



Interim Consolidated Financial Statements
For the six months ended December 31, 2018

(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 six months ended December 31, 2018 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)

	Dec. 31, 2018	June 30, 2018
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,191,538	\$ 979,525
Amounts receivable	10,582	15,848
Prepaid expenses and deposits	84,422	83,433
	<u>1,286,542</u>	<u>1,078,806</u>
RECLAMATION DEPOSITS	69,642	69,642
EQUIPMENT (Note 7)	69,821	78,993
INVESTMENTS (Note 6)	1,650	2,286,750
UNPROVEN MINERAL INTERESTS (Note 8)	<u>27,056,755</u>	<u>25,975,057</u>
	\$ <u>28,484,410</u>	\$ <u>29,489,248</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ <u>71,400</u>	\$ <u>203,130</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	34,782,384	34,782,384
Reserve (Note 10)	2,720,993	2,720,993
Accumulated deficit	<u>(9,090,366)</u>	<u>(8,217,259)</u>
	<u>28,413,009</u>	<u>29,286,118</u>
	\$ <u>28,484,410</u>	\$ <u>29,489,248</u>

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

These interim consolidated financial statements were approved for issue by the Board of Directors on February 22, 2019 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 six months ended December 31

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

	Six months Dec. 2018	Six months Dec. 2017	Three months Dec. 2018	Three months Dec. 2017
EXPENSES				
Investor relations	\$ 123,962	\$ 139,328	\$ 59,678	\$ 78,463
Share-based compensation	-	51,663	-	-
Management fees	125,000	135,000	62,500	65,500
Office expenses	75,209	87,665	46,817	48,795
Professional fees	45,961	60,687	33,718	48,164
Travel	33,944	59,047	23,015	24,094
Regulatory costs	12,841	15,574	11,420	13,280
Depreciation	9,172	8,866	4,601	4,466
Bank charges	1,618	1,331	1,225	1,011
TOTAL EXPENSES	427,707	559,161	242,974	283,775
LOSS	(427,707)	(559,161)	(242,974)	(283,775)
OTHER ITEMS				
Interest income	1,128	11,813	865	11,226
Foreign exchange loss	(9,493)	(126,120)	(17,658)	(82,137)
Gain/(loss) on sale of assets	(434,435)	-	(430,044)	-
Unrealized gain/(loss) on revaluation of assets	(2,600)	-	(1,350)	-
	<u>(445,400)</u>	<u>(114,307)</u>	<u>(448,187)</u>	<u>(70,911)</u>
NET LOSS FOR THE PERIOD	\$ (873,107)	\$ (673,468)	\$ (691,161)	\$ (465,286)
NET INCOME (LOSS) PER SHARE, basic and diluted (Note 9)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	161,803,070	161,481,086	161,803,070	161,803,070

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

Otis Gold Corp.

INTERIM CONSOLIDATED STATEMENTS OF DECEMBER 31, 2018 AND 2017

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

	Share capital		Reserves	Accumulated deficit	Accumulated Other Comprehensive loss	Shareholders' equity
	Number of shares	Amount				
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	740,000	201,354	(90,354)	-	-	111,000
Share-based compensation	-	-	51,663	-	-	51,663
Net income loss for the period	-	-	-	(673,468)	-	(673,468)
Unrealized gain/loss on available for sale investments	-	-	-	-	1,072,350	1,072,350
Balance at Dec. 31, 2017	161,830,407	\$ 34,782,384	\$ 2,185,903	\$ (8,576,556)	\$ 1,061,100	\$ 29,452,021
Balance at June 30, 2018	161,830,407	\$ 34,782,384	\$ 2,720,993	\$ (9,525,509)	\$ 1,308,250	\$ 29,286,118
Adjustment on initial application of IFRS 9 (Note 3)	-	-	-	1,308,250	(1,308,250)	-
Adjusted balance at June 30, 2018	161,830,407	34,782,384	2,720,993	(8,217,259)	-	29,286,118
Net income loss for the period	-	-	-	(873,107)	-	(873,107)
Balance at Dec. 31, 2018	161,830,407	\$ 34,782,384	\$ 2,720,993	\$ (9,090,366)	\$ -	\$ 28,413,009

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

Otis Gold Corp.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended December 31

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

	Six months Dec. 2018	Six months Dec. 2017	Three months Dec. 2018	Three months Dec. 2017
CASH FLOW FROM (USED IN) OPERATING ACTIVITIES				
Net income (loss) for the period	\$ (873,107)	\$ (673,468)	\$ (691,161)	\$ (354,686)
Adjustments to reconcile net cash provided by operating activities				
Amortization	9,172	8,866	4,601	4,466
Share-based compensation	-	51,663	-	-
Unrealized losses on investments	2,600	-	-	-
Loss on sale of investments	434,435	-	430,044	-
Decrease (increase) in				
Amounts receivable	5,266	219,739	864	(24,900)
Prepaid expenses	(989)	41,242	(3,695)	274
Increase (decrease) in				
Accounts payable and accrued liabilities	(131,732)	61,200	(67,266)	(366,031)
	<u>(554,355)</u>	<u>(290,758)</u>	<u>(326,613)</u>	<u>(740,877)</u>
CASH FLOW FROM INVESTING ACTIVITIES				
Expenditures on unproven mineral interests	(1,081,697)	(3,690,901)	(406,365)	(1,250,160)
Equipment purchases	-	(15,002)	-	-
Reclamation deposits returned	-	8,427	-	8,427
	<u>(1,081,697)</u>	<u>(3,697,476)</u>	<u>(406,365)</u>	<u>(1,241,733)</u>
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES				
Issue of common shares	-	111,000	-	42,750
Proceed from sale of investments	1,848,065	-	1,714,676	-
	<u>1,848,065</u>	<u>111,000</u>	<u>1,714,676</u>	<u>42,750</u>
INCREASE (DECREASE) IN CASH DURING THE PERIOD	212,013	(3,877,234)	981,698	(1,939,860)
CASH, beginning of period	<u>979,525</u>	<u>6,514,473</u>	<u>209,840</u>	<u>4,577,099</u>
CASH, end of period	<u>\$ 1,191,538</u>	<u>\$ 2,637,239</u>	<u>\$ 1,191,538</u>	<u>\$ 2,637,239</u>

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

Otis Gold Corp.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED DECEMBER 31, 2018

(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 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 \$ 1,215,142 and an accumulated deficit of \$ 9,090,366 as at December 31, 2018 and a net cash outflow from operating and investing activities of \$ 1,081,697 for the six months ended December 31, 2018.

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, 2018, the Company will need to raise additional capital during the 2019 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 interim 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 interim 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 INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED DECEMBER 31, 2018

(Expressed in Canadian Dollars)

2. Basis of presentation

Statement of compliance

These interim 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 interim 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 December 31, 2018 and June 30, 2018, the Company's subsidiary is as follows:

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

3. Significant accounting policies

Accounting Standards and Interpretations adopted

IFRS 9 – Financial Instruments ("IFRS 9")

The Company adopted all of the requirements of IFRS 9 Financial Instruments ("IFRS 9") as of July 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application.

Financial Statement Item	Original under IAS 39		New under IFRS	
	Classification	Carrying amount	Classification	Carrying amount
Cash	FVTPL	979,525	FVTPL	979,525
Accounts receivable	Loans and receivables	15,848	Amortized cost	15,848
Investments	Available for Sale	2,286,750	FVTPL	2,286,750
Accounts payable and accrued liabilities	Other financial liabilities	203,130	Amortized cost	203,130

On transition, the Company's investments previously classified as available-for-sale, have been re-designated fair-value through profit and loss financial instruments. Associated revaluation adjustments will be recorded through the statement of loss instead of through other comprehensive income. The Company has recorded an adjustment to opening deficit and accumulated other comprehensive loss on transition for cumulative gains/losses on these instruments of \$1,308,250.

Otis Gold Corp.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED DECEMBER 31, 2018

(Expressed in Canadian Dollars)

3. Significant accounting policies - continued

IFRS 15 – Revenue from contracts with customers (“IFRS 15”)

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. The Corporation adopted this standards effective July 1, 2018.

On transition, the Company asses that there is no material impact on the adoption of this standard.

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.
- (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.

Otis Gold Corp.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2018

(Expressed in Canadian Dollars)

3. **Significant accounting policies** - continued

- (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 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 INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED DECEMBER 31, 2018

(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 INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED DECEMBER 31, 2018

(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 December 31, 2018 and June 30, 2018.

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 INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2018

(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

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

Otis Gold Corp.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2018

(Expressed in Canadian Dollars)

3. Significant accounting policies – continued

(ii) Measurement

Financial assets and liabilities at amortized cost. Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL. Financial assets and liabilities carried at FVTPL are initially recorded at fair value. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise.

Financial assets and liabilities at FVOCI. Financial assets and liabilities carried at FVOCI are initially recorded at fair value. Unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVOCI are included in comprehensive income or loss in the period in which they arise. On recognition, communicative gains and losses of financial assets in other comprehensive income or loss are reclassified to profit or loss.

(iii) Impairment of Financial Assets at Amortized Cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. Regardless of whether credit risk has increased significant, the loss allowance for trade receivables without a significant financing component classified at amortized cost, are measured using the lifetime expected credit loss approach. The Company shall recognize in the statements of net (loss) income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets. The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of net (loss) income.

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.

Otis Gold Corp.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2018

(Expressed in Canadian Dollars)

3. Significant accounting policies – continued

Equity financing

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

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).

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).

Otis Gold Corp.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2018

(Expressed in Canadian Dollars)

3. Significant accounting policies – continued

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 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 this new standard on the Company's accounting policies and financial statement presentation.

4. AMOUNTS RECEIVABLE

	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Canadian federal sales tax recoverable	\$ 9,121	\$ 12,051
Interest receivable	-	3,067
Other	<u>1,461</u>	<u>730</u>
	<u>\$ 10,582</u>	<u>\$ 15,848</u>

5. PREPAID EXPENSES AND DEPOSITS

	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Consulting	\$ 22,347	\$ 22,347
Other	<u>62,075</u>	<u>61,086</u>
	<u>\$ 84,422</u>	<u>\$ 83,433</u>

Otis Gold Corp.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED DECEMBER 31, 2018

(Expressed in Canadian Dollars)

6. INVESTMENTS

	Number of shares	Cost \$	Unrealized gain/(loss) \$	Carrying value \$
December 31, 2018				
Common shares				
Trakopolis IOT Corp.	5,000	16,000	(14,350)	1,650
Revival Gold Inc.	-	-	-	-
		920,400	(11,250)	1,650
June 30, 2018				
Common shares				
Trakopolis IOT Corp.	5,000	16,000	(11,750)	4,250
Strata Minerals Inc.	2,750,000	962,500	1,320,000	2,282,500
		978,500	1,308,250	2,386,750

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. ("Revival"). In the six months to December 31, 2018, the Company sold all of its' shares in Revival for net proceeds of \$1,848,065.

7. EQUIPMENT

	Six months ended December 31, 2018			
	\$			
	Computer equipment	Office and field equipment	Mobile equipment	Total
Cost				
Balance, July 1, 2018 and Dec. 31, 2018	\$ 43,850	\$ 106,827	\$ 15,049	\$ 165,726
Depreciation and cumulative impairment losses				
Balance, July 1, 2018	33,700	44,207	8,826	86,733
Depreciation	1,789	6,437	946	9,172
Balance, Dec. 31, 2018	35,489	50,644	9,772	95,905
Carrying amount at Dec. 31, 2018	8,361	56,184	5,277	69,821

Otis Gold Corp.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2018

(Expressed in Canadian Dollars)

7. EQUIPMENT - continued

	Year ended June 30, 2018			
				\$
	Computer equipment	Office and field equipment	Mobile equipment	Total
Cost				
Balance, July 1, 2017	37,001	86,662	15,049	138,712
Acquisitions	6,849	20,165	-	27,014
Balance, June 30, 2018	43,850	106,827	15,049	165,726
Depreciation and cumulative impairment losses				
Balance, July 1, 2017	30,207	31,093	6,215	67,515
Depreciation	3,493	13,114	2,611	19,218
Balance, June 30, 2018	33,700	44,207	8,826	86,733
Carrying amount at June 30, 2018	10,150	62,620	6,223	78,933

8. EXPLORATION AND EVALUATION ASSETS

Kilgore Project

The Company has a 100% interest in the Kilgore Project located in Clark County, Idaho; the property consists of 614 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 a cash payment of \$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.

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 44 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 61 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).

Otis Gold Corp.

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8. EXPLORATION AND EVALUATION ASSETS – continued

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 32 other unpatented federal lode mining claims, all located in Cassia County, Idaho.

Six months ended December 31, 2018			
\$			
	Oakley Idaho	Kilgore Idaho	Total
Balance, June 30, 2018	3,772,109	22,202,948	25,975,057
Acquisition costs	533	-	533
Exploration costs			
Drilling and assays	63,287	52,187	115,474
Geologists and contractors	153,145	438,920	592,065
Travel	20,717	54,652	75,369
Mapping	3,025	2,918	5,943
Maintenance fees	40,816	131,477	172,293
Site office and field supplies	44,117	75,903	120,020
	<u>325,107</u>	<u>756,057</u>	<u>1,081,164</u>
Balance, September 30, 2018	<u>4,097,749</u>	<u>22,959,005</u>	<u>27,056,754</u>

Years ended June 30, 2018			
\$			
	Oakley Idaho	Kilgore Idaho	Total
Balance, June 30, 2017	3,456,381	17,762,077	21,218,458
Acquisition costs	-	98,717	98,717
Exploration costs			
Drilling and assays	42,969	2,364,253	2,407,222
Geologists and contractors	194,819	1,457,297	1,652,116
Travel	31,078	224,356	255,434
Mapping	4,284	17,451	21,735
Maintenance fees	29,604	99,515	129,119
Site office and field supplies	12,974	179,282	192,256
	<u>315,728</u>	<u>4,342,154</u>	<u>4,657,882</u>
Balance, June 30, 2018	<u>3,772,109</u>	<u>22,202,948</u>	<u>25,975,057</u>

Otis Gold Corp.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED DECEMBER 31, 2018

(Expressed in Canadian Dollars)

9. SHARE CAPITAL

At June 30, 2018, the Company's authorized share capital consisted of an unlimited number of voting common shares without par value.

During fiscal 2018, the Company issued 740,000 common shares upon exercise of options.

As at June 30, 2018 and December 31, 2018, 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 six months ended December 31, 2018 and the year ended June 30, 2018 are as follows:

	Options Outstanding	Weighted average exercise price
Outstanding June 30, 2017	8,165,000	0.12
Awarded	300,000	0.30
Awarded	2,500,000	0.23
Awarded	500,000	0.25
Exercised	(740,000)	0.15
Expired	(795,000)	0.15
Outstanding, June 30, 2018 and Sept. 30, 2018	<u>9,930,000</u>	<u>\$ 0.15</u>

The following is a summary of stock options outstanding at December 31, 2018:

Exercise price	Stock options outstanding	Stock options exercisable	Expiry dates
0.07	1,180,000	1,180,000	March 2019
0.05	2,950,000	2,950,000	July 2020
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
0.23	2,500,000	2,500,000	January 2023
0.25	500,000	500,000	April 2023
	<u>9,930,000</u>	<u>9,930,000</u>	

Otis Gold Corp.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED DECEMBER 31, 2018

(Expressed in Canadian Dollars)

10. SHARE-BASED COMPENSATION - continued

The fair value of stock options awarded during the year ended June 30, 2018 was estimated on the dates of award using the Black-Scholes option pricing model with the following assumptions:

	<u>Year ended June 30, 2018</u>
Risk-free interest rate	1.42 – 2.06%
Expected volatility	93.25 – 107.74%
Expected lives	5.0 years
Estimated forfeiture rate	-

The average fair value of stock options awarded during the year ended June 30, 2018 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 six months ended December 31, 2018 and 2017 the following amounts were incurred with respect to the Company's President, Chief Financial Officer, and VP, Exploration:

Six months ended December 31,	<u>2018</u>	<u>2017</u>
Management fees	\$ 227,514	\$ 125,000
Professional fees	<u>24,000</u>	<u>22,000</u>
	\$ <u>251,514</u>	\$ <u>147,000</u>

As at December 31, 2018, \$ 23,601 remained unpaid and has been included in accounts payable and accrued liabilities. As at December 31, 2018, \$ 20,833 were prepaid and are included in prepaid expenses and deposits.

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.

Otis Gold Corp.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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(Expressed in Canadian Dollars)

- 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 December 31, 2018, the Company held foreign currency denominated financial assets and liabilities as follows:

	US \$	Can \$ equivalent
Cash	68,623	93,615
Reclamation deposit	53,437	69,642
Accounts payable and accrued liabilities	(33,551)	(45,770)
	<u>89,509</u>	<u>117,487</u>

Based on the net exposures as of December 31, 2018 and assuming that all other variables remain constant, a 10% fluctuation on the Canadian Dollar against the US Dollar would result in the Company's net loss being approximately \$ 2,368 lower.

Otis Gold Corp.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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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.

Otis Gold Corp.

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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:

	Six months ended December 31, 2018		
	Canada	United States	Total
Total assets	\$ 1,252,425	\$ 27,231,985	\$ 28,484,410
Exploration and evaluation assets	–	27,056,755	27,056,755
Net income (loss)	(847,685)	(25,422)	(873,107)
Depreciation of equipment	194	8,978	9,172

	Year ended June 30, 2018		
	Canada	United States	Total
Total assets	\$ 3,328,072	\$ 26,161,176	\$ 29,489,248
Exploration and evaluation assets	–	25,975,057	25,975,057
Net income (loss)	(1,565,248)	(57,173)	(1,622,421)
Property and equipment additions	914	26,100	27,014
Depreciation of equipment	360	18,858	19,218

15. Events after the reporting period

Subsequent to December 31, 2018,

- a) On November 19, 2018, Otis announced that a complaint had been filed by two community groups against the US Forest Service in connection with the approval of the Company's Kilgore Project Plan of Operation. The approved Plan of Operation remains in good standing and it is unclear at this point what, if any, impact this complaint will have on Otis and its operations.