

Otis Capital Corp.
(an Exploration Stage Company)

Interim Consolidated Financial Statements

For the six months ended December 31, 2008

(Unaudited - Prepared by Management)

Notice: These interim consolidated financial statements have been prepared by management and they have not been reviewed by the Company's external auditors.

Otis Capital Corp.

(an Exploration Stage Company)

Interim Consolidated Balance Sheet
As at December 31, 2008 and June 30, 2008
(Unaudited - Prepared by Management)

	<u>December 31, 2008</u>	<u>June 30, 2008</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,377,874	\$ 2,404,920
Amounts receivable	22,616	8,689
Prepaid expenses and deposits	9,905	79,134
	<u>1,410,395</u>	<u>2,492,743</u>
UNPROVEN MINERAL INTERESTS	1,803,601	-
RECLAMATION DEPOSIT	7,526	-
DEFERRED FINANCING COSTS	-	33,780
	<u>\$ 3,221,522</u>	<u>\$ 2,526,523</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 126,740	\$ 121,294
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 3)	3,419,795	875,469
COMMON SHARE SUBSCRIPTIONS	-	1,645,000
CONTRIBUTED SURPLUS (Note 7)	109,531	28,253
RETAINED EARNINGS (DEFICIT)	(434,544)	(143,493)
	<u>3,094,782</u>	<u>2,371,449</u>
	<u>\$ 3,221,522</u>	<u>\$ 2,526,523</u>

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

Approved by the Board "Craig T. Lindsay" Director "Sean Mitchell" Director

Otis Capital Corp.

(an Exploration Stage Company)

Interim Consolidated Statement of Earnings and Deficit For the six months ended December 31st (Unaudited - Prepared by Management)

	Six months Dec. 2008	Six months Dec. 2007	Three months Dec. 2008	Three months Dec. 2007
EXPENSES				
Stock-based compensation	\$ 81,278	\$ 22,723	\$ 2,572	\$ 22,723
Investor relations	43,233	-	7,471	-
Management fees	52,010	-	26,424	-
Office expenses	40,426	1,176	19,269	301
Professional fees	42,075	-	23,238	-
Foreign exchange loss (gain)	18,554	-	12,013	-
Regulatory costs	13,493	19,159	7,969	4,416
Travel	14,584	-	9,174	-
Advertising	2,000	-	-	-
Bank charges	2,421	252	705	184
Property investigations	1,183	5,447	89	5,447
TOTAL EXPENSES	311,257	48,757	108,924	33,071
LOSS	(311,257)	(48,757)	(108,924)	(33,071)
OTHER ITEM				
Interest income	20,206	3,130	11,983	1,623
NET LOSS FOR THE PERIOD	\$ (291,051)	\$ (45,627)	\$ (96,941)	\$ (31,448)
DEFICIT, beginning of period	(143,493)	(5,641)	(337,603)	(19,820)
DEFICIT, end of period	\$ (434,544)	\$ (51,268)	\$ (434,544)	\$ (51,268)
NET INCOME (LOSS) PER SHARE, basic and diluted (Note 9)	\$ (0.03)	\$ (0.02)	\$ (0.01)	\$ (0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	8,807,098	2,317,391	9,189,000	2,534,783

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

Otis Capital Corp.

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Interim Consolidated Statements of Cash Flow For the six months ended December 31st (Unaudited - Prepared by Management)

	Six months Dec. 2008	Six months Dec. 2007	Three months Dec. 2008	Three months Dec. 2007
CASH FLOW FROM (USED IN) OPERATING ACTIVITIES				
Net income (loss) for the period	\$ (291,051)	\$ (45,627)	\$ (96,941)	\$ 31,448
Adjustments to reconcile net cash provided by operating activities				
Stock-based compensation	81,278	22,723	2,572	22,723
Decrease (increase) in				
Amounts receivable	(13,927)	16,959	(10,937)	(2,498)
Deferred financing expenses	33,780	10,000	-	10,000
Prepaid expense	69,229	-	(9,905)	-
Reclamation deposit	(7,526)	-	(7,526)	-
Increase (decrease) in				
Accounts payable and accrued liabilities	5,446	1,141	59,321	319
	<u>(122,771)</u>	<u>5,196</u>	<u>(63,416)</u>	<u>(904)</u>
CASH FLOW FROM INVESTING ACTIVITIES				
Expenditures on unproven mineral interests	(1,003,601)	-	(553,551)	-
	<u>(1,003,601)</u>	<u>-</u>	<u>(553,551)</u>	<u>-</u>
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES				
Issue of common shares for cash	237,500	200,000	-	200,000
Share issue costs paid	(138,174)	(68,449)	-	(68,449)
	<u>99,326</u>	<u>131,551</u>	<u>-</u>	<u>131,551</u>
INCREASE IN CASH DURING THE PERIOD	(1,027,046)	136,747	(616,967)	130,647
CASH, beginning of period	<u>2,404,920</u>	<u>179,859</u>	<u>1,994,841</u>	<u>185,959</u>
CASH, end of period	<u>\$ 1,377,874</u>	<u>\$ 316,606</u>	<u>\$ 1,377,874</u>	<u>\$ 316,606</u>

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

OTIS CAPITAL CORP.
(An Exploration Stage Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2008

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 on the TSX Venture Exchange (the "Exchange") under the trading symbol OOO. As a capital pool company, the Company's business objective was to identify and evaluate assets or businesses with a view to potential acquisition or participation by completing a Qualifying Transaction ("QT").

On July 15, 2008, the Company completed its 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.

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-Sholes 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.

OTIS CAPITAL CORP.
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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 adopted 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. **UNPROVEN MINERAL INTERESTS**

Kilgore Gold Project (or “Kilgore”)

The Company entered into a joint venture on the Kilgore Gold Project located in Clark County, Idaho and the Hai and Gold Bug properties located in Lemhi County, Idaho. The Kilgore property is covered by 150 federal lode mining claims and the Hai and Gold Bug properties are covered by 16 federal lode mining claims. The Company can earn up to 75% joint venture interest in the Kilgore Gold Project and the Hai and Gold Bug properties

Kilgore is a volcanic-hosted epithermal gold system situated on the northern margin of the eastern Snake River Plain. Mineralization is hosted within Miocene age lithic and crystal tuff on the margin of a caldera setting. Mineralization is analogous to that characterizing the Round Mountain, Nevada and McDonald Meadows, Montana multi-million ounce volcanic-hosted disseminated gold deposits. Between 1983 and 1996, Placer Dome, Echo Bay and others drilled 122,257 feet in 191 holes outlining a historic, non-compliant 700,000 ounce bulk-minable resource. Although considered relevant, the reader is cautioned that this resource estimate does not comply with the guidelines of National Instrument 43-101 and Otis is not treating it as such.

In 2008, Otis submitted a 20 site Plan of Operation that was accepted by the Caribou-Challis National Forest. The Company is working on a plan to outline a sizeable high-grade vein breccia located within the main deposit area that can be mined by underground methods.

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3. UNPROVEN MINERAL INTERESTS - continued

The Company has paid US \$100,000 and issued 500,000 common shares (recorded at their fair value of \$ 160,000) and can earn an initial 50% as follows:

- a) Payment of US\$ 100,000, issuance of 400,000 shares and incurring US\$ 250,000 in exploration expenditures in year one;
- b) Issuance of 400,000 shares and incurring US\$ 350,000 in exploration expenditures in year two;
- c) Issuance of 400,000 shares and incurring US\$ 500,000 in exploration expenditures in year three;
- d) Issuance of 400,000 shares and incurring US\$ 900,000 in exploration expenditures in year four; and
- e) 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 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 exercise.

Blue Hill Creek Project ("Blue Hill Creek" or "BHC")

On April 15, 2008, the Company entered into an agreement in principal to acquire a 100% interest in the Blue Hill Creek Gold Project located in Cassia County, Idaho; the property consists of 18 unpatented federal lode mining claims and an adjacent 80 acre Idaho State lease. The transaction was approved by the TSX Venture Exchange as the Company's Qualifying Transaction on July 15, 2008.

The Blue Hill Creek precious metal system, containing a National Instrument 43-101 compliant resource estimate of 235,000 ounces of inferred low-grade gold mineralization, is part of a larger, north-trending, 5-mile-long by 1-mile-wide belt of scattered gold anomalies along a north-trending, Basin-and-Range mountain block, which serves as the westernmost extension of the Albion metamorphic core complex. The geology of the property is dominated by the lower member of the Tertiary Salt Lake Formation where auriferous chalcedonic sinter, and thick section of mineralized epiclastic and tuffaceous volcanic rock host the precious metal mineralization. A recently completed CSAMT geophysical survey suggests the presence of faults cutting the Paleozoic basement rock underlying the mineralized Tertiary section and may have acted as high-grade feeders of the gold mineralization. These feeders and adjacent to mineralized rock may constitute drill targets. A National Instrument 43-101 qualifying report on the property has been filed with the Exchange.

The Company has paid a total of US\$ 80,000 to the vendors and issued 1,500,000 shares (recorded at their fair value of \$600,000) to acquire an undivided 10% interest in BHC. Additional payments to the vendors will be required as follows:

- a) 750,000 shares will be issued on or before January 2009 to acquire an aggregate 20% interest in BHC;
- b) On or before the first anniversary US\$ 50,000 will be paid and 750,000 shares will be issued, to acquire an aggregate 30% interest in BHC;

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3. UNPROVEN MINERAL INTERESTS - continued

- c) 750,000 shares will be issued on or before eighteen months to acquire an aggregate 40% interest in BHC;
- d) On or before the second anniversary 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 to acquire an aggregate 60% interest in BHC;
- f) On or before the third anniversary 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 US\$ 80,000 will be paid, to acquire an aggregate 85% interest in BHC; and
- h) On or before the fifth anniversary 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 royalty ("NSR") will be paid to the vendors on 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).

Cold Creek Gold Project (or "Cold Creek")

The Cold Creek Gold Project, located in Cassia County, Idaho, comprises 53 unpatented federal lode mining claims located approximately 6 miles north of the Company's Blue Hill Creek Gold Project. Otis acquired the claims in exchange for payment of the costs associated with staking the property.

The Cold Creek precious metal system lies on the western margin of the Albion metamorphic core complex. Alteration and gold mineralization are hosted within a conglomeratic sandstone. The Cold Creek zone consists of a northwest-trending, fault bounded graben, filled by more than 450 feet of Tertiary sedimentary rocks which unconformably overlie Paleozoic sedimentary rocks. Pervasive silicification with locally strong stockwork chalcedonic quartz veins are the primary alteration types. Fine-grained pyrite is ubiquitous in the pervasively silicified and oxidized rock. Surface dimensions of these altered measure at least 1,000' x 3,000 feet. Surface gold values to 0.06 opt are present. A total 38 reverse circulation holes was completed by both Meridian and WestGold in the Cold Creek Area. A historically reported, open-ended 50,000 ounce gold resource exists which is in need of step-out drilling. Although considered relevant, the reader is cautioned that this resource estimate does not comply with the guidelines of National Instrument 43-101 and Otis is not treating it as such.

Other projects

The Company has several other early stage exploration projects located in Idaho and Nevada.

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3. UNPROVEN MINERAL INTERESTS - continued

Six months to December 31, 2008					
	Blue Hill Creek Idaho	Kilgore Idaho	Cold Creek Idaho	Other	Total
ACQUISITION COSTS	694,896	304,156	-	37,920	1,036,971
OTHER COSTS:					
Drilling and assays	8,584	259,579	1,545	7,560	277,267
Geologists	65,707	111,643	18,822	7,965	204,137
Travel	30,814	26,937	6,086	3,530	67,367
Mapping and surveying	42,685	44,900	29,551	16,599	133,735
Annual maintenance fees	2,515	21,622	7,528	44,171	75,837
Site office and field supplies	1,898	5,989	296	105	8,287
TOTAL OTHER COSTS	152,204	470,670	63,827	79,929	766,630
BALANCE, December 31, 2008	\$ 847,100	\$ 774,826	\$ 63,827	\$ 117,848	\$ 1,803,601

Title to unproven mineral interests involves certain inherent risks due to the difficulty in determining the validity of certain claims as well as the potential for disputes to arise from the frequently ambiguous conveyance history of many unproven mineral interests.

The Company has acquired an interest in each of its mineral interests noted above by way of direct staking of federal lode claims or the acquisition of certain mineral leases direct from federal, state or local authorities. The costs associated with the acquisition of these claims and leases primarily are comprised of expenses associated with land title checks and third party claim staking contracts.

4. SHARE CAPITAL

- a) Authorized
Unlimited common shares without par value

	Periods ended			
	December 31, 2008		June 30, 2008	
	Shares	Amount	Shares	Amount
Issued				
Balance, beginning of period	5,314,000	\$ 875,469	2,100,000	\$ 210,000
Common shares issued for cash	3,765,000	1,882,500	3,200,000	750,000
Common shares issued for unproven mineral interests	2,000,000	800,000	-	-
Warrants exercised	-	-	14,000	3,700
	11,079,000	3,557,969	5,314,000	963,700
Less: Share issue costs paid	-	138,174	-	88,231
Balance, end of period	11,079,000	\$ 3,419,795	5,314,000	\$ 875,469

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4. **SHARE CAPITAL** – continued

- b) In conjunction with the Qualifying Transaction, the Company 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) Pursuant to an escrow agreement, 1,890,000 common shares are being held in escrow and 315,000 will be released every six months with the next release scheduled for January 2009. 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 warrants outstanding at December 31, 2008:

<u>Exercise Price</u>	<u>Number</u>	<u>Expiry Date</u>
\$ 0.20	86,000	November 2009
0.70	<u>3,765,000</u>	July 15, 2010
	<u><u>3,851,000</u></u>	

5. **STOCK-BASED COMPENSATION**

During the period ended December 31, 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 December 31, 2008 and June 30, 2008:

	Options Outstanding		Weighted average exercise price
Balance, June 30, 2008	310,000	\$	0.20
Awarded	<u>790,000</u>		<u>0.50</u>
Balance, December 31, 2008	<u>1,100,000</u>	\$	<u>0.42</u>

The following is a summary of stock options outstanding at December 31, 2008:

<u>Exercise price</u>	<u>Number of stock options outstanding</u>	<u>Number of stock options exercisable</u>	<u>Expiry dates</u>
\$ 0.20	310,000	310,000	November 2012
0.50	<u>790,000</u>	<u>790,000</u>	September 2013
	<u><u>1,100,000</u></u>	<u><u>1,100,000</u></u>	

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

	<u>6 months ended December 31, 2008</u>	<u>Year ended June 30, 2008</u>
Risk-free interest rate:	3.08%	4.1%
Expected volatility	80%	75%
Expected life:	5 years	5 years

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5. STOCK-BASED COMPENSATION – continued

Stock-based compensation is charged to expense as the awarded equity instruments vest. The average fair value of stock options awarded during the period ended December 31, 2008 calculated using the Black-Scholes option pricing model, was \$ 0.10 (year ended June 30/08 - \$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.

6. 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 counterparts to default on their contractual obligations. The maximum potential loss on all financial instruments is equal to the carrying amount of those items.

7. RELATED PARTY TRANSACTIONS

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

During the six months ended December 31, 2008, the Company incurred management fees of \$38,500 to a company controlled by an officer and a director, consulting fees of \$6,070 for accounting services to an officer, fees of \$ 38,438 for geological services to a director, and fees of \$4,090 for administrative services to family members of a director. At December 31, 2008, \$16,842 of these fees remained outstanding and are included in accounts payable and accrued liabilities, and \$7,000 were prepaid to the company controlled by an officer and director and are included in prepaid expenses.

8. CONTRIBUTED SURPLUS

	<u>December, 2008</u>	<u>June, 2008</u>
Balance, beginning of period	\$ 28,253	\$ -
Stock-based compensation	81,278	29,153
Reclassified on exercise of agents options	<u>-</u>	<u>(900)</u>
	\$ <u>109,531</u>	\$ <u>28,253</u>

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9. SUBSEQUENT EVENTS

Subsequent to December 31, 2008, the Company

- a) Changed its name to Otis Gold Corp.;
- b) issued 10,000 common shares at \$0.50 per share and 10,000 share purchase warrants, exercisable at \$ 0.70 to July 15, 2009 and at \$ 0.90 to July 15, 2010 to an investor at \$0.50 as part of the private placement in July, 2008; and
- c) issued 750,000 common shares to acquire an aggregate 20% interest in the Blue Hill Creek project (see Note 3).