LITHIC RESOURCES LTD.

ANNUAL REPORT 2008

To the Shareholders:

In July of 2008, we completed the exploration at our 100% owned Crypto zinc project in western Utah. This program was 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.

Fifteen core holes totalling 10,639 metres were completed, returning multiple intersections of high grade zinc mineralization which in places contain significant levels of copper. All three zones, Main, Deep and Oxide, were extended in places and remain open to expansion.

We continued to encounter significant levels of indium in the zinc mineralization. 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 levels seen 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.

Significant intersections of molybdenite mineralization were encountered, both as porphyry-style veinlets in underlying intrusive rocks and as disseminations within skarn. Molybdenite mineralization at Crypto has now been found over an area of about 500 metres by 300 metres. Its widespread distribution suggests that zinc-indium-copper and silver-lead mineralization on the Crypto property may represent classic peripheral mineralization associated with a large, underlying, zoned porphyry molybdenum system, the core of which remains a prime target for further exploration.

Although a drill hole below the old Utah mine workings was inconclusive in that a unit of unfavourable host rock was unexpectedly encountered at target depth, another of our holes intersected a new zone of high grade, silver-zinc mineralization in another area. This intercept along with a number of other high grade silver intercepts from historical drilling east of the Crypto deposit suggest very interesting potential to identify one or more new replacement-style silver-zinc-lead deposits in addition to that at the Utah Mine.

Mine Development Associates of Reno, Nevada is currently preparing an updated resource estimate for the property and bench scale metallurgical testwork on both oxide and sulphide mineralization is scheduled for the near future. All of this information will be incorporated into a comprehensive NI 43-101 report.

The directors and management are very pleased with the results of the 2007-2008 drill program and the Crypto property will continue to be the focus of the Company's efforts. Its location in Utah, proximity to infrastructure, size and high grades of zinc and indium already make it a compelling project while the possibility of resource expansion, a major underlying porphyry molybdenum deposit and new high grade silver deposits present considerable "blue sky" appeal.

Finally, we have recently added two new people to the team. Mr. Steven Vanry joined the Company as Chief Financial Officer and Ms. Deborah Thiel will assist the Company in its marketing efforts and general corporate development. Both individuals are highly experienced in the junior mining sector and will provide a strategic advantage to the Company going forward.

In closing, I can say that we remain confident in the long term value of Crypto and its potential to create value for the Company's shareholders. While the current depressed market conditions prevent us from advancing the project as quickly as we would like in the short term, our healthy treasury and low cost structure will allow us to continue until such time as a major program of followup work is possible.

On behalf of the board,

C.F. Staargaard
President and CEO

LITHIC RESOURCES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2008 AND 2007

MANNING ELLIOTT
CHARTERED ACCOUNTANTS
11th floor, 1050 West Pender Street, Vancouver, BC, Canada V6E 3S7
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, 2008 and 2007 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, 2008 and 2007 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 20, 2009

LITHIC RESOURCES LTD.

CONSOLIDATED BALANCE SHEETS

AS AT DECEMBER 31, 2008 AND 2007

ASSETS	2008 $	2007 $
Current Assets		
Cash and cash equivalents	1,268,923	4,149,462
Amounts receivable	16,352	70,235
Prepaids	8,957	18,799
Marketable securities (Note 3(d))	3,000	11,260
	1,297,232	4,249,756
Reclamation Deposit	50,624	43,884
Equipment (Note 4)	32,817	54,697
Mineral Claims and Options (Note 5)	4,405,537	1,946,519
	5,786,210	6,294,856
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities (Note 3(n))	68,159	258,458
Amount due to related party (Note 8)	17,209	12,759
	85,368	271,217
SHAREHOLDERS' EQUITY		
Share Capital (Note 6)	10,554,120	10,517,130
Contributed Surplus	880,990	897,990
	11,435,110	11,415,120
Accumulated Other Comprehensive Income	710	8,970
Deficit	(5,734,978)	(5,400,451)
	(5,734,268)	(5,391,481)
	5,700,842	6,023,639
	5,786,210	6,294,856

Nature of Operations (Note 1)

Commitments (Note 9)

Subsequent Event (Note 13)

Approved on Behalf of the Board:

"C.F. Staargaard"	*"F.D. Wheatley"*
Chris Staargaard, Director	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, 2008 AND 2007

	2008 $	2007 $
REVENUE	-	-
MINERAL CLAIMS, OPTIONS AND EXPLORATION COSTS (Note 5)	-	3,215
ADMINISTRATIVE EXPENSES		
Communication and investor relations	30,577	78,745
Management fees (Note 8)	168,700	135,000
Office, rent and travel	147,452	79,270
Professional fees	76,203	47,900
Stock based compensation (Note 6(b))	-	750,767
Foreign exchange loss (gain)	(5,071)	41,913
	417,861	1,133,595
LOSS BEFORE OTHER ITEMS	417,861	1,136,810
OTHER EXPENSES (INCOME)		
Loss on impairment of asset	-	28,288
Other income	(10,759)	(41,037)
Interest income	(72,575)	(162,269)
	(83,334)	(175,018)
NET LOSS FOR THE YEAR	(334,527)	(961,792)
OTHER COMPREHENSIVE INCOME (LOSS)		
Revaluation of investment to fair value	(8,260)	860
COMPREHENSIVE LOSS	(342,787)	(960,932)
BASIC AND DILUTED LOSS PER SHARE	(0.01)	(0.02)
WEIGHTED AVERAGE SHARES OUTSTANDING	36,355,000	34,890,000

LITHIC RESOURCES LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008 $	2007 $
OPERATING ACTIVITIES		
Loss for the year	(334,527)	(961,792)
Items not involving cash and cash equivalents:		
Loss on impairment of asset	-	28,288
Stock based compensation	-	750,767
Changes in operating assets and liabilities:		
Accounts receivable	53,883	(14,866)
Income tax receivable	-	(41,554)
Reclamation Deposit	(6,740)	-
Prepaid expenses	9,842	7,388
Accounts payable and accrued liabilities	(190,299)	215,789
Amount due to related party	4,450	2,550
CASH USED IN OPERATING ACTIVITIES	(463,391)	(13,430)
FINANCING ACTIVITIES		
Proceeds from exercise of options (Note 6)	19,990	271,490
Proceeds from exercise of warrants (Note 6)	-	1,304,800
Proceeds from common shares issued (Note 6)	-	1,972,000
Share issuance costs	-	(180,759)
CASH PROVIDED BY FINANCING ACTIVITIES	19,990	3,367,531
INVESTING ACTIVITIES		
Reclamation deposit	-	(43,884)
Redemption of short-term investment	-	350,000
Exploration equipment	-	(99,582)
Purchase, staking and explorations of mineral claims	(2,437,138)	(1,356,094)
CASH USED IN INVESTING ACTIVITIES	(2,437,138)	(1,149,560)
INCREASE (DECREASE) IN CASH DURING THE YEAR	(2,880,539)	2,204,541
CASH AND EQUIVALENTS - BEGINNING OF YEAR	4,149,462	2,294,921
CASH AND EQUIVALENTS - END OF YEAR	1,268,923	4,149,462
CASH AND CASH EQUIVALENTS CONSIST OF:		
Cash	65,512	76,337
Term deposits	1,203,411	4,073,125
	1,268,923	4,149,462

LITHIC RESOURCES LTD.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	Shares Issued #	Share Capital Amount $	Share Subscriptions Received $	Contributed Surplus $	Accumulated Other Comprehensive Income $	Deficit $	Total $
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
Exercise of stock options	100,000	19,990	-	-	-	-	19,990
Reclassification on exercise of stock options	-	17,000	-	(17,000)	-	-	-
Revaluation of investment to fair value at end of period	-	-	-	-	(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

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, 2008, the Company had working capital of $1,211,864 and an accumulated deficit of $5,734,978. 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

Effective on January 1, 2008, the Company adopted Canadian Institute of Chartered Accountants ("CICA") Handbook Sections, Section 3862 "Financial Instruments – Disclosures" and Section 3863 "Financial Instruments – Presentation" which replaced Section 3861 "Financial Instruments – Disclosure and Presentation". These sections carry forward the former presentation requirements and increase the emphasis on recognition and management of the risks associated with recognized and unrecognized financial instruments. The adoption of these sections had no impact on the Company's consolidated financial statements.

Effective January 1, 2008, the Company adopted the CICA Handbook Section 1506, "Accounting Changes", to make accounting policy changes only in the event that a change is made within a primary source of generally accepted accounting principles, or where a change is warranted to provide more relevant and reliable information. All accounting policy changes are to be applied retroactively, unless there is no specific transition provision or it is impracticable to do so. Any prior period errors identified also require retroactive application. The adoption of the section did not have any significant impact on the Company's financial statements.

Effective January 1, 2008, the Company adopted the CICA Handbook Section 1535, "Capital Disclosures", to disclose its objectives, policies and processes for managing capital, and compliance with externally imposed capital requirements, if any. The adoption of this standard did not have any significant impact on the Company's financial statements.

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 2011 with earlier adoption permitted. The Corporation is currently evaluating the impact of this standard on the consolidated financial statements.

2. CHANGES IN ACCOUNTING POLICY AND RECENT ACCOUNTING PRONOUNCEMENTS

Recent Accounting Pronouncements (continued)

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 2011 with earlier adoption permitted. The Corporation is currently evaluating the impact of this standard on the consolidated financial statements.

In February 2008, the Accounting Standards Board issued CICA Handbook Section 3064, “Goodwill and Intangible Assets”, which replaces CICA 3062, “Goodwill and Intangible Assets”, and CICA 3450, “Research and Development Costs”. Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This new standard is effective for the Company’s interim and annual financial statements commencing November 1, 2008. The Company is currently assessing the impact of the new standard and has not yet determined its effect on the Company’s financial statements.

In June 2007, the Accounting Standards Board issued CICA Handbook Section 1400, “General Standards of Financial Statement Presentation”, which provides revised guidance on management’s responsibility to assess and disclose the Company’s ability to continue as a going concern. This standard is effective for the Company’s interim and annual financial statements for fiscal years beginning on or after November 1, 2008. The Company does not expect that the adoption of this standard will have a material impact on its financial statements.

In January 2006, 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"). On February 13, 2008, the AcSB confirmed that the standards will become effective for all publicly accountable enterprises in interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The Company continues to monitor and assess the impact of convergence of Canadian generally accepted accounting principles 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, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

[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, 2008. As at December 31, 2008 the fair market value of the securities held was $3,000 (2007 - $11,260).

[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;

[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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

[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] Share issuance costs

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

[h] 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.

[i] 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.

[j] 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.

Financial instruments included in the balance sheet are comprised of cash and cash equivalents, marketable securities, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

[k] 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.

[l] 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.

[m] 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.

[n] 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, 2008 the Company has accrued $nil (2007 - $5,000) as asset retirement obligation related to the exploration of its mineral properties which has been included in accounts payable.

[o] Measurement uncertainty

The preparation of financial statements in accordance 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 amount of revenues and expenses during the period. Significant areas requiring the use of management estimates are the determination of impairment of mineral resource properties, stock-based compensation, amortization of property and equipment, and estimation of future income tax assets and liabilities. Actual results may differ from those estimates.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

[p] Comparative figures

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

4. EQUIPMENT

	Cost $	Accumulated Depreciation $	2008 Net Book Value $	2007 Net Book Value $
Camp equipment	65,637	32,820	32,817	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 ($) 2008	2007
Canada			
Fly Lake *[a]*	100% - owned		
Beginning and end of year		1	1
Stoke Mountain *[c]*	Under Option		
Beginning of year		-	-
Exploration costs		-	3,215
Acquisition costs		-	-
Less: write-down		-	(3,215)
		-	-
United States			
Crypto *[d]*	100% - owned		
Beginning of year		1,946,518	555,253
Exploration costs		2,459,018	1,362,731
Acquisition costs		-	28,534
		4,405,536	1,946,518
Totals		4,405,537	1,946,519

5. MINERAL CLAIMS AND OPTIONS (continued)

The following table represents exploration expenditures incurred during fiscal 2008:

	Stoke Mountain $	Crypto $	Total $
Direct drilling costs	-	1,556,895	1,556,895
Geological wages, fees and costs	-	219,473	219,473
Field costs (see below)	-	580,999	580,999
Analysis	-	79,771	79,771
Depreciation of equipment	-	21,880	21,880
Wrap-up costs	-	-	-
	-	2,459,018	2,459,018

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

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

[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, 2008, the property consists of 18 claims and is carried at a nominal $1.

5. MINERAL CLAIMS AND OPTIONS (continued)

[b] 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 (not paid), 200,000 shares (not issued) and $300,000 in exploration expenditures (not incurred);
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 had 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.

[c] 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, 2008, the Property consisted of 159 unpatented claims, 18 patented claims and one Utah State mineral lease.

6. SHARE CAPITAL

[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.

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

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.

The result and estimated value of all the options granted to directors in 2008 was $nil (2007 - $750,767) and this has been charged to operations. The result and estimated value of all options granted to consultants in 2008 was nil (2007 - $18,572) and this has been capitalized to mineral property. The weighted average fair value for stock options granted in 2007 was $0.41.

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

6. SHARE CAPITAL (continued)

The weighted average number of shares under option and the weighted average option exercise price for the years ended December 31, 2008 and 2007 are as follows:

	Number of Options	Weighted Average Exercise Price ($)	Weighted Average Remaining Life (Months)
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
Granted in year	-	-	-
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

[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, 2008 and 2007 warrants were outstanding as follows:

2008	2007	Exercise Price	Expiry	Weighted Average Exercise Price
4,795,850	4,795,850	$0.80	January 2009	$0.80

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.

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 31.00% (2007: 34.12%):

	2008	2007
Expected income tax benefit computed at statutory rates	$ 105,000	$ 328,000
Effect of:		
Non-deductible stock based compensation	–	(256,000)
Non-capital losses expired	(16,000)	-
Change in enacted rates	(151,000)	–
Other	(55,000)	219,500
Valuation allowance	117,000	(291,500)
	$ –	$ –

Non-capital losses - The Company has non-capital losses in Canada and the U.S. of 1,371,000 available to offset future taxable income, expiring from 2009 to 2028.:

2009	161,000
2010	125,000
2011 - 2014	213,000
2015	130,000
2025 - 2026	125,000
2027	231,000
2028	386,000
	$ 1,371,000

7. INCOME TAXES (continued)

Future tax assets -The tax effects of temporary differences that give rise to significant portions of the future tax assets at December 31, 2008 and 2007 are presented below:

		2008		2007
Combined statutory tax rate		25.00%		31.00%
Future income tax assets				
Non-capital loss carry forwards	$	352,000	$	309,000
Property and equipment		20,000		18,000
Resource pools		1,875,000		2,069,000
Share issuance costs		35,000		16,000
Other		13,000		–
Valuation allowance		(2,295,000)		(2,412,000)
Net future income tax asset	$	–	$	–

8. RELATED PARTY TRANSACTIONS

During the year the Company recorded, at their exchange amounts, management compensation of $168,000 (2007 - $135,000), as determined between the Company and its President, to a company owned by the Company's President. Of this amount, $17,209 (2007-$12,759) remains as an amount due to a related party which is unsecured, non-interest bearing and due on demand.

9. COMMITMENTS

In October 2008, the Company entered into an agreement with Nexus Consultants Inc. for investor relations and corporate development activities. The compensation for this work is $5,000 per month and 100,000 stock options.

On January 2008, the Company entered into an agreement with a company owned by the Company's President for management services. The compensation for this work is $168,000 per year (See Note 8).

10. 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.

	Canada $	United States $	Total $
2008			
Revenue	-	-	-
Exploration costs written-off	-	-	-
Segment operating loss	(18,503)	(316,024)	(334,527)
Segment assets	1	4,405,536	4,405,537
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

11. 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, 2008, 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.

12. FINANCIAL INSTRUMENTS AND RISK

Financial Instruments

As at December 31, 2008, the Company's financial instruments consist of cash and cash equivalents, marketable securities, accounts payable and amounts due to a related party. 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, its marketable securities as available-for-sale, its amounts receivable as loans and receivables and its amounts due to a related party 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 these 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.

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, 2008, the Company has significant cash and cash equivalent balances, some of which are interest-bearing at variable interest rate, but 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 an immaterial impact on net income/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.

13. SUBSEQUENT EVENT

On February 3, 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 in the capital stock of the Company exercisable for five years at a price of $0.10 per share.

LITHIC RESOURCES LTD.

Management Discussion and Analysis

For the Year Ended

December 31, 2008

April 20, 2009

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, 2008 is dated and current as of April 20, 2009. 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 some respects 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 discovered to date at Crypto is concentrated in two adjacent deposits known as the Main and Deep Zones that are situated in a sequence of Cambrian to Ordovician carbonate rocks where they have been cut by a quartz monzonite intrusive of Late Eocene age. Zinc in both zones occurs as coarse-grained sphalerite in magnetite-rich, magnesian skarns preferentially developed in shaly members within the carbonate sequence. Small amounts of chalcopyrite are commonly found with sphalerite and some zones of relative copper enrichment are 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.

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.

Various workings in the historic Fish Springs District are developed on high grade silver-lead replacement deposits controlled by structures east of the known zinc deposit. Total production in the district, in which the single largest mine by far was the Utah Mine, is recorded at about 20,300 tons grading 128 ounces silver per ton (4,389 gpt) and 44% lead.

Historical Resource Estimate

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

	Tonnes	% Zn
Oxide Zinc	2,800,000	7.0
Sulphide Zinc	5,400,000	8.7

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, it was independently reviewed in 1993 by Roscoe Postle Associates Inc. of Toronto who found Cyprus’ 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.

2007-2008 Work Program

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

- carry out infill and step-out drilling on the Main and Deep zones 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 ± copper mineralization
- test the downward extension of 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

The program of work was concluded in July 2008, a total of 10,639 metres having been drilled in 15 core holes. All significant drill results have been published in press releases and the findings of the program can be generalized as follows:

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

Selected intercepts from the 2007-2008 program are tabulated below:

Hole	From	To	Metres	% Zn	% Cu	Ppm In	Ppm Ag	% MoS_2	Zone
C07-01	52.49	70.10	17.61	10.56	0.13	22.9	4.2	0.002	oxide
C07-01	123.75	136.25	12.50	27.08	0.59	8.7	6.7	0.002	oxide
C07-01	149.35	155.75	6.40	8.51	0.05	25.0	7.9	0.006	oxide
C07-01	364.54	381.00	16.46	5.01	0.05	17.3	1.0	0.001	Main
C07-01	404.16	420.32	16.16	10.50	0.11	30.6	2.4	0.010	Main
C07-01	458.72	510.50	51.78	3.73	0.15	139.7	7.0	0.001	Main
C07-02	367.90	385.27	17.37	27.30	0.46	28.9	11.2	0.001	Main
C07-02	416.97	427.94	10.97	15.59	0.45	30.6	8.6	0.011	Main
C07-02	594.82	606.40	11.58	0.11	1.19	47.4	17.9	0.102	Main
C07-03	145.08	152.55	7.47	16.08	0.41	20.9	18.2	0.000	oxide
C07-03	304.65	334.67	30.02	17.93	0.53	50.1	8.0	0.001	Main
C07-03	456.74	461.92	5.18	1.45	1.56	221.5	10.7	0.022	Main
C07-05	182.58	190.96	8.38	10.00	0.11	96.50	15.9	0.001	Main
C07-05	226.77	244.45	17.68	7.78	0.06	33.60	2.8	0.000	Main
C07-05	281.64	295.35	13.71	6.17	0.02	53.10	1.6	0.000	Main
C07-05	347.17	375.82	28.65	4.00	0.38	111.70	6.9	0.005	Main
C08-06	477.94	513.84	35.90	9.37	0.21	91.1	4.9	0.001	Deep
C08-06	532.04	542.54	10.50	18.47	1.82	47.4	12.9	0.002	Deep
C08-06	558.74	577.96	19.22	12.75	0.43	100.7	3.7	0.009	Deep
C08-09	450.90	456.30	5.40	10.02	0.41	22.4	20.9	0.000	Deep
C08-10	57.17	66.87	9.70	9.14	0.18	9.9	4.5	0.005	oxide
C08-12	509.32	517.55	8.23	5.71	0.23	102.9	2.5	0.008	Deep
C08-12	539.96	549.71	9.75	11.15	0.40	82.7	5.4	0.009	Deep
C08-13A	723.44	733.50	10.06	7.20	0.17	126.6	3.6	0.055	Deep
C08-14	563.73	573.48	9.75	5.42	0.23	45.1	3.1	0.027	Deep
C08-11	172.91	218.70	45.79	2.78	0.25	5.8	124.1	0.063	oxide
incl	193.99	204.82	10.83	4.28	0.48	5.8	253.8	0.073	oxide
incl	212.90	218.70	5.80	8.84	0.17	3.9	117.2	0.110	oxide
C08-06	694.73	703.38	8.65	1.08	0.07	31.2	10.9	1.666	n/a
C08-12	595.88	610.82	14.94	0.30	0.13	1.7	20.0	0.217	n/a
C08-13A	712.32	725.42	13.10	0.59	0.07	1.2	18.5	0.157	n/a
C08-13A	779.68	807.11	27.43	0.09	0.01	4.5	0.6	0.150	n/a
incl	795.83	807.11	11.28	0.18	0.01	8.0	1.1	0.232	n/a
C08-14	499.26	535.84	36.58	0.02	0.05	1.2	13.9	0.287	n/a
incl	514.35	531.11	16.76	0.02	0.04	1.3	19.4	0.432	n/a
C08-14	721.00	732.43	11.43	0.05	0.02	2.8	0.5	0.228	n/a

An independent NI 43-101 compliant resource estimate is in preparation by Mine Development Associates of Reno, Nevada. In addition, bench scale metallurgical test work is scheduled 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 in mid-2009.

The results of the 2007-2008 program are considered by the Company to be very positive and plans for a followup program of work, to be contemplated when market conditions for financing have improved, include:

- a major program of core and reverse circulation drilling to expand and increase the confidence level in both the sulphide and oxide zinc deposits
- detailed metallurgical testwork on the sulphide and oxide mineralization

- exploration drilling to test peripheral skarn style mineralization to the north of the known deposits and at depth to the east
- deep drilling to test for the possibility of a large, buried porphyry molybdenum deposit underlying the skarn deposits
- exploration drilling to test newly recognized zones of high grade, replacement-style Ag-Zn-Pb mineralization

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 2008, consists of 18 claims.

Discussion of Financial Condition

General

The Company's general and administrative costs in 2008, less a foreign exchange gain of $5,071, totalled $422,932. This was substantially lower than in 2007 when the total of $1,133,595 included a charge of $750,767 for stock based compensation. No stock options were issued in 2008. The largest component of 2008 costs was management fees which at $168,000 were higher than in those stated in 2007. A comparative compensation review based on a group of approximately thirty of the Company's peers was examined by the independent members of the board, leading them to recommend an increase in the management fee rate as of the beginning of the year. Office expenses increased from $79,270 in 2007 to $147,452 in 2008 as they included a full year's salary for an administrative assistant who was hired in the fall of 2007 as well as increased rent and travel. The amount for communications and investor relations decreased from $78,745 to $30,577 because two European promotional trips made in 2007 were not repeated in the year. At $76,203, professional fees were higher than the $47,900 spent in 2007, in part because of a substantial increase in audit fees related to new regulatory requirements.

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

	2008		2007	
	Crypto	**Stoke**	**Crypto**	**Stoke**
Geology	219, 473	--	168,825	--
Drilling charges	1,556,895	--	500,293	--
Field Costs	580,999	--	640,070	
Analytical	79,771	--	36,946	--
Depreciation	21,880	--	16,597	--
Wrap-up costs	--	--	--	3,215
Totals	**2,459,018**	**--**	**1,362,731**	**3,215**

Exploration expenditures increased markedly to $2,459,018 from $1,362,731 in 2007 and were related entirely to the continuation of a major program of core drilling being carried out on the Crypto project where a second drill was added in January. 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 continued support of an on-site camp. Total expenditures for the project were greater than anticipated, mainly because the drill contractor was not able to achieve normal drilling rates despite good ground conditions. A significantly prolonged field program resulted in increased field, geological and other support costs. Due to very high levels of exploration and drilling activity worldwide at the time and the resulting extreme competition for equipment and personnel, alternatives were not available to the Company.

No work was carried out at the Stoke project in 2008, the option on which was relinquished in April 2007.

Selected Annual Information

		2008	2007	2006[3]
Total Revenues		Nil	Nil	Nil
Net Income or Loss[1]	Total	(334,527)	(961,792)	(506,702)
	Per Share	(0.01)	(0.02)	(0.02)
	Per Diluted Share[2]	n/a	n/a	n/a
Total Assets		5,786,210	6,294,856	2,892,469
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 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 2008 decreased from that of 2007 as the latter year figure included a large charge for stock-based compensation while no options were issued in 2008. 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 last year to include 2006 expenditures on the Crypto property.

Selected Quarterly Information

The net loss for the Company in the period is comparable with that in the same period in 2007, both periods including substantial exploration activity. 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, 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
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

(1) Fully diluted loss per share not shown as it is anti-dilutive
(2) Figures for 2006 and 2007 re-stated after capitalization of exploration expenditures

Share Capital

The Company has one class of common shares. At December 31, 2008, there were 36,405,519 common shares, 1,900,000 stock options and 4,795,850 warrants outstanding.

Related Party Transactions

An amount of $168,000 for management services was paid to a company owned by the President of the Company.

Liquidity and Solvency

The Company had a net working capital position of $1,211,864 at December 31, 2008 compared with $3,978,539 at the same point in 2007. As at the end of 2008, 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 a complex array of other economic, political and technical risks in exploring and developing its mineral properties, including, without limitation, volatile stock and currency markets, extreme 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.

Adoption of New Accounting Standards and Accounting Developments

Changes in Accounting Policy

Effective on January 1, 2008, the Company adopted Canadian Institute of Chartered Accountants ("CICA") Handbook Sections, Section 3862 "Financial Instruments – Disclosures" and Section 3863 "Financial Instruments – Presentation" which replaced Section 3861 "Financial Instruments – Disclosure and Presentation". These sections carry forward the former presentation requirements and increase the emphasis on recognition and management of the risks associated with recognized and unrecognized financial instruments. The adoption of these sections had no impact on the Company's consolidated financial statements.

Effective January 1, 2008, the Company adopted the CICA Handbook Section 1506, "Accounting Changes", to make accounting policy changes only in the event that a change is made within a primary source of generally accepted accounting principles, or where a change is warranted to provide more relevant and reliable information. All accounting policy changes are to be applied retroactively, unless there is no specific transition provision or it is impracticable to do so. Any prior period errors identified also require retroactive application. The adoption of the section did not have any significant impact on the Company's financial statements.

Effective January 1, 2008, the Company adopted the CICA Handbook Section 1535, "Capital Disclosures", to disclose its objectives, policies and processes for managing capital, and compliance with externally imposed capital requirements, if any. The adoption of this standard did not have any significant impact on the Company's financial statements.

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 2011 with earlier adoption permitted. The Corporation is currently evaluating the impact of this standard on the consolidated 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 2011 with earlier adoption permitted. The Corporation is currently evaluating the impact of this standard on the consolidated financial statements.

In February 2008, the Accounting Standards Board issued CICA Handbook Section 3064, “Goodwill and Intangible Assets”, which replaces CICA 3062, “Goodwill and Intangible Assets”, and CICA 3450, “Research and Development Costs”. Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This new standard is effective for the Company’s interim and annual financial statements commencing November 1, 2008. The Company is currently assessing the impact of the new standard and has not yet determined its effect on the Company’s financial statements.

In June 2007, the Accounting Standards Board issued CICA Handbook Section 1400, “General Standards of Financial Statement Presentation”, which provides revised guidance on management’s responsibility to assess and disclose the Company’s ability to continue as a going concern. This standard is effective for the Company’s interim and annual financial statements for fiscal years beginning on or after November 1, 2008. The Company does not expect that the adoption of this standard will have a material impact on its financial statements.

International Financial Reporting Standards

In 2006, the Accounting Standards Board (“AcSB”) announced that accounting standards in Canada are to be converged with International Financial Reporting Standards (“IFRS”). In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed that publicly accountable companies will be required to adopt IFRS for interim and annual financial statements relating to fiscal periods beginning on or after January 1, 2011 with appropriate comparative data in respect of the prior year . Under IFRS, there is significantly more disclosure required, specifically for quarterly reporting. Further, while IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policy that must be addressed. A review of the impact of IFRS on the Company’s consolidated financial statements and other areas of the Company is in progress. Any changes required to systems and controls will be identified as the project progresses. The transition date of January 1, 2011, will require restatement for comparative purposes of amounts reported by us for the year ended December 31, 2010.

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, 2008 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, 2008. 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, 2009, the Company appointed Mr. Steven Vanry, CFA, CIM, as Chief Financial Officer. On February 3, 2009, the Company granted a total of 1,125,000 incentive stock options to directors, officers, employees and consultants of the Company. Each stock option entitles the holder to purchase one common share of the Company at a price of $0.10 until February 2, 2014 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, 2009

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Shares

Listing: TSX Venture Exchange

Symbol: LTH

Authorized: unlimited

Issued: 36,405,519 (at 4-20-2009)

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Helmut H. Wöber
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11AM - May 27, 2009