Otis Capital Corp.

FINANCIAL STATEMENTS

June 30, 2008 and 2007

D+H Group LLP
Chartered Accountants

AUDITORS' REPORT

To the Shareholders of
Otis Capital Corp.

We have audited the balance sheets of Otis Capital Corp. as at June 30, 2008 and 2007 and the statements of loss and deficit and cash flow for the year ended June 30, 2008 and the period from incorporation on April 24, 2007 to June 30, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2008 and 2007 and the results of its operations and cash flow for the periods then ended in accordance with Canadian generally accepted accounting principles.

"D&H Group LLP"

Vancouver, B.C.
October 22, 2008

Chartered Accountants

Otis Capital Corp.
BALANCE SHEETS
June 30, 2008 and 2007

	June 30, 2008	June 30, 2007
ASSETS		
CURRENT ASSETS		
Cash	$ 2,404,920	$ 179,859
Amounts receivable	8,689	20,600
Prepaid expenses and deposits	79,134	–
	2,492,743	200,459
DEFERRED FINANCING COSTS	33,780	10,000
	$ 2,526,523	$ 210,459
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 121,294	$ 6,100
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 3)	875,469	210,000
COMMON SHARE SUBSCRIPTIONS	1,645,000	–
CONTRIBUTED SURPLUS (Note 8)	28,253	–
RETAINED EARNINGS (DEFICIT)	(143,493)	(5,641)
	2,371,449	204,359
	$ 2,526,523	$ 210,459

SUBSEQUENT EVENTS (Note 10)

See accompanying summary of accounting policies and notes to the financial statements.

Approved by the Board ***"Craig Lindsay"*** **Director** ***"Norm Eyolfson"*** **Director**

Otis Capital Corp.
STATEMENTS OF LOSS AND DEFICIT
June 30, 2008 and 2007

		Year ended June 30, 2008		Period from incorporation on April 24, 2007 to June 30, 2007
EXPENSES				
Bank charges	$	2,379	$	141
Office expenses		14,071		–
Professional fees		75,602		5,500
Property investigations		5,538		–
Regulatory costs		28,447		–
Stock-based compensation		22,723		–
		(148,760)		(5,641)
OTHER ITEM				
Interest income		10,908		–
NET INCOME (LOSS) FOR THE PERIOD		(137,852)		(5,641)
RETAINED EARNINGS (DEFICIT), beginning of period		(5,641)		–
RETAINED EARNINGS (DEFICIT), end of period	$	(143,943)	$	(5,641)
NET INCOME (LOSS) PER SHARE, basic and diluted (Note 9)	$	(0.10)	$	(0.06)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		1,377,486		92,055

See accompanying summary of accounting policies and notes to the financial statements.

Otis Capital Corp.
STATEMENTS OF CASH FLOW
June 30, 2008 and 2007

	Year ended June 30, 2008	Period from incorporation on April 24, 2007 to June 30, 2007
CASH FLOW FROM (USED IN) OPERATING ACTIVITIES		
Net income (loss) for the period	$ (137,852)	$ (5,641)
Adjustments to reconcile net cash provided by operating activities		
Stock-based compensation	22,723	–
Decrease (increase) in		
Amounts receivable	11,911	(20,600)
Prepaid expense	(79,134)	–
Increase in		
Accounts payable and accrued liabilities	115,194	6,100
	(67,158)	(20,141)
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES		
Issue of common shares	753,700	210,001
Subscriptions received for common shares	1,645,000	–
Repurchase of common share	–	(1)
Share issue costs paid	(106,481)	(10,000)
	2,292,219	200,000
INCREASE IN CASH DURING THE PERIOD	2,225,061	179,859
CASH, beginning of period	179,859	–
CASH, end of period	$ 2,404,920	$ 179,859

See accompanying summary of accounting policies and notes to financial statements.

1. OPERATIONS

Otis Capital Corp. (the "Company") was incorporated under the *Business Corporations Act* (British Columbia) on April 24, 2007. The Company's common shares are listed, as a capital pool company ("CPC"), on the TSX Venture Exchange (the "Exchange") under the trading symbol OOO.

As at June 30, 2008, the Company had no business operations. As a CPC, the Company's business objective will be to identify and evaluate assets or businesses with a view to potential acquisition or participation by completing a Qualifying Transaction (as defined in Exchange Policy 2.4) subject, in certain cases, to shareholder approval and acceptance by the Exchange. The Company has neither a history of earnings nor has it paid any dividends and it is unlikely to pay dividends or enjoy earnings in the immediate or foreseeable future. There is no assurance that the Company will identify and successfully acquire businesses or assets that will produce a profit. Moreover, if a potential business or asset is identified which warrants acquisition or participation, additional funds may be required to complete the acquisition or participation and the Company may not be able to obtain such financing on terms which are satisfactory to the Company.

See Note 8.

2. ACCOUNTING POLICIES

Basis of presentation
These financial statements have been prepared in accordance with Canadian generally accepted accounting principles which necessarily involves the use of estimates. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of significant accounting policies summarized below.

Deferred financing costs
Costs relating to the issue of equity securities are deferred until the securities are issued, at which time the accumulated costs are offset against the proceeds from sale of the securities.

Revenue recognition
Interest income is recognized as earned and when collected is believed to be reasonably assured.

Earnings (loss) per share
Earnings (loss) per share is calculated using the weighted average number of common shares issued and outstanding during the period.

Stock-based compensation
Stock-based compensation is accounted for at fair value as determined by the Black-Scholes option pricing model using amounts that are believed to approximate the volatility of the trading price of the Company's stock, the expected lives of awards of stock-based compensation, the fair value of the Company's stock and the risk-free interest rate. The estimated fair value of awards of stock-based compensation are accounted for as awards vest, with offsetting amounts recognized as contributed surplus.

Income taxes
Income taxes are recorded using the asset and liability method under which future income tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are measured using the substantively enacted income tax rates expected to apply when the asset is realized or the liability settled. To the extent that the Company does not consider it more likely than not that a future income tax asset will be recovered, it provides a valuation allowance against the excess.

2. **ACCOUNTING POLICIES** – continued

New accounting standards

The Accounting Standards Board ("AcSB") of the Canadian Institute of Chartered Accountants has issued new accounting standards that the Company is required to consider for adoption, as follows:

a) Effective on July 1, 2008, the Company will adopt Section 3031 "Inventories". Section 3031 requires inventory to be carried at the lower of cost and net realizable value using, in certain cases, the specific identification method or either of the first-in, first-out or average cost methods. Write downs to net realizable value may be reversed, to the extent of the original write down, if there is clear evidence of an increase in value due to a change in circumstances. The adoption of Section 3031 is anticipated to have no effect on the Company's financial statements.

b) Effective on July 1, 2009, the Company will adopt Section 3064 "Goodwill and intangible assets". Section 3064 replaces Sections 3062 "Goodwill and other intangible assets" and Section 3450 "Research and development costs". Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets including internally developed intangible assets. The adoption of Section 3064 is anticipated to have no effect on the Company's financial statements.

c) Also, the AcSB has determined that Canadian accounting standards for publicly-listed companies will converge with International Financial Reporting Standards ("IFRS") effective for interim and annual periods beginning on and after January 1, 2011. The adoption of IFRS in 2011 will require restatement for comparative purposes of figures presented for the 2010 fiscal year. The Company understands there to be material differences between Canadian GAAP and IFRS, and is therefore monitoring this project with a view to understanding the possible future effects of the transition to IFRS, which cannot be reasonably estimated at this time.

3. **SHARE CAPITAL**

a) Authorized
Unlimited common shares without par value

	Periods ended June 30,			
	2008		2007	
	Shares	Amount	Shares	Amount
Issued				
Balance, beginning of period	2,100,000	$ 210,000	–	$ –
Incorporation, April 24, 2007	–	–	1	1
Share cancelled	–	–	(1)	(1)
Common shares issued for cash	3,200,000	750,000	2,100,000	210,000
Warrants exercised	14,000	3,700	–	–
	5,314,000	963,700	2,100,000	210,000
Less: Share issue costs paid	–	88,231	–	–
Balance, end of period	5,314,000	$ 875,469	2,100,000	$ 210,000

3. **SHARE CAPITAL** − continued

b) Pursuant to an escrow agreement, 2,100,000 common shares are being held in escrow and will be released over a thirty-six month period commencing upon completion of a Qualifying Transaction. The escrow shares may not be transferred, assigned or otherwise dealt with without the consent of the regulatory authorities.

c) The following is a summary of share purchase warrant transactions during the periods ended June 30, 2007 and 2008:

	Outstanding
Balance, June 30, 2007	–
Issued	100,000
Exercised	14,000
Balance, June 30, 2008	86,000

The following is a summary of share purchase warrants outstanding at June 30, 2008:

Exercise Price	Number	Expiry Date
$ 0.20	86,000	November 2009

4. **STOCK-BASED COMPENSATION**

During the year ended June 30, 2008, the Company issued stock options to directors, officers and consultants.

The following is a summary of the stock option transactions during the periods ended June 30, 2008 and 2007:

	Options outstanding	Weighted average exercise price
Balance, June 30, 2007	–	$ –
Awarded	310,000	0.20
Balance, June 30, 2008	310,000	$ 0.20

The following is a summary of stock options outstanding at June 30, 2008:

Exercise price	Number of stock options outstanding	Number of stock options exercisable	Expiry dates
$ 0.20	310,000	310,000	November 2012

4. **STOCK-BASED COMPENSATION** − continued

The fair value of stock-based compensation awarded was estimated using the Black-Scholes option pricing model with the following assumptions:

	2008
Risk-free interest rate:	4.1%
Expected volatility:	75%
Expected life:	5 years

Stock-based compensation is charged to expense as the awarded equity instruments vest. The average fair value of each stock options awarded during the year ended June 30, 2008, calculated using the Black-Scholes option pricing model, was $ 0.07.

The Black-Scholes option pricing model was developed for use in estimating the fair value of stock options that have no vesting provisions and are fully transferable. Also, option-pricing models require the use of estimates and assumptions including the expected volatility. The Company uses expected volatility rate that are based upon historical volatility rates. Changes in the underlying assumptions can materially affect the fair value estimates.

5. **FINANCIAL INSTRUMENTS**

Financial instruments consist of cash, amounts receivable and accounts payable and accrued liabilities.

Fair value
The fair value of the cash, amounts receivable and accounts payable and accrued liabilities are believed to equal their carrying amounts due to their short terms to maturity.

Credit risk
Cash and amounts receivable are exposed to credit risk due to the potential for counterparties to default on their contractual obligations. The maximum potential loss on all financial instruments is equal to the carrying amount of those items.

6. **RELATED PARTY TRANSACTIONS**

Unless otherwise stated, related party transactions are measured at the exchange amount, being the amount of consideration established and agreed to by the related parties.

During the year ended June 30, 2008, the Company paid $ 6,000 (2007 − $ Nil) for rent and administration services provided by a corporation controlled by a director.

7. **INCOME TAXES**

The significant components of the Company's future income taxes are as follows as at June 30:

	2008	2007
Future income tax assets		
Benefit of loss carryforwards	$ 44,700	$ 1,700
Deductible share issue cost	28,000	−
	72,700	1,700
Less: valuation allowance	72,700	1,700
	$ −	$ −

7. **INCOME TAXES** − continued

The following is a reconciliation of the statutory combined federal and provincial income taxes to the effective income taxes for the periods ended June 30:

	2008	2007
Income taxes (recovery) at statutory income tax rates (2008 − 31.5%, 2007 − 31.5%)	$ (43,000)	$ (1,700)
Deductible share issue costs	(5,500)	−
Non-deductible stock-based compensation	7,000	−
Addition to loss carryforward	41,500	1,700
	$ −	$ −

As at June 30, 2008 the Company had loss carryforwards of approximately $ 140,000, which expire between the 2027 and 2028 fiscal years, available to reduce future years' income taxes. The potential benefit of these loss carryforwards has not been recognized in the Company's accounts as there is no reasonable assurance such benefit will be realized.

8. **CONTRIBUTED SURPLUS**

	2008	2007
Balance, beginning of period	$ −	$ −
Fair value of stock-based compensation	6,430	−
Stock-based compensation	22,723	−
Reclassified on exercise of agents options	(900)	−
	$ 28,253	$ −

9. **EARNINGS (LOSS) PER SHARE**

Basic earnings (loss) per share is calculated by dividing the net income (loss) by the weighted average number of common shares outstanding during the period. The weighted average number of common shares outstanding during the period is net of contingently returnable shares. For 2008, the effects of exercising stock options and considering contingently returnable shares to no longer be subject to recall were anti-dilutive.

The following table details the weighted average number of common shares outstanding for the periods ended June 30:

	2008	2007
Weighted average number of common shares outstanding	3,477,486	92,055
Less: Contingently returnable shares	2,100,000	−
Weighted average number of common shares outstanding-basic and diluted	1,377,486	92,055

10. **SUBSEQUENT EVENTS**

a) Subsequent to June 30, 2008 the Company completed its Qualifying Transaction ("QT") and a secondary transaction. The QT consisted of the acquisition of an option to acquire a 100% interest in the Blue Hill Creek Project located in Cassia County, Idaho. The Company also acquired an option to earn up to a 75% interest in the Kilgore Gold Project, located in Clark County, Idaho, and the Hai and Gold Bug properties, located in Lemhi County, Idaho.

10. **SUBSEQUENT EVENTS** – continued

Acquisition of the Blue Hill Creek Project ("BHC")
A refundable deposit of US$ 40,000 was paid to the vendors in April 2008, at the time of signing the Memorandum of Understanding, and an additional US$ 40,000 was paid, and 1,500,000 shares of the Company were issued, upon Exchange approval of the QT; for an initial undivided 10% interest in BHC. Additional payments to the vendors are required as follows:

a) 750,000 shares will be issued on or before six months from Exchange approval of the QT ("Approval"), to acquire an aggregate 20% interest in BHC;
b) On or before the first anniversary of Approval, US$ 50,000 will be paid and 750,000 shares will be issued, to acquire an aggregate 30% interest in BHC;
c) 750,000 shares will be issued on or before eighteen months from Approval, to acquire an aggregate 40% interest in BHC;
d) On or before the second anniversary of Approval, US$ 60,000 will be paid and 750,000 shares will be issued, to acquire an aggregate 50% interest in BHC;
e) 750,000 shares will be issued on or before thirty months from Approval, to acquire an aggregate 60% interest in BHC;
f) On or before the third anniversary of Approval, US$ 70,000 will be paid and 750,000 shares will be issued, to acquire an aggregate 70% interest in BHC;
g) On or before the fourth anniversary of Approval, US$ 80,000 will be paid, to acquire an aggregate 85% interest in BHC; and
h) On or before the fifth anniversary of Approval, US$ 100,000 will be paid, to acquire an aggregate 100% interest in BHC.

The BHC payments may be accelerated at any time at the option of the Company. In addition to the foregoing, the Company will be responsible for filing and paying all annual assessments and fees relating to BHC.

A 2.5% net smelter returns royalty ("NSR") is payable to the vendors on any production of gold from BHC. At any time, the Company may buy the NSR, or a portion thereof, for US$ 1,000,000 per percentage point (i.e. $ 2,500,000 for the entire NSR).

Kilgore Gold Project
The Company can earn up to a 75% joint venture interest in the Kilgore Gold Project and the Hai and Gold Bug properties. The Company can earn an initial 50% as follows:

a) Payment of US$ 100,000 and issuance of 500,000 shares upon Exchange approval of the QT ("Approval"). The payment has been made and shares issued;
b) Payment of US$ 100,000, issuance of 400,000 shares and incurring US$ 250,000 in exploration expenditures in year one;
c) Issuance of 400,000 shares and incurring US$ 350,000 in exploration expenditures in year two;
d) Issuance of 400,000 shares and incurring US$ 500,000 in exploration expenditures in year three;
e) Issuance of 400,000 shares and incurring US$ 900,000 in exploration expenditures in year four;
f) Issuance of 400,000 shares and incurring US$ 1,000,000 in exploration expenditures in year five.

The Company can increase its interest to 75% by issuing an additional 1,000,000 shares and by completing a pre-feasibility study on the Kilgore Gold Project. In the event the Company does not exercise its right to earn the additional 25% interest, the joint venture partner ("JV Partner") may elect to earn back a 10% interest, reducing the Company's interest to 40%, by expending US$ 600,000 within the year following its election to do so.

10. **SUBSEQUENT EVENTS** − continued

A 2.0% net smelter returns royalty (“NSR”) is payable to the JV Partner on any production of gold from the Kilgore property. At any time, the Company will have the right to purchase up to 1.5% of the NSR by the payment of US$ 500,000 for each 0.5% NSR.

b) **Private Placement**
The Company also completed a non-brokered private placement of 3,765,000 units at $0.50 for gross proceeds of $ 1,882,500. Each unit consisted of one common share and one common share purchase warrant, exercisable at $ 0.70 in the first year and at $ 0.90 in the second year. Commissions or finder’s fees totaling $ 89,425 were paid on the financing.

c) **Stock options**
The Company also awarded 790,000 stock options to directors, officers and consultants. The stock options are exercisable for $ 0.50 per share for five years.