LITHIC RESOURCES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2009 AND 2008

MANNING ELLIOTT | 11th floor, 1050 West Pender Street, Vancouver, BC, Canada V6E 3S7
CHARTERED ACCOUNTANTS | Phone: 604. 714. 3600 Fax: 604. 714. 3669 Web: manningelliott.com

AUDITORS' REPORT

To the Shareholders of
Lithic Resources Ltd.

We have audited the consolidated balance sheets of Lithic Resources Ltd. as at December 31, 2009 and 2008 and the consolidated statements of operations and comprehensive loss, cash flows, and changes in shareholders' equity for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

/s/ "Manning Elliott LLP"

CHARTERED ACCOUNTANTS

Vancouver, British Columbia

April 20, 2010

LITHIC RESOURCES LTD.

CONSOLIDATED BALANCE SHEETS

AS AT DECEMBER 31, 2009 AND 2008

ASSETS	**2009 $**	2008 $
Current Assets		
Cash and cash equivalents	**1,242,440**	1,268,923
Amounts receivable	**1,645**	16,352
Prepaids	**8,845**	8,957
Marketable securities (Note 3(d))	**5,473**	3,000
	1,258,403	1,297,232
Deferred Finance Costs (Note 3(h))	**14,271**	-
Reclamation Deposit	**69,681**	50,624
Equipment (Note 4)	**10,937**	32,817
Mineral Claims and Options (Note 5)	**4,715,954**	4,405,537
	6,069,246	5,786,210
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities (Note 3(h))	**106,443**	68,159
Amount due to related parties (Note 9)	**23,224**	17,209
	129,667	85,368
SHAREHOLDERS' EQUITY		
Share Capital (Note 6)	**10,554,120**	10,554,120
Share subscriptions received (Note 14)	**585,000**	-
Contributed Surplus (Note 7)	**966,945**	880,990
	12,106,065	11,435,110
Accumulated Other Comprehensive Income	**3,183**	710
Deficit	**(6,169,669)**	(5,734,978)
	(6,166,486)	(5,734,268)
	5,939,579	5,700,842
	6,069,246	5,786,210

Nature of Operations and Continuance of Business (Note 1)

Commitments (Note 10)

Subsequent Events (Note 14)

Approved on Behalf of the Board:

"C.F. Staargaard" *"F.D. Wheatley"*

Chris Staargaard, Director Frank Wheatley, Director

LITHIC RESOURCES LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009 **$**	2008 $
REVENUE	-	-
ADMINISTRATIVE EXPENSES		
Communication and investor relations	**21,364**	30,577
Management fees (Note 9)	**168,000**	168,700
Office, rent and travel	**98,891**	147,452
Professional fees	**73,242**	76,203
Stock based compensation (Note 6(a))	**78,248**	-
Foreign exchange loss (gain)	**2,140**	(5,071)
	441,885	417,861
LOSS BEFORE OTHER ITEMS	**441,885**	417,861
OTHER EXPENSES (INCOME)		
Loss on impairment of mineral property	**1**	-
Other income	**-**	(10,759)
Interest income	**(7,195)**	(72,575)
	(7,194)	(83,334)
NET LOSS FOR THE YEAR	**(434,691)**	(334,527)
OTHER COMPREHENSIVE INCOME (LOSS)		
Unrealized gain (loss) on marketable securities	**2,473**	(8,260)
COMPREHENSIVE LOSS	**(432,218)**	(342,787)
BASIC AND DILUTED LOSS PER SHARE	**(0.01)**	(0.01)
WEIGHTED AVERAGE SHARES OUTSTANDING	**36,406,000**	36,355,000

LITHIC RESOURCES LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

OPERATING ACTIVITIES	**2009** **$**	2008 $
Loss for the year	**(434,691)**	(334,527)
Items not involving cash and cash equivalents:		
Stock based compensation	**78,248**	-
Loss on impairment of mineral property	**1**	-
Changes in operating assets and liabilities:		
Amounts receivable	**14,707**	53,883
Reclamation deposit	**(19,057)**	(6,740)
Prepaid expenses	**112**	9,842
Accounts payable and accrued liabilities	**(11,662)**	(190,299)
Amount due to related parties	**6,015**	4,450
CASH USED IN OPERATING ACTIVITIES	**(366,327)**	(463,391)
FINANCING ACTIVITIES		
Deferred Financing Costs	**(14,271)**	-
Proceeds from exercise of options (Note 6)	**-**	19,990
Proceeds from share subscriptions received	**585,000**	-
CASH PROVIDED BY FINANCING ACTIVITIES	**570,729**	19,990
INVESTING ACTIVITIES		
Purchase, staking and exploration of mineral claims	**(230,885)**	(2,437,138)
CASH USED IN INVESTING ACTIVITIES	**(230,885)**	(2,437,138)
DECREASE IN CASH DURING THE YEAR	**(26,483)**	(2,880,539)
CASH AND EQUIVALENTS - BEGINNING OF YEAR	**1,268,923**	4,149,462
CASH AND EQUIVALENTS - END OF YEAR	**1,242,440**	1,268,923
CASH AND CASH EQUIVALENTS CONSIST OF:		
Cash	**1,242,440**	65,512
Term deposits	**-**	1,203,411
	1,242,440	1,268,923
Non-cash investing and financing activities		
Mineral property expenditure by issuance of options	**7,707**	**-**
Mineral property expenditures included in accounts payable	**49,946**	**-**
Supplemental cash flow information		
Interest paid	**-**	**-**
Income taxes paid	**-**	**-**

LITHIC RESOURCES LTD.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	Shares Issued #	Share Capital Amount $	Share Subscriptions Received $	Contributed Surplus $	Accumulated Other Comprehensive Income $	Deficit $	Total $
Balance-December 31, 2007	36,305,519	10,517,130	-	897,990	8,970	(5,400,451)	6,023,639
Exercise of stock options	100,000	19,990	-	-	-	-	19,990
Reclassification on exercise of stock options	-	17,000	-	(17,000)	-	-	-
Unrealized gain (loss) on marketable securities	-	-	-	-	(8,260)	-	(8,260)
Net loss for year	-	-	-	-	-	(334,527)	(334,527)
Balance-December 31, 2008	36,405,519	10,554,120	-	880,990	710	(5,734,978)	5,700,842
Share subscriptions received	-	-	585,000	-	-	-	585,000
Unrealized gain (loss) on marketable securities	-	-	-	-	2,473	-	2,473
Issuance of stock options	-	-	-	85,955	-	-	85,955
Net loss for year	-	-	-	-	-	(434,691)	(434,691)
Balance-December 31, 2009	36,405,519	10,554,120	585,000	966,945	3,183	(6,169,669)	5,939,579

Unlimited common shares authorized without par value

1. NATURE OF OPERATIONS AND CONTINUANCE OF BUSINESS

Lithic Resources Ltd. (the "Company") is incorporated under the laws of British Columbia. The Company's principal business activities include the acquisition and exploration of zinc mineral properties domiciled in the United States. The Company is in the exploration stage and has not yet determined whether any of these properties contain ore reserves that are economically recoverable.

As at December 31, 2009, the Company had working capital of $1,128,736 and an accumulated deficit of $6,169,669. The continuance of the Company's operations is dependent on obtaining sufficient additional financing in order to realize the recoverability of the Company's investments in mineral properties, which is dependent upon the existence of economically recoverable reserves and market prices for the underlying minerals.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

2. CHANGES IN ACCOUNTING POLICY AND RECENT ACCOUNTING PRONOUNCEMENTS

Changes in Accounting Policy

On January 1, 2009, the Company adopted the following new accounting standards that were issued by the Canadian Institute of Chartered Accountants ("CICA")

During 2009, CICA Handbook Section 3862, Financial Instruments – Disclosures ("Section 3862"), was amended to require disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. 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 application of this Handbook Section and its effect are disclosed in note 13.

Recent Accounting Pronouncements

In January 2009, the CICA issued Section 1582, Business Combinations, which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method for business combination and related disclosures. The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011 with earlier adoption permitted. The Company does not expect that the adoption of this standard will have a material impact on the Company's financial statements.

In January 2009, the CICA issued Section 1601, Consolidated Financial Statements, and 1602, Non-controlling interests, which replaces existing guidance. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are effective on or after the beginning of the first annual reporting period on or after January 1, 2011 with earlier adoption permitted. The Company does not expect that the adoption of this standard will have a material impact on the Company's financial statements.

2. CHANGES IN ACCOUNTING POLICY AND RECENT ACCOUNTING PRONOUNCEMENTS (continued)

In February 2008, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies will converge with International Financial Reporting Standards ("IFRS"). The Company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

3. SIGNIFICANT ACCOUNTING POLICIES

[a] Basis of presentation and consolidation

The financial statements of the Company are prepared in accordance with Canadian generally accepted accounting principles and include the accounts of the Company and its wholly-owned subsidiary N.P.R. (US) Inc., a Nevada corporation. All inter-company transactions and balances have been eliminated upon consolidation.

[b] Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Significant areas requiring the use of estimates relate to recoverability or valuation of amounts receivable, impairment of mineral properties, the utilization of future income tax assets, the valuation of asset retirement obligations and stock-based compensation. Actual results may ultimately differ from those estimates.

[c] Cash and equivalents

The balance in cash and short-term investments consists of cash in bank accounts and short-term deposits with maturity dates of less than three months.

[d] Marketable Securities

The Company has classified its marketable securities as available-for-sale and, therefore, carries them at fair market value with the unrealized gain or loss recorded in accumulated other comprehensive income. Fair values were determined by reference to published price quotations in an active market as at December 31, 2009. As at December 31, 2009 the fair market value of the securities held was $5,473 (2008 - $3,000).

[e] Mineral claims, options and deferred exploration costs

The Company records its interests in mineral properties and areas of geological interest at cost. Costs relating to these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or allowed to lapse. These costs will be amortized over the estimated useful life of the property following commencement of production, or written off if the mineral properties or projects are sold.

Acquisition costs and costs capitalized during the development stage will be amortized over the estimated useful life of the property following commencement of production on a unit of production basis over the life of the estimated recoverable reserves. It is reasonably possible that economically recoverable reserves may not be discovered and accordingly a material portion of the carrying value of acquired mineral properties and related costs could be written-off.

Impairment may occur in the carrying value of mineral interests when one of the following conditions exists.

[i] the enterprise’s work program on a property has significantly changed, so that previously identified resource targets or work programs are no longer being pursued;

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

[e] Mineral claims, options and deferred exploration costs (continued)

[ii] exploration results are not promising and no more work is being planned in the foreseeable future; or

[iii] remaining lease terms are insufficient to conduct necessary studies or exploration work.

Once an impairment has been determined then a portion of the carrying value will be written down to net realizable value.

Effective January 1, 2007 the Company has retroactively changed its accounting for mineral claims, options and deferred exploration costs.

Now the Company records its interest in properties at cost or at an ascribed amount if the consideration includes the issuance of common shares. Acquisition, exploration and development costs relating to mineral properties are deferred until such time as mineral properties are brought into commercial production, abandoned, or sold, at which time they will be amortized over the estimated life of the property on a unit of production basis using proven and probable reserves. Revenue incidental to exploration and development activities, including the proceeds on sales of partial properties, is credited against the cost of properties. Aggregate costs related to abandoned properties are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment.

If any of the Company's mineral properties attains commercial production, capitalized costs will be amortized on a unit of production basis. The Company does not accrue the estimated future costs of maintaining its mineral properties in good standing.

[f] Equipment

Property and equipment is stated at cost and amortized over their estimated useful lives of three years on a straight-line basis.

[g] Flow-through shares

The Company adopted EIC-146, which is effective for all flow-through share transactions initiated after March 19, 2004. Canadian tax legislation permits a company to issue securities referred to as flow-through shares whereby the investor may claim the tax deductions arising form the related resource expenditures. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, a future income tax liability is recognized and the shareholders' equity is reduced.

If the Company has sufficient unused tax loss carry-forwards to offset all or part of this future income tax liability and no future income tax assets have been previously recognized for these carry-forwards, a portion of such unrecognized losses is recorded and income up to the amount of the future income tax liability that would otherwise be recognized on the renounced expenditures.

[h] Share issuance costs and deferred financing costs

Costs relating to issuing shares are deducted from the related share issuance proceeds. Professional fees and share issuance costs incurred related to financing transactions not completed will be recorded as deferred financing cost if the completion of the transaction is considered likely; otherwise they are expensed as incurred. As at December 31, 2009, the company has $14,271 (2008 - $nil) of deferred financing cost.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

[i] Stock-based compensation

The Company accounts for the granting of stock options and direct awards of stock to employees, directors and non-employees using the fair value method whereby all awards will be recorded at fair value on the date of grant. The Company estimates the fair value of each stock option at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the applicable vesting period with a corresponding increase in contributed surplus. When options are exercised, share capital is credited for the consideration received and the related contributed surplus is decreased.

[j] Loss per share

Basic net earnings (loss) per share is computed using the weighted average number of common shares outstanding during the periods. The treasury stock method is used for the calculation of diluted net earnings (loss) per share. Stock options and warrants are dilutive when the average market price of the common shares during the period exceeds the exercise price of the options and warrants. As the Company has recorded a net loss in each of the periods presented, basic and diluted net loss per share are the same since the exercise of warrants or options or the conversion of convertible securities would reduce the loss per share.

[k] Financial instruments

The Company classifies financial assets and liabilities as held-for-trading, available-for-sale, loans and receivables or other financial liabilities depending on their nature. Financial assets and financial liabilities are recognized at fair value on their initial recognition, except for those arising from certain related party transactions which are accounted for at the transferor's carrying amount or exchange amount in accordance with the Canadian Institute of Chartered Accountant ("CICA") Handbook Section 3840 – Related Party Transactions.

Financial assets and liabilities classified as held-for-trading are measured at fair value, with gains and losses recognized in net income. Financial assets classified as held-to-maturity, loans and receivables, and financial liabilities other than those classified as held-for-trading are measured at amortized cost, using the effective interest method of amortization. Financial assets classified as available-for-sale are measured at fair value, with unrealized gains and losses being recognized as other comprehensive income until realized, or if an unrealized loss is considered other than temporary, the unrealized loss is recorded in income. The Company has elected to account for transaction costs related to the issuance of financial instruments as a reduction of the carrying value of the related financial instruments. Purchases and sales of securities are accounted for on the settlement date basis.

Financial instruments included in the balance sheet are comprised of cash and cash equivalents, marketable securities, amounts receivable, accounts payable and amounts due to related parties. The Company is not exposed to any derivative instruments. The Company is exposed to currency exchange rate risk as certain transactions are denominated in US dollars. The Company does not have foreign exchange hedges in place at this time. It is management's opinion that the Company is not exposed to significant interest rate or credit risks.

[l] Foreign currency transactions and subsidiary translation

The accounts of the Company are expressed in Canadian dollars. Foreign currency monetary assets and liabilities are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Other balance sheet items are translated into Canadian dollars at the exchange rate in effect on the respective transaction dates. Translation gains and losses relating to monetary items are included in operations.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

[l] Foreign currency transactions and subsidiary translation (continued)

The Company's US subsidiary is considered an integrated foreign subsidiary which is financially and operationally dependent on the Company. The Company uses the temporal method to translate the accounts of its integrated US operation into Canadian dollars. Monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates for the period, except for amortization, which is translated on the same basis as the related asset. The resulting exchange gains or losses are recognized in income.

[m] Income taxes

The Company follows the asset and liability method of accounting for income taxes. Future income tax assets and liabilities are determined based on temporary differences between the accounting and tax bases of existing assets and liabilities, and are measured using the tax rates expected to apply when these differences reverse. A valuation allowance is recorded against any future tax asset if it is more likely than not that the asset will not be realized.

[n] Long-lived assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount of which the carrying amount of the asset exceeds the fair value of the asset.

[o] Asset retirement obligations

Effective June 1, 2004, the Company adopted CICA Handbook Section 3110, "Asset Retirement Obligations", which established standards for asset retirement obligations and the associated retirement costs related to site reclamation and abandonment. The fair value of the liability for an asset retirement obligation is recorded when it is incurred and the corresponding increase to the asset is depreciated over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value. As at December 31, 2009 and 2008, the Company has not incurred any asset retirement obligations related to the exploration of its mineral properties.

[p] Comparative figures

Comparative figures have been reclassified, where applicable, to conform to the current period's presentation.

4. EQUIPMENT

	Cost $	Accumulated Depreciation $	2009 Net Book Value $	2008 Net Book Value $
Camp equipment	65,637	54,700	10,937	32,817

5. MINERAL CLAIMS AND OPTIONS

Acquisition costs:

Property	**Ownership Interest**	**Carrying Value ($) 2009**	**2008**
Canada			
Fly Lake *[a]*	100% - owned		
Beginning and end of year		1	1
Mineral property costs written off		(1)	
		-	1
United States			
Crypto *[b]*	100% - owned		
Beginning of year		4,405,536	1,946,518
Exploration costs		310,418	2,459,018
		4,715,954	4,405,536
Totals		4,715,954	4,405,537

The following table represents exploration expenditures incurred on the Crypto Project during fiscal 2009:

	Crypto $
Metallurgical studies	120,870
Geological wages, fees and costs	138,288
Field costs	972
Analysis	230
Property holding costs, taxes and fees	28,178
Depreciation of equipment	21,880
	310,418

The following table represents exploration expenditures incurred during fiscal 2008:

	Crypto $	**Total $**
Direct drilling costs	1,556,895	1,556,895
Geological wages, fees and costs	219,473	219,473
Field costs	580,999	580,999
Analysis	79,771	79,771
Depreciation of equipment	21,880	21,880
	2,459,018	2,459,018

Field costs include road construction, site preparation and consumables for drilling.

5. MINERAL CLAIMS AND OPTIONS (continued)

[a] Fly Lake

The Fly Lake property is located in the Red Lake Mining Division in Northwestern Ontario. The property was acquired on January 19, 2000 and is subject to a 2% NSR royalty payable to Rio Algom Exploration Ltd. (“Rio”). Upon completion of a pre-feasibility study by the Company on any deposit discovered on the property, Rio will have the right to undertake a final feasibility study and to arrange financing to put the property into production in return for a 50% undivided interest in the property. If requested by the Company, Rio will loan the Company its share of any required financing in return for an additional 10% interest, giving Rio an aggregate 60% interest. At that time, a joint venture will be formed with Rio as the operator and Rio will relinquish its 12% NSR royalty. As at December 31, 2009, the last remaining claim constituting the Fly Lake property was allowed to lapse, therefore, the Company has written off the property.

[b] Crypto Zinc Property

On May 30, 2005 and amended June 29, 2005, the Company acquired all of the issued and outstanding common shares of N.P.R. (US) Inc. (“NPR) from EuroZinc Mining Corp. NPR was incorporated on November 9, 1984 in the State of Nevada USA. NPR’s only asset was a 100% interest in the Crypto Zinc Property. The Crypto Zinc Property included a 100% interest in 40 unpatented mining claims, 17 patented mining claims and 1 Utah State mineral lease. Consideration was $25,000 in cash and 1,500,000 common shares of the Company having an estimated fair market value of $232,500. Total consideration was $257,500. The acquisition of NPR was treated as an acquisition of assets rather than a business combination because the acquisition did not meet the definition of a business as outlined in EIC-124.

The Company has registered an additional 119 unpatented mineral claims as part of the Crypto Zinc Property and has purchased an interest in one additional patented claim. As at December 31, 2009, the Property consisted of 159 unpatented claims, 18 patented claims and one Utah State mineral lease.

6. SHARE CAPITAL

[a] Stock options

The Company grants stock options to employees and consultants as compensation for services, pursuant to its incentive Share Option Plan (the “Plan”). Options issued must have an exercise price greater than or equal to the “Discounted Market Price” of the Company’s stock on the grant date. Options have a maximum expiry period of up to five years from the grant date and vest at such time as may be determined by the Board of Directors at the date of the grant. Options granted to consultants performing investor relations activities shall vest in stages over a 12-month period with a maximum of one-quarter of the options vesting in any three-month period. The number of options that may be issued under the Plan is limited to no more than 10% of the Company’s issued and outstanding shares on the grant date.

In February 2009, the Company granted to certain of its directors, officers, consultants and employees options to purchase up to an aggregate of 1,125,000 common shares of the Company exercisable for five years at a price of $0.10 per share.

In June 2008, a total of 100,000 stock options were exercised by directors for total proceeds of $19,990.

The estimated fair value of all the options granted to directors in 2009 was $78,248 (2008 - $nil) and has been charged to operations. The estimated fair value of all options granted to consultants in 2009 was $7,707 (2008 - $nil) which has been capitalized as mineral claims and options.

The fair value of stock options granted and vested was estimated using the Black-Scholes option pricing model assuming no dividends and the following weighted average assumptions:

6. SHARE CAPITAL (continued)

[a] Stock options (continued)

	2009
Risk free interest rate	2.81%
Expected dividend yield	-
Expected stock price volatility	145%
Expected life of options	3.30 years

The weighted average fair value of the options granted during the period was $0.08 (2008 - $nil).

The weighted average number of shares underlying stock options and the weighted average option exercise price for the years ended December 31, 2009 and 2008 are as follows:

	Number of Options	**Weighted Average Exercise Price ($)**	**Weighted Average Remaining Life (Months)**
Balance - December 31, 2007	2,475,000	0.45	46
Exercised in year	(100,000)	0.20	9
Cancelled in year	(475,000)	0.49	37
Balance – December 31, 2008	1,900,000	0.45	34
Granted in year	1,125,000	0.10	49
Expired in year	(300,000)	0.24	-
Cancelled in year	(425,000)	0.29	43
Balance – December 31, 2009	2,300,000	0.34	36

[b] Warrants

At December 31, 2009 and 2008 warrants were outstanding as follows:

2009	**2008**	**Exercise Price**	**Expired**	**Weighted Average Exercise Price**
-	4,795,850	$0.80	January 2009	$0.80

The warrants outstanding at December 31, 2008 expired unexercised.

7. CONTRIBUTED SURPLUS

The following table summarizes the continuity of the Company's contributed surplus:

	Amount $
Balance, December 31, 2007	897,990
Reclassification on exercise of stock options	(17,000)
Balance, December 31, 2008	880,990
Issuance of stock options	85,955
Balance, December 31, 2009	966,945

8. INCOME TAXES

In assessing the realization of the Company's future income tax assets, management considers whether it is more likely than not that some portion of all of the future income tax assets will not be realized. The ultimate realization of future income tax assets is dependent upon the generation of taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of future tax liabilities, projected future taxable income and tax planning strategies in making this assessment. The amount of future income tax assets considered realizable could change materially in the near term based on future taxable income generated during the carry-forward period.

Reconciliation to statutory rates - The following table reconciles the amount of income tax recoverable on application of the statutory Canadian federal and provincial income tax rates of 30.00% (2008: 31.00%):

		2009		**2008**
Expected income tax benefit computed at statutory rates	$	130,000	$	105,000
Effect of:				
Non-capital losses expired		(48,000)		(16,000)
Change in enacted rates		(9,000)		(151,000)
Other permanent differences		(26,000)		(55,000)
Valuation allowance		(47,000)		117,000
Income tax recovery	$	–	$	–

Non-capital losses - The Company has non-capital losses in Canada and the U.S. of $1,589,000 available to offset future taxable income, expiring from 2010 to 2029:

2010	125,000
2011 – 2014	212,000
2015	130,000
2025 – 2026	126,000
2027	231,000
2028	386,000
2029	379,000
	$ 1,589,000

Future tax assets -The tax effects of temporary differences that give rise to significant portions of the future tax assets at December 31, 2009 and 2008 are presented below:

		2009		**2008**
Combined statutory tax rate		25.00%		25.00%
Future income tax assets				
Non-capital loss carry forwards	$	406,000	$	352,000
Property and equipment		25,000		20,000
Resource pools		1,875,000		1,875,000
Share issuance costs		22,000		35,000
Other		14,000		13,000
Valuation allowance		(2,342,000)		(2,295,000)
Net future income tax asset	$	–	$	–

9. RELATED PARTY TRANSACTIONS

During the year the Company recorded the following transactions at their exchange amounts:

a) Management compensation of $168,000 (2008 - $168,000), as determined between the Company and its President, to a company owned by the Company's President. Of this amount, $18,724 (2008 - $17,209) remains as an amount due to a related party which is unsecured, non-interest bearing and due on demand.

b) Consulting compensation of $43,500 (2008 - $9,000) for CFO duties to a company controlled by the Company's CFO. Of this amount, $4,500 (2008 - $9,000 recorded in accounts payable) remains as an amount due to a related party which is unsecured, non-interest bearing and due on demand.

10. COMMITMENTS

In January 2009, the Company entered into an agreement with a company controlled by the Company's Chief Financial Officer for consulting services at $54,000 per year.

11. SEGMENTED INFORMATION

The Company operates in one industry, being mineral exploration in two geographic segments, being Canada and the United States. The accounting policies of the segments are the same as those described in Note 3. Information about these two geographic segments is outlined below:

	Canada	United States	Total
	$	$	$
2009			
Segment operating loss	(431,613)	(3,077)	(434,690)
Segment assets	0	4,715,954	4,715,954
2008			
Segment operating loss	(316,024)	(18,503)	(334,527)
Segment assets	1	4,405,536	4,405,537

12. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure for its projects for the benefit of its stakeholders, to maintain creditworthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject. As the Company is in the exploration stage, its principal source of funds is from the issuance of common shares.

The Company includes the components of shareholders' equity in its management of capital.

As at December 31, 2009, the Company had capital resources consisting of cash and cash equivalents and marketable securities. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or adjust the amount of cash.

The Company's investment policy is to invest its cash in investment instruments in high credit quality financial institutions with terms to maturity selected with regards to the expected time of expenditures from continuing operations.

The Company expects its current capital resources will be sufficient to carry its exploration and development plans and operations through its current operating period.

13. FINANCIAL INSTRUMENTS AND RISK

Fair Value

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's balance sheet as of December 31, 2009 as follows:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets For Identical Instruments (Level 1) $	**Significant Other Observable Inputs (Level 2)** $	**Significant Unobservable Inputs (Level 3)** $	**Balance as of December 31, 2009** $
Assets:				
Cash and cash equivalents	1,242,440	–	–	1,242,440
Marketable securities	5,473	–	–	5,473
Total assets measured at fair value	1,247,913	–	–	1,247,913

13. FINANCIAL INSTRUMENTS AND RISK

Financial Instruments

As at December 31, 2009, the Company's financial instruments consist of cash and cash equivalents, amounts receivable, marketable securities, accounts payable and amounts due to related parties. The fair values of these financial instruments approximate their carrying values because of their current nature.

The Company classifies its cash and cash equivalents as held-for-trading, amounts receivable as loans and receivables, its marketable securities as available-for-sale, amounts due to related parties and accounts payable as other financial liabilities.

Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash and cash equivalents and marketable securities. To minimize the credit risk the Company places cash instruments with high credit quality financial institutions. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by reputable financial institutions with which it keeps its bank accounts. The maximum exposure to loss is equal to the cash and cash equivalents carrying value.

Liquidity Risk

The Company ensures its holding of cash is sufficient to meet its short-term general and administrative expenditures. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. The Company does not have investments in any asset backed deposits.

Foreign Exchange Risk

The Company's functional currency is the Canadian dollar. However, the Company is exposed to the currency risk related to the fluctuation of foreign exchange rates as some of the Company's operations are located in United States. The Company also has liabilities denoted in US dollars. A significant change in the currency exchange rates between the Canadian dollar relative to the US dollar could have an effect on the Company's results of operations, financial position and/or cash flows. The Company has not hedged its exposure to currency fluctuations.

Interest Rate Risk

At December 31, 2009, the Company has significant cash and cash equivalent balances, some of which are interest-bearing at variable interest rates, but the Company has no interest bearing debt.

The Company is exposed to reductions in interest rates, which could impact expected returns from the Company's investment of corporate funds in short-term, commercial paper upon maturity of such instruments. The assumed 1% change in interest rates would have a $6,000 impact on net loss.

Commodity Price Risk

The Company's ability to raise capital to fund exploration or development activities is subject to risks associated with fluctuations in the market price of zinc, copper, and indium. The Company closely monitors commodity prices to determine the appropriate course of actions to be taken.

14. SUBSEQUENT EVENTS

On January 8, 2010, the Company granted to certain of its directors, officers, consultants and employees options, to purchase up to an aggregate of 1,100,000 common shares in the capital stock of the Company exercisable for five years at a price of $0.33 per share.

In January 2010, the Company completed a private placement of 5,000,000 units at $0.15 per unit for gross proceeds of $750,000, of which $585,000 was received prior to December 31, 2009 and has been presented as share subscriptions received. Each unit consisted of one common share and one-half of one non-transferable share purchase warrant. Each full warrant is exercisable for a period of eighteen months after the closing at an exercise price of $0.25. Share issuance costs consisted of $25,200 cash and 224,000 Finders Warrants. Each Finder's Warrant is exercisable for a period of 18 months and will entitle the Finder to acquire one unit ("Finder Unit") at an exercise price of $0.15 per unit. Each Finder's Unit consists of one common share and one-half of one share purchase warrant ("Finder Unit Warrant"). Each whole Finder's Unit Warrant will entitle the holder to purchase one common share for a period of 18 months from closing at an exercise price of $0.25 per unit. All of the net proceeds have been allocated to capital stock and none has been allocated to the warrants.

LITHIC RESOURCES LTD.

Management Discussion and Analysis

For the Year Ended

December 31, 2009

April 20, 2010

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, 2009 is dated and current as of April 20, 2010. 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.

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 properties, 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 project from EuroZinc Mining Corporation in exchange for 1.5 million shares and $25,000 in cash. The 3,950 acre property is located in Utah about 160 kilometres southwest of Salt Lake City, is crossed by a powerline 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 small scale production of high grade silver-lead ore.

History of Work and Property Geology

The Crypto deposit is a skarn-carbonate replacement zinc-copper deposit similar in some respects to the world class Bingham, Park City, Tintic and other districts elsewhere in Utah. 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.

In 2007-2008, the Company completed a program of core drilling totalling 10,639 metres in 15 holes. In 2009, it completed metallurgical testwork on both sulphide and oxide mineralization as well as the first NI43-101 compliant resource estimate for the property.

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. Unusually high levels of indium, a metal critical to the manufacture of electronic flat panel displays and thin film solar panels, have been found to occur in the sphalerite. Small amounts of chalcopyrite are also commonly present and some zones of relative copper enrichment are found between the main bodies of zinc mineralization and the intrusive. The Main zone is generally oxidized to a depth of about 250 metres, sphalerite having been converted to zincite, smithsonite, hemimorphite and hydrozincite. All mineralization is open for expansion.

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. The ultimate source of this mineralization and zoning could be an as yet undiscovered, underlying porphyry molybdenum system which represents a prime target for further exploration.

Various workings in the historic Fish Springs District are developed on high grade silver-lead replacement deposits controlled by structures east of the Crypto 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-zinc-lead mineralization have been encountered in historical and recent drilling outside of the Utah Mine area, suggesting the presence of other zones of similar mineralization that remain un-explored.

2009 Resource Estimate and Metallurgical Testwork

An independent NI 43-101 compliant resource estimate was completed by Mine Development Associates 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:

A global resource, at a cut-off of 3% Zn equivalent (ZnEq), of:

Category	Tonnes	% ZnEq	% Zn	% Cu	g/t In	Lbs Zn	Lbs Cu	Kg In
Indicated	6,298,000	6.87	4.75	0.322	46.2	659,482,000	44,752,000	291,000
Inferred	15,832,000	6.95	5.08	0.359	34.9	1,774,360,000	125,446,000	551,900

which includes a significant volume with higher grades at a cut-off of 6% ZnEq, as follows:

Category	Tonnes	% ZnEq	% Zn	% Cu	g/t In	Lbs Zn	Lbs Cu	Kg In
Indicated	2,659,000	10.48	8.01	0.369	54.5	469,349,000	21,621,000	144,900
Inferred	7,184,000	10.22	8.04	0.441	38.4	1,273,108,000	69,892,000	275,900

Resource figures reported on a zone by zone basis are 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

** Base case for sulphide mineralization = 3% ZnEq cutoff; base case for oxide mineralization = 1% ZnEq cutoff*

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 testwork on a series of bulk composites created from samples drawn from across the resource base. This testwork 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.

As of the date of this report, a Preliminary Economic Assessment (PEA) is well underway and is being carried out by a team of highly experienced independent consulting engineers. Completion of the Phase One program of work will be contingent on financing. However, all permits required for continued drilling and other exploration at Crypto are in place, water rights on the property have been secured, all facilities and infrastructure supporting the Company's 2007-2008 drill program are still in place and agreements with local contractors are in place, allowing for a quick start to field operations when financing has been secured.

Other Properties

The remaining claims comprising the Fly Lake property in north western Ontario were allowed to lapse in the year.

Discussion of Financial Condition

General

The Company's general and administrative costs in 2009, less a foreign exchange loss of $2,140, totalled $439,745. This was substantially the same as in 2008. There were however, material differences in such items as office, rent and travel which dropped to a total $98,891 when office staff was trimmed in 2009, a decrease of $48,471 from 2008 when it amounted to $147,452; stock based compensation of $78,248 in 2009 versus $nil in 2008 due to the fact that no incentive stock options were granted in 2008; and foreign exchange loss of $2,140 recorded in 2009 compared with a gain of $5,071 in 2008. The largest component of 2009 costs was management fees which at $168,000 were identical to those stated in 2008. The amount for communications and investor relations decreased slightly from $30,577 to $21,364. Interest income dropped from $72,575 in 2008 to $7,195 in 2009 due primarily to lower cash balances available for investment and lower interest rates realized.

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 Nexus Consultants Inc. at the rate of $5,000 per month.

Exploration Expenditures

	Crypto $
Direct drilling cost	-
Metallurgical studies	120,870
Geological wages, fees and costs	138,288
Field costs	972
Analysis	230
Property holding costs, taxes and fees	28,178
Depreciation of equipment	21,880
Wrap-up costs	-
	310,418

Exploration expenditures in 2009 decreased markedly to $310,418 from $2,459,018 in the previous year in that a major program of core drilling on the Crypto project was completed in mid-2008. Expenditures in 2009 were related almost entirely to a program of metallurgical testwork on Crypto mineralization and the completion of the first NI43-101 compliant resource estimate for the Crypto project. The results of these studies were published in a technical report dated December 23, 2009 (amended March 25, 2010) and were summarized in press releases dated November 19, 2009 and January 18, 2010.

Selected Annual Information

		2009	2008	2007
Total Revenues		Nil	Nil	Nil
Net Income or Loss[1]	Total	(434,690)	(334,527)	(961,792)
	Per Share	(0.01)	(0.01)	(0.02)
	Per Diluted Share[2]	n/a	n/a	n/a
Total Assets		6,069,246	5,786,210	6,294,856
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 2009 was nearly identical to that of 2008 as the current year increase for stock-based compensation was offset by a decrease in office, rent and travel.

Selected Quarterly Information

The net loss for the Company in the period is comparable with that in the same period in 2008. The table below summarizes selected financial information for the last eight quarters:

Quarter Ended	Revenue ($)	Net Income/(loss) ($)	Net loss per share ($)	Net loss per share diluted[1]($)
Dec. 31, 2009	Nil	(57,063)	0.00	n/a
Sept. 30, 2009	Nil	(68,536)	0.00	n/a
June 30, 2009	Nil	(109,451)	0.00	n/a
March 31, 2009	Nil	(199,641)	0.01	n/a
Dec. 31, 2008	Nil	(119,260)	0.01	n/a
Sept. 30, 2008	Nil	(88,649)	0.00	n/a
June 30, 2008	Nil	(80,175)	0.00	n/a
Mar.31, 2008	Nil	(46,443)	0.00	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, 2009 was $57,063 or $0.00 per share compared with a loss of $119,260 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 restating earlier quarters.

Share Capital

The Company has one class of common shares. At April 20, 2010, there were 41,455,519 common shares, 3,350,000 stock options and 2,500,000 warrants outstanding.

Related Party Transactions

An amount of $168,000 (2008 - $168,000) for management services was paid to a company owned by Chris Staargaard, the President of the Company.

An amount of $43,500 (2008 - $9,000) for consulting services was paid to a company controlled by Steve Vanry, the Chief Financial Officer of the Company.

Liquidity and Solvency

The Company had a net working capital position of $1,128,736 at December 31, 2009 compared with $1,211,864 at the same point in 2008. As at the end of 2009, the Company had sufficient liquidity to meet its obligations for the next year.

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 mineral properties, 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.

Changes in Accounting Policies Including Initial Adoption

On January 1, 2009, the Company adopted the following new accounting standards that were issued by the Canadian Institute of Chartered Accountants ("CICA"). During 2009, CICA Handbook Section 3862, Financial Instruments – Disclosures ("Section 3862"),was amended to require disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. 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

Recent Accounting Pronouncements

International financial reporting standards ("IFRS')

In 2006, the Canadian Accounting Standards Board ("AcSB") published a strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date for the Company will be January 1, 2011 and will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

The Company identified and reviewed the following the four main areas where changes may have a material impact on its financial accounting: a) Stock-based compensation expense, b) Business Combinations, c) Accounting for mining assets and impairment, and d) Cumulative foreign currency translation differences.

Results of a review of the impact of IFRS on the Company's consolidated financial statements and other areas of the Company are as follows,

a) <u>Share-based Payment:</u> As a first-time adopter, the Company may elect to not apply IFRS 2 retrospectively to equity instruments that were granted on or before November 7, 2002 and is also not required to apply IFRS 2 to equity instruments that were granted after November 7, 2002 that vested before date of transition to IFRS (January 1, 2010). The Company concluded that no material change is to be expected of stock-based expenses under IFRS.

b) <u>Business Combinations:</u> IFRS 1 allows an exemption to first-time adopter from retrospective application in case of business combinations that occurred before the date of transition to IFRS. In other words, under IFRS 1 an entity may elect to use previous GAAP accounting relating to such business combination. The Company concluded that no material change is to be expected of its previous business combination accounting under IFRS.

c) <u>Accounting for mining assets and impairment:</u> IFRS 6 applies to the Company's mining assets. The Company's current accounting policy of "full cost" method is permitted. IFRS 6 requires the Company to assess its mining assets for impairment when facts and circumstances suggest that the carrying amount exceeds its recoverable amount. Only then is an impairment test required to be performed in accordance with IAS 36. The Company concluded that no significant changes are expected to the accounting of the Company's mining assets.

d) Accounting for cumulative translation differences: A first-time adopter is exempted from the transfer of cumulative translation differences that existed on the date of transition to IFRS. If it uses this exemption, the cumulative translation difference for all foreign operations would be deemed to be zero at the date of transition to IFRS, and the gain or loss on subsequent disposal of any foreign operation should exclude translation differences that arose before the date of transition to IFRS but should include all subsequent translation differences. The Company concluded that any cumulative translation difference that exists on January 1, 2010 will be eliminated and retained earnings will be adjusted by the same amount.

The adoption date of January 1, 2011, will require restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010.

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

In January 2009, the CICA issued Handbook Sections 1582 "Business Combinations", 1601 "Consolidated Financial Statements" and 1602 "Non-Controlling Interests" which replace CICA Handbook Sections 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. These sections are applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning on or after January 1, 2011. Early adoption of these Sections is permitted and all three Sections must be adopted concurrently.

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 value of cash, receivables, accounts payable and accrued liabilities, approximate their fair value because of the short-term nature of these instruments.

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, 2009, the Company had a cash balance of $1,242,440 (December 31, 2008 - $1,268,923) to settle current liabilities of $129,667 (December 31, 2008 - $85,368).

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, 2009, 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.

(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.

Disclosure Control Risks

The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the disclosure controls and procedures as at December 31, 2009 and, based on that evaluation believe them to be effective given the size and nature of the Company's operations. All control systems by their nature have inherent limitations and therefore Lithic's disclosure controls and procedures are believed to provide reasonable, but not absolute, assurance that:

(a) the communications by the Company with the public are timely, factual and accurate and broadly disseminated in accordance with all applicable legal and regulatory requirements;

(b) non-publicly disclosed information remains confidential; and

(c) trading of the Company's securities by directors, officers and employees remains in compliance with applicable securities laws.

Internal Controls Over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer have supervised the design of internal controls over financial reporting and these controls were in place as at December 31, 2009. The Chief Executive Officer and the Chief Financial Officer believe the internal controls, including compensating controls to overcome the lack of certain segregation of duties, and reliance on specialists for complex, non-routine transactions, are designed appropriately given the nature and size of the Company's operations, and that a material deficiency in design does not exist. While management believes the Company's internal controls and procedures provide a reasonable level of assurance that they are reliable, because of their inherent limitations, internal controls over financial reporting may not prevent or detect misstatements, errors or fraud. Control systems, no matter how well conceived or operated, can provide only reasonable, not absolute assurance that the objectives of the control systems are met.

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.

Subsequent Events

On January 7, 2010, the Company closed a non-brokered financing in which a total of five million units were sold at a price of 15 cents per unit for gross proceeds of $750,000. Each unit consists of one common share of the company and one half of one non-transferable share purchase warrant. Each full warrant will entitle the placee to acquire one additional common share of the company at a price of 25 cents for a period of 18 months after the closing date.

On January 8, 2010, the Company granted a total of 1,100,000 incentive stock options to directors, officers and consultants of the Company. Each stock option entitles the holder to purchase one common share of the Company at a price of $0.33 until January 7, 2015 or for the optionee's period of employment or engagement, whichever period is shorter.

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 20, 2010