

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

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accounting principles and disclosure requirements for all transactions in which a company obtains control over another business. This accounting pronouncement is effective for 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.

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87,88,106, and 132(R)” (hereinafter “SFAS No. 158”). This statement requires an employer to recognize the overfunded or underfunded status 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 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 (CIDC) 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 CIDC insured limits and at June 30, 2006, the Company exceeded the CIDC 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.

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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 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

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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 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

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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 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

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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.

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:

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
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

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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 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.

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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:

	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:	<u>105,633</u>		<u>103,133</u>	
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.

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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 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

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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.

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:

	Number of Shares Under Options	Weighted Average Exercise Price
Options outstanding and exercisable at June 30, 2006	1,166,157	\$ 0.90

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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	<u>1,837</u>	<u>\$ 0.90</u>
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>

Options Outstanding				Options Exercisable		
Exercise Price	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>	

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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.

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

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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:

	<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

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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 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

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



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.