# DOT Resources Ltd.
# Management's Discussion and Analysis of Financial Condition and Results of Operations
# For the Year Ended December 31, 2012

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, 2012 and the factors reasonably expected to impact future operations and results as prepared on April 26, 2013. 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, 2012 and the 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 April 26, 2013. 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.

## 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 operation, 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.

Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and for any future years affected.

(a) Critical judgments in applying accounting policies

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

The application of the Corporation's accounting policy for exploration and evaluation assets requires management to make certain judgments as to future events and circumstances as to whether economic quantities of reserves have been found.

(b) Key sources of estimation uncertainty

Information about significant areas of estimation uncertainty that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

Note 7 – valuation of intangible assets;

Note 10 – measurement of share-based payments

## Going concern

For the year ended December 31, 2012, the Corporation incurred a net loss of $69,036, had a working capital deficiency of $893,708 at December 31, 2012 and had an accumulated deficit to December 31, 2012 of $1,387,347. 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 to fund exploration activities and meet its obligations as well as its ability 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.

## Financial review

### Selected financial information

| | 2012 | 2011 | 2010 |
|---|---|---|---|
| Net loss and comprehensive loss | $ (69,036) | $ (70,740) | $ (376,829) |
| Net loss per share – basic and diluted | (0.00) | (0.00) | (0.01) |
| Total assets | 3,526,788 | 3,528,054 | 3,567,432 |

## Administrative expenses

Administrative expenses for the year ended December 31, 2012 decreased $1,704 to $69,036 from the $70,740 recorded in the comparable period in 2011. The breakdown of administrative expenses is as follows:

| | 2012 | 2011 |
|---|---|---|
| Audit | $ 26,340 | $ 28,080 |
| Legal | 1,591 | 9,217 |
| Stock exchange fees | 9,136 | 8,095 |
| Share-based payments | 1,590 | 8,009 |
| Transfer agent fees | 6,548 | 7,444 |
| Annual general meeting | 3,520 | 7,347 |
| Investor relations and news releases | 7,348 | 1,058 |
| Technical consulting | 11,768 | – |
| Other | 1,105 | 1,492 |
| | $ 69,036 | $ 70,740 |

Decreases in legal, annual general meeting and share-based payment expenses were offset by increases in investor relations and news release and technical consulting expenses. The increases in the investor relations and technical consulting costs were a result of the Corporation's effort to secure financing as well as the potential addition to its exploration properties. The decreases in nearly all of the other cost categories were a result in the Corporation's effort to minimize nonessential cash outlays while sources of financing are investigated.

Share-based payments expense for the year ended December 31, 2012 totaled $1,590 (2011 – $8,009). The 2012 charge relates to the amortization of the fair value estimated for 150,000 options granted on October 24, 2012. The 2011 charge relates to the amortization of the fair value estimated for 2,200,000 options granted on October 7 and November 16, 2009. The 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.

Due primarily to the high volatility of the Corporation's stock price, this calculation gives a significant value to stock options, which must be expensed during their vesting period. In addition, since share-based payments expense is calculated for each vesting period separately, it results in the expense being the largest during the earlier vesting term of each option.

The 150,000 options granted in 2012 have a term of five years from the date of issue, an exercise price of $0.10 per common share and vest as to twenty-five percent (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. The estimated fair value of the options on the date of the grant using the Black-Scholes option-pricing model was determined to be $3,788 ($0.03 per share) based on weighted-average assumptions of 1.39% for the risk-free interest rate, 150% for expected volatility and 0% for the expected dividend yield.

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

Net loss and comprehensive loss for the year ended December 31, 2012 totaled $69,036 or $0.00 per common share (2011 – $70,740 or $0.00 per common share) based on a weighted average number of common shares outstanding for both years of 55,734,333. Outstanding options totaling 2,150,000 (2011 – 2,200,000) have been excluded in the calculation of net loss per share as their effect would have been anti-dilutive.

### Summary of quarterly results

| | Q4 2012 | Q3 2012 | Q2 2012 | Q1 2012 |
|---|---|---|---|---|
| Revenue | $ – | $ – | $ – | $ – |
| Income (loss) | (46,283) | (5,964) | (10,471) | (6,318) |
| Basic and diluted net loss per share | (0.00) | (0.00) | (0.00) | (0.00) |
| | **Q4 2011** | **Q3 2011** | **Q2 2011** | **Q1 2011** |
| Revenue | $ – | $ – | $ – | $ – |
| Income (loss) | (36,029) | (2,166) | (17,913) | (14,632) |
| Basic and diluted net 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 though the public equity markets.

As of December 31, 2012, the Corporation had $43 in cash and a working capital deficiency of $893,708.

## Capital expenditures

During the year ended December 31, 2012 the Corporation had $4,403 in capital expenditures for exploration work. Following is a breakdown of these capital expenditures:

| | Inception to date | Year ended December 31, 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 | 106,672 | 4,403 | 5,079 |
| Balance, end of period | $ 3,525,723 | $ 3,525,723 | $3,521,320 |

The claim units are in good standing until March 13, 2014.

Subsequent to December 31, 2012 the Corporation announced the initiation of a three week geophysical evaluation of the Properties. The objective of the geophysical survey was to identify extensions of known copper mineralization to help identify drill targets for later in 2013.

This geophysical evaluation was completed in March 2013 with new technology referred to as ELF, which is an extremely low frequency ground equivalent survey to Geotech's airborne ZTEM system. The ELF system is considered an excellent tool for evaluating potential mineralization, alteration and structure related to porphyry type deposits and has the ability to look down to a

depth of 1.5 kilometres. The results of the survey are still being analyzed.

## Related party transactions

The Corporation has no employees and pays no cash remuneration to directors. During the year ended December 31, 2012 the Corporation incurred $1,590 (year ended December 31, 2011 - $8,009) 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 has agreed to suspend billing DOT for services provided under the Contract until further notice. During 2012 Alhambra paid expenses on behalf of the Corporation totaling $11,509 (2011 - $NIL) which brought the amount owing under the Contract as of December 31, 2012 to $370,942 (December 31, 2011 – $359,433). During 2012, Alhambra advanced DOT $6,200 (2011 - $NIL) 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 brought the total advances made to December 31, 2012 to $406,200 (2011 - $400,000). The advances are non-interest bearing. Alhambra is related by way of common directors and management.

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

## Fourth quarter 2012 results

During the fourth quarter of 2012 the Corporation incurred a net loss of $46,283 ($0.00 per common share - basic and diluted) as compared to a loss for the comparable 2011 period of $36,029 ($0.00 per common share - basic and diluted). The increase in loss for the period is related to technical consulting costs incurred in the fourth quarter of 2012 related to the potential addition to DOT's exploration properties.

## Outstanding share data

At December 31, 2012, there were 55,734,333 common shares issued and outstanding. During the year ended December 31, 2012 the Corporation granted options to purchase 150,000 common shares at $0.10 per share while options to purchase 200,000 common shares, all at $0.10 per share, expired unexercised. As a result there were options outstanding to purchase 2,150,000 common shares under the Corporation's stock option plan, of which 2,037,500 have vested.

As at April 26, 2013 there were 55,734,333 common shares issued and outstanding along with options to purchase another 2,150,000 common shares of which 2,075,000 had vested.

## Financial instruments

### Overview

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

(a) Credit risk

(b) Liquidity risk

(c) 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 December 31, 2012 nor was it required to write-off any receivables during the year ended December 31, 2012. The Corporation does not consider any of its receivables to be past due at December 31 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 3 to the Corporation's December 31, 2012 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 discussed in note 3(f) of the 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.

## New standards and interpretations not yet adopted

As of January 1, 2013, the Corporation will be required to adopt the following standards as issued by the International Accounting Standards Board ("IASB"). The Corporation is evaluating the impact that these standards may have on our results of operations and financial position.

(a) IFRS 10, "Consolidated Financial Statements" – In May 2011, the IASB issued IFRS 10 which is the IASB's project to replace Standard Interpretations Committee 12, "Consolidation – Special Purpose Entities" and the consolidation requirements of IAS 27, "Consolidated and Separate Financial Statements". The new standard eliminates the current risk and rewards approach and established control as the single basis for determining the consolidation of and entity.

(b) IFRS 11, "Joint Arrangements" – In May 2011, the IASB issued IFRS 11 to replace IAS 31, "Interest in Joint Ventures". The new standard redefines joint operations and joint ventures and requires joint operations to be proportionately consolidated and joint ventures to equity accounted. Under IAS 31, joint ventures could be proportionately accounted.

(c) IFRS 12, “Disclosure of Interests in Other Entities” – In May 2011, the IASB issued IFRS 12 which outlines the required disclosures for interest in subsidiaries and joint arrangements. The new disclosures require information that will assist financial statement users to evaluate the nature, risks and financial effects associated with an entity’s interests in subsidiaries and joint arrangements.

(d) IFRS 13, “Fair Value Measurement” – in May 2011, the IASB issued IFRS 13 which provides a common definition of fair value, established a framework for measuring fair value under IFRS and enhances the disclosures required for fair value measurements. The Standard applies where fair value measurements are required and does not require new fair value measurements.

As of January 1, 2015, the Corporation will be required to adopt IFRS 9, “Financial Instruments”. The IASB issued IFRS 9, which is the first phase of the IASB’s project to replace IAS 39, “Financial Instruments: Recognition and Measurement”. The new standard replaces the current multiple classification and measurements models for financial asset and liabilities with a single model that has only two classification categories: amortized cost and fair value. Portions of the standard remain in development and the full impact of the standard on the Corporation’s consolidated financial statements will not be known until the project is complete.

## Acquisition of Exploration Properties:

On November 5, 2012 the Corporation entered into a purchase and sale agreement to acquire a 100% interest in four exploration properties known as Promotory Hills (6,701 acres), Copper Belle (2,714 acres), Peacock (3,373 acres) and Cube (1,998 acres), all located in British Columbia (the Agreement”).

As compensation for the acquisition of these four properties, the Corporation agreed issue to the seller 1,200,000 shares of the Corporation (subject to regulatory approval) and $120,000. Closing of the purchase and sale was to occur within 30 days following the date in which regulatory approval is received.

The Corporation has not received regulatory approval of the acquisition as the closing conditions were not met. As a result the Corporation and the seller have amended the purchase and sale agreement effective April 1, 2013 such that the payment is to be made as follows:

(a) 1,200,000 share compensation to be issued as follows:

- (i) 300,000 shares to be issued within 30 days following the closing of a financing by the Corporation or October 31, 2013, whichever comes first;
- (ii) an additional 300,000 shares to be issued on or before October 31, 2014;
- (iii) an additional 300,000 shares to be issued on or before October 31, 2015; and,
- (iv) the final 300,000 shares on or before October 31, 2016.

(b) $120,000 payment to be made as follows:

- (i) $30,000 payable within five business days following the closing of a financing by the Corporation or October 31, 2013, whichever comes first;
- (ii) an additional $30,000 payable on or before October 31, 2014;
- (iii) an additional $30,000 payable on or before October 31, 2015; and,
- (iv) the final $30,000 payable on or before October 31, 2016.

In addition, the Vendor retains a two percent royalty on the revenue realized by the Corporation on

the sale of all ores and minerals mined or extracted from the properties. The Corporation may reduce the royalty from 2.0% to 0.5% at any time and at the Corporation's discretion, by making a one-time cash payment of $500,000.

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