LITHIC RESOURCES LTD.

Management Discussion and Analysis

For the Year Ended

December 31, 2011

April 24, 2012

Description of Business

Lithic Resources Ltd. is a mineral exploration company engaged in the business of acquiring and exploring mineral properties, either solely or through joint ventures and options. The following discussion of the results of operations, its financial condition and changes in its financial condition for the year ended December 31, 2011 is dated and current as of April 24, 2012. It should be read in conjunction with the Company's consolidated financial statements. Additional and more detailed information relating to the Company may be found at www.sedar.com and www.lithicresources.com.

Financial results are now being reported in accordance with International Financial Reporting Standards ("IFRS"). As a result, accounting policies, presentation, financial statement captions and terminology used in this discussion and analysis differ from those used in previous financial reporting. Further details on the transition to IFRS are included in Note 16 of the Financial Statements.

Discussion of Operations

Since all of the Company's projects are in the early stages of exploration, it does not have operations or operating results in the conventional use of the terms. The Company's financial success will ultimately be dependent upon finding economically recoverable mineral reserves, confirmation of its interest in those reserves and its ability to obtain the necessary financing to profitably produce those reserves.

The Company currently holds one active project, the advanced Crypto Zinc project in western Utah. Other than working on its active property, the Company is engaged in a continuing review of properties and projects for possible acquisition.

Crypto Zinc Project

In May of 2005, the Company signed an agreement to purchase a 100% interest in the advanced Crypto zinc-copper-silver-indium project from EuroZinc Mining Corporation in exchange for 1.5 million shares and $25,000 in cash. The 4,258 acre property is located in Utah about 160 kilometres southwest of Salt Lake City, is crossed by a power-line and is easily accessable by road. It includes the old Fish Springs Mining District which from the late 19th century through the mid-1970's recorded production of 2.7 million oz of silver from silver-lead ore.

History of Work and Property Geology

The Crypto deposit is a skarn/carbonate replacement zinc-copper-silver-gold-indium deposit similar in many respects to the world class Bingham, Park City, Tintic and other mining districts elsewhere in Utah. Modern exploration commenced in 1953 when Kennecott identified a very large magnetic anomaly at Crypto in a regional search for porphyry copper deposits. Beginning in 1961, Utah International drilled the property for its iron (magnetite) deposits, subsequently discovering significant zinc mineralization on which they focussed their attention until exiting in 1985. In the early 1990's, Cyprus Minerals optioned the property and drilled a number of additional holes, mainly to test the known zones at depth. In all, 68 holes totalling about 27,000 metres were drilled on the property prior to Lithic's involvement.

Zinc mineralization discovered to date at Crypto is concentrated in two adjacent deposits known as the Main and Deep Zones that are situated in a sequence of Cambrian to Ordovician carbonate rocks where they have been cut by a quartz monzonite intrusive of Late Eocene age. Zinc in both zones occurs as coarse-grained sphalerite in magnetite-rich, magnesian skarns preferentially developed in shaly members within the carbonate sequence. Small amounts of chalcopyrite are commonly found with sphalerite and some zones of relative copper enrichment are present. The Main zone is generally oxidized to a depth of about 250 metres, sphalerite having been converted to zincite, smithsonite, hemimorphite and hydrozincite.

Numerous significant intervals of molybdenite mineralization have been intersected in drilling, both as disseminations in skarn and as porphyry-style quartz-molybdenite-pyrite veinlets and fracture-coatings in the underlying intrusive rocks. The general distribution of mineralization on the Crypto property shows zoning similar to that in typical porphyry systems, with an inner zone of molybdenum-rich mineralization grading outwards through copper and zinc, then lead, silver and manganese with increasing distance from the intrusive. It is very likely that known mineralization is related to an underlying porphyry molybdenum system.

Various workings in the historic Fish Springs District are developed on high grade silver-lead replacement deposits controlled by structures east of the known zinc deposit. Total production in the district, in which the single largest mine by far was the Utah Mine, is recorded at about 20,300 tons grading 128 ounces silver per ton (4,389 gpt) and

44% lead. High grade intercepts of silver-rich replacement style mineralization have been encountered in drilling outside of the historical mine area.

The Company completed a program of core drilling in July 2008, a total of 10,639 metres having been drilled in 15 core holes. The results of the program can be generalized as follows:

- multiple intersections of high grade zinc mineralization which in places contain significant levels of copper
- both the Main and Deep zones were extended in places and remain open to expansion
- the discovery in the deposit of significant levels of indium with the potential to enhance the economics of the project
- significant intersections of molybdenite mineralization, further supporting the possibility of a major porphyry molybdenum system underlying the property
- the discovery of high grade, replacement-style silver-zinc-lead mineralization similar to but distinct from that exploited at the former Utah Mine
- several intervals of skarn with geochemically anomalous levels of zinc encountered in the vicinity of the 2006 IP/magnetic anomaly

2009 Resource Estimate

An independent NI 43-101 compliant resource estimate was completed by Mine Development Associates (“MDA”) of Reno, Nevada and announced in press releases dated November 19, 2009 and January 18, 2010. A slightly amended version of MDA’s report incorporating several minor and non-material changes was filed on March 29, 2010. The resource is as follows:

Zone	Cutoff ZnEq%	Tonnes	ZnEq%	% Zn	% Cu	g/t In	Lb Zn	Lb Cu	Kg In
Sulphide									
Indicated	3.00	5,800,000	6.60	4.44	0.309	48.8	568,151,000	39,446,000	283,100
Inferred	3.00	13,805,000	6.83	4.84	0.372	37.4	1,472,057,000	113,191,000	516,400
Indicated	6.00	2,411,000	9.91	7.43	0.329	58.3	394,929,000	17,491,000	140,700
Inferred	6.00	6,297,000	9.91	7.62	0.443	41.7	1,057,338,000	61,497,000	262,300
Oxide									
Indicated	1.00	1,114,000	5.48	4.54	0.263	10.31	111,413,000	6,449,000	11,500
Inferred	1.00	4,644,000	4.45	3.73	0.165	12.55	382,312,000	16,932,000	58,300

MDA completed the Crypto resource estimate using a highly detailed, three dimensional block model constructed on the basis of both Lithic’s and historical drilling. Zinc, copper and indium grades were assigned to each block using inverse distance interpolation. Zinc-equivalent grades used for cutoff reporting used a zinc price of US$0.80/lb, a copper price of US$2/lb and an indium price of US$500/kg to determine the relative value of each metal. All mineralization was diluted to minimum dimensions of 2m by 2m by 3m.

The lower cut-off used for the oxide material (1.00% ZnEq) reflects the potential for open-pit mining scenarios for this near-surface material. Pit cones developed using the stated metal prices, recoveries, and costs indicate that the great majority of oxide material at the 1.00% ZnEq cut-off can be mined using open-pit methods. Indium was not included in the zinc-equivalent cutoff grade calculation for oxide mineralization.

MDA noted that a significant proportion of the resources classified as Inferred would have been categorized as Indicated if only zinc and copper values were considered. However, because indium was not assayed in historical work, the lower overall density of samples with indium assays resulted in an Inferred designation for a significant proportion of mineralization that otherwise would have been classified as Indicated. The lack of historical indium data also resulted in a lower overall grade of indium for this material compared with that in the Indicated category.

The technical report also summarized the results of preliminary metallurgical test work on a series of bulk composites created from samples drawn from across the resource base. This test work showed that:

- a zinc concentrate grading 52.5% zinc together with a separate copper concentrate grading 32% copper can be produced from sulphide mineralization using a conventional differential flotation process
- indium, gold and silver will be recovered to the concentrates
- the concentrates do not contain deleterious elements at penalty levels
- potentially profitable amounts of magnetite may be recovered from flotation tailings
- initial sulphuric acid leach testing of oxide mineralization shows significant extraction of zinc, copper and indium to solution

MDA concluded that substantial Indicated and Inferred resources of skarn-hosted zinc, copper, and indium have been outlined at the Crypto property, mainly in sulphide mineralization but also in the upper near-surface oxidized extensions of these sulphide bodies. These defined resources remain open for expansion to the east, west and south, and there is very good potential for the discovery of new, similar zones beyond these extensions. Since a large proportion of mineralization was classified as Inferred simply on the basis that indium assay data was not available for historical drilling, there is excellent potential to upgrade a significant portion of the Inferred resource to a higher classification simply by adding indium sample assays, the net effect of which would also likely increase its indium grade. In addition to work on the Crypto deposit, significant intercepts of high-grade, replacement-style, silver-zinc-lead mineralization and porphyry and/or skarn-style molybdenum mineralization have been encountered in both Lithic's and historic drilling elsewhere on the property and warrant followup drilling.

MDA's report recommended that a Preliminary Economic Assessment ("PEA") be completed to refine priorities for further work on the Crypto deposit. The report also recommended that, in parallel with and not contingent upon the results of the PEA, a US$7 million Phase One program of drilling, metallurgical optimization studies and other work aimed at expansion and definition of the Crypto resource be carried out. Included in this program would be drill-testing of ancillary silver-lead-zinc and porphyry molybdenum targets. Contingent on positive results from Phase One, a Phase Two work program could include underground bulk sampling, metallurgical optimization and advanced engineering studies as well as baseline environmental work at an approximate cost of US$20 million and which would form the basis of at least a pre-feasibility study.

2010 Preliminary Economic Assessment

On August 5, 2010, the Company announced the results of a PEA of the Crypto project carried out by a team of independent consulting engineers including John Nilsson, P.Eng. (resource and economic modelling), Ken Major, P.Eng. (metallurgy, process engineering) and Keith Durston, P.Eng. (mine design). A final report entitled "Preliminary Economic Assessment of the Crypto Zinc-Copper Indium Project" was filed on www.sedar.com on September 17, 2010 and is also available on the Company's website.

Following a review of metallurgical test work data, net smelter return ("NSR") values were assigned to each block in the MDA resource model. Both Indicated and Inferred resources were considered in the study. A conceptual mine plan was developed for underground extraction of the sulphide resource only, the oxide resource representing a potential future open pit opportunity. Access to the underground would be via a double ramp system. Longitudinal retreat stoping with uncemented rock fill was chosen as the primary mining method. Allowing for full mine dilution, extraction and recovery factors, a total of 12.1 million tonnes with an average grade of 5.18% zinc, 0.38% copper and 35 g/t indium was scheduled over a period of 11 years for a mill throughput of 3,500 tonnes per day. A flotation process plant built on site would produce separate zinc-indium and copper-gold-silver concentrates. Cost and production parameters for this development scenario are summarized in the table below.

The results of the study showed that the most likely development scenario at Crypto would be that of a completely conventional underground mine and mill complex producing clean, high value zinc-indium and copper-gold-silver concentrates. In order to maximize economies of scale and achieve an optimal processing rate of 3,500 tonnes per day and a minimum ten year mine life, however, it was necessary to include all sulphide resources, including lower grade mineralization that would not ordinarily have been considered. This lowered overall head grades and led to a sub-economic conclusion for the deposit as it has been outlined to date.

However, the study noted that there are higher grade zones within the resource and that in aggregate, these represent 55-60% of the minimum grade and tonnage required for an economic outcome using the study's (now outdated) metal price parameters. Since the deposit is open in several directions, there is good potential to expand existing sulphide and oxide resources and very good potential for the discovery of new zones beyond these extensions. The PEA recommends a Phase One US$3.6 million program of continued drilling aimed at building the higher grade resource inventory to the level required for an economic outcome.

Cost and Production Parameters Used in Crypto PEA		
Pre-production capital	US$ millions	186.9
Sustaining capital	"	118.9
Total capital	"	305.8
Mining/processing rate	tonnes per day	3,500
Mine life	years	11
Total operating cost	US$/tonne	64.28
Average annual production		
zinc	lb	89,285,000
copper	lb	7,138,000
indium	kg	21,000
gold	oz	7,000
silver	oz	1,009,000
Metal price assumptions		
zinc	US$/lb	1.10
copper	US$/lb	2.00
indium	US$/kg	500
gold	US$/oz	850
silver	US$/oz	12

A PEA is a conceptual analysis of a mine development scenario and is based on a number of economic and technical assumptions. It includes Inferred Resources which are considered too geologically speculative to be classified as Mineral Reserves. Investors are cautioned that mineral resources that are not mineral reserves do not have demonstrated economic viability. US investors are further cautioned that existing SEC terminology and rules regarding mineral resources do not conform with Canadian and other internationally accepted standards.

Outlook for 2012

Completion of the Phase One program of drilling for resource expansion will be contingent on financing. However, all permits and bonds required for continued drilling and other exploration at Crypto are in place along with all facilities and infrastructure supporting the Company's 2007-2008 drill program, allowing for a quick start to operations when market conditions permit. The water rights to the property have been secured. Two water wells with excellent flow were drilled and/or refurbished in 2011 and will be more than adequate to supply all water needed for drilling operations.

Following the Phase One program, the resource estimate for Crypto will be updated with the new drill data as well as silver and gold values in view of their importance as potential contributors to the project economics. The PEA will subsequently be updated with the new resource estimate and the higher metal price assumptions now current for studies of this nature.

Discussion of Financial Condition

General

The Company's general and administrative costs in 2011 totalled $486,648. This was $150,748 lower than in 2010, one of the main differences being lower share-based compensation in 2011 compared with 2010. At $67,612, the amount for Communication and Investor Relations was about double that for 2010 because of the addition of a third party consulting firm providing those services. Costs for Office and Miscellaneous at $39,330

(2010 - $22,233) were significantly higher than in the previous year because of attendance at industry conventions. Other components of general and administrative costs were not significantly different than in 2010.

Other than in the normal course of business, the Company does not have any material contracts or commitments, is not involved in any legal proceedings, has no contingent liabilities or debt obligations and is not in breach of any corporate or securities laws. The Company has an investor relations contract with Louis Morin which during 2011 was at the rate of $6,000 per month. This rate has been reduced to $1,000 per month as of March 2012.

Exploration Expenditures

	Crypto 2011	Crypto 2010
Acquisition costs	$ 381,905	$ 381,905
Deferred exploration costs		
Balance, beginning of year	4,530,852	4,334,049
Additions during the year:		
Analysis	--	203
Amortization of equipment	--	10,937
Engineering	--	62,402
Field costs	27,019	3,559
Geological wages, fees and costs	56,505	70,087
Metallurgical studies	--	18,038
Water supply costs	58,706	--
Property holding costs, taxes and fees	31,105	31,577
	173,335	196,803
Balance, end of year	4,704,187	4,530,852
Total	$ 5,086,092	$ 4,912,757

Exploration expenditures in 2011 decreased to $173,335 from $196,803 in the previous year. Engineering studies carried out in 2010 were completed in that year, resulting in no charge for 2011. Increases in field and water supply costs related to the drilling and/or refurbishment of two water wells as well as the refurbishment of a drill camp site with power and water.

Selected Annual Information

		2011 $	2010 $	2009 $
Total Revenues		Nil	Nil	Nil
Net Income or Loss[1]	Total	(480,567)	(633,014)	(434,691)
	Per Share	(0.01)	(0.02)	(0.01)
	Per Diluted Share[2]	n/a	n/a	n/a
Total Assets		5,620,393	5,788,145	6,069,246
Total Long Term Financial Liabilities		Nil	Nil	Nil
Cash Dividends Per Share		Nil	Nil	Nil

(1) No discontinued operations or extra-ordinary items
(2) Fully diluted loss per share not shown as it is anti-dilutive

The net loss for the Company has varied from year to year, depending mainly on the amount of exploration work carried out and whether or not stock options were issued. The loss for 2011 due to items other than share-based compensation was not materially different from that of 2010.

Selected Quarterly Information

The table below summarizes selected financial information for the last eight quarters. The net loss for the Company in the period was slightly higher than that of the same period in 2010, Neither period included significant exploration activity.

Quarter Ended	Revenue ($)	Net Income/(loss) ($)	Net loss per share ($)	Net loss per share diluted[1]($)
Dec. 31, 2011	Nil	(119,321)	0.00	n/a
Sept. 30, 2011	Nil	(93,440)	0.00	n/a
June 30, 2011	Nil	(136,431)	0.01	n/a
March 31, 2011	Nil	(131,375)	0.00	n/a
Dec. 31, 2010	Nil	(107,352)	0.00	n/a
Sept. 30, 2010	Nil	(76,915)	0.00	n/a
June 30, 2010	Nil	(83,984)	0.00	n/a
March 31, 2010	Nil	(364,763)	0.01	n/a

(1) Fully diluted loss per share not shown as it is anti-dilutive

Fourth Quarter

The net loss for the quarter ended December 31, 2011 was $119,321 or $0.00 per share compared with a loss of $107,352 or $0.00 per share during the same quarter of the prior year. A source of variability specific to the fourth quarter is that non-material year end accounting adjustments are generally all reflected in the fourth quarter rather than adjusting earlier quarters.

Share Capital

The Company has one class of common shares.

In January 2010, the Company completed a private placement for gross proceeds of $750,000 through the issuance of 5,000,000 units at a price of $0.15 per unit. Each unit consisted of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at a price of $0.25 per common share until July 7, 2011. Share issuance costs consisted of $49,774 and 224,000 finder's warrants, valued at $18,835. Each warrant is exercisable in to one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at a price of $0.25 per common share.

In January 2011, the Company completed a private placement for gross proceeds of $260,000 through the issuance of 3,250,000 units at a price of $0.08 per unit. Each unit consisted of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at a price of $0.15 per common share until July 27, 2012. Share issuance costs consisted of $32,039 and 210,000 finder's units, valued at $16,800. Each finder's unit consisted of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at a price of $0.15 per common share.

At April 24, 2012, there were 45,178,019 common shares, 2,650,000 stock options and 1,667,500 warrants outstanding.

Authorized and issued share capital as at April 24, 2012:

Issued and outstanding: 45,178,019 common shares

The following stock options were outstanding:

Number of Options	Exercise Price $	Expiry Date
600,000	0.51	September 18, 2012
300,000	0.23	February 1, 2013
650,000	0.10	February 2, 2014
1,100,000	0.33	January 7, 2015
2,650,000	0.34	

The following warrants were outstanding:

Number of Warrants	Exercise Price ($)	Expiry Date
1,667,500	0.15	July 27, 2012

Related Party Transactions

During the year ended December 31, 2011, the Company paid or accrued management fees of $168,000 (2010 - $168,000) to a company owned by C.F. Staargaard, President and CEO of the Company and paid or accrued accounting fees included in professional fees of $42,000 (2010 - $54,000) to a company controlled by S.E. Vanry, the Company's Chief Financial Officer. Accrued amounts of $21,554 were included in accounts payable for the year. In view of the Company's financial status, management has agreed to accrue all or part of their compensation until further notice.

Share-based compensation paid to management was as follows:

	Year ended December 31	
	2011	2010
Share-based compensation	$ -	$ 245,323

Liquidity and Solvency

The Company had a net working capital position of $389,189 at December 31, 2010 compared with $715,931 at the same point in 2010. As at the end of 2011, the Company had sufficient liquidity to meet its obligations for the next year.

The Company had $435,539 cash on hand on December 31, 2011 (December 31, 2010 - $754,903). The primary sources of cash in the year ended December 31, 2011 were the issuance of shares for $260,000 (2010 - $170,000) and advances from related parties - $21,554 (2010 - $nil). The primary uses of cash during the period were the funding of operations - $454,493 (2010 - $402,967); exploration and evaluation asset expenditures - $160,514 (2010 - $219,067); and share issue costs - $15,286 (2010 - $35,503).

The Company's general and administrative costs, exclusive of any management compensation or direct business costs such as acquisitions, field work or travel, are in the range of $200,000 annually. These maintenance costs are typical for a public company of this nature and consist of stock exchange fees, legal fees, accounting and audit fees, transfer agent fees and general office expenses such as rent, basic administrative assistance and phone.

The Company has no internal source of funding and depends on its ability to find attractive mineral exploration projects and then to finance them in the public market. Public financings involve significant legal costs, fees and commissions over and above the general administrative costs listed above, the total of which can be as much as 20% of the funds raised.

Risks

The mineral exploration business is speculative and involves a high degree of risk. There can be no assurance that the Company's mineral exploration activities will be successful as few properties that are explored are ultimately developed into producing mines. It is impossible to ensure that the current exploration programs being carried out or planned by the Company will result in a profitable commercial mining operation. At present, none of the Company's properties have a known body of commercial ore and any proposed exploration programs are an exploratory search for ore.

In addition to the risk that no economic body of ore exists on the property, the Company is subject to an extensive array of other economic, political and technical risks in exploring and developing its exploration and evaluation assets, including, without limitation, volatile stock and currency markets, fluctuations in metals prices, competition, changing government regulations, title issues, undercapitalization, the potential for delays in exploration, the potential for unexpected costs and expenses, accidents, the availability of key personnel and political instability. Since the Company has no revenues, the acquisition and development of its properties depends upon its ability to obtain financing through private placement financings, public financings, the joint venturing of projects or other means. There can be no assurance that the Company will be successful in obtaining the required financings.

Recent Accounting Pronouncements

International financial reporting standards ("IFRS")

Financial results are now being reported in accordance with International Financial Reporting Standards ("IFRS"). As a result, accounting policies, presentation, financial statement captions and terminology used in this discussion and analysis differ from those used in previous financial reporting. Further details on the transition to IFRS are included in Note 16 of the Financial Statements.

The consolidated financial statements represent the first annual consolidated financial statements of the Company prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB, which also include International Accounting Standards ("IAS") and Interpretations ('IFRIC" and "SIC"). The Company adopted IFRS in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards. The first date at which IFRS was applied was January 1, 2010. In accordance with IFRS, the Company has:

- Provided comparative financial information;
- Applied the same accounting policies throughout all periods presented;
- Retrospectively applied all effective IFRS as of December 31, 2010, as required and
- Applied certain optional exemptions and certain mandatory exceptions as applicable for first time IFRS adopters.

The Company's consolidated financial statements were previously prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"). Canadian GAAP has differences in some areas from IFRS. In preparing these financial statements, management has amended certain accounting, measurement and consolidation methods previously applied in the Canadian GAAP financial statements to comply with IFRS. See Note 16 for a description of the effect of the transition from Canadian GAAP to IFRS.

The Consolidated Financial Statements were authorized by the audit committee and board of directors of the Company on April 24, 2012.

New standards, amendments and interpretations not yet effective:

A number of new standards, amendments to standards and interpretations are not yet effective as of December 31, 2011 and have not been applied in preparing these Consolidated Financial Statements. None of these are expected to have a material effect on the financial statements of the Company.

Accounting standards effective January 1, 2012

Financial instruments disclosure

In October 2010, the IASB issued amendments to IFRS 7 – Financial Instruments: Disclosures that improve the disclosure requirements in relation to transferred financial assets. The amendments are effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

Income taxes

In December 2010, the IASB issued an amendment to IAS 12 – Income taxes; it provides a practical solution to determining the recovery of investment properties as it relates to the accounting for deferred income taxes. This amendment is effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

Accounting standards anticipated to be effective January 1, 2013

Joint ventures

The IASB issued Exposure Draft 9 – Joint Arrangements ("ED-9") in September 2007. ED-9 proposed to eliminate the Company's choice to proportionately consolidate jointly controlled entities and required such entities to be accounted for using the equity method. During the second quarter of 2009, the IASB commenced re-deliberations of ED-9 and now proposes to establish a principles-based approach to the accounting for joint arrangements which focuses on the nature, extent and financial effects of the activities that an entity carries out through joint arrangements and its contractual rights and obligations to assets and liabilities, respectively, of the joint arrangements. The IASB planned on publishing the final standard during the first half of 2011, with an anticipated effective date of January 1, 2013. The Company is currently evaluating the impact that ED-9 and the final standard are expected to have on its consolidated financial statements.

Consolidation

On September 29, 2010, the IASB posted a staff draft of a forthcoming IFRS on consolidation. The staff draft reflects tentative decisions made to date by the IASB with respect to the IASB's project to replace current standards on consolidation, IAS 27 - Consolidated and Separate Financial Statements and SIC-12, with a single standard on consolidation. The IASB plans on publishing the final standard on consolidation during the first half of 2011, with an anticipated effective date of January 1, 2013. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

Financial instruments

The IASB intends to replace IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39") in its entirety with IFRS 9 – Financial Instruments ("IFRS 9") in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principles-based and less complex than IAS 39, and is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. In November 2009 and October 2010, phase 1 of IFRS 9 was issued and amended, respectively, which addressed the classification and measurement of financial assets and financial liabilities. IFRS 9 requires that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified as at FVTPL, financial guarantees and certain other exceptions. The IASB has issued exposure drafts addressing impairment of financial instruments, hedge accounting and the offsetting of financial assets and liabilities, with comments due in March and April of 2011. The complete IFRS 9 has not been issued by the end of 2011. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

Financial Instruments and Risk Management

Fair value

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying values of cash and marketable securities are determined using level one of the fair value hierarchy. The carrying value of receivables, accounts payable and accrued liabilities and amount due to related party approximate their fair value because of the short-term nature of these instruments. Marketable securities are adjusted to quoted market value at each reporting period.

Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and receivables. The Company places its cash in significant financial institutions. Receivables are due primarily from a government agency. Management believes that the credit risk concentration with respect to financial instruments included in cash and receivables is remote.

Liquidity risk

Liquidity risk includes the risk that, as a result of operational liquidity requirements, there will not be sufficient funds to settle a transaction on the due date; the Company will be forced to sell financial assets at a price less than fair value; or the Company may be unable to settle or recover any part of a financial asset. As at December 31, 2011 the Company had a cash balance of $435,539 (December 31, 2010 - $754,903) to settle current liabilities of $68,077 (December 31, 2010 - $72,012).

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

The Company has cash balances. As of December 31, 2011, the Company did not have any investments in short-term deposit certificates.

(b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, receivables and accounts payable and accrued liabilities that are denominated in a foreign currency. However, management belies the risk is not currently significant.

(c) Price risk

The Company has limited exposure to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities.

Accounting Principles

The financial statements have been prepared in accordance with IFRS. The policies and estimates are considered appropriate under the circumstances, but are subject to judgments and uncertainties inherent in the financial reporting process.

Transition to IFRS

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises were required to adopt IFRS for fiscal years beginning on or after January 1, 2011. Accordingly, the Company has transitioned from GAAP reporting and commenced reporting under IFRS effective this quarter. The conversion to IFRS from GAAP has not affected the Company's internal control over financial reporting and disclosure controls and procedures, but has affected the Company's accounting policies. The Company has determined that no adjustments from GAAP to IFRS were required.

The Company elected to take the following IFRS 1 optional exemptions:

a) to apply the requirements of IFRS 2, Share-based Payments, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date; and

b) To apply the requirements of IAS 37, Provisions, Contingent Liabilities and Contingent Assets, as at the Transition Date. The Company re-measured all provisions, and estimated the amount to be included in the cost of the related asset by discounting the liability to the date at which the liability first arose. This was done using best estimates of the historical risk-adjusted discount rates, and recalculated the accumulated depreciation, depletion, and amortization under IFRS up to the Transition Date.

The Company has determined that no adjustments for the transition from pre-changeover GAAP to IFRS were required in the Consolidated Financial Statements.

Exemption for cumulative translation differences

IFRS 1 permits cumulative translation gains and losses on the conversion and consolidation of foreign subsidiaries' financial statements and equity method investments that were generated under Canadian GAAP to be reset to zero at the transition date. The Company has chosen to apply this election. If, subsequent to adoption, a foreign operation is disposed of, the translation differences that arose before the date of transition to IFRS will not affect the gain or loss on disposal.

IFRS mandatory exception

IFRS 1 also outlines specific guidelines that a first-time adopter must adhere to under certain circumstances. The Company has applied the following guidelines to its opening statement of financial position dated January 1, 2010:

Estimates

Hindsight is not used to create or revise estimates. In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under the previous GAAP applied, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of January 1, 2010, are consistent with its Canadian GAAP estimates for the same date.

The Company's conversion plan to IFRS consisted of four primary stages including planning, assessment, design and implementation with periodic meetings with the Audit Committee to report progress and findings. The Company has completed the conversion plan and will be reporting in accordance with IFRS going forward. This will include ongoing monitoring of changes in IFRS, the potential or probable effects of which will be evaluated and disclosed as applicable.

Please see notes 2 and 16 of the Financial Statements for further details.

Caution Regarding Forward-Looking Information

Certain disclosures contained in this MD&A constitute forward-looking information within the meaning of the Ontario Securities Act and Alberta Securities Act or "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934 of the United States. This is information regarding possible events, conditions or results of operations of the Company that is based upon assumptions about future economic conditions and courses of action and which is inherently uncertain. All information other than statements of historical fact may be forward-looking information.

Forward-looking information is subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to the interpretation of drill results and the estimation of mineral resources, the geology, grade and continuity of mineral deposits and the possibility that future exploration and development results will not be consistent with the Company's expectations. Some other risks and factors which could cause results to differ materially from those expressed in the forward-looking information contained in this MD&A are described under the heading "Risks" and in the Company's other public disclosure documents filed with certain Canadian securities regulatory authorities and available at www.sedar.com.

Readers are cautioned that any such listings of risks are not, and in fact cannot be, complete. Although the Company has attempted to identify important factors that could cause actual events and results to differ materially from those described in the forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated. The Company believes the expectations reflected in the forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct and readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A.

The forward-looking information contained in this MD&A is provided as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. All of the forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

Approval

The board of Directors of the Company has approved the disclosure contained in this Management Discussion and Analysis. A copy will be provided to anyone who requests it.

On Behalf of the Board of Directors,

"*C.F. Staargaard*"

C.F. Staargaard
President, CEO and Director

April 24, 2012