Fair value of other contingent payments, rights and obligations	1,695
	<u>199,473</u>
<b>Net assets acquired</b>	<b>\$</b>
Cash	871
Other current assets	1,834
Mining assets	169,175
Plant and equipment	13,054
Exploration and evaluation	38,508
Other non-current assets	1,735
Current liabilities	(1,322)
Non-current liabilities	(4,925)
Deferred income tax liability	(19,457)
	<u>(199,473)</u>

**Osisko Development Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2022 and 2021**  
**(Unaudited)**

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

**3. Acquisition of Tintic Consolidated Metals LLC (continued)**

- (i) Represents the convertible instruments amounting to US\$8.5 million (\$10.8 million) issued to the sellers prior to the closing of the Tintic Transaction (Note 7), which were part of the acquisition price.

For the nine months ended September 30, 2022, the revenues and net earnings (losses) of the acquiree included in the consolidated statement of loss amounted respectively to \$11.5 million and \$(1.5) million.

**4. Cash**

As at September 30, 2022 and December 31, 2021, cash held in U.S. dollars amounted respectively to US\$76 million (CA\$104.2 million) and US\$15.8 million (CA\$20 million).

**5. Amounts receivable**

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	2,591	499
Exploration tax credits	12,474	6,648
Sales taxes	1,321	803
Other	14	1
	<b>16,400</b>	<b>7,951</b>

**6. Inventories**

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
	<b>\$</b>	<b>\$</b>
<u>Current</u>		
Ore in stockpiles	2,390	4,194
Gold-in-circuit inventory	3,551	8,638
Refined precious metals	319	1,113
Supplies and other	4,588	4,651
<b>Total current inventories</b>	<b>10,848</b>	<b>18,596</b>

Refined precious metals, gold-in-circuit and ore in stockpiles are measured at the lower of weighted average production cost and net realizable value. Net realizable value is calculated as the difference between the estimated selling price and estimated costs to complete processing into a saleable form plus variable selling expenses. Production costs include the cost of materials, labour, mine site production overheads and depreciation to the applicable stage of processing. The cost of ore stockpiles is increased based on the related current cost of production for the period. During the quarter, a write-off of \$7.1 million was recorded at Barkerville Gold Mines to assess current stockpiles at the net realizable value.

**Osisko Development Corp.**  
**Notes to the Consolidated Financial Statements**  
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**(Unaudited)**

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

**7. Investments in associates & other investments**

*Investments in associates*

	September 30, 2022	December 31, 2021
	\$	\$
Balance – Beginning of period	12,964	9,636
Acquisitions	-	1,748
Exercise of warrants	-	1,437
Transfer to Other investments	(15,343)	-
Share of loss and comprehensive loss, net	(575)	(1,703)
Net gain on ownership dilution	-	1,846
Gain on deemed disposal <sup>(i)</sup>	11,854	-
Balance – End of period	<u>8,900</u>	<u>12,964</u>

- (i) In 2022, the gain on deemed disposal is related to an investment in an associate that was transferred to *other investments* as the Company has considered that it has lost its significant influence over the investee.

*Other investments*

	September 30, 2022	December 31, 2021
	\$	\$
<b>Fair value through profit or loss (warrants &amp; convertible loan)</b>		
Balance – Beginning of period	6,952	1,892
Acquisitions	4,438	6,915
Exercises	(117)	(1,122)
Acquisition of Tintic (Note 3)	(10,827)	-
Change in fair value	(388)	(733)
Foreign exchange	51	-
Balance – End of period	<u>109</u>	<u>6,952</u>
<b>Fair value through other comprehensive income (shares)</b>		
Balance – Beginning of period	42,564	98,616
Acquisitions	329	2,850
Disposals	(21,634)	(43,055)
Change in fair value	(5,225)	(15,847)
Transfer from associates	15,343	-
Balance – End of period	<u>31,377</u>	<u>42,564</u>
<b>Total</b>	<u><b>31,486</b></u>	<u><b>49,516</b></u>

Other investments comprise common shares and warrants, almost exclusively from Canadian publicly traded companies.

**Osisko Development Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2022 and 2021**  
**(Unaudited)**

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

**8. Mining interests**

	September 30, 2022	December 31, 2021
	\$	\$
Cost – Beginning of period	475,621	385,802
Acquisition of Tintic	169,175	-
Additions	36,754	136,492
Mining tax credit	(6,275)	(1,585)
Asset retirement obligation	(3,797)	19,522
Depreciation capitalized	896	4,136
Share-based compensation capitalized	388	2,127
Transfers	-	(11,221)
Impairment	(81,000)	(58,417)
Other adjustments	3,337	585
Currency translation adjustments	21,344	(1,820)
Cost – End of period	<b>616,443</b>	475,621
Accumulated depreciation – Beginning of period	-	-
Depreciation	2,385	-
Currency translation adjustments	160	-
Accumulated depreciation – End of period	<b>2,545</b>	-
Cost	<b>616,443</b>	475,621
Accumulated depreciation	<b>(2,545)</b>	-
Net book value	<b>613,898</b>	475,621

Osisko Gold Royalties Ltd holds a 5% NSR royalty on the Cariboo and Bonanza Ledge properties, owned by Barkerville, and a 15% gold and silver stream on the San Antonio property. The Cariboo and Bonanza Ledge properties 5% NSR royalty is perpetual and is secured by a debenture on all of Barkerville movable and immovable assets, including Barkerville's interest in the property and mineral rights, in an amount of not less than \$150 million. The security shall be first ranking, subject to permitted encumbrances.

The recent market conditions, industry cost pressures and current inflationary environment were considered as indicators of impairment, among other facts and circumstances and, accordingly, management of Osisko Development performed an impairment assessment on all its projects including its San Antonio gold project as at September 30, 2022. The impairment assessment resulted in an impairment charge of \$81.0 million on the San Antonio gold project for the three months ended September 30, 2022.

On September 30, 2022, the net assets of the San Antonio gold project was written down to its net estimated recoverable amount of \$35.0 million which was determined by the value-in-use using a discounted cash-flows approach and reflected as an impairment of Mining Interests. The main valuation inputs used were the cash flows expected to be generated by the production and sale of gold from the San Antonio gold project over the estimated life of the mine, based on the expected long-term gold price per ounce costs inflation forecast and the pre-tax real discount rate of 19.9% applied to the cash flow projections. A sensitivity analysis was performed by management of Osisko Development for the long-term gold price and the pre-tax real discount rate. If the long-term gold price per ounce applied to the cash flow projections had been 10% lower than management's estimates, Osisko Development would have recognized an additional impairment charge of \$35.0 million. If the pre-tax real discount rate applied to the cash flow projections had been 100 basis points higher than management's estimates, Osisko Development would have recognized an additional impairment charge of \$5.8 million.

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**8. Mining Interests** *(continued)*

The Company tested its other Cash Generating Units (CGU), for impairment, and determined the recoverable amounts exceeded the carrying amounts. The Company's assessments reflected a number of significant management assumptions and estimates relating to future cash flows projections and discount rate. Changes in these assumptions could impact the Company's conclusion, therefore there is a risk of impairment if there is a change in the near term in the projections or discount rate.

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**9. Property, plant and equipment**

	Land and Buildings	Machinery and Equipment	Construction -in-progress	September 30, 2022	December 31, 2021
	\$	\$	\$	\$	\$
Cost– Beginning of period	18,859	50,133	24,249	<b>93,241</b>	25,713
Acquisition of Tintic	7,594	5,460	-	<b>13,054</b>	-
Additions	1,418	9,576	3,222	<b>14,216</b>	58,153
Disposals	-	(1,351)	-	<b>(1,351)</b>	(166)
Write-off	(70)	(5,193)	-	<b>(5,263)</b>	(4,293)
Other adjustments	(896)	-	-	<b>(896)</b>	2,506
Transfers	-	5,393	(5,393)	-	11,221
Currency translation adjustments	529	2,310	774	<b>3,613</b>	107
Cost – End of period	<b>27,434</b>	<b>66,328</b>	<b>22,852</b>	<b>116,614</b>	<b>93,241</b>
Accumulated depreciation – Beginning of period	2,385	7,144	-	<b>9,529</b>	4,515
Depreciation	1,398	8,092	-	<b>9,490</b>	6,754
Disposal	-	(192)	-	<b>(192)</b>	-
Other adjustments	-	-	-	-	2,496
Write-off	-	(2,687)	-	<b>2,687</b>	(4,236)
Currency translation adjustments	(21)	250	-	<b>229</b>	-
Accumulated depreciation – End of period	<b>3,762</b>	<b>12,607</b>	<b>-</b>	<b>16,369</b>	<b>9,529</b>
Cost	27,434	66,328	22,852	<b>116,614</b>	93,241
Accumulated depreciation	<b>(3,762)</b>	<b>(12,607)</b>	<b>-</b>	<b>(16,369)</b>	<b>(9,529)</b>
Net book value	<b>23,672</b>	<b>53,721</b>	<b>22,852</b>	<b>100,245</b>	<b>83,712</b>

Property, plant and equipment includes right-of-use assets with a carrying value of \$3.8 million as at September 30, 2022 (\$12.9 million as at December 31, 2021).

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**10. Exploration and evaluation**

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
	<b>\$</b>	<b>\$</b>
Net book value - Beginning of period	3,635	41,870
Acquisition of Tintic	38,508	-
Additions	4,519	3,783
Depreciation capitalized	44	-
Impairment	-	(42,018)
Other adjustments	(461)	-
Currency translation adjustments	3,138	-
Net book value – End of period	<b>49,383</b>	3,635
Cost	149,590	103,842
Accumulated impairment	(100,207)	(100,207)
Net book value – End of period	<b>49,383</b>	3,635

**11. Accounts payable and accrued liabilities**

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
	<b>\$</b>	<b>\$</b>
Trade payables	20,762	11,756
Other payables	4,865	5,335
Income taxes payable	765	65
Accrued liabilities	5,022	7,961
	<b>31,414</b>	25,117

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**12. Long-term debt**

	September 30, 2022	December 31, 2021
	\$	\$
Balance – Beginning of period	3,764	-
Additions- mining equipment financing		4,015
	8,739	
Repayment of liabilities	(3,663)	(251)
Currency translation adjustments	301	-
Balance – End of period	<u>9,141</u>	<u>3,764</u>
Current long term debt	4,542	1,610
Non-current long term debt	4,599	2,154
	<u>9,141</u>	<u>3,764</u>

**13. Lease liabilities**

	September 30, 2022	December 31, 2021
	\$	\$
Balance – Beginning of period	9,866	2,035
Acquisition of Tintic Additions	325	-
		13,576
	108	
Repayment of liabilities	(6,638)	(5,745)
Lease modifications and extinguishment	(2,133)	-
Currency translation adjustments	14	-
Balance – End of period	<u>1,542</u>	<u>9,866</u>
Current liabilities	1,360	8,104
Non-current liabilities	182	1,762
	<u>1,542</u>	<u>9,866</u>



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**14. Contract liability**

On November 20, 2020, Sapuchi completed a gold and silver stream agreement with Osisko Bermuda Ltd, a subsidiary of Osisko Gold Royalties for US\$15.0 million (\$19.1 million). An amount of US\$10.5 million was contributed in November 2020 and the remaining US\$4.5 million was paid in February 2021.

Under the terms of the stream agreement, Osisko Bermuda Ltd will purchase 15% of the payable gold and silver from the San Antonio gold project at a price equal to 15% of the daily per ounce gold and silver market price. The initial term of the stream agreement is for 40 years and can be renewed for successive 10 year periods. The stream is also secured with (i) a first priority lien in all of the collateral now owned or hereafter acquired; (ii) a pledge by Osisko Development of its shares of Sapuchi Minera Holdings Two B.V. and (iii) a guarantee by Osisko Development. The interest rate used to calculate the accretion on the contract liability's financing component is 24%.

On August 12, 2022, Tintic completed a metals stream agreement with Osisko Bermuda Ltd, for US\$20 million (\$27.4 million).

Under the terms of the stream agreement, Osisko Bermuda Ltd will receive 2.5% of the refined metal production from Tintic until 27,150 ounces of refined gold have been delivered, and thereafter Osisko Bermuda Ltd will receive 2.0% of the refined metal production from Tintic. Osisko Bermuda Ltd will make ongoing cash payments to Tintic equal to 25% of the applicable spot metal price on the business day immediately preceding the date of delivery for each ounce of refined metal delivered pursuant to the stream agreement.

The movement of the contract liability is as follows:

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
	<b>\$</b>	<b>\$</b>
Balance – Beginning of period	<b>24,820</b>	14,007
Deposits	<b>27,414</b>	5,652
Accretion on the contract liability's financing component	<b>4,809</b>	5,169
Cumulative catch-up adjustment	<b>(2,551)</b>	507
Currency translation adjustment	<b>2,514</b>	(515)
Balance – End of period	<b>57,006</b>	24,820
Current liabilities	<b>1,961</b>	3,822
Non-current liabilities	<b>55,045</b>	20,998
	<b>57,006</b>	24,820

Under IFRS 15, the stream agreements are considered to have a significant financing component. The Company therefore records notional non-cash interest, which is subject to capitalization into *Mining interests*, as borrowing costs.

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**15. Flow-through shares liability**

	September 30, 2022	December 31, 2021
	\$	\$
Balance – Beginning of period	914	-
Deferred premium on flow-through shares issued, net of share issue costs		7,885
	-	
Recognition of deferred premium on flow-through share	(914)	(6,971)
Balance – End of period	-	914

As at September 30, 2022, the balance remaining of qualified Canadian exploration expenses to be spent is \$nil.

**16. Environmental rehabilitation provision**

	September 30, 2022	December 31, 2021
	\$	\$
Balance – Beginning of period	53,236	34,601
Acquisition of Tintic	4,599	-
New liabilities	262	20,433
Revision of estimates	(3,528)	(1,457)
Accretion expense	2,185	1,192
Settlement of liabilities / payment of liabilities	(2,549)	(1,240)
Currency translation adjustment	1,193	(293)
Balance – End of period	55,398	53,236
Current liabilities	10,571	2,287
Non-current liabilities	44,827	50,949
	55,398	53,236

The environmental rehabilitation provision represents the legal and contractual obligations associated with the eventual closure of the Company's mining interests, property, plant and equipment and exploration and evaluation assets. As at September 30, 2022, the estimated inflation-adjusted undiscounted cash flows required to settle the environmental rehabilitation amounts to \$70 million. The weighted average actualization rate used is 7.82% and the disbursements are expected to be made between 2022 and 2030 as per the current closure plans.

**17. Share capital and warrants**

**Shares**

Authorized: unlimited number of common shares, without par value

Issued and fully paid: 75,620,582 common shares

# Osisko Development Corp.

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#### 17. Share Capital and warrants (*continued*)

The common shares outstanding presented have been adjusted to reflect the effect of the 3:1 share consolidation that took place on May 4, 2022. Common share, warrants and per share amounts have been adjusted for the 3:1 share consolidation unless noted otherwise.

##### *2022 Brokered private placement*

On March 2, 2022, the Company completed a Brokered Private Placement issuing 9,525,850 Brokered Units at a price of \$4.45 for gross proceeds of \$42.4 million and 13,732,900 Brokered Subscription Receipts at a price of \$4.45 for gross escrowed proceeds of \$61.1 million, on a pre-share consolidation basis. Each Brokered Unit is comprised of one common share and one warrant, with each warrant entitling the holder to purchase one additional common share at a price of \$22.80 (\$7.60 pre-share consolidation) per common share for a period of 5 years following the closing date of the Brokered Private Placement. On May 30, 2022, Brokered Subscription Receipt holders received one Brokered Unit for each Brokered Subscription Receipt, upon the Company satisfying all conditions precedent to the Tintic acquisition (the "Brokered Escrow Release Condition"). Total common share and warrants issued under the Brokered Private Placement on a post share consolidation basis amounts 7,752,917 respectively. Issuance costs related to the Brokered Units issued amounted to \$3.5 million and have been allocated against the common shares and warrants issued. The fair value of the warrants issued was evaluated using the residual method and were valued at \$1.6 million, net of issuance costs.

##### *2022 Non-Brokered private placements*

The Company completed three tranches of the Non-Brokered Private Placements, issuing Non-Brokered Subscription Receipts at a price of US\$3.50 (i) the first tranche closed on March 4, 2022 issuing 24,215,099 Non-Brokered Subscription Receipts for gross proceeds of US\$84.8 million (CA\$108 million) (ii) the second tranche of the Non-Brokered Private Placement closed on March 29, 2022 issuing 9,365,689 Non-Brokered Subscription Receipts for gross proceeds of US\$32.8 million (CA\$41.8 million), and (iii) the third tranche of the Non-Brokered Private Placement closed on April 21, 2022 issuing 512,980 Non-Brokered Subscription Receipts for gross proceeds of US\$1.8 million (CA\$2.3 million), on a pre-share consolidation basis.

On May 27, 2022, each Non-Brokered Subscription Receipt holder received one Unit, upon the listing of Osisko Development's common shares on the NYSE (the "Non-Brokered Escrow Release condition"). Each Unit is comprised of one common share and one common share purchase warrant, with each warrant entitling the holder to purchase one additional common share at a price of USD\$18.00 (USD\$6.00 pre-share consolidation) per common share for a period of 5 years from the date of issue. Total common share and warrants issued under the Non-Brokered Private Placement on a post share consolidation basis amounts 11,363,933 respectively.

These warrants include an embedded derivative as they are exercisable in U.S. dollars and, therefore, fail the "fixed for fixed" requirements prescribed in IAS 32 *Financial Instruments: presentation*. As a result, they are classified as a liability and measured at fair value. Their value was estimated at \$39.8 million on the issue date using the Black-Scholes model and they are presented as a non-current liability on the consolidated statement of financial position. The liability is revalued at its estimated fair value using the Black-Scholes model at the end of each reporting period, and the variation in the fair value is recognized on the consolidated statements of loss under *other gains (losses), net*. All securities issued under the Non-brokered Private Placement are subject to a hold period expiring four months and one day from the closing date.

For the three and nine months ended September 30, 2022, the Company recognized an unrealized gain of \$2.6 million and \$22 million on the fair value adjustment of the warrant liability respectively. Issuance costs allocated to common shares amounted to \$2.8 million. For the three and nine months ended September 30, 2022, the Company recorded in other income in the consolidated statement of loss \$Nil and \$1 million of issuance costs allocated to the warrants.

In absence of quoted market prices, the valuation of the warrants exercisable in USD, when granted and re-measured at fair value is determined by the Black-Scholes option pricing model based on the following range of assumptions:

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**17. Share Capital and warrants (continued)**

	<u>2022</u>
Dividend per share	-
Expected volatility	69%
Risk-free interest rate	2.7% - 3%
Expected life	4.7 - 5 years
Share price USD	\$4.80 - \$7.15

*2021 Non-brokered private placement*

In January and February 2021, Osisko Development closed the first and final tranches respectively of a non-brokered private placement for 3,620,732 units of Osisko Development at a price of \$7.50 per unit (or the Canadian dollar equivalent of US\$5.75 per unit) for aggregate gross proceeds of approximately \$79.8 million, on a pre-share consolidation basis. Each unit consists of one common share of Osisko Development and one-half of one common share purchase warrant of Osisko Development, with each whole warrant entitling the holder thereof to acquire one common share of Osisko Development at a price of \$30.00 per share (\$10.00 per share pre-consolidation) (or the prevailing U.S. dollar equivalent at the time of exercise) on or prior to December 1, 2023. Share issue expenses related to this private placement amounted to \$1.1 million.

*2021 Flow-Through and Charity Flow-Through financing*

In March 2021, the Company closed a bought deal private placement of: (i) 2,055,742 flow-through shares ("**FT Shares**") of the Company at a price of \$9.05 per FT Shares; and (ii) 1,334,500 charity flow-through shares of the Company ("**Charity FT Shares**") at a price of \$11.24 per Charity FT Share, for aggregate gross proceeds of \$33.6 million, on a pre-share consolidation basis. The carrying value of the FT shares and the Charity FT shares is presented net of the liability related to the premium on FT shares of \$7.9 million, which was recorded at the date of the issuance of the FT shares and the Charity FT shares. Share issue expenses related to this private placement amounted to \$1.5 million.

Employee Share Purchase Plan

The Company offers an employee share purchase plan to its employees. Under the terms of the plan, the Company contributes an amount equal to 60% of the eligible employee's contribution towards the acquisition of common shares from treasury on a quarterly basis. Under this plan, no employee shall acquire common shares which exceed 10% of the issued and outstanding common shares of the issuer at the time of the purchase of the common shares.

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**17. Share Capital and warrants (continued)**

**Warrants**

The following table summarizes the Company's movements for the warrants outstanding:

	September 30, 2022		December 31, 2021	
	Number of Warrants <sup>(i)</sup>	Weighted average exercise price	Number of Warrants	Weighted average exercise price
		\$		\$
Balance – Beginning of period	4,929,791	30.00	3,119,508	30.00
Issued – Brokered private placement	7,752,917	22.80	-	-
Issued – Non-brokered private placement <sup>(ii)</sup>	11,363,932	13.53	1,810,283	30.00
Balance – End of period	<b>24,046,640</b>	<b>19.90</b>	4,929,791	30.00

The warrants have a maturity date of December 1, 2023 and March 2, 2027.

- (i) The number of warrants presented have been adjusted to reflect the effect of the 3:1 share consolidation that took place on May 4, 2022.
- (ii) Exercise price of warrants issued in non-brokered private placement is in USD.

**18. Share-based compensation**

**Share options**

The Company offers a share option plan to directors, officers, management, employees and consultants.

The following table summarizes information about the movement of the share options outstanding under the Company's plan:

	September 30, 2022		December 31, 2021	
	Number of options <sup>(i)</sup>	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Balance – Beginning of period	697,841	21.21	399,697	22.86
Granted	901,900	6.49	335,176	19.40
Forfeited	(52,793)	18.74	(37,032)	22.66
Balance – End of period	<b>1,546,948</b>	<b>12.71</b>	697,841	21.21
Options exercisable – End of period	<b>75,168</b>	<b>21.32</b>	-	-

- (i) The number of options presented have been adjusted to reflect the effect of the 3:1 share consolidation that took place on May 4, 2022.

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**18. Share-based compensation (continued)**

The following table summarizes the share options outstanding as at September 30, 2022:

Grant date	Number <sup>(i)</sup>	Exercise price	Options outstanding Weighted average remaining contractual life (years)
		\$	
December 22, 2020	353,964	22.86	3.23
February 5, 2021	10,533	24.30	3.35
June 23, 2021	173,529	21.30	3.73
August 16, 2021	49,898	16.89	3.88
November 12, 2021	57,124	16.20	4.12
June 30, 2022	901,900	6.49	4.75
	1,546,948	12.71	4.22

The number of options presented have been adjusted to reflect the effect of the 3:1 share consolidation that took place on May 4, 2022.

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

	Nine months ended September 30, 2022	Year ended December 31, 2021
Dividend per share	-	-
Expected volatility	64%	66%
Risk-free interest rate	3.2%	0.9%
Expected life	48 months	45 months
Weighted average share price	\$6.49	\$19.40
Weighted average fair value of options granted	\$3.30	\$9.49

The expected volatility is estimated by benchmarking with companies having businesses similar to Osisko Development. The historical volatility of the common share price of these companies was used for benchmarking back from the date of grant and for a period corresponding to the expected life of the options.

The fair value of the share options is recognized as compensation expense over the vesting period. During the three and nine months ended September 30, 2022, the total share-based compensation related to share options granted under the Osisko Development's plan amounted to \$0.95 million and \$2.2 million, respectively (\$0.7 million and \$1.5 million for the three and nine months ended September 30, 2021, respectively)

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**18. Share-based compensation (continued)**

**Deferred and restricted share units (“DSU” and “RSU”)**

The Company offers a DSU plan and a RSU plan, which allow DSU and RSU to be granted to directors, officers and employees as part of their long-term compensation package. All such plans are classified as equity-settled plans.

The following table summarizes information about the DSU and RSU movements:

	September 30, 2022		December 31, 2021	
	DSU <sup>(i)</sup>	RSU	DSU <sup>(i)</sup>	RSU
Balance – Beginning of period	79,781	345,377	56,873	-
Granted	101,750	681,000	22,908	199,649
Replacement RSU granted <sup>(ii)</sup>	-	-	-	152,816
Settled	(10,883)	(49,118)	-	-
Forfeited	-	(14,127)	-	(7,088)
Balance – End of period <sup>(iii)</sup>	170,648	963,132	79,781	345,377
Balance – Vested	68,898	-	-	-

- (i) Unless otherwise decided by the board of directors of the Company, the DSU vest the day prior to the next annual general meeting and are payable in common shares, cash or a combination of common shares and cash, at the sole discretion of the Company, to each director when he or she leaves the board or is not re-elected. The value of the payout is determined by multiplying the number of DSU expected to be vested at the payout date by the closing price of the Company’s shares on the day prior to the grant date. The fair value is recognized over the vesting period. On the settlement date, one common share will be issued for each DSU, after deducting any income taxes payable on the benefit earned by the director that must be remitted by the Company to the tax authorities.
- (ii) Following the launch of Osisko Development, Osisko Gold Royalties and Osisko Development mutually agreed that a pro-rata portion of the outstanding long-term equity incentive compensation awarded by Osisko Gold Royalties to their employees that transferred to Osisko Development would be exchanged for restricted shares units of Osisko Development (“**Replacement RSU**”) and the related Osisko Gold Royalties RSUs would be cancelled. Accordingly, on June 1, 2021, 458,450 Replacement RSU were granted to officers and employees who held Osisko Gold Royalties RSUs that were cancelled. The maturity date is the same as the maturity date of the corresponding Osisko Gold Royalties RSUs cancelled. Replacement RSUs are payable in common shares, cash or a combination of common shares and cash, at the sole discretion of the Company.  
The remaining RSUs granted vest and are payable in common shares, cash or a combination of common shares and cash, at the sole discretion of the Company, three years after the grant date, one half of which depends on the achievement of certain performance measures
- (iii) The number of DSU/RSU presented have been adjusted to reflect the effect of the 3:1 share consolidation that took place on May 4, 2022.

The total share-based compensation expense related to the Osisko Development’s DSU and RSU plans for the three and nine months ended September 30, 2022 amounted to \$1.2 million and \$3 million, respectively (\$1.3 million and \$2 million for the three and nine months ended September 30, 2021, respectively).

Based on the closing price of the common shares at September 30, 2022 (\$6.21), and considering a marginal income tax rate of 53.3%, the estimated amount that Osisko Development is expected to transfer to the tax authorities to settle the employees’ tax obligations related to the vested RSU and DSU to be settled in equity amounts to \$0.2 million (nil as at December 31, 2021) and to \$3.7 million based on all RSU and DSU outstanding (\$2.8 million as at December 31, 2021).

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**19. Cost of sales and other operating costs**

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Salaries and benefits	5,198	263	14,259	605
Share-based compensation	26	5	211	15
Royalties	254	153	1,242	233
Contract Services	14,259	1,327	36,579	1,647
Raw materials and consumables	4,460	127	13,879	396
Operational overhead and write-downs	17,011	1,808	25,050	1,455
Depreciation	3,671	223	10,883	330
	<b>44,879</b>	<b>3,906</b>	<b>102,103</b>	<b>4,681</b>

**20. General and administrative expenses**

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Salaries and benefits	2,517	2,493	6,670	5,917
Share-based compensation	2,176	1,926	5,163	3,601
Insurance	887	301	1,841	601
Depreciation	41	16	121	80
Transaction costs (Note 3)	1,046	-	5,598	-
Other administrative expenses	2,043	2,126	7,058	5,334
	<b>8,710</b>	<b>6,862</b>	<b>26,451</b>	<b>15,533</b>



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**21. Other income, net**

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Interest income, net	443	150	960	733
Foreign exchange gain (loss)	6,267	1,038	8,327	(546)
Premium on flow-through shares	-	2,600	914	5,868
Gain on disposal of assets	-	153	-	153
Gain on deemed disposal of investment	-	-	11,854	-
Other	394	1,341	(775)	2,847
	<b>7,104</b>	<b>5,282</b>	<b>21,280</b>	<b>9,055</b>

**22. Loss per share**

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Net loss attributable to shareholders of the Company	(103,731)	(31,745)	(127,563)	(76,849)
Basic and diluted weighted average number of common shares outstanding	75,615,861	44,401,077	59,810,489	46,096,908
Net loss per share, basic and diluted	(1.37)	(0.71)	(2.13)	(1.68)

The weighted average basic and diluted shares outstanding for all the periods presented have been adjusted to reflect the effect of the 3:1 share consolidation that took place on May 4, 2022.

Excluded from the calculation of the diluted loss per share are all common share purchase warrants and stock options, as their effect would be anti-dilutive.

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**23. Supplementary cash flows information**

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Changes in non-cash working capital items				
Decrease (increase) in amounts receivable	1,675	2,549	870	(2,494)
Decrease (Increase) in inventory	15,383	762	9,438	(8,357)
Increase in other current assets	(5,694)	828	(8,723)	(3,096)
Decrease in accounts payable and accrued liabilities	1,996	(7,104)	1,881	2,070
	<b>13,360</b>	<b>(2,965)</b>	<b>3,466</b>	<b>(11,877)</b>

**24. Fair value of financial instruments**

The following table provides information about financial assets and liabilities measured at fair value in the consolidated statements of financial position and categorized by level according to the significance of the inputs used in making the measurements.

Level 1– Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2– Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

Level 3–Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

	September 30, 2022			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Recurring measurements</b>				
<b>Financial assets at fair value through profit or loss</b>				
Convertible loan receivable	-	-	-	-
Warrants on equity securities				
Publicly traded mining exploration and development companies				
Precious metals	-	-	109	109
Other minerals	-	-	-	-
<b>Financial assets at fair value through other comprehensive loss</b>				
Equity securities				
Publicly traded mining exploration and development companies				
Precious metals	8,969	-	-	8,969
Other minerals	22,408	-	-	22,408
	<b>31,377</b>	<b>-</b>	<b>109</b>	<b>31,486</b>

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**24. Fair value of financial instruments (continued)**

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b><u>Recurring measurements</u></b>				
<b>Financial assets at fair value through profit or loss</b>				
Convertible loan receivable	-	-	6,339	6,339
Warrants on equity securities				
Publicly traded mining exploration and development companies				
Precious metals	-	-	571	571
Other minerals	-	-	42	42
<b>Financial assets at fair value through other comprehensive loss</b>				
Equity securities				
Publicly traded mining exploration and development companies				
Precious metals	35,714	-	-	35,714
Other minerals	6,850	-	-	6,850
	<b>42,564</b>	<b>-</b>	<b>6,952</b>	<b>49,516</b>

During the period ended September 30, 2022 and 2021 there were no transfers among Level 1, Level 2 and Level 3.

The following table presents the changes in the Level 3 investments (warrants and convertible loan) for the nine months ended September 30, 2022 and the year ended December 31, 2021:

	September 30, 2022	December 31, 2021
	\$	\$
Balance – Beginning of period	6,952	1,892
Acquisitions	4,438	6,915
Warrants exercised	(117)	(1,122)
Settlements (note 3)	(10,827)	-
Change in fair value – warrants exercised <sup>(i)</sup>	49	300
Change in fair value – expired <sup>(i)</sup>	(287)	(15)
Change in fair value – held at the end of the year <sup>(i)</sup>	(150)	(1,018)
Foreign exchange	51	-
Balance – End of period	<b>109</b>	6,952

(i) Recognized in the consolidated statements of loss under *other income, net*.

The fair value of the financial instruments classified as Level 3 depends on the nature of the financial instruments.

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**24. Fair value of financial instruments (continued)**

The fair value of the warrants on equity securities of publicly traded mining exploration and development companies and the convertible debentures, classified as Level 3, is determined using the Black-Scholes option pricing model or discounted cash flows. The main non-observable input used in the model is the expected volatility. An increase/decrease in the expected volatility used in the models of 10% would lead to an insignificant variation in the fair value of the warrants as at September 30, 2022 and December 31, 2021.

**25. Segmented information**

The chief operating decision-maker organizes and manages the business under geographic operating segments, being the acquisition, exploration and development of mineral properties.

The assets related to the exploration, evaluation and development of mining projects are located in Canada, in Mexico, and in the USA and are detailed as follows as at September 30, 2022 and December 31, 2021:

	September 30, 2022			
	Canada	Mexico	USA	Total
	\$	\$	\$	\$
Other assets (non-current)	16,993	16,060	2,846	35,899
Mining interest	414,654	12,770	186,474	613,898
Property, plant and equipment	56,059	22,221	21,965	100,245
Exploration and evaluation assets	3,641	-	45,742	49,383
<b>Total non-current assets</b>	<b>491,347</b>	<b>51,051</b>	<b>257,027</b>	<b>799,425</b>

  

	December 31, 2021			
	Canada	Mexico	USA	Total
	\$	\$	\$	\$
Other assets (non-current)	3,767	12,484	-	16,251
Mining interest	394,329	81,292	-	475,621
Property, plant and equipment	61,520	22,192	-	83,712
Exploration and evaluation assets	3,635	-	-	3,635
<b>Total non-current assets</b>	<b>463,251</b>	<b>115,968</b>	<b>-</b>	<b>579,219</b>

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

**25. Segmented information (continued)**

	Canada	Mexico	USA	Total
	\$	\$	\$	\$
<b>For the three months ended September 30, 2022</b>				
Revenues	2,262	12,876	7,653	22,791
Cost of sales	(2,262)	(12,876)	(8,297)	(23,435)
Other operating costs	(19,564)	(1,862)	(18)	(21,444)
General and administrative expenses	(7,425)	(151)	(1,134)	(8,710)
Exploration and evaluation	(90)	-	-	(90)
Impairment of assets	-	(81,000)	-	(81,000)
<b>Segment operating loss</b>	<b>(27,079)</b>	<b>(83,013)</b>	<b>(1,796)</b>	<b>(111,888)</b>
<b>For the three months ended September 30, 2021</b>				
Revenues	3,906	-	-	3,906
Cost of sales	(3,906)	-	-	(3,906)
General and administrative expenses	(5,267)	(1,595)	-	(6,862)
Exploration and evaluation	(307)	(31)	-	(338)
Impairment of assets	(22,365)	(10,955)	-	(33,320)
<b>Segment operating loss</b>	<b>(27,939)</b>	<b>(12,581)</b>	<b>-</b>	<b>(40,520)</b>
<b>For the nine months ended September 30, 2022</b>				
Revenues	20,416	12,876	11,529	44,821
Cost of sales	(20,416)	(12,876)	(11,519)	(44,811)
Other operating costs	(43,826)	(13,448)	(18)	(57,292)
General and administrative expenses	(23,153)	(2,059)	(1,239)	(26,451)
Exploration and evaluation	(367)	-	-	(367)
Impairment of assets	-	(81,000)	-	(81,000)
<b>Segment operating loss</b>	<b>(67,346)</b>	<b>(96,507)</b>	<b>(1,247)</b>	<b>(165,100)</b>
<b>For the nine months ended September 30, 2021</b>				
Revenues	4,681	-	-	4,681
Cost of sales	(4,681)	-	-	(4,681)
General and administrative expenses	(12,617)	(2,916)	-	(15,533)
Exploration and evaluation	(1,422)	(96)	-	(1,518)
Impairment of assets	(58,417)	(15,382)	-	(73,799)
<b>Segment operating loss</b>	<b>(72,456)</b>	<b>(18,394)</b>	<b>-</b>	<b>(90,850)</b>

During the three and nine months ended September 30, 2021, other operating costs were \$nil.