

THE O.T. MINING CORPORATION
(An Exploration Stage Enterprise)

Consolidated Financial Statements

June 30, 2007

THE O.T. MINING CORPORATION

C O N T E N T S

FINANCIAL STATEMENTS

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Williams & Webster, P.S.

Certified Public Accountants & Business Consultants

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The Board of Directors
The O.T. Mining Corporation
Montreal, Quebec

The accompanying consolidated balance sheets of The O.T. Mining Corporation. as of June 30, 2007 and 2006 and the related consolidated statements of income, retained earnings and cash flows for the years then ended and for the period from September 15, 1980 (inception) to June 30, 2007 were not audited or reviewed by us and, accordingly, we do not express an opinion or any other form of assurance on them.

We are not independent with respect to The O.T. Mining Corporation.

Williams & Webster, P.S.

Williams & Webster, P.S.
Certified Public Accountants
Spokane, Washington
February 29, 2008



THE O.T. MINING CORPORATION
(An Exploration Stage Enterprise)
CONSOLIDATED BALANCE SHEETS

	June 30, 2007	June 30, 2006
ASSETS		
CURRENT ASSETS		
Cash	\$ 6,905	\$ 1,630,305
Prepaid expense	-	17,912
Related party note receivable	60,534	-
Interest receivable	-	19,304
Total Current Assets	<u>67,439</u>	<u>1,667,521</u>
MINERAL PROPERTIES AND CLAIMS	<u>192,550</u>	<u>192,550</u>
PROPERTY AND EQUIPMENT		
Buildings	50,000	50,000
Equipment	57,450	57,450
Less accumulated depreciation	(105,633)	(103,133)
Total Property and Equipment	<u>1,817</u>	<u>4,317</u>
OTHER ASSETS		
Investments	<u>1,665,956</u>	<u>1,870,726</u>
TOTAL ASSETS	\$ <u>1,927,762</u>	\$ <u>3,735,114</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 38,918	\$ 290,528
Bank overdraft payable	731	-
Accrued compensation	1,230,000	1,095,000
Note payable	150,000	-
Related party loan payable	60,295	293
Total Current Liabilities	<u>1,479,944</u>	<u>1,385,821</u>
COMMITMENTS AND CONTINGENCIES	<u>-</u>	<u>-</u>
STOCKHOLDERS' EQUITY		
Preferred stock, \$0.01 par value; 5,000,000 shares authorized, no shares issued and outstanding	-	-
Common stock, no par value; 20,000,000 shares authorized, 10,914,936 and 10,853,436 shares issued and outstanding, respectively	14,341,386	14,195,693
Stock options and warrants	668,650	516,493
Subscriptions receivable	(2,000)	(2,000)
Deficit accumulated during exploration stage	(14,780,580)	(12,852,895)
Accumulated other comprehensive income (loss)	220,362	492,002
Total Stockholders' Equity	<u>447,818</u>	<u>2,349,293</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ <u>1,927,762</u>	\$ <u>3,735,114</u>

See accompanying notes to consolidated financial statements.

THE O.T. MINING CORPORATION
(An Exploration Stage Enterprise)
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	Year Ended June 30,		Period from September 15, 1980 (Inception) to June 30, 2007
	2007	2006	
REVENUES	\$ -	\$ -	\$ -
GENERAL AND ADMINISTRATIVE EXPENSES			
Professional fees	60,902	209,145	1,730,691
Directors and officers fees	287,800	135,000	1,831,142
Exploration and property	1,294,399	3,053,853	7,115,969
Facilities	165,858	150,573	1,319,042
Marketing and shareholder	70,702	79,909	594,574
Corporate services	41,160	10,265	436,154
Travel and project development	5,308	20,870	293,807
Depreciation	2,500	2,500	105,633
Commission	-	-	187,703
Miscellaneous	118	1,824	150,572
Total Expenses	<u>1,928,747</u>	<u>3,663,939</u>	<u>13,765,287</u>
LOSS FROM OPERATIONS	<u>(1,928,747)</u>	<u>(3,663,939)</u>	<u>(13,765,287)</u>
OTHER INCOME (LOSS)			
Loss on exchange of assets	-	-	(1,120,536)
Rent income	-	-	17,757
Interest income	10,062	35,162	96,486
Interest expense	(9,000)	-	(9,000)
Total Other Income (Loss)	<u>1,062</u>	<u>35,162</u>	<u>(1,015,293)</u>
LOSS BEFORE TAXES	<u>(1,927,685)</u>	<u>(3,628,777)</u>	<u>(14,780,580)</u>
INCOME TAXES	<u>-</u>	<u>-</u>	<u>-</u>
NET LOSS	<u>(1,927,685)</u>	<u>(3,628,777)</u>	<u>(14,780,580)</u>
OTHER COMPREHENSIVE INCOME (LOSS)			
Unrealized gain (loss) on available for sale investments	<u>(271,640)</u>	<u>59,412</u>	<u>220,362</u>
COMPREHENSIVE LOSS	<u>\$ (2,199,325)</u>	<u>\$ (3,569,365)</u>	<u>\$ (14,560,218)</u>
NET LOSS PER COMMON SHARE BASIC AND DILUTED	<u>\$ (0.18)</u>	<u>\$ (0.34)</u>	
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, BASIC AND DILUTED	<u>10,875,811</u>	<u>10,744,051</u>	

See accompanying notes to consolidated financial statements.

THE O.T. MINING CORPORATION
(An Exploration Stage Enterprise)
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	Common Stock		Accumulated Deficit During Exploration Stage	Total Stockholders' Equity
	Number of Shares	Amount		
Balance, September 15, 1980	-	\$ -	\$ -	\$ -
Issuance of shares for services at \$0.26 per share	400,000	102,565	-	102,565
Net loss for the year ended June 30, 1981	-	-	(102,565)	(102,565)
Balance, June 30, 1981	400,000	102,565	(102,565)	-
Net loss for the year ended June 30, 1982	-	-	-	-
Balance, June 30 1982	400,000	102,565	(102,565)	-
Net loss for the year ended June 30, 1983	-	-	(308,233)	(308,233)
Balance, June 30, 1983	400,000	102,565	(410,798)	(308,233)
Net loss for the year ended June 30, 1984	-	-	(3,404)	(3,404)
Balance, June 30, 1984	400,000	102,565	(414,202)	(311,637)
Net loss for the year ended June 30, 1985	-	-	-	-
Balance, June 30, 1985	400,000	102,565	(414,202)	(311,637)
Net loss for the year ended June 30, 1986	-	-	-	-
Balance, June 30, 1986	400,000	102,565	(414,202)	(311,637)
Issuance of shares for mineral properties, buildings, and equipment at \$0.50 per share	1,700,000	850,000	-	850,000
Issuance of shares for debt at \$12.14 per share	20,000	242,795	-	242,795
Net loss for the year ended June 30, 1987	-	-	(21,564)	(21,564)
Balance, June 30, 1987	2,120,000	1,195,360	(435,766)	759,594
Issuance of shares for cash at \$2.50 per share	200,000	500,000	-	500,000
Net loss for the year ended June 30, 1988	-	-	(133,533)	(133,533)
Balance, June 30, 1988	2,320,000	1,695,360	(569,299)	1,126,061
Issuance of shares for professional fees at \$1.00 per share	4,000	4,000	-	4,000
Issuance of shares to officers and directors for services at \$1.00 per share	50,000	50,000	-	50,000
Net loss for the year ended June 30, 1989	-	-	(166,774)	(166,774)
Balance, June 30, 1989	2,374,000	1,749,360	(736,073)	1,013,287
Net loss for the year ended June 30, 1990	-	-	(69,938)	(69,938)
Balance, June 30, 1990	<u>2,374,000</u>	<u>\$ 1,749,360</u>	<u>\$ (806,011)</u>	<u>\$ 943,349</u>

See accompanying notes to consolidated financial statements.

THE O.T. MINING CORPORATION
(An Exploration Stage Enterprise)
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (Continued)

	Common Stock		Accumulated Deficit During Exploration Stage	Total Stockholders' Equity
	Number of Shares	Amount		
Balance forward	2,374,000	\$ 1,749,360	\$ (806,011)	\$ 943,349
Issuance of shares to officers and directors for services at \$0.50 per share	100,000	50,000	-	50,000
Issuance of shares for working interest in mineral property at \$0.50 per share	500,000	250,000	-	250,000
Net loss for the year ended June 30, 1991	-	-	(151,922)	(151,922)
Balance, June 30, 1991	2,974,000	2,049,360	(957,933)	1,091,427
Net loss for the year ended June 30, 1992	-	-	(112,909)	(112,909)
Balance, June 30, 1992	2,974,000	2,049,360	(1,070,842)	978,518
Issuance of shares to officers and directors for services at \$0.63 per share	70,000	43,750	-	43,750
Net loss for the year ended June 30, 1993	-	-	(145,303)	(145,303)
Balance, June 30, 1993	3,044,000	2,093,110	(1,216,145)	876,965
Issuance of shares to officers and directors for services at \$1.00 per share	45,000	45,000	-	45,000
Issuance of shares for professional fees at \$1.00 per share	1,500	1,500	-	1,500
Issuance of shares for cash at \$2.50 per share		25,000	-	25,000
Net loss for the year ended June 30, 1994	-	-	(180,134)	(180,134)
Balance, June 30, 1994	3,100,500	2,164,610	(1,396,279)	768,331
Issuance of shares to officers and directors for services at \$1.00 per share	150,000	150,000	-	150,000
Net loss for the year ended June 30, 1995	-	-	(245,769)	(245,769)
Balance, June 30, 1995	3,250,500	2,314,610	(1,642,048)	672,562
Issuance of shares for professional fees at \$1.90 per share	28,500	54,150	-	54,150
Issuance of shares to officers and directors for services at \$1.90 per share	41,000	77,900	-	77,900
Net loss for the year ended June 30, 1996	-	-	(246,792)	(246,792)
Balance, June 30, 1996	3,320,000	2,446,660	(1,888,840)	557,820
Issuance of shares for cash at \$1.90 per share	273,421	519,500	-	519,500
Issuance of shares for debt at \$1.87 per share	686,442	1,287,079	-	1,287,079
Net loss for the year ended June 30, 1997	-	-	(206,778)	(206,778)
Balance, June 30, 1997	4,279,863	\$ 4,253,239	\$ (2,095,618)	\$ 2,157,621

See accompanying notes to consolidated financial statements.

THE O.T. MINING CORPORATION
(An Exploration Stage Enterprise)
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (Continued)

	Common Stock		Stock Options & Warrants	Common Stock Subscribed	Accumulated Deficit During Exploration Stage	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Number of Shares	Amount					
Balance forward	4,279,863	\$ 4,253,239	\$ -	\$ -	\$ (2,095,618)	\$ -	\$ 2,157,621
Issuance of shares to officers and directors for services at \$1.90 per share	85,000	161,500	-	-	-	-	161,500
Issuance of stock for professional fees at \$1.90 per share	100,000	190,000	-	-	-	-	190,000
Net loss for the year ended June 30, 1998	-	-	-	-	(1,666,697)	(32,859)	(1,699,556)
Balance, June 30, 1998	4,464,863	4,604,739	-	-	(3,762,315)	(32,859)	809,565
Issuance of shares for professional fees at \$0.50 per share	194,567	97,284	-	-	-	-	97,284
Issuance of shares to officers and directors for debt, services and receivable at \$0.50 per share	420,000	210,000	(40,000)	(40,000)	-	-	170,000
Issuance of shares for cash at \$0.50 per share	180,000	90,000	-	-	-	-	90,000
Issuance of options for services and management fees	-	-	100,413	-	-	-	100,413
Net loss for the year ended June 30, 1999	-	-	-	-	(489,355)	-	(489,355)
Balance, June 30, 1999	5,259,430	5,002,023	60,413	(40,000)	(4,251,670)	(32,859)	777,907
Payment of stock subscriptions receivable	-	-	40,000	40,000	-	-	40,000
Issuance of options for services and management fees	-	-	32,095	-	-	-	32,095
Issuance of shares for professional fees at \$0.50 to \$1.50 per share	66,000	58,000	-	-	-	-	58,000
Retirement of shares on settlement of contract performance at \$0.50 per share	(200,000)	(100,000)	-	-	-	-	(100,000)
Unrealized loss on marketable equity securities	-	-	-	-	-	(456,711)	(456,711)
Net loss for the year ended June 30, 2000	-	-	-	-	(289,412)	-	(289,412)
Balance, June 30, 2000	5,125,430	4,960,023	132,508	-	(4,541,082)	(489,570)	61,879
Shares issued for compensation at \$1.00 per share	25,000	25,000	-	-	-	-	25,000
Shares issued in private placement at \$1.25 per share	404,000	500,457	4,543	-	-	-	505,000
Shares issued for technical research reports at \$1.25 per share	25,000	31,250	-	-	-	-	31,250
Shares issued for services provided at \$0.75 per share	131,669	98,752	-	-	-	-	98,752
Issuance of options for services and management fees	-	-	7,801	-	-	-	7,801
Unrealized loss on marketable equity securities	-	-	-	-	-	(43,497)	(43,497)
Net loss for the year ended June 30, 2001	-	-	-	-	(627,738)	-	(627,738)
Balance, June 30, 2001	5,711,099	\$ 5,615,482	\$ 144,852	\$ -	\$ (5,168,820)	\$ (533,067)	\$ 58,447

See accompanying notes to consolidated financial statements.

THE O.T. MINING CORPORATION
(An Exploration Stage Enterprise)
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (Continued)

	Common Stock		Stock Options & Warrants	Accumulated Deficit During Exploration Stage	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Number of Shares	Amount				
Balance forward	5,711,099	\$ 5,615,482	\$ 144,852	\$ (5,168,820)	\$ (533,067)	\$ 58,447
Issuance of options for commission expense and private placement	-	-	12,954	-	-	12,954
Shares issued in private placement at \$1.25 per share	528,000	660,000	-	-	-	660,000
Shares issued for commission expense at \$1.25 per share	139,800	174,750	-	-	-	174,750
Shares issued for services provided at \$1.25 per share	31,500	55,125	-	-	-	55,125
Shares issued for technical research reports at \$1.25 per share	43,000	62,750	-	-	-	62,750
Unrealized gain on marketable equity securities	-	-	-	-	413,111	413,111
Net loss for the year ended June 30, 2002	-	-	-	(908,699)	-	(908,699)
Balance, June 30, 2002	6,453,399	6,568,107	157,806	(6,077,519)	(119,956)	528,438
Shares and warrants issued in private placement at \$1.25 per share	55,000	57,200	11,550	-	-	68,750
Expiration of warrants	-	16,200	(16,200)	-	-	-
Warrants exercised & cash received for purchase of stock	8,000	14,543	(4,543)	-	-	10,000
Correction of prior year share issuance	200	-	-	-	-	-
Unrealized gain on marketable equity securities	-	-	-	-	80,392	80,392
Net loss for the year ended June 30, 2003	-	-	-	(479,480)	-	(479,480)
Balance, June 30, 2003	6,516,599	6,656,050	148,613	(6,556,999)	(39,564)	208,100
Shares issued for services provided at \$1.25 per share	42,500	53,125	-	-	-	53,125
Shares and warrants issued for cash in private placement at \$1.25 per unit less commissions paid	1,921,337	1,188,564	844,436	-	-	2,033,000
Issuance of options to directors for services	-	-	113,600	-	-	113,600
Expiration of warrants	-	12,954	(12,954)	-	-	-
Unrealized gain on available for sale securities	-	-	-	-	187,089	187,089
Net loss for the year ended June 30, 2004	-	-	-	(758,356)	-	(758,356)
Balance June 30, 2004	8,480,436	\$ 7,910,693	\$ 1,093,695	\$ (7,315,355)	\$ 147,525	\$ 1,836,558

See accompanying notes to consolidated financial statements.

THE O.T. MINING CORPORATION
(An Exploration Stage Enterprise)
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (Continued)

	Common Stock		Stock Options & Warrants	Common Stock Subscribed	Accumulated Deficit During Exploration Stage	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Number of Shares	Amount					
Balance forward	8,480,436	\$ 7,910,693	\$ 1,093,695	\$ -	\$ (7,315,355)	\$ 147,525	\$ 1,836,558
Stock issued for commissions payable	284,850	256,365	99,698	-	-	-	356,063
Stock issued for professional services at \$1.50	145,000	217,500	-	-	-	-	217,500
Exercise of warrants and cash received for stock, less commissions paid	925,500	2,468,644	(323,925)	-	-	-	2,144,719
Expiration of warrants	-	352,975	(352,975)	-	-	-	-
Unrealized gain on available for sale securities	-	-	-	-	-	285,065	285,065
Net loss for the year ended June 30, 2005	-	-	-	-	(1,908,763)	-	(1,908,763)
Balance at June 30, 2005	9,835,786	11,206,177	516,493	-	(9,224,118)	432,590	2,931,142
Shares and warrants issued for cash and receivable in private placement at \$3.50 per unit less commissions payable	712,445	2,217,743	-	(2,000)	-	-	2,215,743
Exercise of warrants	195,820	489,550	-	-	-	-	489,550
Shares and warrants issued for bonus/compensation at \$1.75 per unit	57,500	100,625	-	-	-	-	100,625
Shares and warrants issued for commission payable at \$3.50 per unit	51,885	181,598	-	-	-	-	181,598
Unrealized (loss)/gain on available for sale securities	-	-	-	-	-	59,412	59,412
Net loss for the period ended June 30, 2006	-	-	-	-	(3,628,777)	-	(3,628,777)
Balance at June 30, 2006	10,853,436	\$ 14,195,693	\$ 516,493	\$ (2,000)	\$ (12,852,895)	\$ 492,002	\$ 2,349,293
Shares and warrants issued for cash in private placement at \$3.50 per unit	7,500	26,250	-	-	-	-	26,250
Options granted for services	-	-	152,800	-	-	-	152,800
Expiration of warrants	-	643	(643)	-	-	-	-
Shares and warrants issued for services rendered at \$2.20 per unit	54,000	118,800	-	-	-	-	118,800
Unrealized (loss)/gain on available for sale securities	-	-	-	-	-	(271,640)	(271,640)
Net loss for the period ended June 30, 2007	-	-	-	-	(1,927,685)	-	(1,927,685)
Balance at June 30, 2007	10,914,936	\$ 14,341,386	\$ 668,650	\$ (2,000)	\$ (14,780,580)	\$ 220,362	\$ 447,818

See accompanying notes to consolidated financial statements.

THE O.T. MINING CORPORATION
(An Exploration Stage Enterprise)
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended		Period from
	June 30,		September 15, 1980 (Inception) to June 30, 2007
	2007	2006	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	\$ (1,927,685)	\$ (3,628,777)	\$ (14,780,580)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:			
Depreciation	2,500	2,500	105,633
Common stock issued for services/compensation	118,800	100,625	1,918,576
Common stock issued for commissions	-	181,598	543,379
Stock options issued for services	-	-	153,262
Stock options issued to directors	152,800	-	266,400
Stock issued in payment of accounts payable	-	-	1,529,874
Retirement of common stock issued for services	-	-	(100,000)
Unrealized (gain) loss on working interest in mineral properties	-	-	(971,084)
Loss on exchange of assets	-	-	1,120,536
Changes in assets and liabilities:			
Prepaid expense	17,912	7,088	-
Bank overdraft payable	731	-	731
Accounts payable	(251,609)	105,136	38,921
Commissions payable	-	-	(356,062)
Related party loan payable	60,000	-	60,294
Accrued compensation	135,000	135,000	1,230,000
Net cash provided (used) by operating activities	<u>(1,691,551)</u>	<u>(3,096,830)</u>	<u>(9,240,120)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest receivable	19,304	(10,108)	-
Investment in securities	(66,870)	(106,761)	(695,048)
Related party loan receivable	(60,533)	-	(60,533)
Net cash provided (used) by investing activities	<u>(108,099)</u>	<u>(116,869)</u>	<u>(755,581)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from note payable	150,000	-	150,000
Sale of common stock	26,250	2,215,743	9,363,056
Exercise of warrants	-	489,550	489,550
Net cash provided (used) by financing activities	<u>176,250</u>	<u>2,705,293</u>	<u>10,002,606</u>
Net increase (decrease) in cash	(1,623,400)	(508,406)	6,905
Cash, beginning of period	<u>1,630,305</u>	<u>2,138,711</u>	<u>-</u>
Cash, end of period	<u>\$ 6,905</u>	<u>\$ 1,630,305</u>	<u>\$ 6,905</u>
SUPPLEMENTAL CASH FLOW DISCLOSURE:			
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Interest paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Common stock issued for investment	\$ -	\$ -	\$ 102,565
Common stock issued for mineral properties, buildings and equipment	\$ -	\$ -	\$ 850,000
Common stock issued for working interest in mineral properties	\$ -	\$ -	\$ 250,000
Working interest in mineral properties traded for equity investment	\$ -	\$ -	\$ 2,066,491
Change in fair market value of available for sale securities	\$ -	\$ -	\$ 432,590

See accompanying notes to consolidated financial statements.

THE O.T. MINING CORPORATION
(An Exploration Stage Enterprise)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS

The O.T. Mining Corporation (hereinafter “the Company” or “O.T.”) was incorporated in September of 1980 under the laws of the State of Montana as Ruby Resources of Montana Inc. for the purpose of acquiring and developing economic ore bodies. In May 1987, the Company changed its name to The O.T. Mining Corporation. The Company has elected a June 30 fiscal year-end. The Company is in the exploration stage, as it has not realized any significant revenues from its planned operations. (See Note 12.) The Company’s principal office is in Montreal, Quebec.

In June 1987 and March 1991, the Company entered into joint venture agreements with My Turn Syndicates (“My Turn”) in exchange for 2,200,000 shares of the Company’s common stock. Through the agreements, the Company obtained a 25% working interest in mineral claims located in Quebec, Canada.

In November 1997, the Company, through its wholly owned subsidiary, Working Interest Corporation, exchanged the aforementioned 25% working interest in mineral claims for 25% of the outstanding common stock of New Goldcore Ventures Ltd, which later changed its name to Namex Explorations Inc.

The Company has obtained additional capital to continue exploration of its properties. However, there are inherent uncertainties in mining operations and management cannot provide assurances that it will always be successful in this endeavor.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the Company’s financial statements. The financial statements and notes are representations of the Company’s management, which is responsible for their integrity and objectivity. The accounting policies applied in the preparation of the financial statements conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Accounting Method

The Company uses the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Accounting Pronouncements-Recent

In December 2007, the Financial Accounting Standards Board issued FASB Statement No. 141(revised 2007), “Business Combinations” (“FASB 141(R)”), which establishes accounting principles and disclosure requirements for all transactions in which a company obtains control over another business. This accounting pronouncement is effective for

THE O.T. MINING CORPORATION
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fiscal years beginning after December 15, 2008. The Company is currently evaluating the impact of FASB 141(R) on the consolidated financial position and results of operations.

In December 2007, the Financial Accounting Standards Board issued FASB Statement No. 160, "Noncontrolling Interests in Consolidated Financial Statements, an amendment to ARB No. 51" ("FASB 160"). This standard prescribes the accounting by a parent company for minority interests held by other parties in a subsidiary of the parent company. FASB 160 is effective for fiscal years beginning after December 15, 2008. The Company is currently evaluating the impact of FASB 160 on the consolidated financial position and results of operations.

In February, 2007, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115" (hereinafter SFAS No. 159"). This statement permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This Statement is expected to expand the use of fair value measurement, which is consistent with the Board's long-term measurement objectives for accounting for financial instruments. This statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007, although earlier adoption is permitted. Management has not determined the effect that adopting this statement would have on the Company's financial condition or results of operation.

In June 2006, the Financial Accounting Standards Board issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109" (hereinafter "FIN 48"), which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company does not expect the adoption of FIN 48 to have a material impact on its financial reporting, and the Company is currently evaluating the impact, if any, the adoption of FIN 48 will have on its disclosure requirements.

In September, 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87,88,106, and 132(R)" (hereinafter :SFAS No. 158"). This statement requires an employer to recognize the overfunded or underfunded statues of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in

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which the changes occur through comprehensive income of a business entity or changes in unrestricted net assets of a not for profit organization. This statement also requires an employer to measure the funded status of a plan as of the date of its year end statement of financial position, with limited exceptions. The adoption of this statement had no immediate material effect on the Company's financial condition or results of operations.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("FAS 157"). This statement defines fair value as used in numerous accounting pronouncements, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosure related to the use of fair value measures in financial statements. The statement is to be effective for financial statements issued in 2008; however, earlier application is encouraged. The Company is currently evaluating the timing of adoption and the impact that adoption might have on its financial position or results of operations.

Cash Equivalents

The Company considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

Concentration of Risk

The Company maintains its cash in a commercial bank in Westmount, Quebec, Canada. The Canadian dollar accounts in Quebec are guaranteed by the Canadian Deposit Insurance Corporation (CIDIC) up to \$100,000 Canadian (\$88,930 and \$89,690 US at June 30, 2007 and 2006, respectively). At June 30, 2007 the Company did not exceed the CDIC insured limits and at June 30, 2006, the Company exceeded the CIDIC insured amount by approximately \$1,540,000 US dollars.

Comprehensive Income

Effective January 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" (hereinafter "SFAS No. 130"), which was issued in June 1997. SFAS No. 130 establishes rules for the reporting and display of comprehensive income and its components, but had no effect on the Company's net income (loss). SFAS No. 130 requires unrealized gains and losses on the Company's available-for-sale securities, which prior to adoption were reported separately in stockholders' equity, to be included in comprehensive income.

Derivative Instruments

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (hereinafter "SFAS No. 133"), as amended by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities – Deferral of the Effective Date of FASB No. 133", and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging

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Activities” and SFAS No. 149, “Amendment of Statement 133 on Derivative Instruments and Hedging Activities”. These statements establish accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. They require that an entity recognize all derivatives as either assets or liabilities in the consolidated balance sheet and measure those instruments at fair value.

If certain conditions are met, a derivative may be specifically designated as a hedge, the objective of which is to match the timing of gain or loss recognition on the hedging derivative with the recognition of (i) the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk or (ii) the earnings effect of the hedged forecasted transaction. For a derivative not designated as a hedging instrument, the gain or loss is recognized in income in the period of change.

Historically, the Company has not entered into derivatives contracts to hedge existing risks or for speculative purposes.

As of June 30, 2007 and 2006, the Company has not engaged in any transactions that would be considered derivative instruments or hedging activities.

Earnings Per Share

On January 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 128, which provides for calculation of "basic" and "diluted" earnings per share. Basic earnings per share includes no dilution and is computed by dividing net income available to common shareholders by the weighted average common shares outstanding for the period. Diluted earnings per share reflect the potential dilution of securities that could share in the earnings of an entity similar to fully diluted earnings per share. Although there were 8,734,265, and 8,478,602 common stock equivalents outstanding on June 30, 2007 and 2006, respectively, they were not included in the calculations of earnings per share because they would have been considered anti-dilutive.

Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Exploration Stage

The Company has been in the exploration stage since its formation in September 1980 and has not yet realized any revenues from its planned operations. It is primarily engaged in the acquisition, exploration and development of natural resource properties. Upon

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establishing the existence of proven reserves in one of its properties, the Company plans to sell the reserve-containing property for cash or stock or a combination thereof.

Fair Value of Financial Instruments

The Company's financial instruments as defined by Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments," include cash, investment in securities available for sale, accounts payable and accrued expenses. All instruments other than the investment in available for sale securities are accounted for on a historical cost basis, which, due to the short maturity of these financial instruments, approximates fair value at June 30, 2007 and 2006. Investment in available for sale securities is recorded at fair value at June 30, 2007 and 2006.

Foreign Currency Translation and Other Comprehensive Income

As the Company's functional currency is the U.S. dollar, and all translation gains and losses are transactional, the Company has no assets with value recorded in Canadian dollars and there is no recognition of other comprehensive income from foreign currency translation in the financial statements.

Effective January 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" (hereinafter "SFAS No. 130"), which was issued in June 1997. SFAS No. 130 establishes rules for the reporting and display of comprehensive income and its components, but had no effect on the Company's net income (loss). SFAS No. 130 requires unrealized gains and losses on the Company's available-for-sale securities, which prior to adoption were reported separately in stockholders' equity, to be included in comprehensive income.

Foreign Operations

The accompanying balance sheet contains certain recorded Company assets (principally cash) in a foreign country (Canada). Although Canada is considered economically stable, it is always possible that unanticipated events in foreign countries could disrupt the Company's operations.

Impairment of Long-Lived Assets

SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" establishes a single accounting model for long-lived assets to be disposed of by sale including discontinued operations. SFAS No. 144 requires that these long-lived assets be measured at the lower of the carrying amount or fair value less cost to sell, whether reported in continuing operations or discontinued operations. The Company has adopted SFAS No. 144 and evaluates its long-term assets annually for impairment.

Investments

Investments consist of equity securities of publicly held companies. The Company classifies investments as available for sale under Statement of Financial Accounting

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Standards No. 115, "Accounting for Certain Investment in Debt and Equity Securities." Investments are carried at fair market value, which is based on quoted market prices. Unrealized holding gains and losses are included as a component of accumulated other comprehensive income (loss), net of related deferred income taxes, unless a permanent impairment in value has occurred, which is then charged to operations. Realized gains and losses from the sale of available for sale securities are determined on a specific identification basis. Dividend and interest income is recognized as earned. Investments have been classified as non-current assets in the accompanying financial statement due to management's current intent to hold such investments.

Mineral Exploration and Development Costs

All exploration expenditures are expensed as incurred. Significant property acquisition payments for active exploration properties are capitalized. If no minable ore body is discovered, previously capitalized costs are expensed in the period the property is abandoned. Expenditures to develop new mines, to define further mineralization in existing ore bodies, and to expand the capacity of operating mines, are capitalized and amortized on a units of production basis over proven and probable reserves.

Should a property be abandoned, its capitalized costs are charged to operations. The Company charges to operations the allocable portion of capitalized costs attributable to properties sold. Capitalized costs are allocated to properties sold based on the proportion of claims sold to the claims remaining within the project area.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, after elimination of intercompany accounts and transactions. The Company has one non-operating, wholly owned subsidiary, Working Interest Corporation, which holds shares of its investment in Namex Explorations Inc.

Property, Plant and Equipment

Property and equipment are stated at cost. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets, which is twenty years.

Provision for Taxes

Income taxes are provided based upon the liability method of accounting pursuant to Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," (hereinafter "SFAS No. 109"). Under this approach, deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end. A valuation allowance is recorded against deferred tax assets if management does not believe the Company has met the "more likely than not" standard imposed by SFAS No. 109 to allow recognition of such an asset.

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At June 30, 2007 and 2006, the Company had deferred tax assets calculated at an expected rate of 34% of approximately \$4,990,000 and \$4,352,000, respectively, principally arising from net operating loss carry forwards for income tax purposes. As management of the Company cannot determine that it is more likely than not that the Company will realize the benefit of the deferred tax asset, a valuation allowance equal to the deferred tax asset was recorded at June 30, 2007 and 2006. The significant components of the deferred tax asset at June 30, 2007 and 2006 were as follows:

	June 30, 2007	June 30, 2006
Net operating loss carry forward	<u>\$ 14,700,000</u>	<u>\$ 12,800,000</u>
Deferred tax asset	\$ 4,990,000	\$ 4,352,000
Deferred tax asset valuation allowance	<u>(4,990,000)</u>	<u>(4,352,000)</u>
Net deferred tax asset	<u>\$ -</u>	<u>\$ -</u>

At June 30, 2007 and 2006, the Company has net operating loss carry forward of approximately \$14,700,000 and \$12,800,000, respectively, which expire in the years 2025 and 2027. The change in the allowance account from June 30, 2007 to June 30, 2006 was \$638,000.

Reclassification

Certain amounts from prior periods have been reclassified to conform to the current period presentation. This reclassification has resulted in no changes to the Company's accumulated deficit or net losses presented. Previously stock options and warrants were not disclosed separately in the notes to the financial statements, but management has elected to disclose them separately in the notes.

Segment Reporting

The Company adopted Statement of Financial Accounting Standards No. 131 (hereinafter "SFAS No. 131"), "Disclosures about Segments of an Enterprise and Related Information," in the fiscal year ended June 30, 1999. SFAS No. 131 requires disclosures about products and services, geographic areas and major customers. The adoption of SFAS No. 131 did not affect the Company's results of operations or financial position.

The Company's mineral properties were not engaged in any production activity. The Company had no segments engaged in revenue-producing business activities at June 30, 2007 and 2006 and, therefore, no segment reporting is required.

Stock Options and Warrants Granted to Employees and Non-employees

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation", defines a fair value-based method of accounting for stock options and other equity instruments. The Company has adopted this method, which measures

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compensation costs based on the estimated fair value of the award and recognizes that cost over the service period.

NOTE 3 – MINERAL PROPERTIES

Ruby Mines Property and Mineral Claims

By agreement dated July 28, 1980, Ruby Resources, Ltd. acquired from Fargo Energy Corporation, a related party, five patented and thirty-one unpatented mining claims consisting of approximately 614 acres, located in the lowland Mining District of Jefferson County, Montana, USA. The claims were acquired with an encumbrance attached thereto, since discharged by payment of \$66,000. On August 13, 1980, Ruby Resources, Ltd., the parent company, granted a deed to such realty and mineral claims to O.T. Mining Corp. (formerly Ruby Resources of Montana, Inc.) in return for 50,000 shares of the Company's common stock valued at \$102,565. Such shares are presently 400,000 since the Company split its stock at eight shares for each one share owned on June 1, 1987.

Mill and Land Property

On March 23, 1988, the Company acquired for \$300,000 in Basin, Jefferson County, Montana, a mill with property of about 27 acres, including a laboratory building and equipment out of bankruptcy proceedings of Medalion Mineral, Inc., an unrelated corporation.

During the period from July 1 2006 to June 30, 2007, the Company staked 383 claims over approximately 11 square miles.

At June 30, 2007 and June 30, 2006, the Company held thirteen patented and 681 unpatented claims for approximately 21.3 square miles.

NOTE 4 – PROPERTY AND EQUIPMENT

Capital assets are recorded at cost. Depreciation is calculated using the straight line method over twenty years. The following is a summary of property, equipment and accumulated depreciation at June 30, 2007 and 2006:

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	June 30, 2007		June 30, 2006	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Buildings	\$ 50,000	\$ 48,183	\$ 50,000	\$ 45,683
Equipment	57,450	57,450	57,450	57,450
Total	107,450	<u>\$ 105,633</u>	107,450	<u>\$ 103,133</u>
Less: Accumulated Depreciation:	105,633		103,133	
Total Property and Equipment, net	<u>\$ 1,817</u>		<u>\$ 4,317</u>	

Depreciation expense for the periods ended June 30, 2007 and 2006 was \$2,500.

NOTE 5 – INVESTMENTS

The Company's security investments are classified as available for sale securities, which are recorded at fair value in investments and other assets on the balance sheet. The change in fair value during the period is excluded from earnings and recorded net of tax as a component of other comprehensive income. The Company has no securities classified as trading securities. At June 30, 2007 and 2006, the Company's investments consisted of common stock of NAMEX Explorations Inc. with a market value of \$1,665,956 and \$1,870,726, respectively.

On November 19, 1997, the Company exchanged all of its assets held as Joint Venture Mineral Properties for 2,174,816 common shares of NAMEX Explorations Inc. (NAMEX), formerly New Goldcore Ventures Ltd. The Company recorded a gain on the transaction of \$195,607.

At June 30, 2007, the Company owned 20.35% of the 23,305,499 (at June 30, 2006, it was 21.8% of 20,796,729) outstanding common shares of NAMEX. NAMEX is a listed company on the Toronto TSX Venture Exchange. The Company has one officer who is a director of NAMEX. During the year ended June 30, 2007 and 2006, the Company increased its cash investment in NAMEX by \$66,870 and \$106,762, respectively.

The Company has neither guaranteed nor is contingently liable for any debts of NAMEX.

NOTE 6 – PREFERRED STOCK

The Company is authorized to issue 5,000,000 shares of \$0.01 par value preferred stock. The board of directors of the Company has the authority to issue shares of preferred stock

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from time to time in one or more classes or series, which may have such voting power, full or limited as fixed by the board of directors. The board of directors may also fix the terms of any such series or class, including dividend rights, dividend rates, conversion, exchange, voting rights and terms of redemption, the redemption price and the liquidation preference of such class or series. No shares of preferred stock were issued or outstanding at June 30, 2007 or June 30, 2006.

NOTE 7 – COMMON STOCK

The Company is authorized to issue 20,000,000 shares of common stock. All shares have equal voting rights, are non-assessable and have one vote per share. Voting rights are not cumulative and, therefore, the holders of more than 50% of the common stock could, if they choose to do so, elect all of the directors of the Company.

During the year ended June 30, 2005, the Company issued 284,850 shares of common stock at \$1.25 per share for a total of \$356,062 for services rendered in selling 1,899,000 common shares pursuant to a private placement. Additionally, the Company issued 925,500 shares of common stock at \$2.50 per share for a total of \$2,313,750 for the exercise of warrants

During the year ended June 30, 2005, the Company issued 145,000 shares of common stock at \$1.50 per share for professional services rendered for an aggregate consideration of \$217,500.

During the year ended June 30, 2006, the Company issued 712,545 shares of common stock at \$3.50 per share pursuant to private placements for an aggregate consideration of \$2,495,558 less commissions of \$277,815 and a subscription receivable in the amount of \$2,000, for a total of \$2,215,743. Additionally, the Company issued 195,850 shares of common stock pursuant to warrants being exercised at \$2.50 per share for an aggregate consideration of \$489,550.

During the year ended June 30, 2006, the Company issued 57,500 share of common stock at \$1.75 per share for employee bonus compensation and professional services rendered for an aggregate consideration of \$100,625. Additionally, the Company issued 51,885 shares of common stock at \$3.50 per share in settlement of referral fee commissions for an aggregate consideration of \$181,598.

During the year ended June 30, 2007, the Company issued 54,000 shares of common stock with attached warrants at \$2.20 per share for employee bonus compensation and professional services rendered for an aggregate consideration of \$118,800. Additionally, the Company issued 7,500 shares of common stock at \$3.50 per share in a private placement for consideration of \$26,500.

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NOTE 8 – COMMON STOCK OPTIONS AND WARRANTS

Common stock options

During May 1989, the Company approved a plan granting options to certain officers and other employees to purchase 500,000 shares of common stock at the fair market value per share at the time the options are granted. During 1997, the board of directors amended this plan, thereby increasing the number of shares available under the plan to 1,000,000. As of June 30, 2007, no options have been awarded under the plan.

The following table summarizes information about the stock options outstanding and exercisable at June 30, 2007 and 2006:

	<u>Number of Shares Under Options</u>	<u>Weighted Average Exercise Price</u>
Options outstanding and exercisable at June 30, 2006	1,166,157	\$ 0.90
Granted	-	-
Exercised, expired, forfeited	-	-
Options outstanding and exercisable at June 30, 2006	<u>1,166,157</u>	<u>\$ 0.90</u>
Granted	80,000	\$ 2.20
Expired	1,837	\$ 0.90
Options outstanding and exercisable at June 30, 2007	<u>1,244,320</u>	<u>\$ 0.95</u>
Weighted average fair value of options granted during the year ended June 30, 2007		<u>\$ 2.20</u>

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Exercise Price	Options Outstanding			Options Exercisable		
	Number of Shares Outstanding Under Options	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Shares Outstanding Under Options	Weighted Average Exercise Price	
2.20	80,000	4.33	\$ 2.20	80,000	\$ 2.20	
1.50	200,000	3.84	1.50	200,000	1.50	
1.50	250,000	5.00	1.50	250,000	1.50	
0.75	60,000	1.09	0.75	60,000	0.75	
0.50	556,157	2.00	0.50	556,157	0.50	
0.50	100,000	2.47	0.50	100,000	0.50	
<u>2.20 - 0.50</u>	<u>1,246,157</u>	<u>2.80</u>	<u>\$ 0.98</u>	<u>1,246,157</u>	<u>\$ 0.98</u>	

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (hereinafter "SFAS No. 123"), defines a fair value-based method of accounting for stock options and other equity instruments. The Company has adopted this method, which measures compensation costs based on the estimated fair value of the award and recognizes that cost over the service period. The Company estimates the minimal value of each stock option and warrant at the grant date by using the Black-Scholes option-pricing model with the following assumptions used: dividend yield of zero percent; expected volatility of zero to 152%; risk-free interest rate of 2.02% to 5.2%.

Warrants

During the year ended June 30, 2005, pursuant to issuing 120,900 common shares for a consideration of \$3.50 per share, an additional 120,900 warrants were issued to purchase common shares for a consideration of \$7.00 per share expiring on January 3, 2008.

During the year ended June 30, 2006, pursuant to issuing 591,545 common shares for a consideration of \$3.50 per share, an additional 591,545 warrants to purchase common shares for a consideration of \$7.00 per share expiring during the period from February 14, 2008 to March 28, 2008.

During the year ended June 30, 2007, pursuant to issuing 7,500 common shares for a consideration of \$3.50 per share, an additional 7,500 warrants to purchase common shares for a consideration of \$7.00 per share expiring during January 9, 2009.

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NOTE 9 – COMMITMENTS AND CONTINGENCIES

Lease Obligation

The Company sublets fully equipped office space, including complete secretarial services, on a month-to-month basis from Somerville House Management Ltd., a related party, for \$10,300 U.S. dollars per month. In March 2004, the Company's directors increased the rent to \$12,800 per month. Total rent paid for this space and services during the years ended June 30, 2007 and 2006 were \$165,858 and \$166,104, respectively.

Net Smelter Interest

During September 1987, the Company granted Somerville House Management Ltd., a related party, a 3% net smelter interest from mining operations on claims comprising the Ruby Mine in exchange for expenditures of \$149,857 incurred by Somerville on research evaluation, reporting, and administration of the Company's interest in the property. A formal agreement was executed on April 6, 2001 memorializing this transaction. As of June 30, 2007, no net smelter interest has been paid. See Note 10.

NOTE 10 – RELATED PARTIES

Somerville House Management Ltd.

The Company has one officer in common with Somerville House Management Ltd. From time to time, the Company issues Somerville shares of common stock valued at current market value for the settlement of unpaid liabilities. Other related party transactions involving Somerville are described in Notes 6 and 9.

NAMEX Explorations Inc.

The Company has two officers in common with NAMEX Explorations Inc.

Obligations to Affiliated Parties

As per an agreement dated September 1, 1987, the Company agreed to grant Somerville House a 3% net smelter interest from mining operations on claims comprising the Ruby Mine in return for expenditures of \$149,857 incurred by the grantor on research, evaluation, reporting, and administration of the Company's interest in the property. On April 6, 2001 the parties mutually agreed that the 3% net smelter interest shall be 3% of gross revenues.

Issuance of Stock

All related parties hold the following interest in the Company's outstanding common stock:

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	<u>Total Shares at June 30, 2007</u>	<u>Percentage</u>	<u>Total Shares at June 30, 2006</u>	<u>Percentage</u>
Officers and Directors	1,385,153	12.69%	1,325,153	12.20%
Somerville House	829,212	7.60%	827,712	7.62%

Managerial and Financial Control

Rosemary L. Christensen is the Secretary and Treasurer of the Company and is the President of Somerville House Management Ltd.

From time to time Somerville House Management Ltd. discharges its liability by issuing common stock valued at the lower of market (National Quotation Bureau) or the Company's restricted stock price. During the year ending June 30, 2001, the Company issued 61,836 shares of restricted stock valued at \$46,377 to discharge this liability.

On June 10, 1999, the Board of Directors issued 250,000 restricted common shares valued at \$.50 per share to Somerville House Management Ltd. in recognition for the strategic direction and daily operation provided to the Company from its inception.

During the year ended June 30, 2006, Somerville House Management Ltd. advanced \$60,000 to the Company for continuing operations. This advance bears no interest and is payable upon demand.

Deferred Compensation Payable

Certain officers of the Company are to be compensated on a deferred basis. Provision has been made in these financial statements for past compensation payable in the future. The deferred compensation has resulted in charges to operations of \$135,000 for the period ended June 30, 2007 and 2006. The financial statements have been adjusted to reflect the expenditure provision in the years affected in the same amount as charged above. The obligation will only be discharged once the Company is out of the development stage and has sufficient cash flow to discharge its obligations in the normal course of business.

Leased Office Space

The Company occupies fully equipped office space and receives complete secretarial services, on a month to month basis, at the offices of Somerville House Management, Ltd., 4333 Ste. Catherine Street West, Suite 610, Montreal, Quebec H3Z 1P9 for \$12,800 per month.

NOTE 11 – ENVIRONMENTAL OBLIGATIONS

The Company's mining and exploration activities are subject to various federal and state laws and regulations governing the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. The

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Company conducts its operations so as to protect the public health and environment and believes its operations are in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

NOTE 12 – GOING CONCERN

As shown in the accompanying financial statements, the Company has no revenues, has incurred a net loss of \$1,927,685 and \$3,628,777 for the years ended June 30, 2007 and 2006, respectively, and has an accumulated deficit of \$14,780,580 since inception. These factors indicate that the Company may be unable to continue in existence. The financial statements do not include any adjustments related to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

Management has plans to seek additional capital through significant and imminent private placements to generate sufficient cash for the Company for operations for the next few years. An estimated \$5 million is believed necessary to continue operations and increase development through the next fiscal year.