LITHIC RESOURCES LTD.

Management Discussion and Analysis

For the Year Ended

December 31, 2012

April 24, 2013

Description of Management Discussion and Analysis

The purpose of this Management Discussion and Analysis ("MD&A") is to explain management's point of view regarding the past performance and future outlook of Lithic Resources Ltd. (the "Company"). This report also provides information to improve the reader's understanding of the financial statements and related notes as well as important trends and risks affecting the Company's financial performance, and should therefore be read in conjunction with the audited consolidated financial statements ("Financial Statements") of the Company for the year ended December 31, 2012. The following discussion is dated and current as of April 24, 2013. This MD&A contains forward-looking information and statements which are based on the conclusions of management. The forward-looking information and statements are only made as of the date of this MD&A.

The Company's certifying officers, based on their knowledge, having exercised reasonable diligence, are also responsible to ensure that these filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by these filings, and these financial statements together with the other financial information included in these filings. The Board of Directors' approves the Financial Statements and MD&A and ensures that management has discharged its financial responsibilities. The Board's review is accomplished principally through the Audit Committee, which meets periodically to review all financial reports, prior to filing.

Additional information on the Company is available on SEDAR and at the Company's website, **www.lithicresources.com**.

Forward-Looking Statements

Certain disclosures contained in this MD&A may constitute forward-looking information. 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 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 Uncertainties".

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.

Description of Business

Lithic Resources Ltd. (the "Company") is incorporated under the Business Corporations Act (BC) and is listed on the TSX Venture Exchange ("TSX-V"). The principal business of the Company is the acquisition and exploration of mineral properties ("exploration and evaluation assets"), either solely or through joint ventures and options. The Company's primary and only mineral property is the West Desert Property (formerly known as Crypto Zinc Property) located in the state of Utah, USA.

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 property, the West Desert Property in western Utah, formerly known as the Crypto Zinc Property. Other than working on its active property, the Company is engaged in a continuing review of properties and projects for possible acquisition.

Overall performance

On July 31, 2012, the Company completed a non-brokered private placement of 15,000,000 common shares at a price of $0.05 per share for gross proceeds of $750,000. The Company incurred fees of $21,105 related to this financing.

On November 2, 2012, the Company granted 2,650,000 incentive stock options to directors, officers and a consultant of the Company. The incentive stock options are priced at $0.10 each and may be exercised for a period of five years from the date of grant with 50% of the options vesting at the date of grant and an additional 50% vesting one year thereafter. For consultants 50% will vest on grant and 50% will vest at the discretion of the board of directors.

Summary of Exploration Activities

For the year ended December 31, 2012, the Company incurred $81,990 in exploration and evaluation assets expenditures compared to $173,335 for the corresponding year ended December 31, 2011.

The following is a breakdown of the components of the Company's exploration and evaluation assets, on the West Desert Project, for the year ended December 31, 2012 and 2011:

	2012	**2011**
Acquisition costs		
Balance, beginning and end of year	$ 381,905	$ 381,905
Deferred exploration costs		
Balance, beginning of year	4,704,187	4,530,852
Additions during the year:		
Field costs	8,612	27,019
Geological wages, fees and costs	45,726	56,505
Property holding costs, taxes and fees	27,652	31,105
Water supply costs	-	58,706
	81,990	173,335
Balance, end of year	4,786,177	4,704,187
Total	$ 5,168,082	$ 5,086,092

West Desert Project

In May of 2005, the Company signed an agreement to purchase a 100% interest in the Crypto zinc-copper-silver-indium property 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, is easily accessable by road and has a railhead within 75 kilometres. It includes the historic Fish Springs Mining District which from the late 19th century through the mid-1970's recorded production of 2.7 million oz of silver.

History of Work and Property Geology

The West Desert deposit is a skarn/carbonate replacement zinc-copper-silver-gold-indium deposit similar in many respects to other deposits in 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 West Desert 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 West Desert 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 mainly to smithsonite and hemimorphite.

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 West Desert 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.

2007-2009 Lithic Resources

The Company completed a program of core drilling in July 2008, a total of 10,639 metres having been drilled in 15 holes. An independent 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 West Desert resource estimate using a highly detailed, three dimensional block model constructed on the basis of both Lithic's and historical drilling. All mineralization was diluted to minimum dimensions of 2m by 2m by 3m. 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. Zn-equivalent grades as reported above for the sulphide resource do not incorporate significant amounts of recoverable gold and silver subsequently shown to be present by metallurgical test work.

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.

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
- significant levels of 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 West Desert 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 West Desert 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 West Desert 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 West Desert 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 aimed at providing the basis for at least a pre-feasibility study.

2010 Preliminary Economic Assessment

On August 5, 2010, the Company announced the results of a PEA of the West Desert project carried out by a team of independent consulting engineers. 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.

Cost and Production Parameters Used in West Desert 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

The results of the study showed that the most likely development scenario at West Desert would be that of a completely conventional underground mine and mill complex producing clean, high value zinc-indium and copper-gold-silver concentrates. However, additional drilling was recommended to continue building the resource base in order to improve the economic outcome. The study noted that there are higher grade zones within the resource that in aggregate represent a substantial proportion 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 recommended a US$3.6 million program of continued drilling aimed at building the higher grade resource inventory.

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 2013

Early in 2013, the Company announced the commissioning of a new Preliminary Economic Assessment for the West Desert project on the basis that metals prices and smelter terms had improved to the point where they could have a material positive impact on the potential economics of the project. Moreover, it will include the evaluation of two opportunities for added value which had been identified but not pursued in the previous study, namely:

1. the production of significant quantities of potentially saleable magnetite as a byproduct of the flotation process with the associated possibility of diverting this material from the tailings facility and thereby decreasing its size

2. potential open pit mining of the near surface "oxide" zinc resource for which preliminary metallurgical testwork had shown excellent leach characteristics

Finally, the new study will evaluate the possibilities of scheduling higher grade mineralization in the sulphide resource for early mining and optimizing access to the underground workings.

All permits and bonds required for continued drilling and other exploration at West Desert are in place along with all facilities and infrastructure supporting the Company's 2007-2008 drill program, allowing for a quick start to field operations when market conditions permit. The water rights to the property have been secured and two water wells with excellent flow were drilled and/or refurbished in 2011.

Exploration expenditures in 2012 decreased to $81,990 from $173,335 in the previous year. Field costs decreased in 2012 to $8,612 from $27,019 in 2011 because drill camp upgrades were completed in 2011. Geological costs were lower in 2012 over 2011, as only very limited activities were undertaken at the West Desert Project. Water supply costs were $nil in 2012 as all water well refurbishment was completed 2011. Property holding costs decreased slightly to $27,652 in 2012 from $58,706 in 2011.

Selected Annual Information

The following financial data, which has been prepared in accordance with IFRS, is derived from the Company's financial statements for the year ended December 31, 2012, 2011 and 2010:

		2012 $	**2011 $**	**2010 $**
Loss[1]	Total	(504,601)	(480,567)	(633,014)
	Per Share[1]	(0.01)	(0.01)	(0.02)
Total Assets		5,986,516	5,620,393	5,788,145
Working Capital		689,572	389,189	715,931
Total liabilities		52,562	68,077	72,012

(1) Basic and diluted

The Company's project is at the exploration stage and have not generated any revenues other than interest earned. At December 31, 2012, the Company had not yet achieved profitable operations and has a deficit of $7,787,851 (2011 - $7,283,250). These losses resulted in a net loss per share for the year ended December 31, 2012 of $0.01 (2011 - $0.01).

The loss and comprehensive 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 2012 due to items other than share-based compensation was approximately 20% lower than in 2011 primarily because of lower professional fees, communications and investor relations costs and office and miscellaneous costs as the Company worked to conserve financial resources.

Selected Quarterly Information

The table below summarizes selected financial information for the last eight quarters. The net loss for the Company in each of the three month periods is quite similar other than differences caused primarily due to the recording of stock based compensation. None of the periods included significant exploration activity.

Quarter Ended	Revenue ($)	Loss ($)	Net loss per share ($)[1]
Dec. 31, 2012	Nil	(228,914)	0.00
Sept. 30, 2012	Nil	(86,772)	0.00
June 30, 2012	Nil	(93,095)	0.00
March 31, 2012	Nil	(95,820)	0.00
Dec. 31, 2011	Nil	(119,321)	0.00
Sept. 30, 2011	Nil	(93,440)	0.00
June 30, 2011	Nil	(136,431)	0.01
March 31, 2011	Nil	(131,375)	0.00

(1) Basic and diluted

Fourth Quarter

The net loss for the quarter ended December 31, 2012 was $228,914 or $0.00 per share compared with a loss of $119,321 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. In addition, the Company recorded share-based compensation of $136,672 in the fourth quarter of 2012.

Results of Operations

The following discussion should be read in conjunction with the accompanying Financial Statements and related notes. The operating and administrative expenses for the year ended December 31, 2012 totaled $509,447 (2011: $486,648), including share-based compensation issued during the year, valued at $136,672 (2011: $58,235) calculated using the Black Scholes option pricing model. Comparatively, the major changes in expenses for the year ended December 31, 2012 were communications and investor relations of $39,764 (2011 - $67,612), office and miscellaneous of $18,016 (2011 - $39,330), and professional fees of $82,589 (2011 - $104,290).

The table below details the changes in major expenditures for the year ended December 31, 2012 as compared to the corresponding year ended December 31, 2011.

Expenses	Increase / Decrease in Expenses	Explanation for Change
Communications and investor relations	Decrease of $27,843	Decrease is due to reduced monthly retainer for third party investor relations consultant
Office and miscellaneous	Decrease of $21,314	Decrease is due to no attendance at industry related conferences
Professional fees	Decrease of $21,701	Decrease due to primarily to fact that all IFRS accounting and audit changeover costs incurred in 2011 compared $nil in 2012
Share-based compensation	Increase of $78,437	Increase due to 2,650,000 stock options granted during the year with significant fair-value

The table below details the changes in major expenditures for the year ended December 31, 2011 as compared to the corresponding year ended December 31, 2010.

Expenses	Increase / Decrease in Expenses	Explanation for Change
Communications and investor relations	Increase of $36,649	Increase is due to hiring of third party investor relations consultant
Office and miscellaneous expense	Increase of $17,097	Increase is due to increased attendance at industry related conferences
Share-based compensation	Decrease of $198,151	Decrease is due to fewer options being granted during the year, resulting in lower fair value realized

Related Party Transactions

The Company entered into the following transactions with related parties during the year ended December 31, 2012:

Office and miscellaneous includes rent of $21,600 (2011 - $20,600) paid or accrued to a company related by Chris Staargaard, a common director.

Summary of key management personnel compensation:

	For the year ended December 31,	
	2012	**2011**
Professional fees (Steve Vanry)	$ 36,000	$ 42,000
Management fees (Chris Staargaard)	168,000	168,000
Communication and investor relations (Kerry Curtis)	2,125	Nil
Share-based compensation (all current members of the board of directors and Steve Vanry)	136,672	Nil
	$ 342,797	**$ 210,000**

Amounts owing to related parties included in accounts payable and accrued liabilities are as follows:

	December 31, 2012	**December 31, 2011**
i. CEO for fees and expenses (Chris Staargaard)	$ 18,208	$ 18,194
ii. CFO for fees (Steve Vanry)	3,367	3,360
	$ 21,575	**$ 21,554**

Liquidity, Financial Position and Capital Resources

As at December 31, 2012, the Company's liquidity and capital resources are as follows:

	December 31, 2012	December 31, 2011
	$	$
Cash	704,579	435,539
Receivables	20,045	9,824
Prepaid expenses	14,385	5,153
Total current assets	742,134	457,266
Payables and accrued liabilities	52,562	68,077
Working capital	689,572	389,189

The Company had a net working capital position of $689,572 at December 31, 2012 compared with $389,189 at the same point in 2011. As at the end of 2012, the Company had sufficient liquidity to meet its obligations for the next year.

The Company had cash on hand of $704,579 on December 31, 2012 (2011 - $435,539). The primary sources of cash in the year ended December 31, 2012 were the issuance of shares for $750,000 (2011 - $289,375). The primary uses of cash during the period were the funding of operations - $395,600 (2011 - $424,216); exploration and evaluation asset expenditures - $64,479 (2011 - $158,083); and share issue costs - $20,881 (2011 - $26,440).

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 known mineral reserves and is not in commercial production on any of its properties and accordingly, the Company does not generate cash from operations. The Company finances exploration activities by raising capital from equity markets from time to time.

Risks and Uncertainties

The business and operations of the Company are subject to numerous risks, many of which are beyond the Company's control. The Company considers the risks set out below to be some of the most significant to potential investors in the Company, but not all of the risks associated with an investment in securities of the Company. If any of these risks materialize into actual events or circumstances or other possible additional risks and uncertainties of which the Company is currently unaware or which it considers to be material in relation to the Company's business actually occur, the Company's assets, liabilities, financial condition, results of operations (including future results of operations), business and business prospects, are likely to be materially and adversely affected. In such circumstances, the price of the Company's securities could decline and investors may lose all or part of their investment.

History of losses

The Company has incurred net losses since inception and as of December 30, 2012, had an accumulated deficit of $7,787,851.

No history of dividends

Since incorporation, the Company has not paid any cash or other dividends on its common stock and does not expect to pay such dividends in the foreseeable future, as all available funds will be invested primarily to finance its mineral exploration programs. The Company will need to achieve profitability prior to any dividends being declared.

Dilution

The Company does not generate any revenues and does not have sufficient financial resources to undertake by itself all of its planned expenditures. The Company has limited financial resources and has financed its operations primarily through the sale of securities such as common shares. The Company will need to continue its reliance on the sale of such securities for future financing, resulting in dilution to the Company's existing shareholders. The amount of additional funds required will depend largely on the success of the Company's exploration programs.

Further expenditures will depend on the Company's ability to obtain additional financing which may not be available under favourable terms, if at all.

Capital and liquidity risk

The amount of financial resources available to invest for the enhancement of shareholder value is dependant upon the size of the treasury, profitable operations, and willingness to utilize debt and issue equity. Due to the size of the Company, financial resources are limited and if the Company exceeds growth expectations or finds investment opportunities it may require debt or equity financing. There is no assurance that the Company will be able to obtain additional financial resources that may be required to successfully finance transactions or compete in its markets on favourable commercial terms.

Dependence on key personnel

Loss of certain members of the executive team or key operational leaders of the company could have a disruptive effect on the implementation of the Company's business strategy and the efficient running of day-to-day operations until their replacement is found. Recruiting personnel is time consuming and expensive and the competition for a professional is intense. The Company may be unable to retain its key employees or attract, assimilate, retain or train other necessary qualified employees, which may restrict its growth potential.

Mineral exploration

Mineral exploration is subject to a high degree of risk, which even a combination of experience, knowledge and careful evaluation may fail to overcome. These risks may be even greater in the Company's case given its formative stage of development. Furthermore, exploration activities are expensive and seldom result in the discovery of a commercially viable resource. There is no assurance that the Company's exploration will result in the discovery of an economically viable mineral deposit.

Management of industry risk

The Company is engaged primarily in mineral exploration and manages related industry risk issues directly. The Company's mineral exploration activities expose it to potential environmental liability risk. It is management's policy to review environmental compliance and exposure on an ongoing basis. The Company follows industry standards and specific project environmental requirements. The Company is currently in the exploration stage on its property interests and has not determined whether significant site recovery costs will be required. Management is not aware of and does not anticipate any significant environmental remediation costs or liabilities in respect of its current operations.

Commodity and equity prices

The Company is exposed 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. The Company closely monitors commodity prices of base and precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

Critical Accounting Estimates

The preparation of Financial Statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the year. Based on historical experience and current conditions, management makes assumptions that are believed to be reasonable under the circumstances. These estimates and assumptions form the basis for judgments about the carrying value of assets and liabilities and reported amounts for expenses. Different assumptions would result in different estimates, and actual results may differ from results based on these estimates. These estimates and assumptions are also affected by management's application of accounting policies. Critical accounting estimates are those that affect the audited financial statements materially and involve a significant level of judgment by management.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the recoverability of exploration and evaluation assets and valuation of share-based compensation.

Critical judgments exercised apply in accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

Economic recoverability and probability of future economic benefits of exploration and evaluation assets
Management has determined that exploration, evaluation, and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

Determination of functional currency
The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions with the reporting entity.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

Valuation of share-based compensation
The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Income taxes
In assessing the probability of realizing income tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

New accounting standards not yet adopted

The following pronouncements and amendments are effective for annual periods beginning on or after January 1, 2013 unless otherwise stated. Adopting these standards is expected to have minimal or no impact on the consolidated financial statements.

a) IFRS 7 – Financial Instruments: Disclosures applies to offsetting financial assets and financial liabilities in accordance with IAS 32. The amendments are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

b) IFRS 9 – Financial Instruments: Classification and Measurement applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The amendments are effective for annual periods beginning on or after January 1, 2015 with early adoption permitted

c) IFRS 10 – Consolidation replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements and requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The amendments are effective for annual periods beginning on or after January 1, 2013.

d) IFRS 12 – Disclosure of Interests in Other Entities in May 2011 and it applies to annual periods beginning on or after January 1, 2013. IFRS 12 requires disclosure of an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. The Company is evaluating the impact the final standard will have on its consolidated financial statements.

e) IFRS 13 – Fair Value Measurement is a comprehensive standard that defines fair value, requires disclosure about fair value measurement and provides a framework for measuring fair value when it is required or permitted within the IFRS standards. The amendments are effective for annual periods beginning on or after January 1, 2013.

f) IAS 1 – Presentation of Financial Statements amendment requires components of other comprehensive income (OCI) to be separately presented between those that may be reclassified to income and those that will not. The amendments are effective for annual periods beginning on or after July 1, 2012.

g) IAS 27 – Separate Financial Statement addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. The amendments are effective for annual periods beginning on or after January 1, 2013.

h) IAS 32 – Financial Instruments: Presentation amendment provides clarification on the application of offsetting rules. The amendments are effective for annual periods beginning on or after January 1, 2014.

Financial Instruments and Management of Financial Risk

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company's financial instruments consist of cash, receivables, reclamation bonds, and accounts payable and accrued liabilities, and due to related parties. The fair value of these financial instruments, other than cash, approximates their carrying values. Cash and marketable securities are measured at fair value using level 1 inputs.

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity and price risk.

Credit risk

The Company is exposed to industry credit risks arising from its cash holdings and receivables. The Company manages credit risk by placing cash with major Canadian financial institutions. The Company's receivables consist primarily of harmonized sales tax recoverable due from the Federal Government of Canada. Management believes that credit risk related to these amounts is nominal.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. To manage liquidity risk, the Company reviews additional sources of capital and financing to continue its operations and discharge its commitments as they become due.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As of December 31, 2012, the Company held an interest bearing demand deposit with a face value $648,082. A change in interest rates of 1% will change income by $6,481 per annum.

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 United States Dollars. However, management believes the risk is not currently significant.

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.

Other risks

The Company will need additional funding to complete its short and long term objectives. The ability of the Company to raise such financing in the future will depend on the prevailing market conditions, as well as the business performance of the Company. Current global financial conditions have been subject to increased volatility as a result of which access to public financing has been negatively impacted. There can be no assurances that the Company will be successful in its efforts to raise additional financing on terms satisfactory to the Company. The market price of the Company's shares at any given point in time may not accurately reflect value. If adequate funds are not available or not available on acceptable terms, the

Company may not be able to take advantage of opportunities, to develop new projects or to otherwise respond to competitive pressures.

The Company is dependent upon the services of key executives, including the Chief Executive Officer. Certain directors and officers of the Company also serve as directors and/or officers of other companies involved in mineral exploration and development and, consequently, there exists the possibility for such directors and officers to be in a position of conflict.

Authorized and issued share capital as at April 24, 2013:

Issued and outstanding: 60,178,019 common shares

The following stock options were outstanding:

Number of Options		Exercise Price	Expiry Date
450,000		0.10	February 2, 2014
400,000	(1)	0.10	January 2, 2015
800,000		0.33	January 7, 2015
2,650,000	(2)	0.10	November 2, 2017
4,300,000			

(1) the Company granted 400,000 incentive stock options with vesting provisions such that one-quarter of the options will vest upon grant with a maximum of an additional quarter vesting every three months thereafter. Each stock option entitles the holder to acquire one common share of the Company for a price of $0.10 per share for a period of 2-years.

(2) the Company granted 2,650,000 incentive stock options with vesting provisions such that 50% vest upon grant and 50% vest upon the one-year anniversary of grant. Certain of the options granted to a consultant to the Company contain vesting provisions such that 50% vest upon grant and 50% vest at the discretion of the Company's board of directors.

No warrants were outstanding.

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, 2013