DOT Resources Ltd.
Management's Discussion and Analysis of Financial Condition and Results of Operations for the Year Ended December 31, 2008

This management's discussion and analysis ("MD&A") focuses on key items from the audited financial statements for DOT Resources Ltd. (also referred to as "DOT" or the "Corporation") for the year ended December 31, 2008 and the factors reasonably expected to impact future operations and results as prepared on April 27, 2009. 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 audited financial statements of the Corporation for the year ended December 31, 2008 and the related notes. The financial statements have been prepared in accordance with Generally Accepted Accounting Principles ("GAAP") in Canada.

This MD&A was reviewed and approved by the Corporation's Audit Committee and Board of Directors and is effective as of April 27, 2009. Additional information on the Corporation is available under the Corporation's profile on SEDAR at www.sedar.com.

All dollar amounts are Canadian unless otherwise stated.

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.

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 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.

In connection with the Private Placement, the Corporation paid a commission of $138,000 and granted Agent options that entitle the Agent to purchase up to 690,000 units of the Corporation at $0.20 per unit. These Agent options expire on August 29, 2009. The units are subject to the same terms and conditions as the units issued pursuant to the Private Placement except that the automatic acceleration conditions do not apply to the Agent options.

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.

Operational review

History of the Properties

The area in south-central British Columbia that hosts the Properties was first explored at the turn of the last century when the Aberdeen and the Vimy showings were exploited. Historical production from the Aberdeen showing is reported to have been 111,709 kilograms of copper, 24,321 grams of silver and 280 grams of gold. Production from the Vimy showing is reported to have consisted of 8,409 kilograms of copper and 1,866 grams of silver.

Alhambra first acquired interest in the Properties in May, 1996 and acquired additional interests in April, 2006, which resulted in holding 100% interest in the Properties.

In 1996 and 1997 Alhambra discovered two new zones of copper mineralization, the Southeast zone and adjacent Copper zone. These zones are located along strike to the southeast of the Northwest zone. These two zones were tested with 16 diamond drill holes totaling 3,109 metres ('m") in 1996 and six (6) diamond drill holes totaling 1,290 m in 1997.

A historical estimate of 9.8 million tonnes with an average grade of 0.46% copper was prepared by Alhambra for the Properties in 1997. The historical estimate was prepared on two of the four zones of copper mineralization that was known to occur on the property at the end of 1997.

This historical estimate was not prepared by an independent Qualified Person, nor has any of the information contained therein been audited by an independent Qualified Person. This historical estimate does not conform to the requirements of National Instrument 43-101 and the Standards of Disclosure of Mineral Projects and the definition of Measured, Indicated or Inferred resources, as defined by the Canadian Institute of Mining and Metallurgy ("CIM").

In 2006, Alhambra completed Induced Polarization Resistivity ("IP"), Magnetometer and Very Low Frequency – Electromagnetics ("VLF-EM") geophysical surveys. The initial phase of the 2006 IP survey was completed over the four known zones of copper mineralization to obtain an "IP signature response" for the known zones of copper mineralization. This IP response was used to aid in the interpretation of the IP survey data collected in 2006 and to identify potential areas of disseminated sulphide mineralization. The 2006 IP survey located three additional geophysical anomalies that are interpreted to represent zones of disseminated sulphide mineralization.

A description of the historical exploration completed on the Dot Properties is set out in an independent National Instrument 43-101 compliant report entitled "TECHNICAL REPORT ON 2006 GROUND GEOPHYSICAL PROGRAM AND PREVIOUS EXPLORATION, INCLUDING DIAMOND DRILLING, DOT PROPERTY, BRITISH COLUMBIA, NICOLA MINING DIVISION, (the "Aurora Report") dated May 31st, 2007, prepared by Aurora Geosciences Limited ("Aurora"). This report is filed on SEDAR in its entirety and can be viewed on DOT's profile at www.sedar.com.

Significant highlights of the Aurora Report are:

1. four large zones of copper mineralization;
2. a historical estimate of 9.8 million tonnes at 0.46% copper and 3.3 grams per tonne ("g/t") silver; and
3. three additional anomalies interpreted to represent zones of sulphide mineralization.

In 2007, the Corporation completed 132 kilometres of Magnetometer and VLF-EM surveys and 9.35 kilometres of IP surveys over the northern and western side of the Properties. By the end of 2007, approximately 70% of the Properties had been explored using Magnetometer and IP geophysical surveys. The IP survey was completed at 200 and 400 m spaced lines along strike of the known zones of copper-molybdenum mineralization and identified five new IP anomalies that suggest the presence of disseminated sulphide mineralization.

DOT's operating activities

The business of DOT is the exploration and development of porphyry copper properties. Following completion of the recommendations contained in the Aurora Report, the Corporation retained Aurora to complete the exploration programs directed toward the discovery of porphyry copper style mineralization on the Properties.

Exploration model

The exploration model used to guide the exploration of the Properties is based on the copper-molybdenum deposits located within the Highland Valley Mining District located 17 kilometres north of the project. The Highland Valley District occurs within the Guichon Creek Batholith and hosts numerous porphyry style copper-molybdenum deposits. These deposits occur within an interpreted northwest trending structural trend and are characterized by disseminated iron and copper sulphide minerals and a concentric alteration pattern that changes from the periphery to the center of the porphyry system.

The following table shows the reserves and average copper and molybdenum grades for the deposits located within the Highland Valley Mining District and the potential exploration target for the Properties.

Deposit Name	Reserves (million tonnes)	Copper Grade (%)	Molybdenum Grade (%)
Bethlehem Copper	143	0.48	N/A
Krain	58	0.56	0.010
Highmont	116	0.25	0.025
J.A.	286	0.43	0.017
Lornex	576	0.39	0.014
South Seas	36	0.47	N/A
Valley Copper	716	0.47	N/A

Diamond drilling

In the fourth quarter of 2007 and in the first quarter of 2008, the Corporation completed a 14 hole (3,082 m) diamond drilling program to test the strike and depth extension and to verify the historical drilling results on four previously identified mineralized zones. The apparent length and weighted average grades using a 0.1% copper cut-off grade for the four zones drilled are set out below.

Zone ID	Easting	Northing	Dip	Azi-muth	Drill hole ID	From (m)	To (m)	Interval (m)	Copper (%)	Silver (g/t)
Northwest	653168	5576456	-60	245	DOT-07-NW-01	132.00	146.00	14.00	0.11	1.2
	653325	5576216	-50	235	DOT-07-NW-02	101.00	111.00	10.00	0.22	1.6
	653186	5576427	-60	245	DOT-07-NW-03	72.00	80.00	8.00	0.15	0.6
						105.00	136.00	31.00	0.50	4.3
	652986	5576574	-50	235	DOT-08-NW-04	No significant mineralization				
Copper	653286	5576088	-60	235	DOT-08-CU-01	170.00	179.00	9.00	0.18	0.6
	653328	5575893	-50	235	DOT-08-CU-02	41.55	49.00	7.45	0.11	0.2
						147.00	155.00	8.00	0.11	0.4
Southeast	653553	5575635	-76	55	DOT-07-SE-01	72.20	84.40	12.20	0.14	1.6
						102.70	150.50	47.80	0.38	3.3
						252.00	262.00	10.00	0.12	2.2
	653574	5575553	-60	55	DOT-07-SE-02	87.00	135.00	48.00	0.23	1.5
	653330	5575774	-60	55	DOT-08-SE-03	No significant mineralization				
	653507	5575992	-45	55	DOT-08-SE-04	226.00	230.00	4.00	0.60	0.5
	653411	5575706	-50	55	DOT-08-SE-05	160.00	182.00	22.00	0.25	2.1
						206.00	240.00	34.00	0.25	2.3
						262.00	270.00	8.00	0.29	2.0
						278.00	300.23	22.23	0.22	1.4
	653481	5575840	-55	55	DOT-08-SE-06	39.00	75.00	36.00	0.24	2.5
Vimy	653466	5576550	-45	235	DOT-07-VM-01	129.00	130.00	1.00	0.59	1.2
						142.00	144.00	2.00	0.25	3.4
	653477	5576439	-90	0	DOT-08-VM-02	No significant mineralization				

The intervals set out in the above table are not true widths.

The diamond drilling on all four zones intersected a significant number of narrow mineralized intervals that occur outside the mineralized intervals list above. These mineralized intervals are less than 8.00 m in apparent thickness and are not reported in the above table. The grades in these narrow intervals range from 0.10% to 0.60% copper and from 0.2 to 10.3 g/t silver. Sporadic trace to low-grade concentrations of molybdenum occur in several drill holes on the Southeast and Vimy zones.

Four diamond drill holes ("DDH") were completed in the Northwest zone. Three holes were completed to verify the historical diamond drilling and reverse circulation drilling results and one hole was completed to test the northwest extension of the mineralized zone. DDH DOT-08-NW-04 completed on the northwest extension of this zone did not intersect significant copper mineralization. The other three holes intersected significant concentrations of copper mineralization represented by veinlets and disseminated chalcopyrite and bornite in moderate argillic and potassic altered granodiorite. On this zone, copper mineralization has been intersected over a strike length of 300 m and to a depth of 120 m below surface. Although the 2008 drilling program intersected significant intervals of copper mineralization, the 2008 analytical results are not comparable to the historical drilling results. The mineralization in this zone is open to the southeast and at depth.

The six holes completed in the Southeast zone extended the strike length of the mineralized zone to a distance of 550 m and to a vertical depth of 205 m below surface and a width ranging from 40 to 80 m. Copper mineralization occurs as veinlets and disseminated chalcopyrite and bornite and in thin quartz veinlets throughout the mineralized intervals in moderate argillic and potassic altered granodiorite. Within the altered and mineralized zone sporadic tourmaline veins which are typical of porphyry deposits also occur. The mineralization is open along strike to the southeast and at depth. DDH DOT-08-SE-03 undercut a previous mineralized interval but did not intersect significant mineralization. It appears that the mineralization on this section has either been truncated by a fault or the dip of the mineralized zone changes at depth. The northwest portion of this zone is truncated by a northeast trending fault. Although significant copper mineralization was intersected on the northwest side of this fault, the mineralized intervals are relatively narrow, typically less than 10.0 m.

The two holes completed on the Vimy zone to test a weak IP anomaly and the down dip extension of mineralization in the historical underground workings did not intersect significant copper mineralization. One drill hole intersected 0.60% copper over an interval of 1.0 m interpreted to be the down dip extension of the mineralization in the underground workings. The copper mineralization occurs in thin hematitic fault and breccias zones and in thin quartz veinlets in moderate argillic and potassic altered granodiorite. The other hole contained broad intervals of low-grade (<1,000 ppm copper) copper mineralization.

The Copper zone is characterized by relatively narrow intervals of copper mineralization that occurs as fracture controlled chalcopyrite, bornite and native copper in moderate argillic and potassic altered granodiorite. The two drill holes completed in 2008 are located to the northwest and southeast of the 1997 drill holes appear to have defined the limits of the mineralization on this zone.

Geophysical Survey

On completion of the diamond drilling program, it was apparent that the dimensions of the mineralized zones remained open along strike and at depth. In order to better define diamond drill hole locations on the Southeast and Northwest zones prior to drilling, it was determined that a deep penetrating IP geophysical survey should be completed over the Southeast and Northwest zones and in the area north of the Aberdeen showing where a strong circular shaped total field magnetometer low occurs at the intersection of two interpreted regional scale fault zones.

During the fourth quarter of 2008, a deep penetrating IP survey completed by the Corporation located the positive chargeability and corresponding resistivity lows on both the Southeast zone in the area north of the Aberdeen showing referred to as the West zone. A brief description of each zone and the results of the IP survey are outlined below.

<u>Southeast Zone</u>

The copper-molybdenum mineralization has been outlined over a minimum strike length of 550 m, to a vertical depth of 205 m below surface and ranges from 40 m to 80 m in width. Disseminated, fracture controlled and vein hosted copper mineralization consisting of native copper, chalcocite, bornite, chalcopyrite, malachite and quartz and tourmaline veining occurs in moderate potassic and argillic altered granodiorite. The silicification, argillic alteration and copper sulphides are typical of a porphyry copper style mineralization.

The IP survey detected a moderate IP chargeability anomaly that extends for a horizontal distance of 600 m. This anomaly is interpreted to be due to a combination of the sulphide mineralization below the depth of the mineralized zone and the alteration of quartz/tourmaline veining representing an extension of the mineralized zone at depth below the 200 m level.

<u>West Zone</u>

This new zone is located approximately 1,500 m west of the Southeast zone and is situated over a strong magnetic low that was defined by a magnetometer survey completed by the Corporation in

2007. This zone is located north of the Aberdeen Mine which is reported to have shipped high-grade copper mineralization (chalcocite) grading 7% in 1916 and 1917.

The IP survey defined a moderate to strong 300 m long (open to the north) anomaly that is interpreted to represent sulphide mineralization. This IP survey also detected a circular (approximately 150 m in diameter) resistivity anomaly. Three dimensional modelling of the data, suggests that the resistivity signature of this feature weakens at depth. It is possible that the circular resistivity anomaly could represent quartz/tourmaline breccia pipe, a common feature around porphyry deposits.

Plans for 2009

Aurora is currently compiling the results of the programs conducted during 2007 and 2008 as discussed previously in this MD&A. The results will be used to determine the Corporation's 2009 exploration program. Based on the information available to date the Corporation believes the program should include diamond drilling to test the depth of the Southeast zone and the IP target on the West zone. In addition, the program should include a geophysical survey to test the Northwest and Southeast extension of the regional scale fault/shear zone. As indicated, these plans will be subject to financing.

Financial review

The Corporation's results for the year ended December 31, 2008 include a full twelve months while in 2007, results are only for a four month period as the Corporation began its operations upon completion of the financing on August 29, 2007 (see note 1(a) to the audited financial statements). For this reason the financial results are not necessarily comparable between 2008 and 2007.

General and administrative expenses for the year ended December 31, 2008 increased by $128,926 to $292,734 from the $163,808 recorded during the period from incorporation on May 17, 2007 to December 31, 2007. Following is the breakdown of the general and administrative expenses incurred by the Corporation during the year ended on December 31, 2008 and during the period from incorporation on May 17, 2007 to December 31, 2007:

	2008	2007
Management fees	$ 240,000	$ 80,000
Auditing and accounting	8,719	42,320
Stock exchange fees	8,395	25,294
Other	35,620	16,194
	$ 292,734	$ 163,808

The management fees for the year ended December 31, 2008 of $240,000 (2007 – $80,000) are amounts paid to Alhambra under an Administrative and Corporate Services Contract (see Related party transaction section and note 7(a) to the audited financial statements).

Stock based compensation expense for the year ended December 31, 2008 totaled $13,672 (2007 – $169,359) and is the amortization of the value ascribed to stock options granted on August 29, 2007. The Corporation uses the fair value method of accounting for stock options granted. The fair value of employee stock options is estimated on the date of grant and the resulting fair value is recorded as an expense over the vesting period of the stock option. The fair value of non-employee stock options is revalued each reporting date with the change in fair value of the unvested options expensed over the remaining vesting period. In determining the fair value of the stock options granted, the Black-Scholes model is used and assumptions regarding interest rates, underlying volatility of the Corporation's stock and expected life of the options are made. The Corporation granted 2,325,000 stock options which expire on August 29, 2010 and vest over 18 months beginning from the date of grant (see note 6(d) to the audited financial statements).

For the year ended December 31, 2008 the Corporation earned $15,576 (2007 – $27,155) in interest income from funds received from the Private Placement that has been invested in short term deposits with a major Canadian chartered bank. The decrease is a result of the level of cash invested in short term deposits in 2008 as compared to 2007.

Net loss for the year ended December 31, 2008 totaled $290,830 (2007 – $306,012) or $0.01 (2007 - $0.01) per common share based on a weighted average number of common shares outstanding for the period of 41,500,001 (2007 – 22,570,176).

Summary of quarterly results

	Three months ended, 2008			
	March	June	September	December
Net income (loss)	$ (135,878)	$ (83,820)	$ (80,542)	$ 9,410
Basic and diluted net income (loss) per share	(0.003)	(0.002)	(0.002)	–

	Period from Incorporation On May 17 to June 30	Three months ended, 2007	
		September	December
Net loss	$ –	$ (123,822)	$ (182,190)
Basic and diluted net loss per share	–	(0.014)	(0.001)

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 though the public markets. The ability of the Corporation to raise capital in the future will directly affect its future development of the Properties as well as its ability to continue as a going concern. The global financial crisis has an impact on the Corporation through the deteriorated equity market conditions, and has negatively affected the ability of the Corporation to raise capital to finance its future activities. The Corporation has enough cash to meet its short term corporate maintenance costs and once its exploration plans for 2009 have been established it will be reviewing financing options available to carry out those plans plus meet additional corporate requirements. There is no certainty however that the Corporation will be able to raise the necessary capital.

As of December 31, 2008 the Corporation had $223,936 (2007 – $1,469,972) in cash and cash equivalents, which consist of bank balances and term deposits that can be converted to cash at any time.

Capital expenditures

During the year ended December 31, 2008 the Corporation had $913,529 (2007 - $600,522) in capital expenditures for exploration work done on the Properties. Following is a breakdown of these capital expenditures:

	2008	2007
Drilling	$ 707,943	$ 323,660
Geology	86,726	142,977
Geophysics	91,561	128,395
Other	27,299	5,490
	$ 913,529	$ 600,522

Related party transactions

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 Contact 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 year ended December 31, 2008, the Corporation incurred $240,000 under the Contract ($80,000 – during the period from incorporation on May 17, 2007 to December 31, 2007, together with $29,946 related to direct costs of the Corporation paid for by Alhambra). The amount owing under the Contract as of December 31, 2008 was $nil.

During the year ended December 31, 2008, the Corporation incurred $12,375 (2007 – $30,548) in costs from a law firm in which an officer of the Corporation is a partner. Of this total $12,375 (2007 - $3,645) was recorded to general and administrative costs and $nil (2007 - $26,903) was recorded as share issuance 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.

Fourth Quarter 2008 Results

During the fourth quarter of 2008 the Corporation had $308,438 (2007 – $600,032) in capital expenditures for exploration work done on the Properties, and incurred $77,550 (2007 - $111,699) in general and administrative expenses. During the fourth quarter of 2008 the Corporation earned $1,072 (2007 - $19,760) in interest income. The net income of $9,410 for the fourth quarter of 2008 is caused primarily by a recovery of previously expensed stock-based compensation, which was a result of changing parameters (due to significant decline of DOT's stock price) used for calculation of the non-employee stock-based compensation throughout the year.

Outstanding share data

At December 31, 2008, there were 41,500,001 common shares issued and outstanding. In addition, there were options to purchase 2,325,000 common shares under the Corporation's stock option plan, of which 1,743,750 were vested as of December 31, 2008. Also outstanding at December 31, 2008 were Warrants to purchase 5,749,999 common shares and Agent options to purchase 690,000 units. All Warrants and Agent options are fully vested as of December 31, 2008. Subsequently, up to April 21, 2009, no additional common shares, options or warrants have been issued.

Financial instruments

The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities are approximated by their carrying amounts because of their short-term nature or because they bear interest at market rates.

Off balance sheet arrangements

The Corporation has no off balance sheet arrangements.

Business risks

World Economic Slowdown

The current worldwide economic slowdown, 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 continue as a going concern.

Significant Accounting Policies

The significant accounting policies used by the Corporation are disclosed in the notes to the Corporation's audited financial statements for the year ended December 31, 2008. 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 this 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 accounting policies outline the major policies involving critical estimates.

Mineral resources and reserves

A mineral resource is defined by the CIM 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, is the estimated tonnage and grade which is the basis of an economically viable project. Proven and probable reserves differ by the degree of certainty of such reserve. 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 proved and probable reserves impact the evaluation for impairment as discussed in note 2(a) of the financial statements.

Asset retirement obligations

Asset retirement obligations are initially measured at fair value when they are incurred which is the discounted future value of the estimated liability. This requires an estimate to be made of the future costs of retiring the asset at the point in time the asset is acquired.

Income tax accounting

The determination of the Corporation's income tax liability requires interpretation of complex laws and regulations. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax liability may differ significantly from that estimated and recorded by management.

Stock-based compensation

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.

New Accounting Pronouncements Effective January 1, 2008

Effective January 1, 2008 the Corporation adopted the following standards of the Canadian Institute of Chartered Accountants ("CICA") Handbook:

Capital Disclosures (Section 1535)

Section 1535 specifies the disclosure of: (i) an entity's objectives, policies and procedures for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

As a result of the adoption of this standard, additional disclosure on the Corporation's capital management strategy has been included in note 10 of the financial statements.

Financial Instruments – Disclosures and Presentation

Section 3862 and 3863 replace Handbook Section 3861, "Financial Instruments – Disclosures and Presentation", revising its disclosure requirements, and carrying forward its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

Section 3862 specifies disclosures that enable users to evaluate: (i) the significance of financial instruments for the entity's financial position and performance; and (ii) the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.

As a result of the adoption of these standards, additional disclosures on the risks of certain financial instruments have been included in note 11 of the financial statements.

Future accounting pronouncements

Goodwill and intangible assets

In February 2008, the Canadian Institute of Chartered Accountants issued Section 3064, Goodwill and Intangible Assets. Effective for fiscal years beginning on or after October 1, 2008, this section provides guidance on the recognition, measurement, presentation and disclosure for goodwill and intangible assets, other than the initial recognition of goodwill or intangible assets acquired in a business combination. Retroactive application to prior-period financial statements will be required. The Corporation is still assessing the impact of this new standard on its financial statements.

Business combinations

In January 2009, the CICA issued Section 1582, Business Combinations and related standards for non-controlling interests and consolidated financial statements. These sections are effective January 1, 2011 and apply prospectively to business combinations for which the acquisition date is on or after the first annual reporting period beginning on or after January 1, 2011 for the Corporation. Early adoption is permitted. These sections replace Section 1581, Business Combinations and harmonize the Canadian standards with IFRS.

International financial reporting standards ("IFRS")

In February 2008, the CICA Accounting Standards Board ("AcSB") confirmed the changeover to IFRS from Canadian GAAP will be required for publicly accountable enterprises for interim and annual financial statements effective for fiscal years beginning on or after January 1, 2011, including comparatives for 2010.

The International Accounting Standards Board ("IASB") has also issued an exposure draft relating to certain amendments and exemptions to IFRS 1. It is anticipated that this exposure draft will not result in an amended IFRS 1 standard until late 2009. Although the amended IFRS 1 standard would provide relief, the changeover to IFRS represents a significant change in accounting standards and the transition from current Canadian GAAP to IFRS will be a significant undertaking that may materially affect the Corporation's reported financial position and reported results of operations.

During 2009, the Corporation plans to complete a high-level IFRS changeover plan and establish a preliminary timeline for the execution and completion of the conversion project. The changeover plan will include a preliminary assessment of the differences between Canadian GAAP and IFRS and the potential effects of IFRS to accounting and reporting processes, information systems, business processes and external disclosures. This assessment will provide insight into what are anticipated to be the most significant areas of difference applicable to the Corporation.

Following the completion of the high-level IFRS changeover plan, the Corporation will perform an in-depth review of the significant areas of difference, identified during the preliminary assessment, in order to identify all specific Canadian GAAP and IFRS differences and select ongoing IFRS policies. Key areas addressed will also be reviewed to determine any information technology issues, the impact on internal controls over financial reporting and the impact on business activities. External advisors will be retained to assist management with the project on an as needed basis. The Corporation will also continue to monitor standards development as issued by the IASB and the AcSB as well as regulatory developments as issued by the Canadian Securities Administrators, which may affect the timing, nature or disclosure of its adoption of IFRS.

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 survey 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 rising of capital through the sale of shares, the effects of the recessionary economy and such other business risks as discussed herein and other publically filled 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.