

**DOT Resources Ltd.**  
**Management's Discussion and Analysis of Financial Condition  
and Results of Operations**  
**For the Nine Months Ended September 30, 2012**

This management's discussion and analysis ("MD&A") focuses on key items from the unaudited financial statements for DOT Resources Ltd. (also referred to as "DOT" or the "Corporation") for the nine months ended September 30, 2012 and the factors reasonably expected to impact future operations and results as prepared on November 26, 2012. This discussion should not be considered all-inclusive, as it excludes changes that may occur in general economic, political and environmental conditions. Additionally, other matters may occur which could affect the Corporation in the future. This discussion should be read in conjunction with the unaudited financial statements of the Corporation for the nine months ended September 30, 2012 and related notes and the audited financial statements for the Corporation for the year ended December 31, 2011 and related notes. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

This MD&A was reviewed and approved by the Corporation's Audit Committee and Board of Directors and is effective as of November 26, 2012. Additional information on the Corporation is available under the Corporation's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

All dollar amounts are Canadian unless otherwise stated.

### **Forward-Looking Information**

Except for the statements of historical fact contained herein, certain statements contained in this MD&A constitute "forward-looking statements" as such term is used in applicable Canadian and US laws. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management. In particular, any statements concerning the timing, content and future success of diamond drilling or geophysical surveying or the ability to obtain funding to sustain operations, the ability to complete strategic alternative transactions and other factors and events described in this MD&A should be viewed as forward-looking statements to the extent that they involve estimates thereof. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "expects" or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "estimates" or "intends", or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved) are not statements of historical fact and should be viewed as "forward-looking statements". Such forward-looking statements, including but not limited to, the amount of estimated mineralization, the timing and possible outcome of possible pending economic evaluations, the Corporation's liquidity and financial capacity, the Corporation's funding sources to meet various obligations and other factors and events described in this document, involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks and other factors include, among others, potential drilling targets, exploration results, the timing of future diamond drilling, geophysical survey results, the availability of capital to fund exploration activities and the resulting dilution caused by the raising of capital through the sale of shares, the effects of the recessionary economy and such other business risks as discussed herein and other publically filed disclosure documents. Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be

other factors that cause actions, events or results not to be anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could vary or differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements contained in this MD&A.

Forward-looking statements are made based on management's beliefs, estimates and opinions on the date the statements are made and the Corporation undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as required by applicable law.

This MD&A contains forward-looking statements based on assumptions, uncertainties and management's best estimates of future events. Investors are cautioned that such forward-looking statements involve risks and uncertainties. Actual results may differ materially from those currently anticipated. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

## **Business overview**

The Corporation 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.

The cost of the Properties acquired by the Corporation was \$933,424 which represents the amount recorded by Alhambra as at the date of sale.

The Corporation's common shares are listed for trading on the TSX Venture Exchange Inc. under the trading symbol of DOT. Trading of the common shares of the Corporation began on September 17, 2007.

## **Basis of Presentation**

### **Basis of measurement**

The financial statements have been prepared on the historical cost basis except for the financial instruments at fair value through profit or loss which are measured at fair value.

### **Use of estimates and judgments**

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Estimates and underlying assumptions are reviewed on an ongoing basis. Changes to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes to the September 30, 2012 financial statements:

Note 5 – valuation of intangible assets;

Note 6 – measurement of share-based payments; and

Note 10 – valuation of financial instruments.

## **Going concern**

For the nine months ended September 30, 2012, the Corporation incurred a net loss of \$22,753, had a working capital deficiency of \$848,415 at September 30, 2012 and had an accumulated deficit to September 30, 2012 of \$1,341,064. DOT currently has no sources of revenue therefore its ability to continue to meet its obligations, conduct exploration activities and continue as a going concern is dependent upon its ability to raise additional capital and to develop economically recoverable reserves. There is no assurance at this time that the Corporation will be able to obtain the necessary financing nor is there assurance that if financing is obtained, that DOT will be able to find economically recoverable reserves. If DOT is unable to obtain suitable financing in the near future, it will be necessary for the Corporation to examine other strategic alternatives to continue operations and enhance shareholder value, including, but not limited to, seeking creditor protection, seeking a joint venture partner, the possible sale of some or all of the Corporation's assets or the merger, amalgamation or sale of the Corporation with or to a larger, better financed entity.

The financial statements have been prepared on a going concern basis in accordance with IFRS. The going concern basis 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. If the going concern assumption was not appropriate for these financial statements, then material adjustments would be necessary to the carrying amounts of the assets and liabilities, the reported expenses and the balance sheet classifications used.

## **Operational review**

With the completion of the drilling program conducted in late 2009 and early 2010, the Corporation commissioned Aurora Geosciences Limited ("Aurora") to update its independent National Instrument ("NI") 43-101 compliant mineral resource estimation ("Mineral Resource Estimate") for DOT's 100% owned copper porphyry property located 17 kilometers south of the Highland Valley copper porphyry district in Central British Columbia, Canada (the "Property").

The report entitled "Technical Report On A Diamond Drill Program And Mineral Resource Estimate For DOT Resources Ltd's Dot Property (the "Aurora Report"), dated November 30, 2010, was prepared by Aurora and complies with NI 43-101 and the Canadian Institute of Mining standards for reporting mineral resources. A full copy of the Aurora Report can be obtained directly from DOT, the Corporation's website at [www.dotresourcesltd.com](http://www.dotresourcesltd.com), or the Corporation's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

Following is a number of highlights reported in the Aurora Report:

1. At a 0.20% copper cut-off, the estimated indicated resource was 5.33 million tonnes grading 0.45% copper, 3.28 g/t silver, 0.05 g/t gold and 0.006% molybdenum representing a 19% increase relative to the previous NI 43-101 Mineral Resource Estimate dated June 22, 2009;
2. At a 0.20% copper cut-off, the estimated inferred resource was 4.28 million tonnes grading 0.46% copper, 1.99 g/t silver, 0.02 g/t gold and 0.004% molybdenum representing a 79% increase relative to the previous NI 43-101 Mineral Resource Estimate dated June 22, 2009; and

- The five zones of mineralization included in the resource estimate are open along strike and down dip.

The Aurora Report makes various recommendations for further exploration of the Property, including trenching, metallurgical testing on the sulphide mineralization, geophysical surveying by Induced Polarization ("IP") of a large portion of the property and further diamond drilling to better understand the IP anomalies and to determine the extent of mineralized zones located to date.

These recommendations are currently being reviewed with the objective of incorporating them into a proposed 2012 exploration program. The extent and timing of this exploration program will depend on obtaining sufficient financing.

The claim units are in good standing until March 13, 2013.

## Financial review

### Administrative expenses

Administrative expenses for the nine months ended September 30, 2012 decreased \$11,958 to \$22,753 from the \$34,711 recorded in the comparable period in 2011. Administrative expenses for the three months ended September 30, 2012 increased \$3,798 to \$5,964 from the \$2,166 recorded in the comparable period in 2011. The breakdown of administrative expenses is as follows:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Share-based payments	\$ -	\$ -	\$ -	\$ 8,010
Stock exchange fees	500	-	8,195	8,095
Transfer agent fees	2,263	1,855	5,868	5,755
Annual general meeting	13	33	3,520	7,347
Investor Relations	2,796	-	2,796	-
Audit	-	80	1,430	80
Legal	-	-	110	4,537
Other	392	198	834	887
	\$ 5,964	\$ 2,166	\$ 22,753	\$ 34,711

The Corporation continues to minimize administrative expenses to the extent possible while it investigates financing opportunities and other strategic alternatives.

Share-based payments expense for the nine months ended September 30, 2012 totaled \$nil (nine months ended September 30, 2011 – \$8,010). The share-based payment expense for the nine months ended September 30, 2011 relates to the amortization of the value ascribed to stock options granted on October 7 and November 16, 2009. The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. In determining the fair value of the share options granted, the Black-Scholes model is used and assumptions are made regarding interest rates, underlying volatility of the Corporation's shares and expected life of the options. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service vesting conditions are met, such that the amount ultimately recognized as an expense is based on the number of awards that actually vest. Share-based payments to non-employees are accounted for by measuring the fair value of goods or services received directly on the date the Corporation receives the goods or services. As the options were fully vested in 2011, there was no share-based payment expense for the nine months ended September 30, 2012.

The decrease in the remaining administrative expenses was a result of the reduced activity.

### Net loss and comprehensive loss and loss per share

Net loss and comprehensive loss for the three and nine months ended September 30, 2012 totaled \$5,964 and \$22,753, respectively (three and nine months ended September 30, 2011 – \$2,166 and \$34,711, respectively or \$0.00 per common share) based on a weighted average number of common shares outstanding for both periods of 55,734,333. Outstanding options totaling 2,200,000 (2011 – 2,200,000), outstanding warrants totaling nil (2011 – 14,234,332) and nil (2011 - 863,333) broker options have been excluded in the calculation of net loss per share as their effect would have been anti-dilutive. The warrants and broker options expired unexercised in 2011.

### Summary of quarterly results

	Q3 2012	Q2 2012	Q1 2012	Q4 2011
Revenue	\$ -	\$ -	\$ -	\$ -
Income (loss)	(5,964)	(10,471)	(6,318)	(36,029)
Basic and diluted net loss per share	(0.00)	(0.00)	(0.00)	(0.00)
	Q3 2011	Q2 2011	Q1 2011	Q4 2010
Revenue	\$ -	\$ -	\$ -	\$ -
Income (loss)	(2,166)	(17,913)	(14,632)	(97,928)
Basic and diluted net income (loss) per share	(0.00)	(0.00)	(0.00)	(0.00)

### Liquidity and capital resources

At this early stage of its development, the Corporation does not have sources of revenue and relies solely on raising capital through the public equity markets.

As of September 30, 2012, the Corporation had \$26 in cash and a working capital deficiency of \$848,415.

### Capital expenditures

During the nine months ended September 30, 2012 the Corporation had \$3,803 in capital expenditures related to exploration activities. Following is a breakdown of these capital expenditures:

	Inception to date	Nine months ended September 30, 2012	Year ended December 31, 2011
Balance, beginning of period	\$ -	\$ 3,521,320	\$3,516,241
Acquisition costs	933,424	-	-
Drilling	1,983,638	-	-
Geology	229,703	-	-
Geophysics	272,286	-	-
Other	106,072	3,803	5,079
Balance, end of period	\$ 3,525,123	\$ 3,525,123	\$3,521,320

## **Related party transactions**

The Corporation has no employees and pays no cash remuneration to directors. During the nine months ended September 30, 2012 the Corporation incurred \$nil (nine months ended September 30, 2011 - \$8,010) in share-based payments to directors and key members of management.

The Corporation and Alhambra are parties to 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. Effective January 1, 2011, Alhambra agreed to suspend billing DOT for services provided under the Contract until further notice therefore there were no amounts billed for the nine month periods ended September 30, 2012 and 2011. The amount owing under the Contract as of September 30, 2012 was \$367,781 (September 30, 2011 – \$359,433). During the nine months ended September 30, 2012, Alhambra advanced DOT \$4,200 to assist DOT with its outstanding obligations while DOT is contemplating various options regarding the financing of its exploration plans and working capital requirements which brings the total amount outstanding as of September 30, 2012 to \$404,200.

These transactions are measured at their exchange amounts, which is the amount of consideration established and agreed to by the related parties.

## **Outstanding share data**

At September 30, 2012 and November 26, 2012, there were 55,734,333 common shares issued and outstanding.

Subsequent to September 30, 2012 the Corporation issued stock options to a director to purchase 150,000 common shares at an exercise price of CDN\$0.10 per share. The options extend for a term of five years and are exercisable as to 25% immediately and as to 25% each six months thereafter. As a result, as of November 26, 2012, there are options outstanding to purchase 2,350,000 common shares under the Corporation's stock option plan, of which 2,237,500 have vested. On September 23, 2011 warrants to purchase 14,234,332 common shares and Broker options to purchase 863,333 units expired unexercised.

## **Subsequent Event**

Subsequent to September 30, 2012 the Corporation executed a purchase and sale agreement to acquire four complimentary copper porphyry properties adjacent to its 100% owned Dot Properties. The acquisition consists of 100% interest in four exploration properties known as Promotory Hills, Copper Belle, Peacock and Cube (collectively the "Delorme Properties"). The Delorme Properties comprise approximately 15,000 acres. As compensation for the acquisition of the Delorme Properties, DOT will issue to the vendor, 1,200,000 common shares of the Corporation (subject to regulatory approval) and \$120,000, the payment of which is to be made as follows:

- (a) As to the 1,200,000 common shares:
  - (i) 300,000 common shares to be issued within 30 days following the date when the Corporation receives approval from the TSX Venture Exchange;
  - (ii) an additional 300,000 common shares to be issued on or before November 1, 2013;
  - (iii) an additional 300,000 common shares to be issued on or before November 1, 2014; and,
  - (iv) the final 300,000 common shares on or before November 1, 2015.

The deemed price of common shares to be issued cannot be less than the Discounted Market

Price (as defined in Policy 1.1 of the TSX Venture Exchange rules and regulations) on the day that such securities are issued.

(b) As to the \$120,000 in cash payment:

- (i) \$30,000 to be paid within five (5) business days following the closing of a financing by the Corporation or by April 1, 2013, whichever comes first;
- (ii) an additional \$30,000 to be paid on or before November 1, 2013;
- (iii) an additional \$30,000 to be paid on or before November 1, 2014; and,
- (iv) the final \$30,000 to be paid on or before November 1, 2015.

In addition, the vendor retains a two percent (2%) royalty on the revenue realized by the Corporation from the sale of all ores and minerals mined or extracted from the Delorme Properties. The Corporation may reduce the royalty from two percent (2%) to one half of one percent (0.5%) by making one-time cash payment of \$500,000.

## **Financial instruments**

### **Overview**

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

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

The Board of Directors has overall responsibility for the establishment and oversight of the Corporation'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.

### **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 to be 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 September 30, 2012 nor was it required to write-off any receivables during the nine months ended September 30, 2012. The Corporation does not consider any of its receivables to be past due at September 30, 2012.

### **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 Corporation, 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.

### **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.

### **Off balance sheet arrangements**

The Corporation has no off balance sheet arrangements.

### **Business risks**

As a pure exploration corporation, DOT's goal is to continue to find resources and reserves that can be developed economically. In attempting to accomplish this goal, the Corporation faces many risks that it must minimize.

### **World Economic Conditions**

The continuing worldwide economic conditions, reflective in the stock market uncertainty and international credit crisis could adversely impact the Corporation's ability to raise sufficient working capital to sustain operations. The Corporation can neither predict the impact the current economic conditions will have on future results, nor predict when the economy will show meaningful improvement.

### **Exploration and development**

The mining industry in general is inherently risky in nature. Mineral properties are often non-productive for reasons that cannot be anticipated in advance and the Corporation may be subject to risks from operations, mining law, environmental regulations, permits, licenses, land claims and financing.

The Corporation focuses exploration efforts in areas in which it has existing knowledge and expertise. Exploration activities rely on the exploration results collected at that time and on professional judgment of people involved in the exploration business. There can be no assurance that exploration programs will result in a discovery being made. In the event that a discovery is made, no assurance can be given that the discovery will result in either resources or reserves being established on the property. If reserves are established, it may take a number of years and substantial expenditures until production is achieved, during which the economic feasibility of the project may change.

The long-term profitability of the Corporation's operation will, in part, be directly related to the success of its exploration programs in finding additional reserves, which may be affected by a number of factors that are beyond the control of the Corporation.

### **Operations risk**

Operations risk relates to the ability to recover metal from an established mineral reserve. Using skilled and experienced professional staff reduces this risk. Using the latest technologies and controlling costs to maximize profitability also assists in minimization of this risk. Other possible risks include changes in metal prices, unstable ground conditions, procurement of reagents, supplies and fuels and qualified operating personnel as well as severe weather conditions.



## **Regulations and mining law**

DOT's mining operations and exploration activities are subject to the laws and regulations of the Province of British Columbia, Canada. There is no assurance that these laws will not change in the future.

## **Environmental factors**

All phases of the Corporation's operations are subject to environmental regulation in British Columbia. Although DOT takes the steps necessary to protect the environment around its operations, there is no assurance that future changes in environmental regulation, if any, will not adversely affect DOT's operations or result in substantial costs and liabilities in the future.

## **Permits and licenses**

The operations of the Corporation require permits from the Province of British Columbia. The Corporation has secured the necessary permits for its current exploration program. There can be no assurance that the Corporation will be able to obtain all necessary permits that may be required to carry out its operations in the future.

## **Financing risks**

Continued exploration and development of the Properties, as well as the Corporation's ability to continue as a going concern are dependent on DOT's ability to obtain necessary financing. As the Corporation is not currently producing from its Properties, it will be necessary for the Corporation to seek additional equity to finance its programs. While the Corporation has been successful in the past in attracting equity financing required to carry out its planned exploration program, there can be no assurance that additional funding will be available in the future, particularly in light of the current state of the equity markets. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration plans, as well as the Corporation's ability to meet its obligations and continue as a going concern.

## **Significant Accounting Policies**

The significant accounting policies used by the Corporation are disclosed in note 4 to the Corporation's December 31, 2011 audited financial statements. Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The following discussion outlines such accounting policies and is included in the MD&A to aid the reader in assessing the significant accounting policies and practices of the Corporation and likelihood of materially different results being reported. The Corporation's management reviews its estimates regularly.

The following significant accounts policies outline the major policies involving critical estimates.

## **Mineral resources and reserves**

A mineral resource is defined by the Canadian Institute of Mining, Metallurgy and Petroleum as a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospect for economic extraction. Mineral reserves are those parts of mineral resources which, after the application of all mining factors, estimated gold recovery and operating costs, are the estimated tonnage and grade which is the basis of an economically viable project. Proven and Probable mineral reserves differ by the degree of certainty of such reserves. By their nature, reserves are at best estimates and can only be determined once the reserves have been completely mined and the project abandoned. Changes in Proven and Probable mineral reserves

impact the evaluation for impairment as disclosed in note 4 (f) to the Corporation's December 31, 2011 audited financial statements.

### **Share-based payments**

Compensation costs attributable to stock options granted by the Corporation are charged to earnings over the vesting periods of the options. The fair value calculation method adopted by the Corporation is the Black-Scholes model, which requires management to estimate interest rates, the expected life of the options and the expected volatility of the Corporation's share price over the life of the options. These estimates may be different than the actual interest rates, life and volatility.

### **Looking forward**

With the acquisition of the Delorme properties, the Corporation now has added nearly 15,000 acres to the 4,800 acres in its area of interest in southwest British Columbia. The Corporation continues to look at similar opportunities to increase its asset base both in its principal area as well as other parts of North America. The focus in 2013 will be to raise funds to enable the Corporation to aggressively explore both its existing and newly acquired properties.