

Interim Unaudited Financial Statements of

**DOT RESOURCES LTD.**

Six months ended June 30, 2008

# DOT RESOURCES LTD.

Interim Balance Sheets

As at June 30, 2008 and December 31, 2007

(Unaudited)

	June 30, 2008	December 31, 2007
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 449,615	\$ 1,469,972
Accounts receivable	20,219	66,291
	469,834	1,536,263
Mineral properties and deferred exploration and development costs (note 3)	2,327,599	1,533,946
	<u>\$ 2,797,433</u>	<u>\$ 3,070,209</u>
<b>Liabilities and shareholders' equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 16,433	\$ 162,461
Shareholders' equity:		
Share capital (note 4(b))	2,650,029	2,650,029
Warrants (note 4(c))	319,547	319,547
Contributed surplus (note 4(e))	337,134	244,184
Deficit	(525,710)	(306,012)
	2,781,000	2,907,748
Nature of operations and basis of presentation (note 1)		
	<u>\$ 2,797,433</u>	<u>\$ 3,070,209</u>

See accompanying notes to financial statements.

# DOT RESOURCES LTD.

Interim Statements of Loss and Deficit  
Three and six months ended June 30, 2008  
(Unaudited)

	Three Months Ended June 30, 2008	Six Months Ended June 30, 2008
Expenses:		
General and administrative	\$ 77,248	\$ 140,790
Stock-based compensation	10,974	92,950
Interest income	(4,402)	(14,042)
Net loss	(83,820)	(219,698)
Deficit, beginning of period	(441,890)	(306,012)
Deficit, end of period	\$ (525,710)	\$ (525,710)
Per share (note 7):		
Net loss per share basic and diluted	\$ (0.002)	\$ (0.005)

See accompanying notes to financial statements.

# DOT RESOURCES LTD.

Interim Statements of Cash Flows

Three and six months ended June 30, 2008

(Unaudited)

	Three Months Ended June 30, 2008	Six Months Ended June 30, 2008
Cash provided by (used in):		
Operating:		
Net loss	\$ (83,820)	\$ (219,698)
Item not involving cash:		
Stock-based compensation	10,974	92,950
	<u>(72,846)</u>	<u>(126,748)</u>
Change in non-cash working capital (note 6)	17,847	35,123
	<u>(54,999)</u>	<u>(91,625)</u>
Investing:		
Mineral properties and deferred exploration and development costs	(56,345)	(793,653)
Change in non-cash working capital (note 6)	(22,821)	(135,079)
	<u>(79,166)</u>	<u>(928,732)</u>
Increase (decrease) in cash and cash equivalents	(134,165)	(1,020,357)
Cash and cash equivalents beginning of period	583,780	1,469,972
Cash and cash equivalents, end of period	<u>\$ 449,615</u>	<u>\$ 449,615</u>

See accompanying notes to financial statements.

# DOT RESOURCES LTD.

Notes to Interim Financial Statements

Six months ended June 30, 2008

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## 1. Nature of operations and basis of presentation:

### (a) Incorporation:

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 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.

As part of, and concurrent with, completing the Arrangement, the Corporation completed a private placement of 11,500,000 units at a purchase price of \$0.20 per unit for aggregate gross proceeds of \$2,300,000 (the "Private Placement"). Each unit was comprised of one (1) common share and one-half (1/2) of a common share purchase warrant ("Warrant"), with each whole Warrant entitling the holder to acquire one (1) common share of the Corporation at an exercise price of \$0.35 for a term of two (2) years. If the closing trading price of the Corporation's common shares is equal to or exceeds \$0.55 for fifteen (15) consecutive trading days during the term of the Warrants, then the expiry time of the Warrants shall automatically accelerate to the date which is thirty (30) days following the date a news release is issued by the Corporation announcing the reduced expiry time without further notification made by the Corporation, after which the Corporation's Warrants shall be null and void.

### (b) Nature of operations:

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.

### (c) Basis of presentation:

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.

The Corporation has completed the initial stage of its exploration program and is currently assessing the results to determine the scope of the next stage of the exploration program. Its ability to continue to conduct exploration activities beyond this initial exploration program is dependent upon the nature and extent of the exploration, the possible exercise of the Warrants

# DOT RESOURCES LTD.

Notes to Interim Financial Statements

Six months ended June 30, 2008

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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 in accordance with Canadian generally accepted accounting principles applicable to a going concern, which assume that the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

If the going concern assumption was not appropriate for these financial statements, material adjustments would be necessary to the carrying amounts of the assets and liabilities, the reported revenue 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 period from incorporation on May 17 to December 31, 2007, except as disclosed below. These interim financial statements include all adjustments necessary to present fairly the results for the interim period ended June 30, 2008. These interim financial statements should be read in conjunction with the most recent audited financial statements and notes filed on SEDAR for the period from incorporation on May 17 to December 31, 2007.

The following summarizes accounting changes that will be relevant to the Company's financial statements, effective January 1, 2008.

### (a) Capital disclosures:

Effective January 1, 2008 the Company adopted CICA Handbook Section 1535 "Capital Disclosures". This Handbook Section requires companies to disclose their objectives, policies and processes for managing capital as well as compliance with any externally imposed capital requirements. The disclosures required by adoption of this section are presented in note 8.

### (b) Financial instruments disclosures and financial instruments presentation:

Effective January 1, 2008 the Company adopted CICA Handbook Section 3862 "Financial Instrument – Disclosures" and Section 3863 "Financial Instruments – Presentation and Disclosure". These standards were adopted prospectively and require companies to provide information about the nature and extent of risk arising from financial instruments and how an entity manages those risks.

### (c) International financial reporting standards:

In January 2006 the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for accounting standards in Canada. As part of the plan, accounting standards for public companies in Canada are expected to converge with International Financial Reporting Standards ("IFRS"). In March 2007, the AcSB released an "Implementation Plan for Incorporating IFRS into Canadian GAAP", which assumed a convergence date of January 1, 2011. Following a progress review on February 13, 2008, the AcSB confirmed this changeover date. The Corporation continues to

# DOT RESOURCES LTD.

Notes to Interim Financial Statements

Six months ended June 30, 2008

monitor the developments in regards to the plan and has not yet assessed the impact of these prospective changes.

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

Of the \$2,327,599 in costs recorded to June 30, 2008, 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(a)). No depletion or depreciation has been recorded during the period. Details of total mineral properties and deferred exploration and development costs are as follows:

	Six months ended June 30, 2008	Period from Incorporation on May 17 to December 31, 2007
Balance, beginning of period	\$ 1,533,946	\$ —
Acquisition cost	—	933,424
Drilling	688,413	323,660
Geology	81,324	142,977
Geophysics	630	128,395
Other	23,286	5,490
Balance, end of period	\$ 2,327,599	\$ 1,533,946

### 4. Share capital:

(a) Authorized:

Unlimited voting common shares

Unlimited preferred shares for which none have been issued.

(b) Issued and outstanding:

	Six months ended June 30, 2008		Period from Incorporation on May 17 to December 31, 2007	
	Number	Amount	Number	Amount
Common shares				
Balance, beginning of period	41,500,001	\$ 2,650,029	—	\$ —
Upon incorporation	—	—	1	1
Pursuant to plan of arrangement	—	—	30,000,000	933,424
Pursuant to private placement	—	—	11,500,000	2,300,000
Amount ascribed to warrants	—	—	—	(359,125)
Share issuance costs	—	—	—	(189,024)
Cash share issue costs	—	—	—	—
ascribed to warrants	—	—	—	28,354
Amount ascribed to Agent options	—	—	—	(74,825)
Agent options value	—	—	—	—
ascribed to warrants	—	—	—	11,224
Balance, end of period	41,500,001	\$ 2,650,029	41,500,001	\$ 2,650,029

# DOT RESOURCES LTD.

Notes to Interim Financial Statements

Six months ended June 30, 2008

(c) Warrants:

	Six months ended June 30, 2008		Period from Incorporation on May 17 to December 31, 2007	
	Number	Amount	Number	Amount
Balance, beginning of period	5,749,999	\$ 319,547	–	\$ –
Pursuant to private placement	–	–	5,749,999	359,125
Share issuance costs ascribed to Warrants	–	–	–	(28,354)
Agent unit value ascribed to Warrants	–	–	–	(11,224)
Balance, end of period	5,749,999	\$ 319,547	5,749,999	\$ 319,547

(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 years but may not exceed five years and vest at terms to be determined by the directors at the time of 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(s) 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:

	Six months ended June 30, 2008		Year ended December 31, 2007	
	Number of options	Weighted Average exercise price	Number of options	Weighted average exercise price
Granted and outstanding, end of period	2,325,000	\$ 0.20	2,325,000	\$ 0.20
Exercisable, end of period	1,162,500	\$ 0.20	581,250	\$ 0.20

The following table summarizes information about stock options outstanding and exercisable at June 30, 2008.

Exercise price	Outstanding		Exercisable	
	Number	Weighted average remaining contractual life (years)	Number	Weighted average remaining contractual life (years)
\$ 0.20	2,325,000	\$ 2.16	1,162,500	\$ 2.16



# DOT RESOURCES LTD.

Notes to Interim Financial Statements

Six months ended June 30, 2008

(e) Contributed surplus:

A reconciliation of contributed surplus is provided below:

	Six months ended June 30, 2008	Period from incorporation on May 17 to December 31, 2007
Balance, beginning of period	\$ 244,184	\$ –
Stock-based compensation expense	92,950	169,359
Upon issue of Agent options	–	74,825
Balance, end of period	\$ 337,134	\$ 244,184

## 5. Related party transactions:

- (a) On August 29, 2007 the Corporation and Alhambra entered into 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 six months ended June 30, 2008, the Corporation incurred \$120,000 under the Contract. The amount owing under the Contract as of June 30, 2008 was \$nil.
- (b) During the six months ended June 30, 2008, the Corporation incurred \$10,385 in costs from a law firm in which an officer of the Corporation is a partner. All of these costs were recorded to general and administration costs.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

## 6. Supplemental cash flow information:

Changes in non-cash working capital are as follows:

	Three months ended June 30, 2008	Six months ended June 30, 2008
Accounts receivable	\$ 33,745	\$ 46,072
Accounts payable and accrued liabilities	(38,719)	(146,028)
	(4,974)	\$ (99,956)
Relating to:		
Operating activities	\$ 17,847	\$ 35,123
Investing activities	(22,821)	(135,079)
	(4,974)	(99,956)

## 7. Loss per share:

Basic and diluted loss per share is calculated using the weighted average number of shares that during the three and six months ended June 30, 2008 was equal to 41,500,001 shares. Excluded from the calculation for both periods were 5,749,999 warrants and 2,325,000 options as their effect would have been anti-dilutive.

# DOT RESOURCES LTD.

Notes to Interim Financial Statements

Six months ended June 30, 2008

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## 8. Management of capital:

The Corporation defines capital that it manages as its shareholder's 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 six months ended June 30, 2008. The corporation is not subject to externally imposed capital requirements.

## 9. Financial instruments:

### (a) Overview:

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

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

This note presents information about the Corporation's exposure to each of the above risks, the Corporation's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

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 June 30, 2008 nor was it required to write-off any receivables during the six months ended June 30, 2008.

# DOT RESOURCES LTD.

Notes to Interim Financial Statements

Six months ended June 30, 2008

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(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 it is an exploration 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.

(e) Fair value of financial investments:

The Corporation's financial instruments as at June 30, 2008 include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying amounts due to their short terms to maturity.