LITHIC RESOURCES LTD.

ANNUAL REPORT 2007

To the Shareholders:

In July of 2007, we commenced a 10,000 metre program of core drilling at our 100% owned Crypto zinc project in western Utah. This program is aimed at confirming and expanding the historical (pre-NI 43-101) resource established on the property by Cyprus Minerals in the early 1990's: 5.4 million tonnes grading 8.7% zinc in a sulphide zone and approximately 2.8 million tonnes grading 7.0% zinc in an overlying oxide zone. Additional targets for drilling include a coincident IP-magnetic anomaly similar to the one associated with known mineralization but located in an undrilled area to the east as well as the downdip extension of high grade lead-silver-zinc mineralization exploited in the historical Utah mine. Finally, some of the holes will be extended to test areas in which previous deeper drilling by Cyprus Minerals intersected high grade molybdenum mineralization suggestive of a buried porphyry molybdenum deposit. All these targets are situated near enough to the main Crypto zinc deposit such that it is possible that any newly discovered zones could be accessed from a single shaft.

As of the date of writing, 11 holes have been completed for a total of about 7,300 metres and two drills are turning on the property. The results to date have been excellent, with numerous and lengthy intercepts of high grade zinc mineralization as well as, in places, significant levels of copper. A particularly important development has been the discovery of substantial grades of indium associated with zinc mineralization. Indium is used primarily in the manufacture of liquid crystal displays (LCDs) and other applications in electronics as well as in low-melting-temperature alloys. With the rapidly increasing usage of LCDs in recent years, increased demand for indium has significantly escalated its price and the producer price at this time is in the order of US$685 per kilogram, which is somewhat more valuable than silver. As is generally the case for all minor elements in ore deposits, the recoverability of indium at Crypto will need to be determined by metallurgical testwork and how much may be payable will depend on smelter demand and terms. However, the indium levels seen to date at Crypto have the potential to substantially enhance the economics of the project and may even establish Crypto as a significant indium resource in its own right.

Having completed a $3.8 million non-brokered private placement in early 2007 as well as being in receipt of over $1.5 million from warrant and option exercises during the year, we are well-financed to complete the scheduled program of drilling and carry out preliminary metallurgical testwork aimed at investigating both the sulphide and oxide zinc mineralization at Crypto. An updated resource estimate based on historical and current drilling will be incorporated into a new NI 43-101 report later this year.

The Crypto property will continue to be the focus of our efforts in 2008. This multiple opportunity and advanced project is located in one of the most mining friendly and secure jurisdictions anywhere and its US location gives it full exposure to US dollar denominated metals prices, unlike most other countries where a declining US dollar has led to locally increased costs of production, offsetting gains from higher US dollar metal prices. Advancing this project is the Company's top priority at this point. At the same time, we will continue to search for other exceptional opportunities to add to our project portfolio, both advanced situations as well as earlier stage projects for our pipeline.

On behalf of the Directors,

C.F. Staargaard
President and CEO

MANNING ELLIOTT
CHARTERED ACCOUNTANTS
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AUDITORS' REPORT

To the Shareholders of
Lithic Resources Ltd.

We have audited the consolidated balance sheets of Lithic Resources Ltd. as at December 31, 2007 and 2006, and the consolidated statements of operations and comprehensive loss, cash flows and changes in shareholders' equity for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Manning Elliott LLP

Chartered Accountants

Vancouver, British Columbia

April 18, 2008

LITHIC RESOURCES LTD.

CONSOLIDATED BALANCE SHEETS

AS AT DECEMBER 31, 2007 AND 2006

ASSETS	2007 $	(Restated Note 10) 2006 $
Current Assets		
Cash and cash equivalents	4,149,462	1,944,921
Short term investments	-	350,000
Amounts receivable	70,235	13,817
Prepaids	18,799	26,187
Marketable securities (Note 2(f))	11,260	2,290
	4,249,756	2,337,215
Reclamation Deposit	43,884	-
Equipment (Note 4)	54,697	-
Mineral Claims and Options (Note 5)	1,946,519	555,254
	6,294,856	2,892,469

LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities (Note 2(q))	258,458	42,669
Amount due to related party (Note 8)	12,759	10,209
	271,217	52,878

SHAREHOLDERS' EQUITY		
Capital Stock (Note 6)	10,517,130	5,167,070
Share Subscriptions Received	-	1,864,680
Contributed Surplus	897,990	246,500
	11,415,120	7,278,250
Accumulated Other Comprehensive Income	8,970	-
Deficit	(5,400,451)	(4,438,659)
	(5,391,481)	(4,438,659)
	6,023,639	2,839,591
	6,294,856	2,892,469

Nature of Operations (Note 1)

Commitment (Note 9)

Approved on Behalf of the Board:

"C.F. Staargaard" — Chris Staargaard, Director

"F.D. Wheatley" — Frank Wheatley, Director

The accompanying notes form an integral part of these financial statements

LITHIC RESOURCES LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007 $	(Restated Note 10) 2006 $
REVENUE	-	-
MINERAL CLAIMS, OPTIONS AND EXPLORATION COSTS		
Exploration costs (Note 5)	3,215	130,695
ADMINISTRATIVE EXPENSES		
Communication and investor relations	78,745	24,986
Management fees (Note 8)	135,000	69,897
Office, rent and travel	79,270	35,675
Professional fees	47,900	41,790
Stock based compensation (Note 6(b))	750,767	170,000
Foreign exchange loss (gain)	41,913	(3,980)
	1,133,595	338,368
LOSS BEFORE OTHER ITEMS	1,136,810	469,063
OTHER EXPENSES (INCOME)		
Acquisition costs written-off	-	96,168
Loss on impairment of asset	28,288	3,117
Other income	(41,037)	-
Settlement received on termination of property acquisition negotiation	-	(50,000)
Interest income	(162,269)	(11,647)
	(175,018)	37,639
NET LOSS FOR THE YEAR	(961,792)	(506,702)
OTHER COMPREHENSIVE INCOME		
Revaluation of investment to fair value	860	-
COMPREHENSIVE LOSS	(960,932)	(506,702)
BASIC AND DILUTED LOSS PER SHARE	(0.02)	(0.02)
WEIGHTED AVERAGE SHARES OUTSTANDING	34,890,000	20,948,000

LITHIC RESOURCES LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007 $	(Restated Note 10) 2006 $
OPERATING ACTIVITIES		
Loss for the year	(961,792)	(506,702)
Items not involving cash and cash equivalents:		
Acquisition costs written-off	-	96,168
Loss on impairment of asset	28,288	-
Assets written-down	-	3,117
Stock based compensation	750,767	170,000
Changes in operating assets and liabilities:		
Accounts receivable	(14,866)	(12,086)
Income tax receivable	(41,554)	-
Prepaid expenses	7,388	(26,187)
Accounts payable and accrued liabilities	215,789	35,945
Amount due to related party	2,550	-
CASH USED IN OPERATING ACTIVITIES	(13,430)	(239,745)
FINANCING ACTIVITIES		
Proceeds from exercise of options (Note 6)	271,490	1,864,680
Proceeds from exercise of warrants (Note 6)	1,304,800	-
Proceeds from common shares issued (Note 6)	1,972,000	932,000
Share issuance costs	(180,759)	(25,796)
CASH PROVIDED BY FINANCING ACTIVITIES	3,367,531	2,770,884
INVESTING ACTIVITIES		
Reclamation deposit	(43,884)	-
Redemption of short-term investment	350,000	-
Exploration equipment	(99,582)	-
Purchase and staking of mineral claims and option payments	(1,356,094)	(290,891)
CASH USED IN INVESTING ACTIVITIES	(1,149,560)	(290,891)
INCREASE IN CASH DURING THE YEAR	2,204,541	2,240,248
CASH AND EQUIVALENTS - BEGINNING OF YEAR	2,294,921	54,673
CASH AND EQUIVALENTS - END OF YEAR	4,149,462	2,294,921
NON-CASH FINANCING AND INVESTING ACTIVITIES		
Value of shares issued for mineral property payments	-	25,500
Finders fee	-	53,000
CASH AND CASH EQUIVALENTS CONSIST OF:		
Cash	76,337	1,944,921
Term deposits	4,073,125	350,000
	4,149,462	2,294,921

LITHIC RESOURCES LTD.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	Shares Issued #	Share Capital Amount $	Share Subscriptions Received $	Contributed Surplus $	Accumulated Other Comprehensive Income $	(Restated Note 10) Deficit $	Total $
Balance-December 31, 2005	18,032,819	4,235,366	-	76,500	-	(3,931,957)	379,909
Issued for property	75,000	25,500	-				25,500
Private Placement	3,728,000	932,000	-				932,000
Share subscriptions received			1,864,680				1,864,680
Finders' fee	100,000	53,000	-				53,000
Issue costs		(78,796)	-				(78,796)
Stock based compensation			-	170,000			170,000
Net loss for year			-			(506,702)	(506,702)
Balance-December 31, 2006	21,935,819	5,167,070	1,864,680	246,500	-	(4,438,659)	2,839,591
Adjustment to opening balance due to change in accounting policy (Note 2)	-	-	-	-	8,110	-	8,110
Exercise of warrants	3,728,000	1,304,800	-	-	-	-	1,304,800
Exercise of stock options	1,050,000	271,490	-	-	-	-	271,490
Reclassification on exercise of stock options	-	117,849	-	(117,849)	-	-	-
Brokered private placement net of costs	9,591,700	3,655,921	(1,864,680)	-	-	-	1,791,241
Stock based compensation	-	-	-	750,767	-	-	750,767
Options issued to non-employees			-	18,572			18,572
Revaluation of investment to fair value at end of period	-	-	-	-	860	-	860
Net loss for year	-	-	-	-	-	(961,792)	(961,792)
Balance-December 31, 2007	36,305,519	10,517,130	-	897,990	8,970	(5,400,451)	6,023,639

Unlimited common shares authorized without par value

1. NATURE OF OPERATIONS

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, 2007, the Company had working capital of $3,978,539 and an accumulated deficit of $5,400,451. 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. 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, 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] Adoption of New Accounting Standards

Accounting Changes

Effective January 1, 2007, the Company adopted the revised CICA 1506, "Accounting Changes", which requires that: (i) a voluntary change in accounting principles can be made if, and only if, the changes result in more reliable and relevant information, (ii) changes in accounting policies are accompanied with disclosures of prior period amounts and justification for the change, and (iii) for changes in estimates, the nature and amount of the change should be disclosed. The Company has not made any voluntary change in accounting principles since the adoption of the revised standard.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

[c] Adoption of New Accounting Standards (continued)

Financial Instruments

Effective January 1, 2007, the Company adopted the three new accounting standards and related amendments to other standards on financial instruments issued by the CICA. Prior periods have not been restated.

[i] CICA 3855, "Financial Instruments – Recognition and Measurement"

This standard prescribes when a financial asset, financial liability, or non-financial derivative is to be recognized on the balance sheet and whether fair value or cost-based methods are used to measure the recorded amounts. It also specifies how financial instrument gains and losses are to be presented. Effective January 1, 2007, the Company's cash equivalents have been classified as held-for-trading and are recorded at fair value on the balance sheet. Fair values are determined directly by reference to published price quotations in an active market. Changes in the fair value of these instruments are reflected in net income in the statement of operations. Derivatives that are linked to and must be settled by delivery of equity instruments of another entity whose fair value cannot be reliably measured are recorded on the balance sheet at cost. All other derivatives are recorded on the balance sheet at fair value. Gains and losses on derivatives recorded at fair value are included in net earnings. In accordance with the transitional provisions of the standard, the Company will recognize as separate assets and liabilities, embedded derivatives acquired or substantively modified on or after December 1, 2002.

All other financial instruments were recorded at cost or amortized cost, subject to impairment reviews. The criteria for assessing an other than temporary impairment remain unchanged. Transaction costs incurred to acquire financial instruments are included in the underlying balance. Regular-way purchases and sales of financial assets are accounted for on the trade date. There was no impact on deficit upon adoption of this standard.

[ii] CICA 3865, "Hedges"

This standard is applicable when a company chooses to designate a hedging relationship for accounting purposes. It builds on the previous AcG–13, "Hedging Relationships", and CICA 1650, "Foreign Currency Translation", by specifying how hedge accounting is applied and what disclosures are necessary when it is applied. The Company had no hedging relationships as at January 1, 2006. There was no impact on the Company's financial statements upon adoption of this standard.

[iii] CICA 1530, "Comprehensive Income"

This standard requires the presentation of a statement of comprehensive income and its components. Comprehensive income includes both net earnings and other comprehensive income. Other comprehensive income may include holding gains and losses on available-for-sale investments, gains and losses on certain derivative instruments and foreign currency gains and losses relating to self-sustaining foreign operations, all of which are not included in the calculation of net earnings until realized. As a result of adopting this standard, at January 1, 2006, cumulative revaluation of investments to fair value adjustments was reclassified to accumulated other comprehensive income.

[d] 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

[e] Short-term investments

Short-term investments consist of highly liquid short-term interest bearing securities with a term to maturity of greater than three months on the date of purchase.

[f] Marketable Securities

Marketable securities are recorded at fair value. See adoption of new accounting standards.

[g] 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;

[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 include 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.

The cumulative effect of this change in accounting policy at December 31, 2006 is disclosed in Note 10.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

[h] Equipment

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

[i] 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 carryforwards 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 was previously recognized on the renounced expenditures.

[j] Share issuance costs

Costs relating to issuing shares are deducted from the related share issuance proceeds.

[k] 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. Any consideration paid by the option holders to purchase shares is credited to share capital. The Company charges the fair value of the options granted or modified during a period to operations.

[l] 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.

[m] Financial instruments

Financial instruments included in the balance sheet are comprised of cash and cash equivalents, short-term investments, accounts receivable, accounts payable, accrued liabilities and due to related party. The fair values of these balance sheet items are equivalent to their carrying value because of the short-term maturity of those instruments. The Company is not party to any derivative instruments.

In management's opinion, the Company is not exposed to significant interest rate, currency exchange rate or credit risk arising form these financial instruments.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

[n] 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.

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.

[o] 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.

[p] 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.

[q] 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, 2007 the Company has accrued $5,000 as asset retirement obligation related to the exploration of its mineral properties which has been included in accounts payable.

3. ACQUISITION OF ASSETS

On May 30, 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. Consideration was $25,000 in cash and 1,500,000 common shares of the Company having an estimated fair market value of $232,500 being the price of the shares in the open market at the date of the transaction. The total cash and non-cash consideration was $257,500. The acquisition of NPR was treated as an acquisition of assets rather than a business combination because the acquisition does not meet the definition of a business as outlined in EIC-124.

3. ACQUISITION OF ASSETS (continued)

The following is a summary of the purchase price allocation at the date of acquisition based upon the estimated fair values of the assets acquired and liabilities assumed:

Mineral exploration rights	$257,499
Loan from NPR	1
	$257,500

4. EQUIPMENT

	Cost $	Accumulated Depreciation $	2007 Net Book Value $
Camp equipment	65,637	10,940	54,697

In fiscal 2007, the Company's truck, with an original cost of $33,945, and a net carrying value of $28,288, was written off.

5. MINERAL CLAIMS AND OPTIONS

Acquisition costs:

Property	Ownership interest	Carrying Value ($) 2007	(Restated Note 10) 2006
Canada			
Fly Lake *[a]*	100% - owned		
Beginning and end of year		1	1
Roaring River Property *[b]*	100% - owned		
Beginning of year		-	1
Acquisition costs		-	-
Less: write-down		-	(1)
		-	-
Stoke Mountain *[c]*	Under Option		
Beginning of year		-	29,467
Exploration costs		3,215	130,695
Acquisition costs		-	66,700
Less: write-down		(3,215)	(226,862)
		-	-
United States			
Crypto *[d]*	100% - owned		
Beginning of year		555,253	305,562
Exploration costs		1,362,731	199,139
Acquisition costs		28,534	50,552
		1,946,518	555,253
Totals		1,946,519	555,253

5. MINERAL CLAIMS AND OPTIONS (continued)

The following table represents exploration expenditures incurred during fiscal 2007:

	Stoke Mountain $	Crypto $	Total $
Direct drilling costs	-	500,293	500,293
Geological wages, fees and costs	-	168,825	168,825
Field costs (see below)	-	640,070	640,070
Analysis	-	36,946	36,946
Depreciation of equipment	-	16,597	16,597
Wrap-up costs	3,215	-	3,215
	3,215	1,362,731	1,365,946

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

The following table represents exploration expenditures incurred during fiscal 2006:

	Stoke Mountain $	Crypto $	Total $
Geological wages, fees and costs (see below)	33,164	3,631	36,795
Geophysics	-	195,508	195,508
Geochemistry	49,403	-	49,403
Line-cutting	48,128	-	48,128
	130,695	199,139	329,834

Geological wages for the Stoke Mountain and Crypto properties include $13,466 and $2,083, respectively, of services provided by management.

[a] Fly Lake

The Fly Lake property is located in the Red Mining Lake Division in North-western 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, 2007, the property consists of 38 claims and is carried at a nominal $1.

[b] Roaring River

In, 2003, the Company completed its option to earn a 100% interest, consisting of 13 mineral claims, located in the Thunder Bay Mining Division in the Province of Ontario, having paid a total of $42,000 in cash and having issued 125,000 common shares having an estimated fair market value of $17,000.

On April 24, 2003, the Company entered into an option agreement with Lac Des Iles Mines Ltd. (“LDI”) whereby LDI had the right to earn a 60% interest in the Roaring River property in return for making cash payments totalling $90,000 and incurring $500,000 in exploration expenditures over a three year period. After carrying out some surface work and drilling five holes totalling 500 metres, LDI returned the property to the Company on November 3, 2004, having made $50,000 in cash payments. The Company subsequently wrote-down its property acquisition to a nominal value of $1. The property is subject to a 2% NSR Royalty.

5. MINERAL CLAIMS AND OPTIONS (continued)

[b] Roaring River (continued)

In 2006, the Roaring River property was relinquished and all acquisition costs have been written-off as of December 31, 2006.

[c] Stoke Mountain

On June 16, 2005 the Company entered into an option agreement to acquire a 100% interest in 15 mineral claims called the Stoke Mountain mineral property located in the Stone and Dudswell Townships. Province of Quebec, Canada. The property is subject to a 2% NSR. To complete the acquisition of the property the Company must make payments, incur expenditures and issue shares as follows:

On signing:	$15,000 in cash (paid) and 50,000 shares (issued at a fair value of $7,750)
June 16, 2006	$25,000 in cash (paid), 75,000 shares (issued at a fair value of $11,625) and $75,000 in exploration expenditures (incurred);
June 16, 2007	$40,000 in cash (not paid), 100,000 shares (not issued) and $200,000 in exploration expenditures (not incurred);
June 16, 2008	$75,000 in cash, 200,000 shares and $300,000 in exploration expenditures;
June 16, 2009	$40,000 in exploration expenditures.

The Company also agreed to pay the costs of staking approximately 126 mineral claims to cover key extensions of the stratigraphy and other prospective ground around the Property as originally presented by the vendors. The cost of this staking was applied to the first year work requirement.

The Company has the right to purchase, at any time, in return for a cash payment of $500,000 one-half (50%) of the 2% NSR Royalty.

In April 2007, the Company returned the property to the Optionor and all acquisition costs were written-off as of December 31, 2006.

[d] 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, 2007, the Property consisted of 159 unpatented claims, 18 patented claims and one Utah State mineral lease.

6. CAPITAL STOCK

[a] Private Placement

In January 2007, the Company completed a private placement of 9,591,700 units at $0.40 per unit for gross proceeds of $3,836,680 of which $1,864,680 was received prior to December 31, 2006. 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 twenty-four months after the closing at an exercise price of $0.60 in the first year and an exercise price of $0.80 in the second year. Share issuance costs consisted of $180,759 cash including finders fees. All of the net proceeds have been allocated to capital stock and none has been allocated to the warrants.

In May 2006, the Company completed a private placement of 3,728,000 units at $0.25 per unit for gross proceeds of $932,000. Each unit consisted of one common share and one non-transferable share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company for a period of twenty-four months after the closing at an exercise price of $0.35 during the first year and an exercise price of $0.50 during the second year. Share issuance costs consisted of $25,796 cash and a finders' fee of 100,000 shares having an estimated fair value of $53,000.

[b] 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 2007, the Company granted 800,000 stock options to directors with an exercise price of $0.53 per share. The fair value of these options was $0.45 per share based on the Black-Scholes option pricing model using the following assumptions; risk free rate 4.08%, dividend yield 0%, volatility factor 121% and weighted average life five years.

In June 2007, the Company granted 50,000 stock options to a consultant with an exercise price of $0.45 per share. The fair value of these options was $0.24 per share based on the Black-Scholes option pricing model using the following assumptions; risk free rate 4.70%, dividend yield 0%, volatility factor 97% and weighted average life two years.

In July 2007, the Company granted 25,000 stock options to a consultant with an exercise price of $0.50 per share. The fair value of these options was $0.27 per share based on the Black-Scholes option pricing model using the following assumptions: risk free rate 4.55%, dividend yield 0%; volatility factor 98% and weighted average life of two years.

In September 2007, the Company granted 1,000,000 stock options to directors with an exercise price of $0.51 per share. The fair value of these options was $0.39 per share based on the Black-Scholes option pricing model using the following assumptions: risk free rate 4.21%, dividend yield 0%, volatility factor 102% and weighted average life of five years.

On May 16, 2006, the Company granted 500,000 stock options to directors of the Company at $0.39 per share. The fair value of these options was $0.34 per share based on the Black-Scholes option pricing model using the following assumptions: risk-free interest rate 4.3%, dividend yield 0% volatility factor of 130%, and weighted average life of five years.

The result and estimated value of all the options granted to directors in 2007 was $750,767 (2006 - $170,000) and this has been charged to operations. The result and estimated value of all options granted to consultants in 2007 was $18,572 and this has been capitalized to mineral property.

6. CAPITAL STOCK (continued)

[b] Stock options (continued)

In August 2007, a total of 1,050,000 stock options were exercised by directors for total proceeds of $271,490.

The weighted average number of shares under option and the weighted average option exercise price for the years ended December 31, 2007 and 2006 are as follows:

	Number of Options	Weighted Average Exercise Price ($)	Weighted Average Remaining Life (Months)
Balance - December 31, 2005	1,150,000	0.19	30
Granted in year	500,000	0.39	16
Balance - December 31, 2006	1,650,000	0.25	29
Granted in year	1,875,000	0.52	59
Exercised in year	(1,050,000)	0.26	15
Balance - December 31, 2007	2,475,000	0.45	46

[c] Warrants

In March and April 2007, a total of 3,728,000 warrants were exercised at $0.35 per share for gross proceeds of $1,304,800. At December 31, 2007 and 2006 warrants were outstanding as follows:

2007	2006	Exercise Price	Expiry	Weighted Average Exercise Price
4,795,850	-	$0.60/0.80	January 2008/2009	$0.60/0.80
-	3,728,000	$0.35/0.50	April 2005/2006	$0.35/0.50
4,795,850	3,728,000			

7. 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.

7. INCOME TAXES (continued)

[a] Future Income Tax Assets

The significant components of the Company's future income tax assets are as follows:

	2007	2006
Future income tax assets:		
Non-capital income tax losses carried forward	$ 309,000	$ 292,000
Share issuance costs	16,000	5,500
Equipment	18,000	4,000
Canadian exploration expenses	237,000	261,000
Canadian development expenses	73,000	80,000
Exploration and development expenses (U.S.)	1,759,000	1,478,000
Gross future income tax assets	2,412,000	2,120,500
Valuation allowance	(2,412,000)	(2,120,500)
Net future income tax assets	$ -	$ -

[b] The Company has income tax losses carried forward in Canada and the U.S. of $1,030,000 to apply against future year's taxable income expiring as follows:

Year	$
2008	53,000
2009	160,000
2010	122,000
2011-2014	209,000
2015	130,000
2026	125,000
2025-2027	231,000
	1,030,000

The benefit of these losses will be recorded when realized.

8. RELATED PARTY TRANSACTIONS

During the year the Company recorded, at their exchange amounts, management compensation of $135,000 (2006 - $97,727), as determined between the Company and its President, to a company owned by the Company's President. Of this amount, $12,759 (2006 - $10,209) remains as an amount due to a related party which is unsecured, non-interest bearing and due on demand.

9. COMMITMENTS

During the year, the Company entered into a drilling agreement with a contractor to drill, by diamond drilling, a minimum footage of 9,411 meters. As at December 31, 2007, the Company has a commitment to drill a minimum of 5,844 meters estimated to cost $1,250,000US ($1,235,000 CDN).

10. RESTATEMENT

During fiscal 2007, the Company changed its accounting policy to capitalize and defer exploration expenditures as an addition to the mineral property instead of expensing these as incurred. Accordingly, the Company applied this change retrospectively and the 2006 financial statements were restated to give effect to an increase of the opening balance of mineral property of $201,882 and a corresponding reduction in the opening deficit by the same amount.

	December 31, 2006 As Reported $	Adjustment $	December 31, 2006 As Restated $
Balance Sheet			
Mineral Property	353,372	201,882	555,254
Deficit	(4,640,541)	201,882	(4,438,659)

	Year Ended December 31, 2006 As Reported $	Adjustment $	Year Ended December 31, 2006 As Restated $
Statement of Operations			
Exploration Costs	329,834	(199,139)	130,695
Net Loss for the Year	(705,841)	199,139	(506,702)
Deficit, Beginning of Year	(3,934,700)	2,743	(3,931,957)
Deficit, End of Year	(4,640,541)	201,882	(4,438,659)

Basic and diluted net loss per share resulting from the restatement changed from $0.03 to $0.02.

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 2.

	Canada $	United States $	Total $
2007			
Revenue	-	-	-
Exploration costs written-off	(3,215)	-	(3,215)
Segment operating loss	(961,792)	-	(961,792)
Segment assets	1	1,946,518	1,946,519
2006 (restated)			
Revenue	-	-	-
Assets written down	(3,117)	-	(3,117)
Exploration costs written-off	(130,695)	-	(130,695)
Acquisition costs written-off	(96,168)	-	(96,168)
Segment operating loss	(506,702)	-	(506,702)
Segment assets	1	555,254	555,254

12. ADOPTION OF NEW ACCOUNTING STANDARDS AND RECENT PRONOUNCEMENTS

The recent accounting pronouncements which have not yet been adopted by the Company are as follows:

[a] CICA 3862, "Financial Instruments – Disclosures"

This standard relates to the disclosure of financial instruments. It applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2007. Early adoption is permitted. CICA 3863, "Financial Instruments – Presentation" must be adopted at the same time, replacing CICA 3861, "Financial Instruments – Disclosure and Presentation". The Company will adopt the standard commencing for its interim and annual financial statements for the fiscal year ending December 31, 2008.

[b] CICA 3863, "Financial Instruments – Presentation"

This standard relates to the presentation of financial instruments. It applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2007. Early adoption is permitted. CICA 3862, "Financial Instruments – Presentation" must be adopted at the same time, replacing CICA 3861, "Financial Instruments – Disclosure and Presentation". The Company will adopt the standard commencing for its interim and annual financial statements for the fiscal year ending December 31, 2008.

[c] CICA 1535, "Capital Disclosures"

This standard relates to the disclosure of capital management strategies. It applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2007. Early adoption is permitted. The Company will early adopt the standard commencing for its interim and annual financial statements for the fiscal year ending December 31, 2008.

[d] CICA 3031, "Inventories"

This standard relates to the measurement and disclosure of inventories. It applies to interim and annual financial statements for fiscal years beginning on or after January 1, 2008. Early adoption is permitted. The Company will early adopt the standard commencing for its interim and annual financial statements for the fiscal year ending December 31, 2008. The adoption of this standard is not expected to have a significant impact on the Company's financial statements.

[e] CICA 3064, "Goodwill and Intangible Assets"

In February 2008, the CICA issued Handbook Section 3064, "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and Intangible Assets", and Section 3450, "Research and Development Costs". Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This new standard applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2008. Early adoption is permitted. The Company will early adopt the standard commencing for its interim and annual financial statements for the fiscal year ending December 31, 2008. The adoption of this standard is not expected to have a significant impact on the Company's financial statements.

[f] CICA 1400, "General Standards of Financial Statement Presentation"

In May 2007, the CICA issued amended Handbook Section 1400, "General Standards of Financial Statement Presentation". The section provides revised guidance related to management's responsibility to assess and disclose the ability of an entity to continue as a going concern. This amended standard applies to interim and annual financial statements for fiscal years beginning on or after January 1, 2008. Early adoption is permitted. The Company will early adopt the standard commencing for its interim and annual financial statements for the fiscal year ending December 31, 2008. The adoption of this standard is not expected to have a significant impact on the Company's financial statements.

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, 2007 is dated and current as of April 22, 2008. 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 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 character to the world class Bingham, Park City, Tintic and other districts elsewhere in Utah. Modern exploration commenced in 1953 when Kennecott identified a very large magnetic anomaly at Crypto in a regional search for porphyry copper deposits. Beginning in 1961, Utah International drilled the property for its iron (magnetite) deposits, subsequently discovering significant zinc mineralization on which they focussed their attention until exiting in 1985. In the early 1990's, Cyprus Minerals optioned the property and drilled a number of additional holes, mainly to test the known zones at depth. In all, 68 holes totalling about 27,000 metres were drilled on the property prior to Lithic's involvement.

Zinc mineralization at Crypto consists of coarse-grained sphalerite in a number of stratigraphically controlled magnetite skarns and replacement deposits in a shallow dipping sequence of Cambrian to Ordovician carbonates where they have been cut by a high level quartz monzonite/rhyolite intrusive of Late Eocene age. Multiple horizons in the carbonate sequence are mineralized. Zones of copper enrichment with values ranging from 0.2-2% are found between the main bodies of zinc mineralization and the intrusive. Marbleization of the surrounding carbonate rocks is extensive. Mineralization is generally oxidized to a depth of about 250 metres, sphalerite having been converted to zincite, smithsonite, hemimorphite and hydrozincite.

At deeper levels, several significant intervals of molybdenite mineralization have been intersected in previous drilling and molybdenite is commonly found along fractures and shears in other holes, suggesting interesting potential for a buried porphyry molybdenum deposit related to the intrusive system. In fact, 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 to zinc, then lead, silver and manganese with increasing distance from the intrusive.

Numerous 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. The single largest mine was the Utah Mine, which produced about 13,000 tons at an average grade of about 128 ounces silver per ton (4,389 gpt) and 44% lead. The district total is recorded at about 20,300 tons at a similar grade. Utah International reported significant potential for additional silver-rich mineralization at depth in the Utah Mine based on their underground mapping and sampling in the 1970's and 1980's. They subsequently drilled a single hole over 200 metres below the known extent of workings which cut a 2.9 metre interval grading 6.8% lead, 3.8% zinc and 167.1 grams per tonne of silver.

Historical Resource Estimate

In 1993, Cyprus used the cross-sectional method to estimate a “geological in-situ reserve” for the Crypto deposit, dividing mineralization into an upper, near surface oxide zone and lower sulphide zones situated at a depth of 300-500 metres.

	Tonnes	% Zn	contained lb Zn
Oxide Zinc	2,800,000	7.0	431,984,000
Sulphide Zinc	5,400,000	8.7	1,033,058,880

This historical estimate was made prior to the implementation of NI 43-101 standards, does not conform to those standards and should not be relied on as being indicative of a resource or a reserve with demonstrated economic viability. However, Cyprus’ estimate was independently reviewed in 1993 by Roscoe Postle Associates Inc. of Toronto who found their methodology to be consistent with industry practice at the time. They also confirmed Cyprus' observation that since a number of the sulphide zones were open along strike and/or down dip, there is good potential to expand mineralization by in-fill and step-out diamond drilling. Based both on their independent review and Cyprus’ status as a senior mining company, the Cyprus estimate is believed by the Company to be relevant and a reliable indication of the mineral potential of the property.

2007 Work Program

The Company commenced a program of 10,000 metres of core drilling in July 2007 with the following objectives:

- infill and step-out drilling on the Crypto deposit for confirmation and expansion of the known zinc deposit
- test nearby IP and magnetic anomalies identified in 2006 that could reflect the presence of similar but as yet unknown zinc ± lead ± silver ± copper-bearing mineralization
- test extensions to the historically mined, high grade silver-lead deposits at the Utah Mine
- extend selected drill holes to depth to investigate the possibility that numerous molybdenite-bearing drill intercepts encountered in previous work are related to a significant buried porphyry molybdenum deposit

As of the time of writing, approximately 7,300 metres of drilling in 11 holes have been completed. The program is ongoing and two drills are operating on the property. Published results to date have been very encouraging, with multiple intersections of high grade zinc-indium mineralization which in places contain significant levels of copper. Selected intercepts are tabulated below:

Hole	From (m)	To (m)	Metres	% Zn	% Cu	ppm In	Zone
C-07-01	52.49	70.10	17.61	10.56	0.13	22.9	oxide
C-07-01	123.75	136.25	12.50	27.08	0.59	8.7	oxide
C-07-01	151.25	155.75	4.50	11.02	0.07	35.5	oxide
C-07-01	337.11	345.95	8.84	4.34	0.10	54.7	sulphide
C-07-01	367.28	374.90	7.62	7.74	0.03	16.5	sulphide
C-07-01	404.16	420.32	16.15	10.50	0.11	30.6	sulphide
C-07-01	458.72	484.60	23.88	4.22	0.15	184.9	sulphide
C-07-01	498.30	510.50	12.20	4.26	0.27	151.1	sulphide
C-07-01	601.37	605.94	4.57	6.26	0.33	84.6	sulphide
C-07-01	623.30	640.10	16.80	2.93	0.14	205.8	sulphide
Incl	632.50	633.70	1.20	0.87	0.33	1,055.0	sulphide
C-07-02	217.78	220.07	2.29	5.18	0.07	39.9	oxide
C-07-02	367.90	385.27	17.37	27.30	0.46	28.9	sulphide
C-07-02	392.58	393.90	1.32	20.88	2.23	13.2	sulphide
C-07-02	416.97	424.59	7.62	21.51	0.51	39.0	sulphide
C-07-02	435.25	438.61	3.36	12.89	0.98	39.3	sulphide
C-07-02	513.89	520.45	6.56	3.20	0.16	102.0	sulphide

Hole	From (m)	To (m)	Metres	% Zn	% Cu	ppm In	Zone
C-07-02	566.93	569.37	2.44	4.97	0.49	250.2	sulphide
C-07-02	639.47	640.54	1.07	5.17	0.16	720.8	sulphide
C-07-03	25.30	30.94	5.64	3.78	0.36	3.4	oxide
C-07-03	123.75	125.88	2.13	10.85	0.43	15.0	oxide
C-07-03	145.08	152.55	7.47	16.08	0.41	20.9	oxide
C-07-03	258.62	274.02	15.40	2.92	0.16	71.4	sulphide
C-07-03	304.65	334.67	30.02	17.93	0.53	50.1	sulphide
C-07-03	435.56	445.01	9.45	1.33	0.16	176.3	sulphide
C-07-03	456.74	461.92	5.18	1.45	1.56	221.5	sulphide
C-07-04	320.80	323.55	2.75	0.08	0.93	139.9	sulphide
C-07-04	394.56	399.44	4.88	0.08	1.05	40.5	sulphide
C-07-05	182.58	190.96	8.38	10.00	0.11	96.5	oxide
C-07-05	226.77	244.45	17.68	7.78	0.06	33.6	sulphide
incl	229.82	235.76	5.94	16.11	0.05	68.6	sulphide
C-07-05	281.64	295.35	13.71	6.17	0.02	53.1	sulphide
incl	288.04	293.67	5.63	9.92	0.01	90.7	sulphide
C-07-05	347.17	375.82	28.65	4.00	0.38	111.7	sulphide
incl	347.17	356.31	9.14	3.78	0.04	172.4	sulphide
C-07-05	397.76	401.12	3.36	5.42	0.42	114.2	sulphide
C-07-05	475.64	477.32	1.68	4.63	0.45	385.0	sulphide

Samples are being submitted on a weekly basis to ALS Chemex in Elko, Nevada for analysis and the results are reported periodically over the course of the program. The Company has a rigorous QA/QC protocol in place for the sampling process involving multiple standards at a range of grades as well as blanks and various field and preparation duplicates.

The program of drilling at Crypto was originally budgeted at a total cost of approximately $2.5 million. Despite generally good ground conditions, the pace of drilling has been much slower than anticipated. As a result, the program will require more time to complete than originally estimated and a cost overrun of about 20% is projected. This is well within the financial capacity of the Company.

Following the completion of drilling, an independent, NI 43-101 compliant resource estimate will be generated on the basis of both the results of current drilling and historical data. In addition, preliminary metallurgical test work is planned for representative samples of both the oxide and sulphide mineralization in the Crypto deposit. A new and comprehensive NI 43-101 report incorporating this information is anticipated for the latter half of 2008.

Stoke Mountain Property

In June of 2005, the Company acquired an option to earn a 100% interest in the Stoke Mountain copper-zinc-silver property by making cash payments totalling $155,000, issuing 425,000 shares and carrying out $975,000 in work. The 11,091 hectare property is centred about 20 kilometres northeast of the town of Sherbrooke in southeastern Quebec.

In 2006, the Company established two grids totalling about 55 line-kilometres to control geochemical soil sampling along with some prospecting and geological mapping. Geochemical stream sediment sampling and additional mapping and prospecting were completed over other portions of the property. The results of this work were not considered to be sufficiently encouraging and the Company terminated its option on the property in April 2007.

Other Properties

The Fly Lake property, located in the Uchi Lake area of north-western Ontario, was assigned to Berland by Cumberland Resources Ltd. in October 1997 in exchange for shares. The property covers a portion of the Archean age Confederation Lake greenstone belt immediately south of the South Bay VMS deposit. A variety of companies had explored the area for VMS deposits previous to Berland, including Hollinger, Kerr Addison, St. Joseph, Placer Dome, Noranda, BHP, Rio Algom and Cumberland Resources. In 1998, Berland carried out a small geophysical survey and drilled two holes with negative results. To date, a few narrow intervals of zinc mineralization as well as some footwall style alteration have been located.

The Company now owns a 100% interest in the property, subject to Rio Algom's back-in right for a 50% interest in exchange for completing a feasibility study and arranging financing (Rio was the original optionor to Berland). It has not performed any work on the property which, as of the end of 2007, consists of 38 claims. It does not currently plan any work but is searching for a partner to continue with exploration.

Discussion of Financial Condition

General

On January 12, 2007, the Company closed a non-brokered private placement of 9,591,700 units at $0.40 per unit for gross proceeds of $3,836,680. 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 twenty-four months after the closing at an exercise price of $0.60 in the first year and $0.80 in the second year. A portion of the proceeds were received late in 2006, the financing having been announced on December 1 and 12, 2006.

In March and April, a total of 3,728,000 warrants were exercised at $0.35 for gross proceeds of $1,304,800. A total of 1,050,000 stock options were exercised by directors for proceeds of $271,490.

The Company's general and administrative costs in 2007 totalled $1,133,595. By far the largest single component of these costs was a charge of $750,767 for stock based compensation related to the issuance of 1,875,000 stock options to directors and consultants of the Company. Securities regulations now mandate that stock options are directly expensed rather than enumerated in the notes to financial statements as previously. A value for the options is estimated using a statistical model which attempts to take into account the volatility of the stock, the risk free rate and the weighted average life of the options. These models are generally based on revenue generating companies with regular trading patterns. Where the company is non-revenue generating and the market for its stock is highly volatile and not very liquid, such as is often the case in the junior mining market, the results may not be very meaningful.

At $135,000, management fees were substantially higher than in those stated in 2006, mainly because a significant portion of management time in 2006 was credited to exploration expenditures rather than management fees. In addition, the rate of management compensation increased in 2007 and management was reimbursed for fees foregone in 2005. Office expenses increased from $35,675 in 2006 to $79,270 in 2007 because an administrative assistant was hired and there was an increase in insurance expense. The amount for communications and investor relations increased from $24,986 to $78,745, mainly because of increased promotional activities including trips to visit potential investors in Switzerland, London and Toronto by the President and CEO of the Company. At $47,900, professional fees were comparable to those in 2006.

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 does not have any investor relations contracts.

Exploration Expenditures

Exploration expenditures increased markedly to $1,365,946 in 2007 from $329,834 in 2006 and were related entirely to a major program of core drilling being carried out on the Crypto project. The work at Crypto was described in a previous section and the associated expenditures are tabulated below. Most of the items are self-explanatory. The most significant components comprising "Field Costs" include drilling consumables such as fluids and muds, fuel, road-building and drill site preparation, hauling of drill water and the establishment and maintenance of an on-site camp. As noted previously, total expenditures are running approximately 20% over budget because of a much slower than anticipated rate of drilling. However, the cost overrun is well within the financial capacity of the Company.

No work was carried out at the Stoke project in 2007, the option on which was relinquished in April. However, an invoice for some wrap-up work carried out in 2006 was not received until early in 2007.

	2007		2006	
	Crypto	Stoke	Crypto	Stoke
Geology	168,825	--	3,631	33,164
Geophysics	--	--	195,508	--
Geochemistry	--	--	--	49,403
Linecutting	--	--	--	48,128
Drilling charges	500,293	--	--	--
Field Costs	640,070		--	--
Analytical	36,946	--	--	--
Depreciation	16,597	--	--	--
Wrap-up costs	--	3,215	--	--
Totals	**1,362,731**	**3,215**	**199,139**	**130,695**

Selected Annual Information

		2007	2006[3]	2005[3]
Total Revenues		Nil	Nil	Nil
Net Income or Loss[1]	Total	(961,792)	(506,702)	(182,852)
	Per Share	(0.02)	(0.02)	(0.01)
	Per Diluted Share[2]	n/a	n/a	n/a
Total Assets		6,294,856	2,892,469	396,842
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
(3) Restated after capitalization of exploration expenses

The net loss has varied from year to year mainly on the basis of the amount of exploration work carried out by the company. The significant increase in the loss for 2007 compared with previous years reflects very substantially increased exploration expenditures on the Crypto property. As noted in the financial statements, the Company changed its accounting policy in fiscal 2007 to capitalize rather than expense its exploration expenditures. Accordingly, the net loss for 2006 was restated from last year to include 2006 expenditures on the Crypto property.

Selected Quarterly Information

The net loss for the Company in the period increased significantly from that in the same period in 2006 because there were substantially increased exploration expenditures in 2007. The table below summarizes selected financial information for the last eight quarters:

Quarter Ended	Revenue ($)	Net Income/(loss) [2] ($)	Net loss per share ($)	Net loss per share diluted[1]($)
Dec. 31, 2007	Nil	(81,402)	0.00	n/a
Sept. 30, 2007	Nil	(440,093)	0.01	n/a
June 30, 2007	Nil	(60,981)	0.00	n/a
March 31, 2007	Nil	(379,316)	0.01	n/a
Dec. 31, 2006	Nil	(145,672)	0.03	n/a
Sept. 30, 2006	Nil	(75,156)	0.01	n/a
June 30, 2006	Nil	(306,864)	0.01	n/a
March 31, 2006	Nil	20,990	0.00	n/a

(1) Fully diluted loss per share not shown as it is anti-dilutive
(2) Figures for 2007 re-stated after capitalization of exploration expenditures

Share Capital

The Company has one class of common shares. At December 31, 2007, there were 36,305,519 common shares, 2,475,000 stock options and 4,795,850 warrants outstanding.

Related Party Transactions

An amount of $135,000 for management services was paid to a company owned by the President of the Company. This figure includes $10,000 in reimbursement for compensation foregone in 2005.

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, 2007 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, 2007. 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.

Liquidity and Solvency

The Company had a net working capital position of $3,978,539 at December 31, 2007 compared with $2,284,337 at the same point in 2006. As at the end of 2007, the Company had sufficient liquidity to meet its obligations for the next year.

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. 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 a complex array of other economic, political and technical risks in exploring and developing its mineral properties including, among other things, volatile metals markets, competition, changing government regulations, the availability of key personnel, title issues 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.

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, 2008

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Shares

Listing:	TSX Venture Exchange
Symbol:	LTH
Authorized:	unlimited
Issued:	36,305,519 (at 4-24-2008)

Auditor

Manning Elliott LLP
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Officers and Directors

Christiaan F. Staargaard
President, CEO and Director

Russell L. Cranswick
Director

Helmut H. Wöber
Director

Frank D. Wheatley
Secretary and Director

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Annual General Meeting

Gowling LaFleur Henderson LLP
Suite 2300, 1055 Dunsmuir St .
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11AM - May 22, 2008

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