

Interim Unaudited Financial Statements of

**DOT RESOURCES LTD.**

Three months ended March 31, 2010

# DOT RESOURCES LTD.

Interim Balance Sheets

(Unaudited)

|   | March 31,<br>2010   | December 31,<br>2009 |
|---|---------------------|----------------------|
| <b>Assets</b>   |                     |                      |
| Current assets:   |                     |                      |
| Cash and cash equivalents   | \$ 61,616           | \$ 131,363           |
| Accounts receivable   | 18,379              | 39,155               |
|   | <u>79,995</u>       | <u>170,518</u>       |
| Mineral properties and deferred exploration<br>and development costs (note 4) | 3,499,177           | 3,237,404            |
|   | <u>3,579,172</u>    | <u>3,407,922</u>     |
| <b>Liabilities and Shareholders' Equity</b>                                   |                     |                      |
| Current liabilities:  |                     |                      |
| Accounts payable and accrued liabilities                                      | \$ 561,465          | \$ 313,864           |
| Shareholders' equity:   |                     |                      |
| Share capital (note 5(b))   | 3,090,043           | 3,090,043            |
| Warrants (note 5(c))  | 338,537             | 338,537              |
| Contributed surplus (note 5(e))   | 737,046             | 666,783              |
| Deficit   | (1,147,919)         | (1,001,305)          |
|   | <u>3,017,707</u>    | <u>3,094,058</u>     |
| Future operations (note 1)  |                     |                      |
|   | <u>\$ 3,579,172</u> | <u>\$ 3,407,922</u>  |

See accompanying notes to financial statements.

# DOT RESOURCES LTD.

Interim Statements of Loss, Comprehensive Loss and Deficit

Three months ended March 31, 2010 and 2009

(Unaudited)

|   | 2010                 | 2009                |
|---|----------------------|---------------------|
| Expenses:                                       |                      |                     |
| General and administrative                      | \$ 76,351            | \$ 74,433           |
| Stock-based compensation (note 5(d))            | 70,263               | 5,447               |
| Interest income                                 | -                    | -                   |
| Net loss and comprehensive loss                 | (146,614)            | (79,880)            |
| Deficit, beginning of period                    | (1,001,305)          | (596,842)           |
| Deficit, end of period                          | <u>\$(1,147,919)</u> | <u>\$ (676,722)</u> |
| Net loss per share – basic and diluted (note 8) | <u>\$ (0.00)</u>     | <u>\$ (0.00)</u>    |

See accompanying notes to financial statements.

# DOT RESOURCES LTD.

Interim Statements of Cash Flows

Three months ended March 31, 2010 and 2009

(Unaudited)

|  | 2010         | 2009        |
|--|--------------|-------------|
| Cash provided by (used in):  |              |             |
| Operating:   |              |             |
| Net loss   | \$ (146,614) | \$ (79,880) |
| Item not involving cash:   |              |             |
| Stock-based compensation   | 70,263       | 5,447       |
|  | (76,351)     | (74,433)    |
| Change in non-cash working capital (note 7)                          | 68,157       | 19,578      |
|  | (8,194)      | (54,855)    |
| Investing:   |              |             |
| Mineral properties and deferred exploration<br>and development costs | (261,773)    | (28,018)    |
| Change in non-cash working capital (note 7)                          | 200,220      | (3,331)     |
|  | (61,553)     | (31,349)    |
| Change in cash and cash equivalents                                  | (69,747)     | (86,204)    |
| Cash and cash equivalents, beginning of period                       | 131,363      | 223,936     |
| Cash and cash equivalents, end of period                             | \$ 61,616    | \$ 137,732  |
| Cash   |              |             |
| Cash   | \$ 61,616    | \$ 37,732   |
| Cash equivalents   | –            | 100,000     |
| Cash and cash equivalents  | \$ 61,616    | \$ 137,732  |

See accompanying notes to financial statements.

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Notes to Interim Financial Statements

Three months ended March 31, 2010 and 2009

(Unaudited)

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## 1. Future operations:

DOT Resources Ltd. (the "Corporation" or "DOT") was incorporated on May 17, 2007 under the Business Corporations Act (Alberta).

On June 25, 2007, the Corporation entered into an Arrangement Agreement (the "Arrangement") with Alhambra Resources Ltd. ("Alhambra"). Under the terms of the Arrangement, which became effective August 29, 2007, Alhambra transferred, at Alhambra's carrying amount of \$933,424, its 100% interest in its claim units located in the Province of British Columbia, together with related assets and obligations pertaining thereto (the "Properties"), in exchange for 30,000,000 common shares of the Corporation.

The Corporation is a development stage company. The business of DOT consists of the exploration and development of its Properties. The Corporation is in the process of exploring its Properties and has not yet determined whether these Properties contain reserves that are economically recoverable. The recoverability of amounts shown for mineral properties and deferred exploration and development costs is dependent upon the discovery of economically recoverable reserves, the ability of the Corporation to obtain necessary financing to develop the Properties and upon future profitable production or the sale thereof.

These financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results may differ from these estimates.

DOT's ability to continue to conduct exploration activities is dependent upon the nature and extent of the exploration, the possible exercise of the Warrants issued as part of the private placement and DOT's ability to raise additional capital to fund such exploration activity.

These financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles. The going concern basis of presentation assumes that the Corporation will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is significant doubt about the appropriateness of the use of the going concern assumption because the Corporation is in the process of exploring its mineral properties, has not yet determined whether its mineral properties contain mineral reserves that are economically recoverable, has experienced and continues to experience losses from operations and negative cash flow and relies on external financing to fund operations.

The ability of the Corporation to continue as a going concern is dependent on the Corporation's ability to obtain financing to continue development of the mineral properties, to commercialize its mineral properties and to sustain operations. The continuing worldwide economic slowdown, stock market uncertainty and worldwide credit crisis could significantly impair the Corporation's ability to raise further working capital and there is no certainty that the Corporation will be able to obtain the financing

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required to continue exploration and development activities or continue ongoing operations. In addition, there is no certainty that the mineral properties will contain economically recoverable reserves. If the Corporation is unable to obtain suitable financing in the near future, it may be necessary for the Corporation to examine other strategic alternatives to enhance shareholder value, including seeking creditor protection, the possible sale of some or all of the Corporation's assets or the merger or sale of the Corporation with or to a larger, better financed entity.

The financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used.

## **2. Significant accounting policies:**

These interim financial statements have been prepared by management following the same accounting policies and methods that were used and disclosed in the audited financial statements for the year ended December 31, 2009, except as described below. These financial statements include all adjustments necessary to present fairly the results for the interim period ended March 31, 2010. These interim financial statements should be read in conjunction with the most recent audited financial statements and notes filed on SEDAR for the year ended December 31, 2009.

## **3. Future accounting policies:**

### **(a) Business combinations:**

In January 2009, the CICA issued Handbook Section 1582 – Business Combinations (“Section 1582”), 1601 – Consolidated Financial Statements (“Section 1601”) and 1602 – Non-controlling Interests (“Section 1602”), which replaces CICA Handbook Section 1581 – Business Combinations and 1600 – Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under the International Financial Reporting Standards (“IFRS”). Section 1582 is applicable for the Corporation's business combinations with acquisition dates on or after January 1, 2011. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Sections 1601 and 1602 are applicable for the Corporation's interim and annual financial statements for its fiscal year beginning January 1, 2011. Early adoption of these sections is permitted. The Corporation is currently evaluating the requirements of the new standards.

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## 4. Mineral properties and deferred exploration and development costs:

Of the \$3,499,177 in costs recorded to March 31, 2010 (December 2009 - \$3,237,404), a total of \$933,424 represents costs expended on the Properties by Alhambra and sold to the Corporation pursuant to the Arrangement (see note 1). The Properties consist of 49 contiguous claim units in south-central British Columbia covering four (4) zones of copper/gold mineralization. No depletion or depreciation has been recorded during the period. Details of total mineral properties and deferred exploration and development costs are as follows:

|                            | Inception to date | Three months ended<br>March 31,<br>2010 | Year ended<br>December 31,<br>2009 |
|----------------------------|-------------------|---|------------------------------------|
| Balance, beginning of year | \$ -              | \$ 3,237,404                            | \$ 2,447,475                       |
| Acquisition costs          | 933,424           | -                                       | -                                  |
| Drilling                   | 1,968,676         | 260,273                                 | 676,800                            |
| Geology                    | 229,703           | -                                       | -                                  |
| Geophysics                 | 272,286           | -                                       | 52,330                             |
| Other                      | 95,088            | 1,500                                   | 60,799                             |
| Balance, end of year       | \$ 3,499,177      | \$ 3,499,177                            | \$ 3,237,404                       |

## 5. Share capital:

(a) Authorized:

Unlimited voting common shares; and

Unlimited preferred shares for which none have been issued.

(b) Issued and outstanding:

|  | Three months ended<br>March 31, 2010 |              | Year ended<br>December 31, 2009 |              |
|--|--------------------------------------|--------------|---------------------------------|--------------|
|  | Number                               | Amount       | Number                          | Amount       |
| Common shares                          |                                      |              |                                 |              |
| Balance, beginning of period           | 55,734,333                           | \$ 3,090,043 | 41,500,001                      | \$ 2,650,029 |
| Issued pursuant to a private placement | -                                    | -            | 14,234,332                      | 854,060      |
| Ascribed to warrants                   | -                                    | -            | -                               | (313,155)    |
| Ascribed to broker options             | -                                    | -            | -                               | (25,382)     |
| Share issue costs                      | -                                    | -            | -                               | (75,509)     |
| Balance, end of period                 | 55,734,333                           | \$ 3,090,043 | 55,734,333                      | \$ 3,090,043 |

Pursuant to a private placement completed on September 23, 2009, the Corporation issued 14,234,332 flow through units (the "FT Units") at a purchase price of \$0.06 per FT Unit for an aggregate gross proceeds of \$854,060. Each FT Unit consists of one flow-through common share and one non-flow-through common share purchase warrant (a "Warrant"). Each Warrant is exercisable into one common share of the Corporation until September 23, 2011 at

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a price of \$0.10 per common share until September 23, 2010 and at a price of \$0.12 per common share until September 23, 2011. The terms and conditions of the private placement require that the Corporation spend the proceeds of the FT Units on Canadian Exploration Expenditures as defined in section 66.1(6) of the Canadian tax act and such expenditures be renounced to the purchasers of the FT Units.

In connection with the private placement, the Corporation paid a 6% brokers commission totaling \$31,080 on 8,633,333 of the FT Units issued together with 863,333 brokers options. Each broker option entitles the holder to acquire one non-flow-through unit ("NFT Unit") at a price of \$0.06 per NFT Unit until September 23, 2010 and at a price of \$0.10 per NFT Unit until September 23, 2011. Each NFT Unit consists of one common share and one non-flow-through purchase warrant, each warrant of which contains all the same terms and conditions as the Warrants.

(c) Warrants:

|                                      | Three months ended |            | Year ended        |            |
|--------------------------------------|--------------------|------------|-------------------|------------|
|                                      | March 31, 2010     |            | December 31, 2009 |            |
|                                      | Number             | Amount     | Number            | Amount     |
| Balance, beginning of period         | 15,097,665         | \$ 338,537 | 5,749,999         | \$ 319,547 |
| Expired unexercised                  | -                  | -          | (5,749,999)       | (319,547)  |
| Issued pursuant to private placement | -                  | -          | 14,234,332        | 313,155    |
| Ascribed to broker warrants          | -                  | -          | 863,333           | 25,382     |
| Balance, end of period               | 15,097,665         | \$ 338,537 | 15,097,665        | \$ 338,537 |

The Warrants issued as part of the issue of the FT Units were valued at a price of \$0.022 per Warrant or a total of \$313,155. The broker warrants issued as compensation related to the issue of the FT Units were valued at a price of \$0.0294 per broker warrant or a total of \$25,382. Both the Warrants and the broker units were valued based on a risk free interest rate of 1.32% and an average volatility rate over the two year term of the warrants and broker warrants of 150%.

On August 29, 2009, 5,749,999 warrants and 690,000 agents' options issued as part of the Corporation's initial public offering on August 29, 2007 expired unexercised.

(d) Options:

The Corporation has a stock option plan under which directors, officers, employees and consultants of the Corporation are eligible to receive stock options. The aggregate number of common shares to be issued upon the exercise of all stock options granted under the plan shall not exceed 10% of the issued common shares of the Corporation at the time of granting of the options. Options granted under the plan generally have a term of three to five years but may not exceed five years and vest at terms to be determined by the directors at the time of

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grant. The exercise price of each option shall be determined by the directors at the time of grant but shall not be less than the price permitted by the policies of the stock exchange on which the Corporation's common shares are then listed.

A summary of the status of the Corporation's stock option plan is as follows:

|                                  | Three months ended<br>March 31, 2010 |  | Year ended<br>December 31, 2009 |  |
|----------------------------------|--------------------------------------|--|---------------------------------|--|
|                                  | Number of<br>options                 | Weighted<br>average<br>exercise<br>price | Number of<br>options            | Weighted<br>average<br>exercise<br>price |
| Outstanding, beginning of period | 4,075,000                            | \$ 0.15                                  | 2,325,000                       | \$ 0.20                                  |
| Granted                          | -                                    | -  | 2,200,000                       | 0.10                                     |
| Forfeited                        | -                                    | -  | (450,000)                       | 0.20                                     |
| Outstanding, end of period       | 4,075,000                            | \$ 0.15                                  | 4,075,000                       | \$ 0.15                                  |
| Exercisable, end of period       | 2,425,000                            | \$ 0.18                                  | 2,425,000                       | \$ 0.18                                  |

A summary of the status of the Corporation's stock option plan is as follows:

|                | Outstanding |  | Exercisable |  |
|----------------|-------------|--|-------------|--|
| Exercise price | Number      | Weighted<br>average<br>remaining<br>contractual<br>life<br>(years) | Number      | Weighted<br>average<br>remaining<br>contractual<br>life<br>(years) |
| \$0.20         | 1,875,000   | 0.4  | 1,875,000   | 0.4  |
| \$0.10         | 2,200,000   | 4.5  | 550,000     | 4.5  |
|                | 4,075,000   | 2.6  | 2,425,000   | 1.3  |

During the year ended December 31, 2009, the Corporation issued options to purchase 2,200,000 common shares of the Corporation. Each option has an exercise price of \$0.10 per common share, has a term of five years from the date of grant and is exercisable as to twenty-five (25%) immediately and 25% thereafter on each of the dates which are six (6), twelve (12) and eighteen (18) months from the date of grant.

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The fair value of the options granted in 2009 is estimated on the date of grant using the Black-Scholes option-pricing model. The total fair value of the options was determined to be \$163,496 using the following weighted-average assumptions:

|  | 2009 |
|--|------|
| Fair value of options granted (\$/share) | 0.07 |
| Expected life (years)                    | 5.00 |
| Risk-free interest rate (%)              | 2.55 |
| Expected volatility (%)                  | 150  |
| Expected dividend yield (%)              | –    |

(e) Contributed surplus:

A reconciliation of contributed surplus is as follows:

|                                  | Three months ended<br>March 31, 2010 | Year ended<br>December 31, 2009 |
|----------------------------------|--------------------------------------|---------------------------------|
| Balance, beginning of period     | \$ 666,783                           | \$ 257,856                      |
| Stock-based compensation expense | 70,263                               | 89,380                          |
| Expiration of warrants           | –                                    | 319,547                         |
| Balance, end of period           | \$ 737,046                           | \$ 666,783                      |

## 6. Related party transactions:

- (a) The Corporation and Alhambra have an Administrative and Corporate Services Contract (the "Contract") whereby the Corporation agrees to engage Alhambra to provide management, administration and corporate services to the Corporation. The Contract provides for a monthly remuneration of \$20,000 plus all reasonable out of pocket expenses and is for an indefinite term but may be terminated by either party upon providing thirty (30) days prior written notice. During the three months ended March 31, 2010, the Corporation incurred \$60,000 under the Contract (2009 – \$60,000). The amount owing under the Contract as of March 31, 2010 was \$168,353 (2009 – \$nil).
- (b) During the three months ended March 31, 2010, the Corporation incurred \$nil (2009 – \$4,042) in costs from a corporation controlled by a director and former officer of the Corporation. All amounts were recorded to mineral properties and deferred exploration and development costs. The amount owing to the company controlled the director and former officer as of March 31, 2010 was \$6,342 (2009 – \$689)
- (c) During the three months ended March 31, 2010, the Corporation incurred \$2,890 (2009 – \$842) in costs from a law firm in which an officer of the Corporation is a partner. These amounts were

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recorded as general and administrative expense. The amount owing to the law firm as of March 31, 2010 was \$12,326 (2009 - \$468).

## 7. Supplemental cash flow information:

Changes in non-cash working capital are as follows:

| Three months ended March 31,             | 2010              | 2009             |
|--|-------------------|------------------|
| Accounts receivable                      | \$ 20,776         | \$ 2,328         |
| Accounts payable and accrued liabilities | 247,601           | 13,919           |
|  | <u>\$ 268,377</u> | <u>\$ 16,247</u> |
| Relating to:                             |                   |                  |
| Operating activities                     | \$ 68,157         | \$ 19,578        |
| Investing activities                     | 200,220           | (3,331)          |
|  | <u>\$ 268,377</u> | <u>\$ 16,247</u> |

## 8. Loss per share:

Basic and diluted loss per share is calculated using the weighted average number of shares outstanding during the period of 55,734,333 (2009 – 41,500,001). Excluded from the calculation were 15,097,665 warrants, 4,075,000 options and 863,333 broker options as their effect would have been anti-dilutive.

## 9. Management of capital:

The Corporation defines capital that it manages as its shareholders' equity. The Corporation's objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to maintain investor confidence and to not expose the Corporation to excess risk. As DOT is a development stage company, it is dependent on external financing to fund its exploration programs and pay for administrative costs. Due to the fact that the Corporation does not have cash flow from operations to service debt financing, the Corporation's capital programs are funded through equity financing.

Management reviews its capital management approach on an ongoing basis. There were no changes to this approach during the three months ended March 31, 2010. The Corporation is not subject to externally imposed capital requirements.

## 10. Financial instruments:

### (a) Overview

The Corporation has exposure to the following risks from its use of financial instruments:

- (i) Credit risk
- (ii) Liquidity risk
- (iii) Market risk

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(Unaudited)

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This note presents information about the Corporation's exposure to each of the above risks, the Corporation's objectives and policies and processes for measuring and managing risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. These risks are discussed with Management and to the extent the Board determines that the risks are of such a nature that they need to be mitigated, procedures are put in place. To date, no specific risk management tools have been put in place to mitigate these risks.

(b) Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its obligation.

Cash and cash equivalents consist of bank balances and short-term deposits that are redeemable at any time at the option of the Corporation. The Corporation manages the credit exposure related to short-term investments by depositing the cash equivalents only with large banks within a particular region which management believes the risk of loss to be remote. Accounts receivable primarily relate to GST receivable from the government of Canada, the credit risk of which is considered very low.

The carrying amount of accounts receivable and cash and cash equivalents represents the maximum credit exposure. The Corporation does not have an allowance for doubtful accounts as at March 31, 2010 nor was it required to write-off any receivables during the three months ended March 31, 2010. The Corporation does not consider any of its receivables to be past due at March 31, 2010.

(c) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they come due. Due to the fact that the Corporation has no operations that generate cash flow to meet such obligations, and is a development stage company, the Corporation requires external financing to ensure all of its obligations are met on a timely basis. To date the Corporation has been successful in raising the funds necessary to meet its obligations and fund its capital program.

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign currency exchange rates, commodity prices and interest rates will affect the Corporation's net earnings. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns. Due to the fact that the Corporation does not currently operate in foreign jurisdictions, does not sell or buy commodities and does not have debt financing, it is not subject to market risk.

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(e) Fair value of financial investments

Section 3862, Financial instruments – Disclosures requires an explanation about how fair value is determined for assets and liabilities measured in the financial statements at fair value and establishes a hierarchy for which these assets and liabilities must be grouped, based on significant levels of input as follows:

Level 1: observable inputs such as quoted prices in active markets;

Level 2: inputs, other than the quoted market prices in active markets, which are observable, either directly and/or indirectly; and

Level 3: unobservable inputs for the asset or liability in which little or no market data exists therefore requiring an entity to develop its own assumptions.

As at March 31, 2010 the financial assets measured at fair value on the Corporation's balance sheet using level 1 inputs are cash and cash equivalents.