



Consolidated Financial Statements
For the years ended June 30, 2017 and 2016
(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, 2017 and June 30, 2016, and the consolidated statements of comprehensive loss, consolidated statements of shareholders' equity and consolidated statements of cash flows for the years ended June 30, 2017 and June 30, 2016 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, 2017 and June 30, 2016, and its financial performance and its cash flows for the years ended June 30, 2017 and June 30, 2016 in accordance with International Financial Reporting Standards.

Vancouver, B.C.
October 26, 2017

"D&H Group LLP"

Chartered Professional Accountants

Otis Gold Corp.

Consolidated Statements of Financial Position (Expressed in Canadian Dollars)

	June 30, 2017 \$	June 30, 2016 \$
Assets		
Current assets		
Cash	6,514,473	421,083
Amounts receivable (Notes 4 and 11)	277,812	55,045
Prepaid expenses and deposits (Note 5)	<u>72,142</u>	<u>26,000</u>
	6,864,427	502,128
Reclamation deposit	77,709	77,709
Investments (Note 6)	967,250	2,800
Equipment (Note 7)	71,197	25,191
Exploration and evaluation assets (Note 8)	<u>21,218,458</u>	<u>17,551,974</u>
	29,199,041	18,159,802
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	<u>308,565</u>	<u>158,268</u>
Shareholders' equity		
Share capital (Note 9)	34,581,030	23,211,150
Reserve (Note 10)	2,223,784	1,898,227
Accumulated other comprehensive loss	(11,250)	(13,200)
Accumulated deficit	<u>(7,903,088)</u>	<u>(7,094,643)</u>
	<u>28,890,476</u>	<u>18,001,534</u>
	29,199,041	18,159,802

Nature of operations (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 26, 2017 and are signed on its behalf by:

Approved by the Board "Craig Lindsay" , Director "Sean Mitchell" , Director

Otis Gold Corp.

Consolidated Statements of Comprehensive Loss

For the years ended June 30, 2017 and 2016

(Expressed in Canadian Dollars)

	2017	2016
	\$	\$
Expenses		
Consultant and management fees (Note 11)	264,000	189,182
Office expenses	152,717	79,340
Share-based compensation (Notes 10 and 11)	527,153	274,409
Investor relations and advertising	165,650	174,857
Professional fees (Note 11)	79,149	51,134
Travel and business development	122,922	71,231
Regulatory costs	41,511	24,622
Depreciation of equipment	14,093	7,582
Bank charges	2,274	3,010
	<u>(1,369,469)</u>	<u>(875,367)</u>
Other items		
Interest income	17,917	75
Gain on sale of exploration and evaluation assets	637,994	-
Foreign exchange gain (loss)	<u>(94,887)</u>	<u>(18,120)</u>
	<u>561,024</u>	<u>(18,045)</u>
Net income (loss) for the year	(808,445)	(893,412)
Other comprehensive income (loss)	<u>1,950</u>	<u>(2,200)</u>
Comprehensive loss for the year	<u>(806,495)</u>	<u>(895,612)</u>
Loss per share, basic and diluted	(0.01)	(0.01)
Weighted average number of common shares outstanding	130,370,594	105,744,076

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, 2017 and 2016

(Expressed in Canadian Dollars)

	Share capital		Subscriptions for common shares	Reserve	Accumulated deficit	Accumulated other comprehensive loss	Shareholders' equity
	Number of shares	Amount					
Balance at July 1, 2015	75,490,925	\$ 21,313,978	\$ 1,027,500	\$ 1,623,818	\$ (6,201,231)	\$ (11,000)	\$ 17,753,065
Common shares issued for:							
- cash	32,366,667	1,910,000	-	-	-	-	1,910,000
Less share issue costs	-	(12,828)	-	-	-	-	(12,828)
Subscriptions for common shares	-	-	(1,027,500)	-	-	-	(1,027,500)
Share-based compensation	-	-	-	274,409	-	-	274,409
Net income (loss) for the year	-	-	-	-	(893,412)	-	(893,412)
Unrealized loss on available for sale investment	-	-	-	-	-	(2,200)	(2,200)
Balance at June 30, 2016	107,857,592	23,211,150	-	1,898,227	(7,094,643)	(13,200)	18,001,534
Common shares issued for:							
- cash	30,905,672	8,145,860	-	-	-	-	8,145,860
- exploration and evaluation assets	380,000	112,100	-	-	-	-	112,100
Less share issue costs	-	(117,747)	-	-	-	-	(117,747)
Warrants exercised	18,717,143	2,807,571	-	-	-	-	2,807,571
Stock options exercised	3,230,000	422,096	-	(201,596)	-	-	220,500
Share-based compensation	-	-	-	527,153	-	-	527,153
Net income (loss) for the year	-	-	-	-	(808,445)	-	(808,445)
Unrealized gain/loss on available for sale investment	-	-	-	-	-	1,950	1,950
Balance at June 30, 2017	161,090,407	34,581,030	-	2,223,784	(7,903,088)	(11,250)	28,890,476

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, 2017 and 2016 (Expressed in Canadian Dollars)

	2017 \$	2016 \$
<hr/>		
Cash flows from (used in) operating activities		
Net income (loss) for the year	(808,445)	(893,412)
Items not affecting cash		
Depreciation of equipment	14,093	7,582
Share-based compensation	527,153	274,409
Gain on sale of exploration and evaluation assets	(637,994)	-
Changes in non-cash working capital		
Decrease (increase) in		
Amounts receivable	(122,767)	(36,537)
Prepaid expenses and deposits	(46,142)	(13,227)
Increase (decrease) in		
Accounts payable and accrued liabilities	(9,846)	27,218
	<u>(1,083,948)</u>	<u>(633,967)</u>
Cash flows from (used in) investing activities		
Reclamation deposits	-	(65,467)
Purchase of equipment	(60,099)	(15,049)
Expenditures on exploration and evaluation assets	<u>(3,818,747)</u>	<u>(1,212,013)</u>
	<u>(3,878,846)</u>	<u>(1,292,529)</u>
Cash flows from (used in) financing activities		
Issue of common shares	11,173,931	882,500
Share issue costs paid	(117,747)	(12,828)
Advance of short term loans	-	(12,450)
	<u>11,056,184</u>	<u>857,222</u>
Net change in cash during the year	6,093,390	(1,069,274)
Cash, beginning of year	<u>421,083</u>	<u>1,490,357</u>
Cash, end of year	6,514,473	421,083

Supplemental cash flow information – See Note 15

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

Otis Gold Corp.

Notes to the Consolidated Financial Statements

For the years ended June 30, 2017 and 2016

(Expressed in Canadian Dollars)

1. Nature of operations

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:

580 – 625 Howe Street
Vancouver, BC
V6C 2T6

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 \$ 6,555,862 and an accumulated deficit of \$ 7,903,088 as at June 30, 2017 and a net cash outflow from operating and investing activities of \$ 4,962,795 for the year ended June 30, 2017.

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, 2017, the Company will need to raise additional capital during the 2018 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.

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.

Otis Gold Corp.

Notes to the Consolidated Financial Statements

For the years ended June 30, 2017 and 2016

(Expressed in Canadian Dollars)

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, 2017 and 2016, 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.

Otis Gold Corp.

Notes to the Consolidated Financial Statements

For the years ended June 30, 2017 and 2016

(Expressed in Canadian Dollars)

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.

Otis Gold Corp.

Notes to the Consolidated Financial Statements

For the years ended June 30, 2017 and 2016

(Expressed in Canadian Dollars)

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.

Otis Gold Corp.

Notes to the Consolidated Financial Statements

For the years ended June 30, 2017 and 2016

(Expressed in Canadian Dollars)

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, 2017 and 2016.

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.

Otis Gold Corp.

Notes to the Consolidated Financial Statements

For the years ended June 30, 2017 and 2016

(Expressed in Canadian Dollars)

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.

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 reclamation deposits 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.

Otis Gold Corp.

Notes to the Consolidated Financial Statements

For the years ended June 30, 2017 and 2016

(Expressed in Canadian Dollars)

3. Significant accounting policies – continued

Financial instruments - continued

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, 2017 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.

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 are 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).

Otis Gold Corp.

Notes to the Consolidated Financial Statements

For the years ended June 30, 2017 and 2016

(Expressed in Canadian Dollars)

3. Significant accounting policies – continued

Foreign currency translation - continued

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 financial statements, the following standards have 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.
- (ii) IFRS 15 *Revenue from contracts with customers*. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. IFRS 15 specifies how and when to recognize revenue as well as requires entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue-related interpretations. The new standard will apply to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts.
- (iii) IFRS 16 *Leases*. In January 2016, the IASB issued IFRS 16 which replaces IAS 17 - Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS.

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

4. Amounts receivable	2017	2016
	\$	\$
Canadian federal sales tax recoverable	11,340	5,833
Interest receivable	13,187	66
Other (Notes 8 and 11)	<u>253,285</u>	<u>49,146</u>
	277,812	55,045

Otis Gold Corp.

Notes to the Consolidated Financial Statements

For the years ended June 30, 2017 and 2016

(Expressed in Canadian Dollars)

5.	Prepaid expenses and deposits	2017 \$	2016 \$
	Consulting	21,963	13,125
	Other	<u>50,179</u>	<u>12,875</u>
		72,142	26,000

6.	Investments		Accumulative comprehensive loss \$	Carrying value \$	
		Number of shares	Cost \$		
				June 30, 2017	
	Common shares				
	Trakopolis IOT Corp.	5,000	16,000	(11,250)	4,750
	Strata Minerals Inc.	2,750,000	962,500	-	962,500
			978,500	(11,250)	967,250
				June 30, 2016	
	Common shares				
	Trakopolis IOT Corp.	20,000	16,000	(13,200)	2,800

These investments have been classified as available-for-sale consisting of common shares received pursuant to the sales of exploration and evaluation assets.

In January 2013, the Company signed a Letter of Intent to Joint Venture its Oakley Project with Lateral Gold Corp. ("Lateral") in which the Company received 200,000 common shares of Lateral. In January 2015, Lateral had a share consolidation (10 old for 1 new basis), and during 2016, Lateral completed a RTO transaction with Trakopolis IOT Corp ("Trakopolis") which is traded on the CDNX; as part of the transaction, Trakopolis's shares were consolidated on a basis of 1 new for 4 old shares.

On June 30, 2017, the Company sold its Hai and Goldbug projects to Strata Minerals Inc. ("Strata"), and as partial consideration received 2,750,000 common shares of Strata. On July 10, 2017, Strata changed its name to Revival Gold Inc.

Otis Gold Corp.

Notes to the Consolidated Financial Statements
For the years ended June 30, 2017 and 2016
(Expressed in Canadian Dollars)

7. Equipment

				2017 \$
	Computer equipment	Office and field equipment	Mobile equipment	Total
Cost				
Balance, July 1, 2016	31,410	32,154	15,049	78,613
Acquisitions	5,591	54,508	-	60,099
Balance, June 30, 2017	37,001	86,662	15,049	138,712
Depreciation and cumulative impairment losses				
Balance, July 1, 2016	27,747	23,355	2,320	53,422
Depreciation	2,460	7,738	3,895	14,093
Balance, June 30, 2017	30,207	31,093	6,215	67,515
Carrying amount at June 30, 2017	6,794	55,569	8,834	71,197
				2016 \$
	Computer equipment	Office and field equipment	Mobile equipment	Total
Cost				
Balance, July 1, 2015	31,410	32,154	-	63,564
Acquisition	-	-	15,049	15,049
Balance, June 30, 2016	31,410	32,154	15,049	78,613
Depreciation and cumulative impairment losses				
Balance, July 1, 2015	25,439	20,401	-	45,840
Depreciation	2,308	2,954	2,320	7,582
Balance, June 30, 2016	27,747	23,355	2,320	53,422
Carrying amount at June 30, 2016	3,663	8,799	12,729	25,191

8. Exploration and evaluation assets

Kilgore Gold Project

The Company has a 100% interest in the Kilgore Gold property located in Clark County, Idaho.; the property consists of 464 federal lode mining claims.

On June 30, 2017, the Company sold its Hai and Goldbug projects to Strata Minerals Inc. ("Strata") for 2,750,000 common shares of Strata, valued at their closing price of \$0.35 on June 30, 2017, and \$100,000. The Company will receive a net smelter returns royalty ("NSR") of 1.0% on production of gold from the properties. The NSR may be bought back by Strata at any time upon payment of US \$ 2,000,000.

Otis Gold Corp.

Notes to the Consolidated Financial Statements

For the years ended June 30, 2017 and 2016

(Expressed in Canadian Dollars)

8. Exploration and evaluation assets – continued

Oakley Project

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

a) Blue Hill Creek (“BHC”)

In March 2017, the Company acquired the final 20% and now has a 100% 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.

Under the agreement for the acquisition of the final 20% interest, the net smelter returns royalty (“NSR”) was reduced to 2.0% which will be paid to the vendors on production of gold.

b) Matrix Creek

In March 2017, the Company acquired the final 20% and now has a 100% interest in the Matrix Creek property, located in Cassia County, Idaho; the property consists of 41 unpatented federal lode mining claims and a 320 acre mineral lease.

Under the agreement for the acquisition of the final 20% interest, the net smelter returns royalty (“NSR”) was reduced to 2.0% which will be paid to the vendors on production of gold.

The Company issued 380,000 common shares as consideration for the final 20% interest in BHC and Matrix Creek (See Note 9).

c) 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.

d) Other properties

The Company also holds 12 other unpatented federal lode mining claims, all located in Cassia County, Idaho.

	2017		
	\$		
	<u>Oakley Idaho</u>	<u>Kilgore Idaho</u>	<u>Total</u>
Balance, June 30, 2016	<u>3,269,191</u>	<u>14,282,783</u>	<u>17,551,974</u>
Acquisition Costs	112,100	158,532	270,632
Exploration costs			
Drilling and assays	2,923	2,287,013	2,287,306
Geologists and contractors	35,692	1,092,845	1,128,537
Travel	4,667	208,747	213,414
Maintenance fees	27,450	48,601	76,051
Site office and field supplies	<u>4,358</u>	<u>108,062</u>	<u>112,420</u>
	75,090	3,745,268	3,820,358
Sale of exploration and Evaluation assets	-	(424,506)	(424,506)
Balance, June 30, 2017	<u>3,456,381</u>	<u>17,762,077</u>	<u>21,218,458</u>

Otis Gold Corp.

Notes to the Consolidated Financial Statements

For the years ended June 30, 2017 and 2016

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8. Exploration and evaluation assets – continued

	2016		
	\$		
	Oakley Idaho	Kilgore Idaho	Total
Balance, June 30, 2015	<u>3,216,879</u>	<u>13,070,026</u>	<u>16,286,905</u>
Exploration costs			
Drilling and assays	-	570,819	570,819
Geologists and contractors	33,947	440,549	474,496
Travel	-	92,203	92,203
Maintenance fees	18,365	50,073	68,438
Technical reports	-	2,553	2,553
Site office and field supplies	<u>-</u>	<u>56,560</u>	<u>56,560</u>
	52,312	1,212,757	1,265,069
<u>Balance, June 30, 2016</u>	<u>3,269,191</u>	<u>14,282,783</u>	<u>17,551,974</u>

9. Share capital

At June 30, 2017, the Company's authorized share capital consisted of an unlimited number of voting common shares without par value.

In July 2015, the Company completed a non-brokered private placement of 28,200,000 shares at \$0.05 per share for gross proceeds of \$ 1,410,000.

In October 2015, the Company completed a non-brokered private placement of 4,166,667 shares at \$0.12 per share for gross proceeds of \$ 500,000.

In July 2016, the Company completed a non-brokered private placement of 13,522,709 shares at \$0.17 per share for gross proceeds of \$ 2,298,860. Finder's fees of \$23,460 were paid on the transaction.

During fiscal 2016, the Company extended the expiry terms of 5,717,143 warrants from October 11, 2015 to October 10, 2016. In addition, the exercise price of these warrants were amended from \$0.10 per warrant to \$0.15 per warrant. All of these warrants were exercised during fiscal 2017.

In December 2016, the Company completed a non-brokered private placement of 2,962,963 shares at \$0.27 per share for gross proceeds of \$ 800,000. Finder's fees of \$18,630 were paid on the transaction.

In February 2017, the Company issued 14,420,000 common shares under a private placement to Agnico Eagle Mines Limited ("Agnico") at a price of \$0.35 per share for proceeds of \$5,047,000. At the time of the purchase, Agnico owned approximately 9.95% of the issued and outstanding common shares on a non-diluted basis.

In March 2017, the Company issued 380,000 common shares as consideration for the remaining 20% interest in its Blue Hill Creek and Matrix Creek properties. See also Note 8.

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9. Share capital - continued

Details of share purchase warrant transactions during the years ended June 30, 2017 and 2016 are as follows:

	2017	2016
Outstanding, beginning of year	18,717,143	18,962,143
Issued	-	-
Exercised	(18,717,143)	-
Expired	-	(245,000)
Outstanding, end of year	-	18,717,143

As at June 30, 2017, the Company has no outstanding share purchase warrants.

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, 2017 and 2016 are as follows:

	Number of shares	Weighted average exercise price \$
Outstanding, June 30, 2015	4,585,000	0.15
Awarded	5,000,000	0.05
Awarded	100,000	0.10
Expired	(100,000)	0.51
Outstanding, June 30, 2016	9,585,000	0.09
Awarded	2,000,000	0.18
Awarded	500,000	0.35
Exercised	(3,230,000)	0.07
Expired	(690,000)	0.30
Outstanding, June 30, 2017	8,165,000	0.12

Otis Gold Corp.

Notes to the Consolidated Financial Statements

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10. Share-based compensation - continued

The following is a summary of share options outstanding and exercisable at June 30, 2017:

Expiry date	Number of options	Exercise price \$
October 2017	1,535,000	0.15
March 2019	1,180,000	0.07
July 2020	2,950,000	0.05
November 2020	100,000	0.10
August 2021	1,900,000	0.18
April 2022	<u>500,000</u>	0.35
	8,165,000	

The fair value of stock options awarded during 2017 was estimated on the dates of award using the Black-Scholes option pricing model with the following assumptions:

	2017	2016
Risk-free interest rate	0.57 – 1.03%	0.69 - 0.90%
Expected volatility	108.8 – 109.88%	96 – 99.43%
Expected lives	5 years	5 years
Estimated forfeiture rate	-	-

The average fair value of stock options awarded during the year ended June 30, 2017 was \$ 0.21.

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 2017 and 2016 the following amounts were incurred with respect to the Company's President and Chief Financial Officer:

	2017 \$	2016 \$
Management fees	255,000	180,000
Professional fees	36,000	29,000
Share-based compensation	<u>93,100</u>	<u>77,865</u>
	384,100	286,865

Otis Gold Corp.

Notes to the Consolidated Financial Statements

For the years ended June 30, 2017 and 2016

(Expressed in Canadian Dollars)

11. Related party disclosures - continued

As at June 30, 2017, \$ 42,000 (2016 - \$ 40,019) remained unpaid and has been included in accounts payable and accrued liabilities. As at June 30, 2017, \$ 150,000 (2016 – Nil) were due and are included in amounts receivable; this amount was received on July 5, 2017. As at June 30, 2017, \$ 18,813 (2016 – \$ 13,125) were prepaid and are included in prepaid expenses and deposits.

(b) Transactions with other related parties

During fiscal 2017 and 2016 the following amounts were incurred with respect to non-executive directors of the Company:

	2017	2016
	\$	\$
Share-based compensation	<u>172,235</u>	<u>85,920</u>

12. Financial instruments

a) Fair value

The Company's financial instruments include cash, amounts receivable, investments, 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, 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 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.

Otis Gold Corp.

Notes to the Consolidated Financial Statements

For the years ended June 30, 2017 and 2016

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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:

	2017	2016
	\$	\$
Deferred income tax assets (liabilities)		
Benefit of loss carryforwards	1,819,000	1,806,000
Capital assets	(8,000)	(6,000)
Share issue costs and financing costs	<u>29,000</u>	<u>7,000</u>
	1,840,000	1,807,000
Less: Unrecognized deferred tax assets	<u>(1,840,000)</u>	<u>(1,807,000)</u>
	-	-

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:

	2017	2016
	\$	\$
Expected: income taxes (recovery) at statutory income tax rates (2017 - 26.0%, 2016 - 26.0%)	(221,000)	(230,000)
Foreign income taxed at other rate	80,000	(8,000)
Share issue costs	(33,000)	(3,000)
Non-deductible expenses	139,000	73,000
Other	2,000	
Unrecognized deferred tax assets	<u>33,000</u>	<u>168,000</u>
	-	-

As at June 30, 2017 the Company had loss carryforwards of approximately \$ 6,115,252 for Canadian tax purposes, which expire between the 2027 and 2037 fiscal years, available to reduce future years' income taxes. The Company also has loss carryforwards of approximately \$699,130 for U.S. tax purposes, which expire between the 2030 and 2037 fiscal years.

Otis Gold Corp.

Notes to the Consolidated Financial Statements

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15. Supplemental Cash Flow Information	2017 \$	2016 \$
Operating activities not affecting cash (Notes 6 and 8)		
Changes in amounts receivable	(100,000)	
Changes in accounts payable and accrued liabilities	<u>234,952</u>	<u>74,808</u>
	134,952	74,808
Investing activities not affecting cash (Notes 6 and 8)		
Acquisition of exploration and evaluation assets	(112,100)	
Expenditures on exploration and evaluation assets	(234,952)	(74,808)
Proceeds from disposal of exploration and evaluation assets	1,062,500	-
Investment in Strata Minerals Inc.	<u>(962,500)</u>	<u>-</u>
	(247,052)	(74,808)
Financing activities not affecting cash (Note 9)		
Issuance of common shares	<u>112,100</u>	<u>-</u>
	-	-

16. 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:

	2017 \$		
	<u>Canada</u>	<u>United States</u>	<u>Total</u>
Total assets	7,826,070	21,372,971	29,199,041
Exploration and evaluation assets	-	21,218,458	21,218,458
Net income (loss)	(1,338,250)	529,805	(808,445)
Equipment additions	-	60,099	60,099
Depreciation of equipment	318	13,775	14,093
	2016 \$		
	<u>Canada</u>	<u>United States</u>	<u>Total</u>
Total assets	498,863	17,660,939	18,159,802
Exploration and evaluation assets	-	17,551,974	17,551,974
Net income (loss)	(837,698)	(55,714)	(893,412)
Equipment additions	-	15,049	15,049
Depreciation of equipment	454	7,128	7,582

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Notes to the Consolidated Financial Statements

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17. Events after the reporting period

Subsequent to June 30, 2017:

- a) 300,000 share options were awarded to a director, exercisable at a price of \$0.30 per share until July 4, 2022.
- b) 1,350,000 stock options were exercised at \$0.15 per share for gross proceeds of \$202,500.