Interim Consolidated Financial Statements

For the three months ended September 30, 2014

(Expressed in Canadian Dollars)
(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

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited interim consolidated financial statements of Otis Gold Corp. for the three months ended September 30, 2014 have been prepared by the management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors.

Under National Instruments 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Otis Gold Corp.

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

		Sept. 30, 2014		June 30, 2014
ASSETS				
CURRENT ASSETS				
Cash	$	95,694	$	274,813
Amounts receivable		4,722		5,391
Reclamation deposit		2,518		2,518
Prepaid expenses and deposits		24,313		40,508
		127,247		323,230
RECLAMATION DEPOSITS		12,242		12,242
EQUIPMENT (Note 6)		22,639		24,097
INVESTMENT		4,000		4,000
UNPROVEN MINERAL INTERESTS (Note 7)		16,221,722		16,125,466
	$	16,387,850	$	16,489,035
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	$	57,296	$	54,861
SHAREHOLDERS' EQUITY				
SHARE CAPITAL (Note 8)		20,671,056		20,671,056
RESERVE (Note 9)		1,623,818		1,623,818
ACCUMULATED OTHER COMPREHENSIVE LOSS		(12,000)		(12,000)
RETAINED EARNINGS (DEFICIT)		(5,952,320)		(5,848,700)
		16,330,554		16,434,174
	$	16,387,850	$	16,489,035

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

These consolidated financial statements were approved for issue by the Board of Directors on November , 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.

For the three months ended September 30, 2014 and 2013

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

		2014		2013
EXPENSES				
Consultants (Note 10)	$	41,239	$	40,148
Office expenses		29,519		24,185
Investor relations and advertising		3,893		9,316
Professional fees		9,855		10,227
Travel and entertainment		12,393		460
Regulatory costs		1,555		1,089
Property investigations		-		1,246
Depreciation of equipment		1,458		1,722
Bank charges		473		342
		(100,385)		(88,735)
OTHER ITEMS				
Interest income		496		212
Foreign exchange loss		(3,731)		(1,033)
Loss on sale of equipment		-		(548)
		(3,235)		(1,369)
COMPREHENSIVE LOSS FOR THE PERIOD		(103,620)		(90,104)
DEFICIT, beginning of period		(5,848,700)		(5,292,951)
DEFICIT, end of period	$	(5,952,320)	$	(5,383,055)
LOSS PER SHARE, basic and diluted	$	(0.00)	$	(0.00)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		62,490,925		50,228,872

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

Otis Gold Corp.
INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE THREE MONTHS SEPTEMBER 30, 2014 AND 2013
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	Share capital										
	Number of shares		Amount		Reserves		Accumulated deficit		Accumulated Other Comprehensive loss		Shareholders' equity
Balance at June 30, 2013	50,228,782	$	20,011,378	$	1,504,768	$	(5,292,951)	$	-	$	16,223,195
Comprehensive loss for the period	-		-		-		(90,104)				(90,104)
Balance at Sept. 30, 2013	50,228,782		20,011,378		1,504,768		(5,383,055)	$	-		16,133,091
Balance at June 30, 2014	62,490,925	$	20,671,056	$	1,623,818	$	(5,848,700)	$	(12,000)	$	16,434,174
Comprehensive loss for the period	-		-		-		(103,620)				(103,620)
Balance at Sept. 30, 2014	62,490,925	$	20,671,056	$	1,623,818	$	(5,952,320)	$	(12,000)	$	16,330,554

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

Otis Gold Corp.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended September 30, 2014 and 2013
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	2013	2013
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Loss for the three months	$ (103,620)	$ (90,104)
Items not affecting cash		
Depreciation of equipment	1,458	1,722
Loss on sales of equipment	-	548
Changes in non-cash working capital		
Decrease (increase) in		
Amounts receivable	669	1,308
Prepaid expenses and deposits	16,195	(926)
Increase (decrease) in		
Accounts payable and accrued liabilities	2,435	(18,549)
	(82,863)	(106,001)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Expenditures on exploration and evaluation assets	(96,256)	(82,580)
	(96,256)	(82,580)
NET CHANGE IN CASH DURING THE PERIOD	(179,119)	(188,581)
CASH, beginning of period	274,813	358,430
CASH, end of period	$ 95,694	$ 169,849

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

1. NATURE OF OPERATIONS

Otis Gold Corp. (the "Company") is incorporated under the laws of the Province of British Columbia and was established as a legal entity 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:

Suite 1100
888 Dunsmuir Street
Vancouver, BC, V6C 3K4
Canada

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 $ 69,951 and an accumulated deficit of $ 5,952,320 as at September 30, 2014 and a net cash outflow from operating and investing activities of $ 179,119 for the three months ended September 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 remainder of 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 September 30, 2014 and June 30, 2014, 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.

c) The assessment of any impairment of evaluation and exploration assets, and equipment is dependent upon estimates of the recoverable amount that take into account factors such as reserves, economic and market conditions and the useful lives of assets. As a result of this assessment, management has carried out an impairment test on all of the Company's exploration and evaluation assets and no impairment charges have been 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.

3. **Significant accounting policies** - continued

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.

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.

3. **Significant accounting policies** - continued

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 a rate of 20%.

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.

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.

3. **Significant accounting policies** – continued

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 September 30, 2014 or June 30, 2014.

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.

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 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.

3. **Significant accounting policies** – continued

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.

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 September 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.

3. **Significant accounting policies** – continued

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.

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).

Accounting standards and interpretations issued but not yet adopted

As at the date of these consolidated financial statements, the following standards, amendments and interpretations have not been applied in these consolidated financial statements.

(i) IFRS 9 *Financial Instruments* (New; to replace IAS 39); effective for annual periods beginning on or after January 1, 2015.

(ii) IFRS 10 *Consolidated Financial Statements*; effective for annual periods beginning on or after January 1, 2013. Early application is permitted. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidated - Special Purpose Entities*.

(Expressed in Canadian Dollars)

3. **Significant accounting policies** – continued

(iii) IFRS 11 *Joint Arrangements*; effective for annual periods beginning on or after January 1, 2013. Early application is permitted. IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. IFRS 11 supersedes the current IAS 31 *Interest in Joint Ventures* and SIC-13 *Jointly Controlled Entities − Non-Monetary Contributions by Venturers*.

(iv) IFRS 12 *Disclosure of Interest in Other Entities*; effective for annual periods beginning on or after January 1, 2013. Early application is permitted. IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity.

(v) IFRS 13 Fair Value Measurements; to be applied for annual periods beginning on or after January 1, 2013. Early application is permitted. IFRS 13 defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements).

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

4. **AMOUNTS RECEIVABLE**

	September 30, 2014	June 30, 2014
Canadian federal sales tax recoverable	$ 2,970	$ 4,284
Interest receivable	435	597
Other	1,317	510
	$ 4,722	$ 5,391

5. **PREPAID EXPENSES AND DEPOSITS**

	September 30, 2014	June 30, 2014
Consulting	$ 13,125	$ 13,125
Corporate development and website design	-	7,785
Insurance	920	9,263
Other	10,268	10,335
	$ 24,313	$ 40,508

6. **INVESTMENT**

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

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).

(Expressed in Canadian Dollars)

6. EQUIPMENT

Three months ended September 30, 2014			$
	Computer equipment	Office and field equipment	Total
Cost	31,410	32,154	63,564
Balance, July 1, 2014			
Additions	-	-	-
Disposals	-	-	-
Balance, Sept. 30, 2014	31,410	32,154	63,564
Depreciation and cumulative impairment losses			
Balance, July 1, 2014	22,514	16,953	39,467
Depreciation	690	768	1,458
Balance, Sept. 30, 2014	23,204	17,721	40,925
Carrying amount at Sept. 30, 2014	8,206	14,433	22,639

Year ended June 30, 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, 2013	22,514	16,953	39,467
Carrying amount at June 30, 2014	8,896	15,201	24,097

7. 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.

(Expressed in Canadian Dollars)

7. **EXPLORATION AND EVALUATION ASSETS** – continued

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).

On July 14, 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,

(Expressed in Canadian Dollars)

7. **EXPLORATION AND EVALUATION ASSETS** – continued

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.

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.

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.
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Three months ended September 30, 2014

	Oakley Idaho	**Kilgore Idaho**	**Total**
Balance, June 30, 2014	$ 3,185,015	$ 12,940,451	$ 16,125,466
Exploration costs			
Drilling and assays	1,912	9,140	11,052
Geologists and contractors	29,574	21,690	51,264
Travel	4,448	8,157	12,605
Maintenance fees	14,248	36,077	50,325
Site office and field supplies	-	3,558	3,558
	50,182	78,624	128,806
Proceeds of Joint Venture	(32,550)	-	(32,550)
Balance, September 30, 2014	$ 3,202,647	$ 13,019,075	$ 16,221,722

Year ended June 30, 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

(Expressed in Canadian Dollars)

8. SHARE CAPITAL

At September 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 three months ended September 30, 2014 and the year ended June 30, 2014 are as follows:

	Three months ended September 30, 2014	Year ended June 30, 2014
Outstanding, beginning of year	12,343,143	3,986,625
Issued	-	12,343,143
Expired	-	(3,986,625)
Outstanding, end of period	12,343,143	12,343,143

As at September 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)

9. SHARE-BASED COMPENSATION

The Company has an incentive stock 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. Stock options awarded under the plan vest immediately upon issue. The total number of common shares that may be reserved for issue under the stock option plan is limited to 10% of the number of issued common shares.

Share options transactions during the three months ended September 30, 2014 and the year ended June 30, 2014 are as follows:

	Options Outstanding		Weighted average exercise price
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
Expired	(280,000)		0.40
Outstanding, September 30, 2014	5,245,000	$	0.15

The following is a summary of stock options outstanding at September 30, 2014:

Exercise price	Stock options outstanding	Stock options exercisable	Expiry dates
0.45	560,000	680,000	March 2015
0.50	100,000	100,000	March 2015
0.50	25,000	25,000	August 2015
0.52	25,000	25,000	December 2015
0.50	50,000	50,000	June 2016
0.30	690,000	800,000	November 2016
0.15	1,840,000	1,840,000	October 2017
0.07	1,955,000	1,955,000	March 2019
	5,245,000	5,245,000	

(Expressed in Canadian Dollars)

9. **SHARE-BASED COMPENSATION** - continued

The fair value of stock options awarded during the year end June 30, 2014 was estimated on the dates of award using the Black-Scholes option pricing model with the following assumptions:

	June 30, 2014
Risk-free interest rate	1.71%
Expected volatility	82%
Expected lives	5.0 years
Estimated Forfeiture rate	–

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

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.

10. **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. Certain of these entities transacted with the Company during the reporting period.

Key management personnel compensation

During the three months ended September 30, 2014 and 2013 the following amounts were incurred with respect to the Company's President and Chief Financial Officer:

Three months ended September 30,	2014	2013
Management fees	$ 37,500	$ 37,500
Consulting fees	9,000	9,000
	$ 46,500	$ 46,500

As at September 30, 2014, Nil (2013 - $16,725) remained unpaid and has been included in accounts payable and accrued liabilities. As at September 30, 2014 $13,125 (2013 – Nil) were prepaid and are included in prepaid expenses and deposits.

11. **FINANCIAL INSTRUMENTS**

a) **Fair value**

The Company's financial instruments include cash, accounts receivable, reclamation deposits 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.

(Expressed in Canadian Dollars)

11. **FINANCIAL INSTRUMENTS** - continued

- 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, accounts receivable, reclamation deposit, and accounts payable and accrued liabilities approximate their respective fair values due to the short-term nature. The recorded amounts of non-current reclamation deposit is not readily measureable.

Cash and investments 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 the United States dollars, and the fluctuation of the Canadian dollar in relation to United States dollars 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.

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

	US $	Can $ equivalent
Bank overdraft	(10,557)	(11,824)
Reclamation deposit	12,137	14,760
Accounts payable and accrued liabilities	(21,561)	(24,148)
	(19,981)	(21,212)

Based on the net exposures as of September 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 $ 2,487 higher (or lower).

11. **FINANCIAL INSTRUMENTS** - continued

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.

12. **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.

(Expressed in Canadian Dollars)

13. 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:

	Three months ended September 30, 2014		
	Canada	United States	Total
Total assets	$ 124,734	$ 16,263,116	$ 16,387,850
Exploration and evaluation assets	–	16,221,722	16,221,722
Net income (loss)	(95,454)	(8,166)	(103,620)
Depreciation of equipment	162	1,296	1,458

	Year ended June 30, 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