OTIS

GOLD CORP

Consolidated Financial Statements

For the years ended June 30, 2014 and 2013

(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of Otis Gold Corp.

We have audited the accompanying consolidated financial statements of Otis Gold Corp., which comprise the consolidated statements of financial position as at June 30, 2014 and June 30, 2013, and the consolidated statements of comprehensive loss, consolidated statements of shareholders' equity and consolidated statements of cash flows for the years ended June 30, 2014 and June 30, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Otis Gold Corp. as at June 30, 2014 and June 30, 2013, and its financial performance and its cash flows for the years ended June 30, 2014 and June 30, 2013 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Otis Gold Corp.'s ability to continue as a going concern.

"D&H Group LLP"

Vancouver, B.C.
October 24, 2014

Chartered Accountants

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Otis Gold Corp.

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	June 30, 2014 $	June 30, 2013 $
Assets		
Current assets		
Cash	274,813	358,430
Amounts receivable (Note 4)	5,391	4,752
Prepaid expenses and deposits (Note 5)	40,508	41,112
Reclamation deposit	2,518	7,330
	323,230	411,624
Reclamation deposit	12,242	12,242
Investment (Note 6)	4,000	16,000
Equipment (Note 7)	24,097	29,313
Exploration and evaluation assets (Note 8)	16,125,466	15,799,654
	16,489,035	16,268,833
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	54,861	45,638
Shareholders' equity		
Share capital (Note 9)	20,671,056	20,011,378
Reserve (Note 10)	1,623,818	1,504,768
Accumulated other comprehensive loss	(12,000)	-
Accumulated deficit	(5,848,700)	(5,292,951)
	16,434,174	16,223,195
	16,489,035	16,268,833

Nature of operations and going concern (Note 1)

Events after the reporting period (Note 17)

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

These consolidated financial statements were approved for issue by the Board of Directors on October 22, 2014 and are signed on its behalf by:

/s/Craig T. Lindsay
Craig T. Lindsay, Director

/s/Sean Mitchell
Sean Mitchell, Director

Otis Gold Corp.

Consolidated Statements of Comprehensive Loss

For the years ended June 30, 2014 and 2013

(Expressed in Canadian Dollars)

	2014 $	2013 $
Expenses		
Consultant and management fees (Note 11)	165,117	179,536
Office expenses	109,560	134,111
Share-based compensation (Note 10)	89,986	244,198
Investor relations and advertising	25,913	91,293
Professional fees	112,712	103,614
Travel and business development	13,495	87,673
Regulatory costs	29,485	30,165
Property investigations	1,605	23,802
Depreciation of equipment	7,338	9,186
Bank charges	1,678	1,628
	(556,889)	(905,206)
Other items		
Interest income	2,174	9,225
Loss on sale of equipment	(549)	-
Foreign exchange loss	(485)	(14,354)
	1,140	(5,129)
Net income (loss) for the year	(555,749)	(910,335)
Other comprehensive loss	(12,000)	-
Comprehensive loss for the year	(567,749)	(910,335)
Loss per share, basic and diluted	(0.01)	(0.02)
Weighted average number of common shares outstanding	55,901,477	50,228,782

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

Otis Gold Corp.

Consolidated Statements of Shareholders' Equity

For the years ended June 30, 2014 and 2013

(Expressed in Canadian Dollars)

	Share capital					
	Number of shares	Amount	Reserve	Accumulated deficit	Accumulated other comprehensive loss	Shareholders' equity
		$	$	$	$	$
Balance at July 1, 2012	50,228,782	20,011,378	1,260,570	(4,382,616)	-	16,889,332
Share-based compensation	-	-	244,198	-	-	244,198
Net income (loss) for the year	-	-	-	(910,335)	-	(910,335)
Balance at June 30, 2013	50,228,782	20,011,378	1,504,768	(5,292,951)	-	16,223,195
Common shares issued for:						
- cash	12,262,143	715,200	-	-	-	715,200
Less share issue costs	-	(55,522)	-	-	-	(55,522)
Share-based compensation	-	-	119,050	-	-	119,050
Net income (loss) for the year	-	-	-	(555,749)	-	(555,749)
Unrealized loss on available for sale investment	-	-	-	-	(12,000)	(12,000)
Balance at June 30, 2014	62,490,925	29,671,056	1,623,818	(5,848,700)	(12,000)	16,434,174

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

Otis Gold Corp.

Consolidated Statements of Cash Flows

For the years ended June 30, 2014 and 2013

(Expressed in Canadian Dollars)

	2014 $	2013 $
Cash flows from (used in) operating activities		
Net income (loss) for the year	(555,749)	(910,335)
Items not affecting cash		
Depreciation of equipment	7,338	9,186
Share-based compensation	89,986	244,198
Loss on disposal of equipment	549	-
Changes in non-cash working capital		
Decrease (increase) in		
Amounts receivable	(640)	11,339
Prepaid expenses and deposits	606	14,456
Increase (decrease) in		
Accounts payable and accrued liabilities	30,743	(42,360)
	(427,167)	(673,516)
Cash flows from (used in) investing activities		
Reclamation deposits	4,812	(353)
Purchase of equipment	(2,671)	-
Sale of exploration and evaluation assets	-	50,000
Expenditures on exploration and evaluation assets	(347,333)	(724,018)
	(345,192)	(674,371)
Cash flows from financing activities		
Issue of common shares	715,200	-
Share issue costs paid	(26,458)	-
	688,742	-
Net change in cash during the year	(83,617)	(1,347,887)
Cash, beginning of year	358,430	1,706,317
Cash, end of year	274,813	358,430

Supplemental cash flow information (Note 16)

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

1. Nature of operations and going concern

Otis Gold Corp. (the "Company") was incorporated under the Business Corporations Act (British Columbia) on April 24, 2007.

The Company's principal business activities are the acquisition of rights to explore for minerals and the exploration of acquired rights. All of the Company's exploration and evaluation assets are located in Idaho, USA.

The Company's common shares are listed on the TSX Venture Exchange under the trading symbol "OOO:V". The Company's share options and share purchase warrants are not listed.

The Company's principal office is located at:

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Vancouver, BC
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The amounts shown as exploration and evaluation assets represent net costs to date, less amounts amortized and/or written off, and do not necessarily represent present or future values. The recoverability of these amounts and any additional amounts required to place the exploration and evaluation assets into commercial production are dependent upon certain factors. These factors include the existence of ore deposits sufficient for commercial production and the Company's ability to obtain the required additional financing necessary to develop its exploration and evaluation assets.

The Company had working capital of $ 268,369 and an accumulated deficit of $ 5,848,700 as at June 30, 2014 and a net cash outflow from operating and investing activities of $ 772,359 for the year ended June 30, 2014.

The Company has historically relied upon the sale of common shares and share purchase warrants to finance its exploration and administrative expenditures. The Company does not generate cash flow from operations. In order to maintain its exploration and administrative expenditures at a level consistent with the year ended June 30, 2014, the Company will need to raise additional capital during the 2015 fiscal year. Given current market conditions, there is no assurance the Company will be able to raise additional capital on acceptable terms. Management plans, in the event additional capital is not available, to curtail both discretionary exploration and discretionary administrative expenditures in order to preserve both the Company's ability to maintain ownership of its properties and its good standing as a reporting issuer.

The ability to raise additional capital is a material uncertainty that may give rise to significant doubt about the Company's ability to continue as a going concern.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. These consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

2. **Basis of presentation**

Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Details of the group

In addition to the Company, the consolidated financial statements include a subsidiary. Subsidiaries are corporations over which the Company is able, directly or indirectly, to control financial and operating policies, which is the authority usually connected with holding majority voting rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. Inter-company transactions and balances are eliminated upon consolidation. They are de-consolidated from the date that control by the Company ceases.

As at June 30, 2014 and 2013, the Company's subsidiary is as follows:

- Otis Capital USA Corp., Nevada, USA - 100% owned

3. **Significant accounting policies**

Critical judgements and sources of estimation uncertainty
The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical judgments

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

(i) Management is required to assess the functional currency of each entity of the Company. In concluding that the Canadian dollar is the functional currency of the parent and its subsidiary, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. As no single currency was clearly dominant the Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.

3. **Significant accounting policies** - continued

(ii) Management is required to assess whether there is evidence of impairment in respect of exploration and evaluation assets. The triggering events for an impairment test are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future exploration plans. The nature of exploration and evaluation activities is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods.

Management has determined that there were no triggering events as defined in IFRS 6 with respect to the Company's Oakley (Idaho) and Kilgore (Idaho) properties.

(iii) Although the Company takes steps to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

(iv) The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.

Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

a) Depreciation expense is allocated based on assumed useful life of equipment. Should the useful life differ from the initial estimate, an adjustment would be made in the statement of operations and comprehensive loss.

b) Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

Cash
Cash includes cash on hand and demand deposits. The Company is not exposed to significant credit or interest rate risk although cash is held in excess of federally insured limits with a major financial institution.

Amounts receivable
Receivables are recognized initially at fair value and are subsequently measured at amortized cost using the effective interest method, less provision for impairment. Receivables are classified as loans and receivables. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Accounts payable and accrued liabilities
Payables are obligations to pay for materials or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Payables are classified as other financial liabilities and are initially measured at fair value and are subsequently measured at amortized cost using the effective interest method.

3. **Significant accounting policies** - continued

Exploration and evaluation assets
The Company is in the exploration stage with respect to its investment in exploration and evaluation assets and accordingly follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral properties and crediting all proceeds received against the cost of the related properties. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral properties are charged to operations at the time of any abandonment, or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farmout of the property result in a revised estimate of the recoverable amount, but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The Company recognizes in income, costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets.

All capitalized exploration and evaluation assets are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that the exploration and evaluation asset is not expected to be recovered, it is charged to the results of operations.

Equipment
Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Equipment is depreciated annually on a straight-line basis over the estimated useful life of the assets, at rates of 20% on office and field equipment and 30% on computer equipment.

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the consolidated statement of comprehensive loss.

The Company compares the carrying value of equipment to estimated net recoverable amounts, based on estimated future cash flows, to determine whether there is any indication of impairment whenever events or circumstances warrant.

3. **Significant accounting policies** - continued

Impairment of long-lived assets

At each financial position reporting date, the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Decommissioning provision

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral interest by or on behalf of the Company. Costs for restoration of site damage which is created on an ongoing basis during exploration and evaluation are provided for at their net present values and charged against profits in the period such exploration and evaluation occurs. Discount rates using a pre-tax risk-free rate that reflects the time value of money are used to calculate the net present value. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

The Company did not have any decommissioning obligations as at June 30, 2014 and 2013.

Current and deferred income taxes

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

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

3. **Significant accounting policies** – continued

Current and deferred income taxes - continued

Deferred income tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax relating to items recognized directly in other comprehensive income ("OCI") is recognized in OCI and not in the statement of comprehensive loss.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Share-based payment transactions
The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of share options granted is recognized as a share-based compensation expense with a corresponding increase in the equity settled share-based payments reserve in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

For employees the fair value is measured at grant date and each tranche is recognized on a straight line basis over the period during which the share options vest. The fair value of the share options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the share options were granted. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

3. **Significant accounting policies** – continued

Financial instruments
All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit and loss (“FVTPL”).

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through comprehensive income (loss). Cash is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost. Amounts receivable and reclamations bonds are classified as loans and receivables.

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. Investments in common shares are classified as available for sale.

Transaction costs associated with FVTPL are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities.

Financial liabilities classified as FVTPL are measured at fair value with unrealized gains and losses recognized through comprehensive loss. At June 30, 2014 the Company has not classified any financial liabilities as FVTPL.

Share capital
Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as a deduction from equity, net of any related income tax effects.

Equity financing
The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. Units typically comprise a certain number of common shares and share purchase warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the terms of the transaction. The Company has adopted a residual value method with respect to the measurement of common shares and share purchase warrants issued as private placement units. The fair value of the common shares issued in the private placements is determined by the closing quoted bid price on the closing date. The balance, if any, is allocated to the attached share purchase warrants.

3. **Significant accounting policies** – continued

Loss Per Share

Basic loss per share is computed by dividing loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. The dilutive effect of convertible securities is reflected in dilutive earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted loss per share.

Foreign currency translation

Functional and presentation currency

The financial statements of the Company's subsidiary is prepared in the local currency of its home jurisdiction. Consolidation of the subsidiary includes re-measurement from the local currency to the subsidiary's functional currency. The subsidiary's functional currency, being the currency of the primary economic environment in which the subsidiary operates, is the Canadian dollar. The consolidated financial statements are presented in Canadian dollars.

Exchange rates published by the Bank of Canada were used to translate the subsidiary's financial statements into the consolidated financial statements. Income and expenses for each statement of comprehensive income (loss) presented are translated using the rates prevailing on the transaction dates. All resulting foreign exchange differences are recognized in comprehensive income (loss).

Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in comprehensive income (loss).

Adoption of Accounting Standards and Interpretations

The Company has adopted the following new accounting standards and interpretations effective July 1, 2013. These changes were made in accordance with the applicable transitional provisions and had no impact on the financial statements.

(i) IFRS 10 *Consolidated Financial Statements*. IFRS 10 defines a single concept of control as the determining factor in whether an entity should be included within the consolidated statements of a parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

(ii) IFRS 11 *Joint Arrangements*. IFRS 11 focuses on the rights and obligations of an arrangement rather than its legal form, as is currently the case. The standard distinguishes between joint operations, where the joint operator accounts for the assets, liabilities, revenues and expenses relating to its involvement, and joint ventures, which must be accounted for using the equity method.

(Expressed in Canadian Dollars)

3. **Significant accounting policies** – continued

(iii) IFRS 12 *Disclosure of Interests in Other Entities.* IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint operations, joint ventures, associates and unconsolidated structured entities.

(iv) IFRS 13 Fair Value Measurements. IFRS 13 is a new standard that applies to both financial and non-financial items measured at fair value. It defines fair value, sets out a single framework for measuring fair value and requires disclosures about fair value measurements. Previously, a variety of fair value techniques and disclosures were possible under the requirements of separate applicable IFRSs.

Accounting Standards and Interpretations Issued but Not Yet Adopted

As at the date of these financial statements, the following standard has not been applied in these financial statements:

(i) IFRS 9 *Financial Instruments;* tentatively effective for annual periods beginning on or after January 1, 2018. IFRS 9 replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortized cost and fair value. IFRS 9 prohibits classifications except in rare circumstances when the entity's business model changes. The new standard removes the requirement to separate embedded derivatives from financial asset hosts. It requires a hybrid contract to be classified in its entirety at either amortized costs or fair value.

Management is currently assessing the impact of this new standard on the Company's accounting policies and financial statement presentation.

4. **Amounts receivable**

	2014 $	2013 $
Canadian federal sales tax recoverable	4,284	3,688
Interest receivable	597	224
Other	510	840
	5,391	4,752

5. **Prepaid expenses and deposits**

	2014 $	2013 $
Consulting	13,125	7,875
Corporate development and website design	7,785	19,832
Insurance	9,263	4,748
Other	10,335	8,657
	40,508	41,112

(Expressed in Canadian Dollars)

6. **Investment**

		Number of shares	Cost $	Accumulative comprehensive loss $	Carrying value $
Common shares					
Lateral Gold Corp	June 30, 2014	200,000	16,000	(12,000)	4,000
	June 30, 2013	200,000	16,000	-	16,000

The investment has been classified as available-for-sale consisting of common shares received pursuant to the Lateral Gold Corp. ("Lateral") agreement (see Note 8 for particulars).

7. **Equipment**

2014
$

	Computer equipment	Office and field equipment	Total
Cost	31,410	30,525	61,935
Balance, July 1, 2013			
Additions	-	2,671	2,671
Disposals	-	(1,042)	(1,042)
Balance, June 30, 2014	31,410	32,154	63,564
Depreciation and cumulative impairment losses			
Balance, July 1, 2013	18,544	14,078	32,622
Disposals	-	(493)	(493)
Depreciation	3,970	3,368	7,338
Balance, June 30, 2014	22,514	16,953	39,467
Carrying amount at June 30, 2014	8,896	15,201	24,097

2013
$

	Computer equipment	Office and field equipment	Total
Cost	31,410	30,525	61,935
Balance, July 1, 2012			
Additions	-	-	-
Disposals	-	-	-
Balance, June 30, 2013	31,410	30,525	61,935
Depreciation and cumulative impairment losses			
Balance, July 1, 2012	13,136	10,300	23,436
Depreciation	5,408	3,778	9,186
Balance, June 30, 2013	18,544	14,078	32,622
Carrying amount at June 30, 2013	12,866	16,447	29,313

(Expressed in Canadian Dollars)

8. **Exploration and evaluation assets**

Kilgore Gold Project
The Company has a 100% interest in the Kilgore Gold property located in Clark County, Idaho and the Hai and Gold Bug properties located in Lemhi County, Idaho. The Kilgore Gold property is covered by 181 federal lode mining claims and the Hai and Gold Bug properties are covered by 16 federal lode mining claims.

Oakley Project
In January 2013, the Company signed a Letter of Intent to joint venture its Oakley Project ("Oakley") with Lateral. The agreement allows Lateral to earn up to an initial 70% interest in Oakley in exchange for a combination of cash, property exploration expenditures and Lateral shares as follows:

Year	Cash $	Number of shares	Exploration expenditures $
2013 (TSXV approval)	(received) 50,000	(received) 200,000	-
2014	115,000	250,000	300,000
2015	250,000	500,000	700,000
2016	250,000	1,500,000	1,300,000
2017	250,000	2,500,000	1,500,000
2018	-	-	1,900,000

On April 29, 2014, the Company terminated the Letter of Intent with Lateral and retains its 80% interest in the Oakley project.

The Oakley Project consists of the Blue Hill Creek, Cold Creek Gold and other properties.

a) **Blue Hill Creek ("BHC")**
The Company has an 80% interest in the Blue Hill Creek property located in Cassia County, Idaho; the property consists of 36 unpatented federal lode mining claims and an adjacent 80 acre Idaho state lease.

In January 2013, the Company entered into an option agreement to purchase the remaining 30% interest in the Blue Hill Creek property in exchange for

a) US$ 20,000 upon regulatory approval, for an additional 10% interest (paid in 2013); and
b) US$ 60,000 payable within 10 days of the receipt of the $ 115,000 payment due in April, 2014 from Lateral for the remaining 20% interest.

As the Lateral agreement was cancelled in April 2014, the Company was unable to complete b) above.

A 2.5% net smelter returns 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).

See Note 17.

(Expressed in Canadian Dollars)

8. **Exploration and evaluation assets** - continued

b) **Cold Creek Gold**
The Cold Creek property, located in Cassia County, Idaho, consists of 53 unpatented federal lode mining claims. The Company acquired the claims in exchange for payment of the costs associated with staking the property.

c) **Other properties**
The Company also holds 12 other unpatented federal lode mining claims, and 80% of 20 lode claims and a 320 acre mineral lease, all located in Cassia County, Idaho.

2014
$

	Oakley Idaho	Kilgore Idaho	Total
Balance, June 30, 2013	3,145,422	12,654,232	15,799,654
Acquisition costs	8,935	-	8,935
Exploration costs			
Drilling and assays	-	26,554	26,554
Geologists and contractors	22,725	160,904	183,629
Travel	6,819	31,824	38,643
Maintenance fees	895	32,095	32,990
Site office and field supplies	219	34,842	35,061
	30,658	286,219	316,877
Balance, June 30, 2014	3,185,015	12,940,451	16,125,466

2013
$

	Oakley Idaho	Kilgore Idaho	Total
Balance, June 30, 2012	3,145,861	12,001,138	15,146,999
Acquisition costs	20,467	(1,755)	18,712
Exploration costs			
Drilling and assays	-	149,946	149,946
Geologists and contractors	25,206	359,865	385,071
Travel	2,724	54,288	57,012
Maintenance fees	17,089	35,863	52,952
Technical reports	-	6,060	6,060
Mapping and surveying	-	10,837	10,837
Site office and field supplies	75	37,990	38,065
	45,094	654,849	699,943
Option proceeds received	(66,000)	-	(66,000)
Balance, June 30, 2013	3,145,422	12,654,232	15,799,654

(Expressed in Canadian Dollars)

9. Share capital

At June 30, 2014, the Company's authorized share capital consisted of an unlimited number of voting common shares without par value.

In October 2013, the Company completed a non-brokered private placement of 6,300,000 units at $ 0.05 for gross proceeds of $ 315,000. Each unit consisted of one common share and one share purchase warrant exercisable at $ 0.10 for 18 months. Finder's fees of $ 4,000 were paid and 81,000 finder's warrants were issued, exercisable at $ 0.10 for 18 months.

In April 2014, the Company completed a non-brokered private placement of 5,717,143 units at $0.07 for gross proceeds of $ 400,200. Each unit consisted of one common share and one share purchase warrant exercisable at $ 0.10 for 18 months. Finder's fees of $ 12,250 were paid and 245,000 finder's units were issued. Each finders' unit consisted of one common share and one share purchase warrant exercisable at $0.10 for 18 months.

At the Company's Annual General Meeting held in December 2012, shareholders approved a shareholder rights plan. The rights under the shareholder rights plan will become exercisable only if a person, together with its affiliates, associates and joint actors, acquires or announces its intention to acquire 20% or more of the Company's outstanding common shares, other than by permitted bid. If a take-over bid does not meet the permitted bid requirements of the shareholder rights plan, the rights will entitle shareholders to purchase one additional common share of the Company at an effective 50% discount to the market price of the common shares at that time.

Details of share purchase warrant transactions during the years ended June 30, 2014 and 2013 are as follows:

	2014	**2013**
Outstanding, beginning of year	3,986,625	7,007,733
Issued	12,343,143	-
Expired	(3,986,625)	(3,021,108)
Outstanding, end of year	12,343,143	3,986,625

As at June 30, 2014, the Company has outstanding and exercisable share purchase warrants as follows:

Expiry date	Number of warrants	Weighted average exercise price $
April 2015	6,381,000	0.10
October 2015	5,962,143	0.10
	12,343,143	0.10

(Expressed in Canadian Dollars)

10. **Share-based compensation**

The Company has an incentive share option plan (the "plan"). Under the plan, the Company may issue options to purchase common shares, at prices determined by the Board of Directors on the date of award, for periods of not more than five years. Share options awarded under the plan vest immediately upon issue. The total number of common shares that may be reserved for issue under the share option plan is limited to 10% of the number of issued common shares.

Share options transactions during the years ended June 30, 2014 and 2013 are as follows:

Expiry date	Number of shares	Weighted average exercise price $
Outstanding, June 30, 2012	3,035,000	0.40
Awarded	2,000,000	0.15
Expired	(410,000)	0.31
Outstanding, June 30, 2013	4,625,000	0.30
Awarded	1,955,000	0.07
Expired	(1,055,000)	0.22
Outstanding, June 30, 2014	5,525,000	0.22

The following is a summary of share options outstanding and exercisable at June 30, 2014:

Expiry date	Number of options	Exercise price $
August 2014	280,000	0.40
March 2015	560,000	0.45
March 2015	100,000	0.50
August 2015	25,000	0.50
December 2015	25,000	0.52
June 2016	50,000	0.50
November 2016	690,000	0.30
October 2017	1,840,000	0.15
March 2019	1,955,000	0.07
	5,525,000	

The fair value of stock options awarded during 2014 and 2013 was estimated on the dates of award using the Black-Scholes option pricing model with the following assumptions:

	2014	**2013**
Risk-free interest rate	1.71%	1.30%
Expected volatility	82%	81%
Expected lives	5.0 years	5.0 years
Estimated forfeiture rate	-	-

The average fair value of stock options awarded during the year ended June 30, 2014 was $ 0.05 (2013 - $ 0.12).

(Expressed in Canadian Dollars)

10. **Share-based compensation** - continued

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

11. **Related party disclosures**

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

(a) Transactions with key management personnel

During fiscal 2014 and 2013 the following amounts were incurred with respect to the Company's President and Chief Financial Officer:

	2014	**2013**
	$	$
Management fees	150,000	150,000
Consulting fees	36,000	36,000
Share-based compensation	28,750	77,533
	214,750	263,533

As at June 30, 2014, $ Nil (2013 - $ 5,250) remained unpaid and has been included in accounts payable and accrued liabilities. As at June 30, 2014 $ 13,125 (2013 - $ 7,875) were prepaid and are included in prepaid expenses and deposits.

(b) Transactions with other related parties

During fiscal 2014 and 2013 the following amounts were incurred with respect to non-executive directors of the Company:

	2014	**2013**
	$	$
Share-based compensation	27,600	82,417
	27,600	82,417

12. **Financial instruments**

a) **Fair value**

The Company's financial instruments include cash, amounts receivable, investment, reclamation deposit and accounts payable and accrued liabilities. IFRS 7 establishes a fair value hierarchy for financial instruments measured at fair value that reflects the significance of inputs in making fair value measurements as follows:

- Level 1 - applied to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

- Level 2 - applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.

- Level 3 - applies to assets or liabilities for which there are unobservable market data.

- The recorded amounts of cash, amounts receivable, investment, reclamation deposit, and accounts payable and accrued liabilities approximate their respective fair values due to their short-term nature. The recorded amounts of non-current reclamation deposit approximates fair value.

Cash and investment are measured using Level 1 inputs.

b) **Credit risk**

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by depositing its cash with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

c) **Foreign exchange rate risk**

The Company has operations in Canada and the United States subject to foreign currency fluctuations. The Company's operating expenses are incurred in Canadian and United States dollars, and the fluctuation of the Canadian dollar in relation to the United States dollar will have an impact upon the profitability of the Company and may also affect the value of the Company's assets and the amount of shareholders' equity.

The Company has not entered into any derivative instruments to manage foreign exchange fluctuations.

(Expressed in Canadian Dollars)

12. **Financial instruments** - continued

At June 30, 2014, the Company held foreign currency denominated financial assets and liabilities as follows:

	US $	CAN $ equivalent
Cash	(6,216)	(6,632)
Amounts receivable	-	-
Investments	-	-
Reclamation deposit	12,137	14,760
Accounts payable and accrued liabilities	(17,699)	(18,885)
	(11,778)	(10,757)

Based on the net exposures as of June 30, 2014 and assuming that all other variables remain constant, a 10% fluctuation on the Canadian Dollar against the US Dollar would result in the Company's net loss being approximately $ 459 higher (or lower).

d) **Liquidity risk**

Liquidity risk is managed by ensuring sufficient financial resources are available to meet obligations associated with financial liabilities. All of the Company's financial liabilities are classified as current and the Company has a practice of paying their outstanding payables within 30 days.

e) **Price risk**

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and evaluation activities is subject to risks associated with fluctuations in the market price of commodities.

f) **Interest risk**

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has interest bearing assets in relation to cash at banks and GICs carried at floating interest rates with reference to the market. The Company's operating cash flows are substantially independent of changes in market interest rates. The Company has not used any financial instrument to hedge potential fluctuations in interest rates.

The exposure to interest rates for the Company is considered minimal. The Company has no interest bearing borrowings.

(Expressed in Canadian Dollars)

13. Capital risk management

The Company manages, as capital, the components of shareholders' equity. The Company's objectives, when managing capital, are to safeguard its ability to continue as a going concern in order to explore its exploration and evaluation assets.

The Company manages its capital structure, and makes adjustments to it, in light of changes in economic conditions and the risk of characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue common shares, borrow and acquire or dispose of assets.

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's policy is to invest its excess cash, if any, in highly liquid, short-term, interest bearing investments with maturities of one year or less from the date of acquisition.

14. Income taxes

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

	2014 $	2013 $
Deferred income tax assets		
Benefit of loss carryforwards	1,022,000	866,000
Capital assets	1,000	1,000
Share issue costs and financing costs	36,000	64,000
	1,059,000	931,000
Less: Unrecognized deferred tax assets	(1,059,000)	(931,000)
	-	-

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

	2014 $	2013 $
Expected: income taxes (recovery) at statutory income tax rates (2014 - 26.0%, 2013 – 25.0%)	(145,000)	(202,000)
Share issue costs	-	-
Non-deductible expenses	17,000	64,000
Unrecognized deferred tax assets	128,000	138,000
	-	-

As at June 30, 2014 the Company had loss carryforwards of approximately $ 4,032,000, which expire between the 2028 and 2035 fiscal years, available to reduce future years' income taxes.

(Expressed in Canadian Dollars)

15. **Segmented information**

The Company operates in a single business segment and in two geographic segments. The accounting policies for these segments are the same as those described in Note 3 to the consolidated financial statements.

Geographic distribution of operating results in the two geographic segments is as follows:

			2014 $
	Canada	United States	Total
Total assets	322,039	16,166,996	16,489,035
Exploration and evaluation assets	-	16,125,466	16,125,466
Net income (loss)	(492,543)	(63,206)	(555,749)
Equipment purchases	-	2,671	2,671
Depreciation of equipment	927	6,411	7,338

			2013 $
	Canada	United States	Total
Total assets	418,912	15,850,640	16,268,833
Exploration and evaluation assets	-	15,799,654	15,799,654
Net income (loss)	(807,624)	(102,711)	(910,335)
Depreciation of equipment	1,461	7,725	9,186

16. **Supplemental cash flow information**

During fiscal 2014 and 2013 non-cash activities were conducted by the Company as follows:

	2014 $	**2013** $
Operating activity		
Changes in accounts payable and accrued liabilities	(21,520)	(5,363)
Investing activity		
Changes in exploration and evaluation assets	21,520	(10,637)
Investment in Lateral	-	16,000
	-	-

17. **Events after the reporting period**

Subsequent to June 30, 2014:

The Company signed a Letter of Intent (the "Agreement") to joint venture its Blue Hill Creek Project ("Blue Hill Creek") with Radius Gold Inc. ("Radius").

The Agreement allows Radius to earn a 70% interest in Blue Hill Creek in exchange for a total of $525,000 in cash and a cumulative total of $5,000,000 in exploration expenditures over four years as follows:

a) A cash payment of US$30,000 (received) on execution of the Agreement;
b) US$500,000 in exploration expenditures on the Property in the first year and a cash payment of US$50,000 on the first-anniversary date,
c) An additional $1,000,000 in exploration expenditures on the Property in the second year and a cash payment of US$100,000 on the second-anniversary date,
d) An additional US$1,500,000 in exploration expenditures on the Property in the third year and a cash payment of US$100,000 on the third-anniversary date, and
e) A final US$2,000,000 in exploration expenditures on the Property in the fourth year and a final cash payment of US$245,000.

All expenditures are cumulative, and there are no partial earn-ins.