LITHIC RESOURCES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010

DAVIDSON & COMPANY LLP — Chartered Accountants — A Partnership of Incorporated Professionals

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Lithic Resources Ltd.

We have audited the accompanying consolidated financial statements of Lithic Resources Ltd. which comprise the consolidated balance sheet as at December 31, 2010 and the consolidated statements of loss and comprehensive loss, cash flows and changes in shareholders' equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Lithic Resources Ltd. as at December 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other Matters

The consolidated financial statements of Lithic Resources Ltd. for the year ended December 31, 2009 were audited by another auditor who expressed an unmodified opinion on those statements on April 20, 2010.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

April 29, 2011

NEXIA INTERNATIONAL

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LITHIC RESOURCES LTD.
CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31

	2010	2009
ASSETS		
Current		
Cash	$ 754,903	$ 1,242,440
Receivables	14,373	1,645
Prepaids	7,497	8,845
Marketable securities (Note 4)	11,170	5,473
	787,943	1,258,403
Deferred financing costs	11,155	14,271
Equipment (Note 5)	-	10,937
Reclamation deposit (Note 6)	76,290	69,681
Mineral properties (Note 6)	4,912,757	4,715,954
	$ 5,788,145	$ 6,069,246
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 72,012	$ 129,667
Shareholders' equity		
Capital stock (Note 7)	11,244,081	10,554,120
Share subscriptions received	-	585,000
Contributed surplus	1,265,855	966,945
Accumulated other comprehensive income	8,880	3,183
Deficit	(6,802,683)	(6,169,669)
	5,716,133	5,939,579
	$ 5,788,145	$ 6,069,246

Nature of operations and going concern (Note 1)
Subsequent events (Note 14)

On behalf of the Board:

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

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

The accompanying notes are an integral part of these consolidated financial statements.

LITHIC RESOURCES LTD.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEAR ENDED DECEMBER 31

	2010	2009
EXPENSES		
Communication and investor relations	$ 30,963	$ 21,364
Foreign exchange loss	5,116	2,140
Management fees	168,000	168,000
Office and miscellaneous	43,920	75,380
Professional fees	109,599	73,242
Rent	18,600	18,600
Stock-based compensation (Note 7)	256,386	78,248
Travel	4,812	4,911
Loss before other items	(637,396)	(441,885)
OTHER ITEMS		
Loss on impairment of mineral property (Note 6)	-	(1)
Interest income	4,382	7,195
	4,382	7,194
Loss for the year	(633,014)	(434,691)
Other comprehensive income		
Unrealized gain on marketable securities	5,697	2,473
Comprehensive loss for the year	$ (627,317)	$ (432,218)
Basic and diluted loss per common share	$ (0.02)	$ (0.01)
Weighted average shares outstanding	41,359,081	36,406,000

The accompanying notes are an integral part of these consolidated financial statements.

LITHIC RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31

	2010	2009
OPERATING ACTIVITIES		
Loss for the year	$ (633,014)	$ (434,691)
Items not involving cash:		
Stock-based compensation	256,386	78,248
Unrealized foreign exchange loss	3,905	-
Loss on impairment of mineral property	-	1
Changes in operating assets and liabilities:		
(Increase) decrease in receivables	(12,728)	14,707
Decrease in prepaids	1,348	112
Decrease in accounts payable and accrued liabilities	(18,864)	(5,647)
Cash used in operating activities	(402,967)	(347,270)
FINANCING ACTIVITIES		
Deferred financing costs	-	(14,271)
Proceeds from share issuance	170,000	-
Proceeds from share subscriptions received	-	585,000
Share issue costs	(35,503)	-
Cash provided by financing activities	134,497	570,729
INVESTING ACTIVITIES		
Mineral properties	(208,553)	(230,885)
Reclamation deposit	(10,514)	(19,057)
Cash used in investing activities	(219,067)	(249,942)
Decrease in cash during the year	(487,537)	(26,483)
Cash, beginning of year	1,242,440	1,268,923
Cash, end of year	$ 754,903	$ 1,242,440
Supplemental cash flow information		
Interest paid	$ -	$ -
Income taxes paid	-	-

Supplemental disclosure with respect to cash flows (Note 9)

The accompanying notes are an integral part of these consolidated financial statements.

LITHIC RESOURCES LTD.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31

	Shares Issued	Share Capital Amount	Share Subscriptions Received	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total
Balance, December 31, 2008	36,405,519	$ 10,554,120	$ -	$ 880,990	$ 710	$(5,734,978)	$ 5,700,842
Share subscriptions received	-	-	585,000	-	-	-	585,000
Unrealized gain on marketable securities	-	-	-	-	2,473	-	2,473
Stock-based compensation	-	-	-	85,955	-	-	85,955
Loss for year	-	-	-	-	-	(434,691)	(434,691)
Balance, December 31, 2009	36,405,519	10,554,120	585,000	966,945	3,183	(6,169,669)	5,939,579
Unrealized gain on marketable securities	-	-	-	-	5,697	-	5,697
Private placement	5,000,000	750,000	(585,000)	-	-	-	165,000
Share issue costs	-	(68,609)	-	18,835	-	-	(49,774)
Issuance of stock on option exercise	50,000	5,000	-	-	-	-	5,000
Reclassification on exercise of stock options	-	3,570	-	(3,570)	-	-	-
Stock-based compensation	-	-	-	283,645	-	-	283,645
Loss for year	-	-	-	-	-	(633,014)	(633,014)
Balance, December 31, 2010	41,455,519	$ 11,244,081	$ -	$ 1,265,855	$ 8,880	$(6,802,683)	$ (5,716,133)

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

The Company was incorporated under the Business Corporations Act in British Columbia. The Company's principal business is the acquisition and exploration of mineral resource properties.

The Company is in the process of exploring its mineral properties and has not yet determined whether the properties contain reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves, the achievement of profitable production, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") with the assumption that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. Management believes it will be successful in raising the necessary funding to continue operations in the normal course of operations; however, there is no assurance that these funds will be available on terms acceptable to the Company or at all.

The Company has no current revenues or cash flows. These consolidated financial statements have been prepared on the basis that the Company is a going concern. These consolidated financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern.

Management estimates it will have sufficient working capital to continue operations for the next 12 months.

	2010	2009
Working capital (deficiency)	$ 715,931	$ 1,128,736
Deficit	(6,802,683)	(6,169,669)

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation and consolidation

The financial statements of the Company are prepared in accordance with Canadian GAAP 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 GAAP 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 the potential impairment of mineral properties, future income taxes, the valuation of asset retirement obligations and stock-based compensation. Actual results may ultimately differ from those estimates.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

c) Financial instruments

Financial instruments are classified into one of five categories: held-for-trading financial instruments, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value, except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial instruments are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial assets are measured at fair value and changes in fair value are recognized in other comprehensive income until the instrument is derecognized or impaired.

Financial instruments that are measured at fair value use inputs, which are classified within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
Level 3 – inputs for the asset or liability that are not based on observable market data.

The Company has classified its cash and reclamation deposit as held-for-trading; marketable securities as available-for-sale; receivables are classified as loans and receivables; and accounts payable and accrued liabilities and amount due to related party are classified as other liabilities.

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, 2010.

e) Mineral properties

The Company records its interests in mineral properties and areas of geological interest at cost. All direct and indirect costs relating to the acquisition and exploration of 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 management has determined there to be an impairment. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. These costs will be amortized on the basis of units produced in relation to the proven reserves available on the related property following commencement of production. Mineral properties which are sold before that property reaches the production stage will have all revenues from the sale of the property credited against the cost of the property. Additionally, any cost recoveries and mining tax credits are credited against the property cost. Properties which have reached the production stage will have a gain or loss calculated based on the portion of that property sold.

The recorded cost of mineral exploration interests is based on cash paid, the value of share considerations and exploration and development costs incurred. The recorded amount may not reflect recoverable value as this will be dependant on the development program, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

f) Equipment

Equipment is stated at cost and amortized over its estimated useful life of three years on a straight-line basis.

g) Flow-through shares

Canadian tax legislation permits a company to issue flow-through shares whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the Company. Capitalizing these expenditures for accounting purposes gives rise to taxable temporary differences.

When flow-through expenditures are renounced, a portion of the future income tax assets that was not recognized in previous years, due to the recording of a valuation allowance, may be recognized as a recovery of income taxes in the statements of loss and comprehensive loss.

h) Deferred financing costs

Deferred financing costs consist of legal and other costs relating to raising capital. These costs are recorded as a reduction of share capital at the time the financing is completed or expensed if the financing does not complete.

i) Stock-based compensation

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

j) Loss per share

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

k) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

k) Foreign currency transactions and subsidiary translation (cont'd…)

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 exchange rates approximating those on the transaction date, 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

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

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

The Company recognizes the fair value of a liability for an asset retirement obligation in the period in which it is incurred or when a reasonable estimate of fair value can be made. The fair value of an asset retirement obligation is recorded as a liability and a corresponding increase in mineral properties. Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset. Actual costs incurred upon settlement are charged against the asset retirement obligation. Any difference between the actual costs and the recorded liability is recognized as a gain or loss in earnings in the period in which the settlement occurs.

As at December 31, 2010 and 2009, the Company has not incurred any asset retirement obligations related to the exploration of its mineral properties.

o) Comparative figures

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

3. RECENT ACCOUNTING PRONOUNCEMENTS

International financial reporting standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. The Company continues to monitor and assess the impact of Canadian GAAP and IFRS.

Business combinations

In January 2009, the CICA issued Handbook Sections 1582 "Business Combinations", 1601 "Consolidated Financial Statements" and 1602 "Non-controlling Interests" which replace CICA Handbook Sections 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. These Sections are applicable for interim and annual consolidated financial statements for fiscal years beginning January 1, 2011. Early adoption of these Sections is permitted and all these Sections must be adopted concurrently. Management does not expect that the adoption of this new standard will have significant impact on the Company's financial statements.

4. MARKETABLE SECURITIES

Marketable securities are classified as available-for-sale financial instruments, which are adjusted to market value. As at December 31, 2010 the fair market value of the securities held was $11,170 (2009 - $5,473).

5. EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value
December 31, 2010			
Camp equipment	$ 65,637	$ 65,637	$ -
December 31, 2009			
Camp equipment	$ 65,637	$ 54,700	$ 10,937

6. MINERAL PROPERTIES

The following table represents expenditures incurred on the mineral properties during fiscal 2010:

	Crypto	Total 2010
Acquisition costs	$ 381,905	$ 381,905
Deferred exploration costs		
Balance, beginning of year	4,334,049	4,334,049
Additions during the year:		
Analysis	203	203
Amortization of equipment	10,937	10,937
Engineering	62,402	62,402
Field costs	3,559	3,559
Geological wages, fees and costs	70,087	70,087
Metallurgical studies	18,038	18,038
Property holding costs, taxes and fees	31,577	31,577
	196,803	196,803
Balance, end of year	4,530,852	4,530,852
Total	$ 4,912,757	$ 4,912,757

The following table represents expenditures incurred on the mineral properties during fiscal 2009:

	Fly Lake	Crypto	Total 2009
Acquisition costs	$ 1	$ 381,905	$ 381,906
Deferred exploration costs			
Balance, beginning of year	-	4,023,631	4,023,631
Additions during the year:			
Analysis	-	230	230
Amortization of equipment	-	21,880	21,880
Field costs	-	972	972
Geological wages, fees and costs	-	138,288	138,288
Metallurgical studies	-	120,870	120,870
Property holding costs, taxes and fees	-	28,178	28,178
	-	310,418	310,418
Balance, end of year	-	4,334,049	4,334,049
Less: impairment on mineral property	(1)	-	(1)
Total	$ -	$ 4,715,954	$ 4,715,954

6. MINERAL PROPERTIES (cont'd…)

a) Fly Lake

As at December 31, 2009, the last remaining claim constituting the Fly Lake property was allowed to lapse, therefore, the Company has written off the property.

b) Crypto Zinc Property

In 2005, the Company acquired a 100% interest in various mining claims and a mineral lease referred to as the Crypto Zinc Property located in Utah, U.S.A. for total consideration of $257,500.

Reclamation deposit

The Company has reclamation bonds of $76,290 (2009 - $69,681) to cover future disturbances on the property.

7. CAPITAL STOCK

a) Capital stock

The Company has authorized capital stock of unlimited common shares without par value.

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

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

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

7. CAPITAL STOCK (cont'd…)

b) Stock options (cont'd…)

The estimated fair value of all the options granted to directors and investor relations consultants in 2010 was $256,386 (2009 - $78,248) and has been charged to operations. The estimated fair value of all options granted to consultants in 2010 was $27,258 (2009 - $7,707) which has been capitalized to geological costs in mineral properties. The fair value per option granted was $0.26 (2009 - $0.08).

The fair value of stock options and finder's warrants granted was estimated using the Black-Scholes option pricing model assuming the following weighted average assumptions:

	2010	2009
Risk free interest rate	2.67%	2.81%
Expected dividend yield	- %	- %
Expected stock price volatility	125%	145%
Expected life of options	4.5 years	3.3 years

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance – December 31, 2008	1,900,000	$ 0.45
Granted in year	1,125,000	0.10
Expired in year	(300,000)	0.24
Cancelled in year	(425,000)	0.29
Balance – December 31, 2009	2,300,000	0.34
Granted in year	1,100,000	0.33
Exercised in year	(50,000)	0.10
Balance – December 31, 2010	3,350,000	$ 0.34
Exercisable – December 31, 2010	3,325,000	$ 0.34

7. CAPITAL STOCK (cont'd…)

b) Stock options (cont'd…)

The following stock options were outstanding at December 31, 2010:

Number of Options	Exercise Price $	Expiry Date
300,000	0.39	May 16, 2011
500,000	0.53	February 9, 2012
600,000	0.51	September 18, 2012
850,000	0.10	February 2, 2014
1,100,000	0.33	January 7, 2015
3,350,000		

c) Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance – December 31, 2009 and 2008	-	$ -
Granted in year	2,724,000	0.24
Balance – December 31, 2010	2,724,000	$ 0.24

The following warrants were outstanding at December 31, 2010:

Number of Warrants	Exercise Price $	Expiry Date
2,500,000	0.25	July 7, 2011
224,000 *	0.15	July 7, 2011
2,724,000		

* Each warrant is exercisable in to one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at a price of $0.25 per common share.

8. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2010 the Company entered into the following transactions with related parties:

a) Paid or accrued management fees of $168,000 (2009 - $168,000) to a company owned by the Company's President.

b) Paid or accrued accounting fees included in professional fees of $54,000 (2009 - $43,500) to a company controlled by the Company's Chief Financial Officer.

Included in accounts payable is $18,248 (2009 - $18,724) owing to a company owned by the Company's President and $5,040 (2009 - $4,500) owing to a company controlled by the Company's Chief Financial Officer.

These transactions were in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The Company did not pay cash for interest expense or income taxes for any of the years presented.

For the year ended December 31, 2010, the Company's significant non-cash financing and investing transactions consisted of:

a) The recording of $27,259 of stock-based compensation to mineral properties;

b) The accrual of deferred financing costs of $11,155;

c) The issuance of finder's warrants valued at $18,835 related to share issue costs;

d) The recognition of a fair value component of $3,570 in respect of options exercised;

e) The reclassification of $14,271of deferred financing costs to share issue costs;

f) The reclassification of $585,000 of share subscriptions received to capital stock; and

g) The recording of $10,937 of amortization to mineral properties.

For the year ended December 31, 2009, the Company's significant non-cash financing and investing transactions consisted of:

a) The accrual in mineral properties of deferred exploration costs incurred of $49,496; and

b) The recording of $7,707 of stock-based compensation to mineral properties.

10. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2010	2009
Statutory rates in Canada	28.50%	30.00%
Income taxes at Canadian statutory rates	$ 180,000	$ 130,000
Tax effect of permanent differences	(61,000)	(26,000)
Expired loss carry-forwards	(40,000)	(48,000)
Change in future tax rates	(148,000)	(9,000)
Change in valuation allowance	69,000	(47,000)
Total income tax recovery	$ -	$ -

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

	2010	2009
Future income tax assets:		
Non-capital loss carryforwards	$ 468,000	$ 406,000
Equipment	28,000	25,000
Resource deductions	1,747,000	1,875,000
Share issue costs	16,000	22,000
Other	14,000	14,000
	2,273,000	2,342,000
Valuation allowance	(2,273,000)	(2,342,000)
Net future income tax assets	$ -	$ -

The Company has available for deduction against future taxable income non-capital losses in Canada and in the U.S.A. of approximately $1,861,000. These losses, if not utilized, will expire through to 2030. Future tax benefits which may arise as a result of these non-capital losses and resource expenditures have not been recognized in these financial statements and have been offset by a valuation allowance.

11. SEGMENTED INFORMATION

The Company operates in one industry, being mineral exploration in two geographic segments, being Canada and the United States. Information about these two geographic segments is outlined below:

	Canada	United States	Total
December 31, 2010			
Capital assets	$ -	$ 4,912,757	$ 4,912,757
December 31, 2009			
Capital assets	$ -	$ 4,715,954	$ 4,715,954

12. CAPITAL MANAGEMENT

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

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

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 demand investment instruments in high credit quality financial institutions.

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

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

The carrying values of cash and marketable securities are determined using level one of the fair value hierarchy.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

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

Financial risk factors

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

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, marketable securities and receivables. Management believes that the credit risk concentration with respect to cash, marketable securities and investments is remote. Receivables are due primarily from a government agency.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. As at December 31, 2010, the Company had a cash balance of $754,903 to settle current liabilities of $72,012. All of the Company's financial liabilities are subject to normal trade terms.

Market risk

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

(a) Interest rate risk

The Company has cash balances and no debt. The Company's current policy is to invest excess cash in investment-grade demand deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

(b) Foreign currency risk

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

(c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

14. SUBSEQUENT EVENTS

Subsequent to December 31, 2010, the Company:

a) closed a private placement whereby it issued 3,250,000 units at a price of $0.08 per unit for gross proceeds of $260,000. Each unit consists of one common share and one half of one non-transferable share purchase warrant entitling the holder to purchase one additional common share of the Company at a price of $0.15 per common share for a period of 18 months.

   Additionally, 210,000 finder's units were issued at a value of $16,800. Each finder's unit consists of one common share and one half of one non-transferable share purchase warrant entitling the holder to purchase one additional common share of the Company at a price of $0.15 per common share for a period of 18 months.

b) entered into a contract for investor relations services. The Company has agreed to pay a monthly fee of $6,000 for an initial term of six months, which may be renewed on mutually agreeable terms for another six month term, and to issue 300,000 stock options exercisable at $0.23 per common share for a period of two years. The options will vest in increments of 25% every three months from the date of grant.

c) issued 100,000 common shares for proceeds of $10,000 from the exercise of options.

d) issued 62,500 common shares for proceeds of $9,375 from the exercise of warrants.

LITHIC RESOURCES LTD.

Management Discussion and Analysis

For the Year Ended

December 31, 2010

April 29, 2011

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, 2010 is dated and current as of April 29, 2011. 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-copper-silver-indium project from EuroZinc Mining Corporation in exchange for 1.5 million shares and $25,000 in cash. The 4,258 acre property is located in Utah about 160 kilometres southwest of Salt Lake City, is crossed by a powerline and is easily accessable by road. It includes the old Fish Springs Mining District which from the late 19th century through the mid-1970's recorded production of 2.7 million oz of silver from silver-lead ore.

History of Work and Property Geology

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

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

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

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

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

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

2009 Resource Estimate

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

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

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

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

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

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

- a zinc concentrate grading 52.5% zinc together with a separate copper concentrate grading 32% copper can be produced from sulphide mineralization using a conventional differential flotation process

- indium, gold and silver will be recovered to the concentrates
- the concentrates do not contain deleterious elements at penalty levels
- potentially profitable amounts of magnetite may be recovered from flotation tailings
- initial sulphuric acid leach testing of oxide mineralization shows significant extraction of zinc, copper and indium to solution

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

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

2010 Preliminary Economic Assessment

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

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

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

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

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

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

Outlook for 2011

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

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

Discussion of Financial Condition

General

The Company’s general and administrative costs in 2010, totalled $637,396. This was $195,511 higher than in 2009, the material difference being an increase of $178,138 in stock based compensation arising from the 1,100,000 incentive stock options granted by the Company in January 2010. There were, however, small differences in such items as office and miscellaneous which dropped to a total $43,920, a staff reduction leading to a decrease of $31,460 from 2009 when it amounted to $75,380. Management fees of $168,000 were identical to those stated in 2009. The amount for communications and investor relations increased slightly from $21,364 to $30,963. Interest income dropped from $7,195 to $4,382 in 2010 due primarily to lower cash balances available for investment.

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

Exploration Expenditures

	Crypto 2010	Crypto 2009
Acquisition costs	$ 381,905	$ 381,905
Deferred exploration costs		
Balance, beginning of year	4,334,049	4,023,631
Additions during the year:		
Analysis	203	230
Amortization of equipment	10,937	21,880
Engineering	62,402	-
Field costs	3,559	972
Geological wages, fees and costs	70,087	138,288
Metallurgical studies	18,038	120,870
Property holding costs, taxes and fees	31,577	28,178
	196,803	310,418
Balance, end of year	4,530,852	4,334,049
Total	$ 4,912,757	$ 4,715,954

Exploration expenditures in 2010 decreased by $113,615 to $196,803 from $310,418 in the previous year. The reasons for the year over year differences related primarily to decreases in the cost of metallurgical and geological studies that were largely completed in 2009. Engineering expenditures were incurred in 2010 as a result of work related to the completion of a Preliminary Economic Assessment.

Selected Annual Information

		2010 $	2009 $	2008 $
Total Revenues		Nil	Nil	Nil
Net Income or Loss[1]	Total	(633,014)	(434,691)	(334,527)
	Per Share	(0.02)	(0.01)	(0.01)
	Per Diluted Share[2]	n/a	n/a	n/a
Total Assets		5,788,145	6,069,246	5,786,210
Total Long Term Financial Liabilities		Nil	Nil	Nil
Cash Dividends Per Share		Nil	Nil	Nil

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

The net loss for the Company has varied from year to year, depending mainly on the amount of exploration work carried out and whether or not stock options were issued. The loss for 2010 due to items other than stock based compensation was nearly identical to that of 2009.

Selected Quarterly Information

The net loss for the Company in the period was slightly higher than that of the same period in 2009, both periods included limited exploration activity. The table below summarizes selected financial information for the last eight quarters:

Quarter Ended	Revenue ($)	Net Income/(loss) ($)	Net loss per share ($)	Net loss per share diluted[1]($)
Dec. 31, 2010	Nil	(80,094)	0.00	n/a
Sept. 30, 2010	Nil	(76,915)	0.00	n/a
June 30, 2010	Nil	(83,984)	0.00	n/a
March 31, 2010	Nil	(392,021)	0.01	n/a
Dec. 31, 2009	Nil	(57,063)	0.00	n/a
Sept. 30, 2009	Nil	(68,536)	0.00	n/a
June 30, 2009	Nil	(109,451)	0.00	n/a
March 31, 2009	Nil	(199,641)	0.01	n/a

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

Fourth Quarter

The net loss for the quarter ended December 31, 2010 was $80,094 or $0.00 per share compared with a loss of $57,062 or $0.00 per share during the same quarter of the prior year. A source of variability specific to the fourth quarter is that non-material year end accounting adjustments are generally all reflected in the fourth quarter rather than restating earlier quarters.

Share Capital

The Company has one class of common shares. At April 29, 2011, there were 45,078,019 common shares, 3,450,000 stock options and 4,391,500 warrants outstanding.

Related Party Transactions

During the year ended December 31, 2010, the Company paid or accrued management fees of $168,000 to a company owned by C.F. Staargaard, President and CEO of the Company and paid or accrued accounting fees included in professional fees of $54,000 to a company controlled by S.E. Vanry, the Company's Chief Financial Officer. Accrued amounts of $23,288 were included in accounts payable for the year.

Liquidity and Solvency

The Company had a net working capital position of $715,931 at December 31, 2010 compared with $1,128,736 at the same point in 2009. As at the end of 2010, the Company had sufficient liquidity to meet its obligations for the next year.

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

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

Risks

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

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

Recent Accounting Pronouncements

International financial reporting standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board ("AcSB")announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. The Company continues to monitor and assess the impact of Canadian GAAP and IFRS.

Business combinations

In January 2009, the CICA issued Handbook Sections 1582 "Business Combinations", 1601 "Consolidated Financial Statements" and 1602 "Non-controlling Interests" which replace CICA Handbook Sections 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. These Sections are applicable for interim and annual consolidated financial statements for fiscal years beginning January 1, 2011. Early adoption of these Sections is permitted and all these Sections must be adopted concurrently. Management does not expect that the adoption of this new standard will have significant impact on the Company's financial statements.

Financial Instruments And Risk Management

Fair value

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

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

Financial risk factors

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

Credit risk

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

Liquidity risk

Liquidity risk includes the risk that, as a result of operational liquidity requirements, there will not be sufficient funds to settle a transaction on the due date; the Company will be forced to sell financial assets at a price less than fair value; or the Company may be unable to settle or recover any part of a financial asset. As at December 31, 2010, the Company had a cash balance of $754,903 (December 31, 2009 - $1,242,440) to settle current liabilities of $72,012 (December 31, 2009 - $129,667).

Market risk

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

(a) Interest rate risk

The Company has cash balances. As of December 31, 2010, the Company did not have any investments in short-term deposit certificates.

(b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, receivables and accounts payable and accrued liabilities that are denominated in a foreign currency.

(c) Price risk

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

Disclosure Control Risks

The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the disclosure controls and procedures as at December 31, 2010 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, 2010. 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.

International Financial Reporting Standards ("IFRS") Implementation

In February 2008 the Canadian Accounting Standards Board announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. The Company has begun assessing the adoption of IFRS for 2011 and is considering the accounting policy choices under IFRS.

IFRS Transition Plan

The Company has begun to assess its requirements and first time adoption methodologies, including its internal training and resource needs and first time adoption implications. Management has developed a project plan for the conversion to IFRS. The conversion plan is comprised of three phases:

1. Scoping phase which will assess the overall impact and effort required by the Company in order to transition to IFRS;
2. Planning phase which will include a detailed analysis of the conversion process and implementation plan required for disclosure for the Company's first quarter; and,
3. Transition phase which will include the preparation of an IFRS compliant opening balance sheet as at January 1, 2010, any necessary conversion adjustments and reconciliations, preparation of a fully compliant pro forma financial statements including all note disclosures and disclosures required for the MD&A.

Management has completed phase one, and is now progressing through phases two and three. Management prepared a component evaluation of its existing financial statement line items, comparing Canadian GAAP to the corresponding IFRS guidelines, and has identified a number of differences. Many of the differences identified are not expected to have a material impact on the reported results and financial position. Management is currently finalizing policy choices.

Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as of the date of the first comparative balance sheet presented based on standards applicable at that time.

IFRS 1, "First-Time Adoption of International Financial Reporting Standards", provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. During the fourth quarter of 2010 management started preparing a presentation to the Audit Committee and the Board of Directors which will focus on the key issues and transitional choices under IFRS 1 applicable to the Company. Set out below are the most significant areas, management has identified to date, where changes in accounting policies may have the highest potential impact on the Company's financial statements based on the accounting policy choices approved by the Audit Committee and Board of Directors.

Share-Based Payments

IFRS and Canadian GAAP largely converge on the accounting treatment for share–based transactions with only a few differences. Canadian GAAP allows either accelerated or straight line method of amortization for the fair value of stock options under graded vesting. Currently, the Company is using the straight line method. IFRS 2, on the other hand, allows only the accelerated method. Under IFRS, the estimate for forfeitures must be made when determining the number of equity instruments expected to vest, while under Canadian GAAP forfeitures can be recognized was they occur. Upon adoption of IFRS, the Company will change both the method of amortization, which would give rise to an accelerated compensation expense, and the method of forfeiture recognition.

Future Income Taxes

Like Canadian GAAP, deferred income taxes under IFRS are determined using the liability method for temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, and by generally applying tax rates applicable to the Company to such temporary differences. Deferred income taxes relating to temporary differences that are in equity are recognized in equity and under IFRS subsequent adjustments thereto are backward traced to equity.

Based on management assessment of the information system currently used by the Company, all information required to be reported under IFRS will be available with minimal system changes. One of the more significant impacts identified to date of adopting IFRS is the expanded presentation and disclosures required. Disclosure requirements under IFRS generally contain more breadth and depth than those required under Canadian GAAP and, therefore, will result in more extensive note references. The Company is continuing to assess the level of presentation and disclosures required to its consolidated financial statements.

In the period leading up to the changeover in 2011, the AcSB has ongoing projects and intends to issue new accounting standards during the conversion period. As a result, the final impact of IFRS on the Company's consolidated financial statements can only be measured once all the IFRS accounting standards at the conversion date are known. Management will continue to review new standards, as well as the impact of the new accounting standards, between now and the conversion date to ensure all relevant changes are addressed.

Caution Regarding Forward-Looking Information

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

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

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

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

Approval

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

On Behalf of the Board of Directors,

"*C.F. Staargaard*"

C.F. Staargaard
President, CEO and Director

April 29, 2011