OTIS
GOLD CORP

***Interim Consolidated Financial Statements***

**For the three months ended September 30, 2017**

(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, 2017 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, 2017 | | June 30, 2017 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| CURRENT ASSETS | | | | |
| Cash | $ | 4,577,099 | $ | 6,514,473 |
| Amounts receivable | | 33,173 | | 277,812 |
| Prepaid expenses and deposits | | 31,174 | | 72,142 |
| | | 4,641,446 | | 6,864,427 |
| RECLAMATION DEPOSITS | | 77,709 | | 77,709 |
| EQUIPMENT (Note 7) | | 81,800 | | 71,197 |
| INVESTMENTS (Note 6) | | 2,039,600 | | 967,250 |
| UNPROVEN MINERAL INTERESTS (Note 8) | | 23,659,199 | | 21,218,458 |
| | $ | 30,499,754 | $ | 29,199,041 |
| **LIABILITIES** | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts payable and accrued liabilities | $ | 735,797 | $ | 308,565 |
| **SHAREHOLDERS' EQUITY** | | | | |
| Share capital (Note 9) | | 34,704,835 | | 34,581,030 |
| Reserve (Note 10) | | 2,219,892 | | 2,223,784 |
| Accumulated and other comprehensive gain/(loss) | | 1,061,100 | | (11,250) |
| Accumulated deficit | | (8,221,870) | | (7,903,088) |
| | | 29,763,957 | | 28,890,476 |
| | $ | 30,499,754 | $ | 29,199,041 |

*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 28, 2017 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

## INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

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

| | | 2017 | | 2016 |
|---|---|---|---|---|
| EXPENSES | | | | |
| Consultants (Note 10) | $ | 69,500 | $ | 56,750 |
| Share based compensation | | 51,663 | | 372,400 |
| Office expenses | | 38,867 | | 28,020 |
| Investor relations and advertising | | 60,865 | | 40,881 |
| Professional fees | | 12,523 | | 29,120 |
| Travel and entertainment | | 34,953 | | 25,422 |
| Regulatory costs | | 2,294 | | 5,662 |
| Depreciation of equipment | | 4,400 | | 1,933 |
| Bank charges | | 320 | | 910 |
| | | (275,385) | | (561,098) |
| OTHER ITEMS | | | | |
| Interest income | | 587 | | 90 |
| Foreign exchange loss | | (43,984) | | (11,378) |
| | | (43,397) | | (11,288) |
| NET LOSS FOR THE PERIOD | | (318,782) | | (572,386) |
| OTHER COMPREHENSIVE INCOME/(LOSS) | | 1,072,350 | | - |
| COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD | $ | 753,568 | $ | (572,386) |
| LOSS PER SHARE, basic and diluted | $ | (0.00) | $ | (0.00) |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING | | 161,159,103 | | 117,929,506 |

*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, 2017 AND 2016

(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, 2016 | 107,857,592 | $ | 23,211,150 | $ | 1,898,227 | $ | (7,094,643) | $ | (13,200) | $ | 18,001,534 |
| Common shares issued for cash | 13,522,709 | | 2,298,860 | | - | | - | | - | | 2,298,860 |
| Less: share issue costs | - | | (44,346) | | - | | - | | - | | (44,346) |
| Warrants exercised | 2,850,000 | | 427,500 | | - | | - | | - | | 427,500 |
| Stock options exercised | 300,000 | | 34,800 | | (13,800) | | - | | - | | 21,000 |
| Share-based compensation | - | | - | | 372,400 | | - | | - | | 372,400 |
| Net income loss for the period | - | | - | | - | | (572,386) | | | | (572,386) |
| Balance at Sept. 30, 2016 | 124,530,301 | $ | 25,927,964 | $ | 2,256,827 | $ | (7,667,029) | $ | (13,200) | $ | 20,504,562 |
| Balance at June 30, 2017 | 161,090,407 | $ | 34,581,030 | $ | 2,223,784 | $ | (7,903,088) | $ | (11,250) | $ | 28,890,476 |
| Stock options exercised | 455,000 | | 123,805 | | (55,555) | | - | | - | | 68,250 |
| Share-based compensation | - | | - | | 51,663 | | - | | - | | 51,663 |
| Net income loss for the period | - | | - | | - | | (318,782) | | | | (318,782) |
| Unrealized gain/loss on available for sale investments | - | | - | | - | | - | | 1,072,350 | | 1,072,350 |
| Balance at Sept. 30, 2017 | 161,545,407 | $ | 34,704,835 | $ | 2,219,892 | $ | (8,221,870) | $ | 1,061,100 | $ | 29,763,957 |

*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**

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

| | 2017 | 2016 |
|---|---|---|
| CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES | | |
| Loss for the three months | $ (318,782) | $ (572,386) |
| Items not affecting cash | | |
| Depreciation of equipment | 4,400 | 1,933 |
| Share-based compensation | 51,663 | 372,400 |
| Changes in non-cash working capital | | |
| Decrease (increase) in | | |
| Amounts receivable | 244,639 | 41,055 |
| Prepaid expenses and deposits | 40,968 | (17,209) |
| Increase (decrease) in | | |
| Accounts payable and accrued liabilities | 427,232 | 875,427 |
| | 450,120 | 701,220 |
| CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES | | |
| Purchase of equipment | (15,003) | - |
| Expenditures on exploration and evaluation assets | (2,440,741) | (1,907,988) |
| | (2,455,744) | (1,907,988) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Issue of common shares | 68,250 | 2,747,360 |
| Share issue costs paid | - | (44,346) |
| | 68,250 | 2,703,014 |
| NET CHANGE IN CASH DURING THE PERIOD | (1,937,374) | 1,496,246 |
| CASH, beginning of period | 6,514,473 | 421,083 |
| CASH, end of period | $ 4,577,099 | $ 1,917,329 |

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

## 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 $3,905,649 and an accumulated deficit of $8,221,870 as at September 30, 2017 and a net cash outflow from operating and investing activities of $2,005,624 for the three months ended September 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 three months ended September 30, 2017, the Company may 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.

## 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, 2017 and June 30, 2017, the Company's subsidiary is as follows:

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

## 3. Significant accounting policies

**Critical judgements and sources of estimation uncertainty**

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

*Critical judgments*

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

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

3. **Significant accounting policies** - continued

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

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

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

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

*Estimation Uncertainty*

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

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

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

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

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

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

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

3. **Significant accounting policies** - continued

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

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

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

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

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

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

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

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

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

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

3. **Significant accounting policies** - continued

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

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

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

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

The Company did not have any decommissioning obligations as at September 30, 2017 and June 30, 2017.

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

*Current income tax*

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

3. **Significant accounting policies** – continued

**Current and deferred income taxes** - continued

*Deferred income tax*

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

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

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

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

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

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

**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.

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 September 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).

(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**

| | September 30, 2017 | June 30, 2017 |
|---|---|---|
| Canadian federal sales tax recoverable | $ 19,913 | $ 11,340 |
| Interest receivable | 12,118 | 13,187 |
| Other | 1,142 | 253,285 |
| | $ 33,173 | $ 277,812 |

(Expressed in Canadian Dollars)

### 5. PREPAID EXPENSES AND DEPOSITS

| | | September 30, 2017 | | June 30, 2017 |
|---|---|---|---|---|
| Consulting | $ | - | $ | 21,963 |
| Other | | 31,174 | | 50,179 |
| | $ | 31,174 | $ | 72,142 |

### 6. INVESTMENTS

| | Number of shares | Cost $ | Accumulative comprehensive gain/(loss) $ | Carrying value $ |
|---|---|---|---|---|
| | | | | **Sept. 30, 2017** |
| Common shares | | | | |
| Trakopolis IOT Corp. | 5,000 | 16,000 | (11,250) | 4,750 |
| Revival Gold Inc. | 2,750,000 | 962,500 | 1,072,350 | 2,034,850 |
| | | 978,500 | (11,250) | 2,039,600 |
| | | | | **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 |

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.

(Expressed in Canadian Dollars)

## 7. EQUIPMENT

**Three months ended September 30, 2017**
**$**

| | Computer equipment | Office and field equipment | Mobile equipment | Total |
|---|---|---|---|---|
| Cost | | | | |
| **Balance, July 1, 2017** | $ 37,001 | $ 86,662 | $ 15,049 | $ 138,712 |
| Acquisitions | 3,298 | 11,705 | - | 15,003 |
| **Balance, Sept. 30, 2017** | 40,299 | 98,367 | 15,049 | 153,715 |
| Depreciation and cumulative impairment losses | | | | |
| **Balance, July 1, 2017** | 30,207 | 31,093 | 6,215 | 67,515 |
| Depreciation | 729 | 3,027 | 644 | 4,400 |
| **Balance, Sept. 30, 2017** | 30,936 | 34,120 | 6,859 | 71,915 |
| **Carrying amount at Sept. 30, 2017** | 9,363 | 64,247 | 8,190 | 81,800 |

**Year ended June 30, 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 |

## 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.

(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.

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**Three months ended September 30, 2017**
**$**

| | **Oakley Idaho** | **Kilgore Idaho** | **Total** |
|---|---|---|---|
| Balance, June 30, 2017 | 3,456,381 | 17,762,077 | 21,218,458 |
| Acquisition costs | - | - | - |
| Exploration costs | | | |
| Drilling and assays | 42,969 | 1,508,506 | 1,551,475 |
| Geologists and contractors | 8,147 | 543,722 | 551,869 |
| Travel | - | 117,621 | 117,621 |
| Maintenance fees | 29,604 | 97,976 | 127,580 |
| Site office and field supplies | 1,413 | 90,783 | 92,196 |
| | 82,133 | 2,358,608 | 2,440,741 |
| Balance, September 30, 2017 | 3,538,514 | 20,120,685 | 23,659,199 |

(Expressed in Canadian Dollars)

## 8. EXPLORATION AND EVALUATION ASSETS - continued

| | Years ended June 30, 2017 $ | | |
|---|---|---|---|
| | **Oakley Idaho** | **Kilgore Idaho** | **Total** |
| Balance, June 30, 2016 | 3,269,191 | 14,282,783 | 17,551,974 |
| 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 | 4,358 | 108,062 | 112,420 |
| | 75,090 | 3,745,268 | 3,820,358 |
| Sale of exploration and evaluation assets | - | (424,506) | (424,506) |
| Balance, June 30, 2017 | 3,456,381 | 17,762,077 | 21,218,458 |

## 9. SHARE CAPITAL

At September 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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(Expressed in Canadian Dollars)

9. **SHARE CAPITAL** - continued

Details of share purchase warrant transactions during the three months ended September 30, 2017 and the year ended June 30, 2017 are as follows:

| | Three months ended September 30, 2017 | Year ended June 30, 2017 |
|---|---|---|
| Outstanding, beginning of year | - | 18,717,143 |
| Exercised | - | (18,717,143) |
| Outstanding, end of period | - | - |

As at June 30, 2017 and September 30, 2017, the Company had no outstanding share purchase warrants.

10. **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, 2017 and the year ended June 30, 2017 are as follows:

| | Options Outstanding | | Weighted average exercise price |
|---|---|---|---|
| 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 |
| Awarded | 300,000 | | 0.30 |
| Exercised | (455,000) | | 0.15 |
| Outstanding, September 30, 2017 | 8,010,000 | $ | 0.12 |

The following is a summary of stock options outstanding at September 30, 2017:

| Exercise price | Stock options outstanding | Stock options exercisable | Expiry dates |
|---|---|---|---|
| 0.15 | 1,080,000 | 1,080,000 | October 2017 |
| 0.07 | 1,180,000 | 1,180,000 | March 2019 |
| 0.05 | 2,950,000 | 2,950,000 | July 2010 |
| 0.10 | 100,000 | 100,000 | November 2020 |
| 0.18 | 1,900,000 | 1,900,000 | August 2021 |
| 0.35 | 500,000 | 500,000 | April 2022 |
| 0.30 | 300,000 | 300,000 | July 2022 |
| | 8,010,000 | 8,010,000 | |

(Expressed in Canadian Dollars)

## 10. SHARE-BASED COMPENSATION - continued

The fair value of stock options awarded during the three months ended September 30, 2017 was estimated on the dates of award using the Black-Scholes option pricing model with the following assumptions:

| | 3 Months ended Sept. 30, 2017 | Year ended June 30, 2017 |
|---|---|---|
| Risk-free interest rate | 1.42% | 0.57 – 1.03% |
| Expected volatility | 107.7% | 108.8 – 109.8% |
| Expected lives | 5.0 years | 5.0 years |

The average fair value of stock options awarded during the three months ended September 30, 2017 was $ 0.17.

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

(a) Key management personnel compensation

During the three months ended September 30, 2017 and 2016 the following amounts were incurred with respect to the Company's President and Chief Financial Officer:

| Three months ended September 30, | | 2017 | | 2016 |
|---|---|---|---|---|
| Management fees | $ | 62,500 | $ | 53,750 |
| Consulting fees | | 10,000 | | 9,000 |
| Share-based compensation | | - | | 93,100 |
| | $ | 72,500 | $ | 155,850 |

(b) Transactions with other related parties

During the three months ended September 30, 2017 and 2016 the following amounts were incurred with respect to non-executive directors of the Company:

| | **2017** $ | **2016** $ |
|---|---|---|
| Share-based compensation | 51,660 | 172,235 |
| | 51,660 | 172,235 |

(Expressed in Canadian Dollars)

## 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.

c) **Foreign exchange rate risk**

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

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

At September 30, 2017, the Company held foreign currency denominated financial assets and liabilities as follows:

| | US $ | Can $ equivalent |
|---|---|---|
| Cash | 164,316 | 205,066 |
| Reclamation deposit | 59,297 | 77,709 |
| Accounts payable and accrued liabilities | (552,252) | (689,210) |
| | (328,639) | (406,435) |

Based on the net exposures as of September 30, 2017 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 $ 9,853 lower.

## 12. 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.

## 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.

(Expressed in Canadian Dollars)

## 14. 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, 2017 | | |
|---|---|---|---|
| | Canada | United States | Total |
| Total assets | $ 6,675,945 | $ 23,823,809 | $ 30,499,754 |
| Exploration and evaluation assets | – | 23,659,199 | 23,659,199 |
| Net income (loss) | (308,333) | (10,409) | (318,782) |
| Property and equipment additions | - | 15,003 | 15,003 |
| Depreciation of equipment | 56 | 4,344 | 4,400 |

| | Year ended June 30, 2017 | | |
|---|---|---|---|
| | Canada | United States | Total |
| 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) |
| Property and equipment additions | - | 60,099 | 60,099 |
| Depreciation of equipment | 318 | 13,775 | 14,093 |

## 15. Event after the reporting period

Subsequent to September 30, 2017,

a) 285,000 stock options were exercised at a price of $0.15 per share for gross proceeds of $42,750, and 795,000 stock options expired.