LITHIC
RESOURCES

ANNUAL REPORT 2003

Directors' Report

You have not heard much from your Company in the past year but we can assure you that this was not due to a lack of activity. Essentially the entire year was spent in reviewing opportunities, both in specific projects and in more general geographic searches for suitable properties. This led to travel to Slovakia, Hungary, Madagascar, Ghana, Burkina Faso and Peru. Other countries which attracted our interest included Brazil, Finland, Greece, the United States, Chile and French Guiana. Unfortunately, for one reason or another, none of the projects investigated to date met our selection criteria.

This was not always a case of being deficient on a technical basis. Over the last year or so, there has been a resurgence in the general mining market which has allowed many companies to raise significant amounts of money. On the sell side, we have found that companies and/or groups that may have been willing to dispose of a project for lack of funds now find themselves capable of financing it themselves. On the buy side, we now have many more competitors with newly replenished treasuries. The net result has been that the supply of interesting advanced projects, never a large number, has been significantly reduced. At the same time, demand has greatly increased.

Simply put, there are hardly any projects out there and too many groups looking for them. Some of the asset auctions we attended involved up to forty companies. In such a feeding frenzy, there are always a few groups willing to make what we consider to be irrational deals, either paying far too much for the project or ignoring risk and paying too soon, simply because money is relatively easy to obtain in the short term. We, on the other hand, are not willing to make a deal that is anything but in the longer term interest of the Company and its shareholders.

The resurgence in the mining market, particularly in copper, has also led us to modify our basic corporate philosophy to some extent. We were unwilling to let the improving market pass us by and decided to become active by acquiring one or more earlier stage properties…as long as they had the potential for a large mineral deposit that would be attractive to a senior partner. To that end, we announced in December the signing of a letter of intent to acquire the Friendly Lake copper-gold project in south central British Columbia. This project presented an excellent opportunity to acquire an under-explored and very large scale intrusive-hydrothermal system in a geologic belt whose potential for significant copper-gold deposits has been underscored by the recent spectacular discovery at Mt. Polley and the developing situation in the Afton area. The appeal of the property was further enhanced by its southern location, low relief and excellent road access as compared with many other copper-gold projects.

Recent mapping by the BC Geological Survey has provided an entirely new geological context for the property, one of a previously unrecognized, altered intrusive-breccia complex some eight by four kilometres in size. This setting, coupled with exceptionally large geochemical soil anomalies in copper and lead identified in the 1960's and 1970's, numerous mineral occurrences and the presence of gold and PGE, suggests excellent potential for Mt. Polley or Afton style copper-gold ± PGE deposits at Friendly Lake. A two phase program of exploration will start in May with a detailed airborne magnetic survey followed by grid-based IP, geological mapping, prospecting and multi-element geochemical soil sampling over the entire complex to further define existing targets and to locate new ones. In September, Phase Two will involve about 3,000 metres of core drilling.

At our Roaring River property in Ontario, North American Palladium carried out grid-based geological mapping, soil sampling and a ground magnetic survey in the summer of 2003. In April of this year, they elected to continue with their option to earn a 60% interest in the property and have scheduled an IP survey to be followed by drilling in the near future.

In summary, while we have changed our philosophy somewhat by broadening our focus to include earlier stage projects, this in no way means that we have given up the search for a more advanced situation. In fact, management is still dedicating almost all its time and energy to this pursuit. While the exploration program at Friendly Lake project was designed by us, it will in large part be managed externally thus leaving ample time for us to continue the global search for an advanced stage project. On the other hand, if we encounter another earlier stage yet compelling opportunity along the way, we may pursue that as well.

We are looking forward to a much more visibly active year.

On behalf of the Directors,

“C.F.Staargaard”

C.F. Staargaard
President and CEO
May 7, 2004

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 balance sheets of Lithic Resources Ltd. as at December 31, 2003 and 2002 and the statements of loss and deficit, and cash flows for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years ended December 31, 2003 and 2002 in accordance with Canadian generally accepted accounting principles. As required by the Canada Business Corporations Act, we report that, in our opinion, these principles have been applied on a consistent basis.

/s/ "Manning Elliott"

CHARTERED ACCOUNTANTS

Vancouver, British Columbia

April 2, 2004

BALANCE SHEETS AS AT DECEMBER 31, 2003 AND 2002

ASSETS	**2003 ($)**	2002 ($)
Current		
Cash and cash equivalents	**235,934**	114,685
Accounts receivable	**1,588**	4,840
Marketable securities	**2,600**	4,050
	240,122	123,575
Property and Equipment *[Note 3]*	**4,039**	5,771
Mineral Claims and Options *[Note 4]*	**63,110**	64,925
	307,271	194,271
LIABILITIES		
Current		
Accounts payable and accrued liabilities *[Note 7]*	**16,625**	29,228
SHAREHOLDERS' EQUITY		
Capital Stock *[Note 5]*	**2,931,101**	2,661,101
Deficit	**(2,640,455)**	(2,496,058)
	290,646	165,043
	307,271	194,271

Nature of Operations [Note 1]
Subsequent Events [Note 8]

Approved on behalf of the Board:

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

Chris Staargaard, Director Frank Wheatley, Director

(the accompanying notes are an integral part of the financial statements)

STATEMENTS OF LOSS AND DEFICIT FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003	2002
MINERAL CLAIMS, OPTIONS AND EXPLORATION COSTS	**$**	$
Acquisition costs written-off	**21,815**	–
Exploration costs	**10,256**	35,515
Less: option payments	**(30,000)**	(15,900)
	2,071	19,615
ADMINISTRATIVE EXPENSES		
Amortization	**1,732**	892
Assets written down	**1,450**	3,120
Communication and investor relations	**9,988**	11,966
Management fees and employee compensation *[Notes 5 and 7]*	**91,667**	82,887
Office, rent, travel and miscellaneous	**25,525**	33,966
Professional fees	**15,891**	35,333
Reorganization costs and termination payments *[Note 5]*	**–**	47,627
Less interest income	**(3,927)**	(396)
	142,326	215,395
NET LOSS FOR THE YEAR	**(144,397)**	(235,010)
DEFICIT - BEGINNING OF YEAR	**(2,496,058)**	(2,261,048)
DEFICIT - END OF YEAR	**(2,640,455)**	(2,496,058)
LOSS PER SHARE (Weighted Average Basis with a retroactive effect for a consolidation on a 2 for 1 basis)	**(0.01)**	(0.03)

(the accompanying notes are an integral part of the financial statements)

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003	2002
OPERATING ACTIVITIES	**$**	$
Loss for the year	**(144,397)**	(235,010)
Add non-cash items		
Acquisition costs written-off	**21,815**	–
Shares issued for option payment	**–**	(3,900)
Amortization	**1,732**	892
Shares issued for interest	**–**	363
Assets written down	**1,450**	3,120
Shares issued to settle debt	**–**	35,000
Change in non-cash working capital items	**(9,351)**	6,763
CASH USED IN OPERATING ACTIVITIES	**(128,751)**	(192,772)
FINANCING ACTIVITIES		
Proceeds from common shares issued	**270,000**	297,500
Share issuance costs	**–**	(31,148)
Proceeds from a convertible note payable	**–**	50,000
CASH PROVIDED BY FINANCING ACTIVITIES	**270,000**	316,352
INVESTING ACTIVITIES		
Purchase and staking of mineral claims and option payments	**(20,000)**	(17,000)
Purchase of capital assets	**–**	(6,551)
CASH USED IN INVESTING ACTIVITIES	**(20,000)**	(23,551)
INCREASE IN CASH DURING THE YEAR	**121,249**	100,029
CASH AND EQUIVALENTS - BEGINNING OF YEAR	**114,685**	14,656
CASH AND EQUIVALENTS - END OF YEAR	**235,934**	114,685
NON-CASH FINANCING ACTIVITIES		
Value of shares issued for mineral property payments	**–**	8,775
Value of shares issued to settle debt to the former President of the Company	**–**	35,000
Conversion of note payable plus interest into shares	**–**	50,363
CASH AND EQUIVALENTS IS REPRESENTED BY:		
Cash	**32,717**	14,335
Term deposit – redeemable, bearing a variable interest rate of 2.75% and due on May 31, 2004	**203,217**	100,350
	235,934	114,685

(the accompanying notes are an integral part of the financial statements)

1. NATURE OF OPERATIONS

Berland Resources Ltd. ("the Company") was incorporated on October 24, 1997 under the laws of the Province of British Columbia. Effective June 7, 2002 the Company undertook a restructuring whereby the Company consolidated its shares on a 2 for 1 basis, changed its name from Berland Resources Ltd. to Lithic Resources Ltd. continued from the BC Company Act to the Canada Business Corporations Act and replaced its entire Board of Directors. The Company is listed on the TSX Venture Exchange under the trading symbol LTH.

The Company is a mineral exploration company in the exploration stage and is engaged in the acquisition and exploration of mineral properties primarily in Canada. The Company has not yet determined whether any of these properties contain ore reserves that are economically recoverable.

The recoverability of carrying amounts for mineral claims and options is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development and future profitable production or proceeds from the disposition thereof. It is reasonably possible that economically recoverable reserves may not be discovered and accordingly a material portion of the carrying value of mineral claims and options could be written-off.

These financial statements have been prepared on the going concern basis which implies that the Company will continue realizing its assets and discharging its liabilities in the normal course of business. The ability to continue as a going concern is dependent upon the Company achieving profitable operations, and/or securing adequate additional financing.

2. SIGNIFICANT ACCOUNTING POLICIES

[a] Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions, which affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses for the periods reported. Actual results could differ from these estimates.

[b] 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.

[c] Marketable securities

Marketable securities are recorded at cost and written-down to market value if market value declines below cost other than temporarily.

[d] Mineral claims, options and deferred exploration costs

The Canadian Institute of Chartered Accountants has released Accounting Guideline 11 – Enterprises in the Development Stage. This guideline is effective for all fiscal years beginning on or after April 1, 2000. The Company believes that the application of this guideline will have a significant negative effect on the current carrying value of both mineral claims and options and deferred exploration and development costs.

An 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.

On January 1, 2001, the Company adopted the requirements of Accounting Guideline 11, Enterprises in the Development Stage ("AcG-11") issued by the Canadian Institute of Chartered Accountants. Under AcG-11, exploration expenditures related to mineral properties are deferred only if it is probable that these costs will be recovered from future operations otherwise they are recorded as an expense in the period in which they are incurred. Acquisition costs for mineral properties are deferred until it is determined that these costs will not be recovered from future operations, at which point these costs are written off. Previously, the Company capitalized all acquisition, deferred exploration and development costs incurred on its mineral properties if exploration was continuing on the property, on the basis that it was too early to tell whether the deferred exploration and development costs would be recovered. The Company accounted for this change in accounting policy on a retroactive basis as a cumulative adjustment to increase the opening deficit and reduce the carrying value of resource properties at January 1, 2001 by $373,243.

[e] Property and equipment

Property and equipment is stated at cost. Amortization is provided utilizing the declining balance basis at the following rates:

Computer equipment	30%
Computer software	20%
Furniture and fixtures	20%

[f] Flow-through shares

The Company has issued flow-through shares to finance some of its exploration activities. Shares were issued for cash in exchange for the Company giving up the tax benefits arising from the exploration expenditures. The amount of these tax benefits is renounced to investors in accordance with tax legislation. The Company records such share issuances by crediting share capital for the full value of cash consideration received.

[g] Share issuance costs

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

[h] Stock-based compensation

The Company has adopted the CICA Handbook Section 3870, which establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. The standard requires that a fair value based method of accounting be applied to all stock-based payments to non-employees and to employees awards that are direct awards of stock that call for settlement in cash or other assets or are stock appreciation rights that call for settlement by the issuance of equity instruments. The Company has chosen to continue its existing policy of recording no compensation cost on the grant of stock options to employees. Consideration paid by employees on the exercise of stock options is recorded as share capital. The Company adopted Section 3870 in these financial statements effective January 1, 2002.

[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] Long-lived assets

The Company monitors the recoverability of long-lived assets, based on factors such as current market value, future asset utilization, business climate and future undiscounted cash flows expected to result from the use of the related assets. The Company's policy is to record an impairment loss in the period when it is determined that the carrying amount of the asset may not be recoverable. The impairment loss is calculated as the amount by which the carrying amount of the assets exceeds the undiscounted estimate of future cash flows from the asset. To December 31, 2003, no impairment losses have been recorded.

[k] Financial instruments

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

The Company has no interest rate risk or concentrations of credit risk.

3. PROPERTY AND EQUIPMENT

	Cost $	Accumulated Amortization $	2003 Net Book Value $	2002 Net Book Value $
Computer equipment	2,110	863	1,247	1,963
Computer software	2,687	1,113	1,574	2,127
Furniture and fixtures	1,754	536	1,218	1,681
	6,551	2,512	4,039	5,771

4. MINERAL CLAIMS AND OPTIONS

Acquisition costs:

Property	Ownership interest	Carrying Value ($) 2003	2002
Province of Ontario			
Fly Lake *[a]*	100% - owned	1	1
KAPP Property *[b]*	100% - owned	1	1
Roaring River Property *[d]*	100% - optioned	63,108	43,108
Heaven Property *[e]*	100% - owned	–	1,920
Crescent Lake *[f]*	100% - optioned	–	19,895
		63,110	64,925

Exploration costs charged directly to operations during fiscal 2003 for:

	Roaring River $ *[d]*	Crescent Lake $ *[f]*	General $	Total $
Travel and accommodation	–	–	9,804	9,804
Miscellaneous	143	21	288	452
	143	21	10,092	10,256

Exploration costs charged directly to operations during fiscal 2002 for:

	Roaring River $ *[d]*	Crescent Lake $ *[f]*	General $	Total $
Surveying and Mapping	10,017	19,250	–	29,267
Travel and accommodation	–	–	4,401	4,401
Miscellaneous	612	1,151	84	1,847
	10,629	20,401	4,485	35,515

[a] Fly Lake

By agreement dated January 31, 1995 with Rio Algom Exploration Ltd. (“Rio”), Cumberland acquired an option to earn an undivided 100% participating interest in a property at Fly Lake, Ontario subject to a 2% Net Smelter Returns (“NSR”) Royalty and a Back-In-Right held by Rio. Effective October 27, 1997, Rio, the Company, and Cumberland signed an assignment and assumption agreement to assign all of Cumberland’s right and interest in the option to the Company for consideration of the allotment and issue to Cumberland of 1,278,997 shares at a deemed price of $0.25 per share. This transaction was recorded at Cumberland’s then carrying value of the Fly Lake property. The Company was to incur $500,000 in exploration expenditures to earn a 100% participating interest in the mineral claims of which $492,500 was incurred. Pursuant to an amending agreement dated January 19, 2000 between the parties the $500,000 of expenditures required was reduced to $492,500 and the Company is now deemed to have exercised the option for a 100% interest in the Property subject to the NSR Royalty.

Upon completion of a pre-feasibility study by the Company on any deposit discovered, Rio will have the right to undertake a final feasibility study and to arrange financing to put the property into production. In consideration for this, Rio will become vested with a 50% undivided interest in the property. If requested by the Company, Rio will loan the Company its portion of the equity financing required. The Company will then transfer to Rio an additional 10% interest, giving Rio an aggregate 60% interest on completion of the Back-in Right and the loan. At that time a joint venture will be formed with Rio as the operator and Rio will relinquish its 2% NSR royalty.

The Company has not conducted exploration on the property the previous four fiscal years and has no plans to work it in fiscal 2004. The claims are in good standing but considering the lack of positive exploration results and lack of exploration activity in fiscal 2000 management decided to write-off $321,991 of acquisitions costs and $135,803 of exploration costs to operations. During fiscal 2002 the Company allowed 14 claims to lapse and as at December 31, 2003 the property consists of 45 claims in good standing. The Company carries this property at a nominal $1.

[b] Kapp Property

During March and April 1998, the Company acquired, by staking, a 100% interest in 43 mining claims representing 678 units covering 27,120 acres in total. On July 19, 1999, the Company acquired an additional 6 claims representing 96 units, subject to a 1% NSR royalty in favour of the vendor, by conducting an airborne geophysical survey. In fiscal 2000 the Company allowed 42 claims representing 654 units to lapse. The Company immediately restaked 20 claims to cover the most significant magnetic anomalies and one base metal potential anomaly. As a result, acquisition costs and deferred exploration costs were not written-down. In October 2000 one claim representing 12 units was staked. Falconbridge elected to include 2 claims or 20 units in the Saganash Joint Venture and reimbursed the Company 50% of the staking costs. The Company transferred one claim to Falconbridge to be included in the Saganash Joint Venture, the Company will retain a 1.5% NSR if it should terminate the Saganash Joint Venture. On June 19, 2001 the Company terminated the Saganash Joint Venture and acquisition costs of $49,713 were written-off to operations. All remaining claims are in good standing.

On October 31, 2001 Canabrava Diamond Corporation ("Canabrava") acquired the right to earn a 100% interest in five claims. After receiving $10,000 and 10,000 shares of Canabrava, on April 18, 2002, Canabrava terminated the agreement. One claim remained in good standing as of December 31, 2003 and was allowed to lapse in March 2004.

[c] Roaring River Property

By a letter agreement dated March 31, 2000 and amended March 25, 2002 between the Company and Stares Contracting Corp. ("Stares"), the Company acquired the right to earn a 100% interest, subject to a 2% NSR royalty, in Stares' Roaring River, Ontario property consisting of 8 unpatented mining claims plus 8 more claims staked subsequent to the agreement. In January 2003 the Company allowed 2 claims to lapse.

During the year the Company completed its option to earn the 100% interest. In total the Company paid $42,000 and issued 125,000 pre-consolidation shares having a total fair market value of $17,000.

On May 3, 2001 pursuant to a Letter of Intent, Consolidated Westview Resources Corp. ("Westview"), a subsidiary of Bema Gold Corporation, acquired the right to earn a 70% interest by staking two claims on the north boundary of the Roaring River Property. These two claims were added to the agreement. After receiving 25,000 Westview shares valued at $1,750, on May 15, 2002 Westview terminated the agreement.

On December 9, 2002 the Company signed a letter of intent with Lac des Isles Mines Ltd. ("LDI") to form an option - joint venture agreement whereby LDI will have the right to earn a 60% interest in the Roaring River property. The Letter of Intent was replaced with an Option and Joint Venture Agreement on April 24, 2003. To maintain the agreement in good standing LDI must:

[1] make cash payments of:

[i]	on signing	$30,000	- received
[ii]	on the first anniversary	$20,000	- received - April 2004
[iii]	on the second anniversary	$20,000	
[iv]	on the third anniversary	$20,000	
		$90,000	

[2] incur $500,000 in exploration expenditures over the next three years to April 24, 2006.

The Company transferred their interest in their mining claims to LDI.

[d] Heaven Property

During fiscal 2001 the Company staked two claims representing 32 units and allowed the claims to lapse in May 2003.

[e] Crescent Lake Property

By a letter agreement dated March 31, 2001 and amended on October 19, 2001 between the Company and Ninety-Nine Resources Ltd. ("Ninety-Nine"), the Company acquired the right to earn a 100% interest, subject to a 0.5% NSR royalty for base metals and a 0.25% NSR royalty for precious metals and a 1% NSR on any other minerals not specifically mentioned in the original letter agreement. The Company's right is also subject to Ninety-Nine's underlying agreement with Inco Limited ("Inco") which is subject to certain conditions and royalties by Ninety-Nine. The Company will have the right to buy back 50% of the NSR's at any time for $250,000. Ninety-Nine's Swole Lake, Ontario property, to be known as the Crescent Lake Property, consists of seven unpatented mining claims of which three lapsed in fiscal 2002. During fiscal 2001 the Company staked an additional seven claims.

After making cash payments of $7,800 and issuing 52,500 common shares having a total fair market value of $7,875 the Company, on June 3, 2003 terminated the agreement.

5. CAPITAL STOCK

Authorized: Unlimited common shares without par value.

Issued:	**Number of shares**	**Value $**
Balance, December 31, 2001	**11,548,156**	**2,300,611**
Shares issued for mineral claims and options	50,000	4,500
Consolidation on a 2 old for 1 new basis	(5,799,078)	–
	5,799,078	2,305,111
Shares issued for cash		
- private placement *[Note 5[a]]*	2,700,000	270,000
- private placement *[Note 5[b]]*	150,000	22,500
- exercise of warrants	25,000	5,000
Shares issued for mineral claims and options	22,500	4,275
Shares issued to settle debt *[Note 5[c]]*	175,000	35,000
Shares issued for conversion of note payable plus interest *[Note 5[a]]*	501,908	50,363
Less share issue costs	–	(31,148)
Balance December 31, 2002	**9,373,486**	**2,661,101**
Shares issued for cash		
- exercise of warrants	2,700,000	270,000
Balance December 31, 2003	**12,073,486**	**2,931,101**

[a] Restructuring and Refinancing Plan

The Company entered into an agreement (the "RCF II Agreement") signed March 13, 2002 and effective June 7, 2002 with Resource Capital Fund II L.P. ("RCF II"), a Cayman Island Limited Partnership, to restructure and refinance the Company to pursue quality advanced stage mineral exploration projects.

As an initial phase of the restructuring, RCF II agreed to provide a $50,000 convertible working capital loan facility ("WCF") to the Company. The WCF bears interest at the rate of LIBOR plus 2.5% payable quarterly in arrears at the option of the Company in cash or in common shares at a conversion price equal to the then market price for the common shares. The loan plus interest was converted into 501,908 common shares at $0.10 per share.

The Company's shareholders approved the second phase of restructuring including a 1 new for 2 old share consolidation, new directors proposed by RCF II, a minimum $270,000 private placement with RCF II, which resulted in a change of control of the Company, a name change, a change of governing jurisdiction of the Company and the sale of the Company's existing properties and investments. The Company issued 2,700,000 units at $0.10 per unit for gross proceeds of $270,000. Each unit consisted of one common share and one common share purchase warrant exercisable to purchase an additional common share at a price of $0.10 per share in the first year and $0.15 per share in the second year. These warrants were exercised during fiscal 2003 for proceeds of $270,000 and the Company issued an additional 2,700,000 common shares.

[b] Private Placement

The Company issued, to the President of the Company, 150,000 units at $0.15 per unit for $22,500. Each unit consisted of 150,000 common shares and 150,000 warrants to purchase an additional 150,000 common shares at $0.19 per share expiring September 2, 2004.

[c] Shares Issued to Settle Debt

The Company issued 175,000 common shares to the former President of the Company to settle debt of $35,000.

[d] Escrowed Shares

During fiscal 2003, 324,419 escrowed common shares were released and 173,029 escrowed common shares remain in escrow to be released in fiscal 2004.

[e] Stock options

On September 6, 2002 the Company granted 700,000 stock options to certain directors exercisable at a price of $0.19 per share for current services provided to the Company. These options expire September 6, 2007. Section 3870 of the CICA Handbook requires that a Company recognize, or at its option, disclose the impact of the fair value of stock options and other forms of stock based compensation in the determination of income. The Company has elected to measure compensation costs associated with stock options granted to directors and employees on the intrinsic value basis. As stock options are granted at exercise prices based on the market price of the Company's shares at the date of grant, no compensation cost is recognized. However under CICA 3870 the impact on net income and income per share of the fair value of stock options granted to directors and employees must be measured and disclosed on a fair value based method on a pro forma basis.

The fair value of the stock options was estimated using the Black-Scholes model: risk-free interest rate was 3.25%, expected volatility of 30%, an expected life of five years and no expected dividends.

The weighted average number of shares under option and the weighted average option price for the year ended December 31, 2003 are as follows:

	Number of Options	Weighted Average Option Price ($)	Weighted Average Remaining Life (Months)
Beginning of year	700,000	0.19	–
Granted	–	–	–
Exercised	–	–	–
Cancelled	–	–	–
Lapsed	–	–	–
End of year	700,000	0.19	44

If compensation expense had been recorded at fair value, the Company's net loss and loss per share for the year ended December 31, 2003 and 2002 would have been as follows:

	2003 $	2002 $
Net loss		
As reported	(144,397)	(235,010)
Pro forma	(145,897)	(236,510)
Basic net loss per share		
As reported	(.01)	(.03)
Pro forma	(.01)	(.03)

[f] Warrants

At December 31, 2003 there are 150,000 warrants outstanding, exercisable at $0.19 per share expiring September 2, 2004.

6. INCOME TAXES

The Company has income tax losses of $839,000 to carry-forward to apply against future years taxable income expiring as follows:

Year	$	Year	$	Year	$
2004	35,000	2007	122,000	2010	139,000
2005	122,000	2008	70,000		
2006	140,000	2009	211,000		

The benefit of these losses will be recorded when realized.

At December 31, 2003, the Company has cumulative Canadian Exploration Expenditures ("CEE") of $348,000 after $461,200 of CEE was renounced to investors in prior periods. CEE is available for 100% deduction against future years' taxable income.

Canadian Development Expenses of $159,000 are available at a rate of 30% each year for deduction against future years' taxable income.

7. RELATED PARTY TRANSACTION

During the year the Company recorded, at their exchange amounts, management compensation of $91,667 (2002 - $67,887), which was paid to a company owned by the Company's President of which $6,790 (2002 - $9,963) is included in accounts payable.

8. SUBSEQUENT EVENTS

[a] The Company entered into an option agreement with Electrum Resource Corp. ("Electrum") on January 30, 2004 and received regulatory approval on February 9, 2004. The Company can earn a 100% interest in the Friendly Lake Property by making cash payments totalling $1,000,000, issuing a total of 1,000,000 common shares and completing $5,000,000 in exploration work over a period of five years. First year obligations include $50,000 on signing, the issuance of 100,000 common shares and $250,000 in exploration expenditures. Electrum retains a 2% NSR, half of which may be purchased by the Company for $2,000,000.

[b] The Company is selling a private placement of up to 2,800,000 working capital units and up to 1,000,000 flow-through units of the Company for up to $850,000. The cost of a unit is $0.25 and will consist of one common share and one warrant. Each warrant will entitle the holder to acquire one additional common share at $0.35 in the first year and $0.50 in the second year.

The cost of a flow-through unit is $0.30 and will consist of one flow-through share and one-half of a warrant. One whole warrant will entitle the holder to acquire one additional common share at $0.40 in the first year and $0.50 in the second year.

FORM 51-901F

QUARTERLY REPORT

Incorporated as Part of Schedules B and C

ISSUER DETAILS:	
Name of Issuer	**LITHIC RESOURCES INC.**
Issuer Address	912-510 West Hastings St. Vancouver, B.C., V6B 1L8
Issuer Telephone Number	(604) 687-7211
Issuer Web Site	www.lithicresources.com
Contact Person	Chris Staargaard
Contact Position	President
Contact Telephone Number	(604) 687-7211
Contact Email Address	lithic@telus.net
For Quarter Ended	December 31, 2003
Date of Report	May 7, 2004

Certificate

The three schedules required to complete this Report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this Report will be provided to any shareholder who requests it.

"C.F. Staargaard"	*"May 8, 2004"*
C. F. Staargaard, Director	**Date Signed**
"F.D. Wheatley"	*"May 8, 2004"*
F. Wheatley, Director	**Date Signed**

SCHEDULE B - SUPPLEMENTARY INFORMATION

1. Summary exploration expenditures on active properties ($):

Roaring River	143
Crescent Lake	21
	164

2. Related Party Transactions

a) Management compensation of $91,667 paid to a corporation owned and operated by the Company's president.

b) In June 2003, Resource Capital Fund II L.P. exercised 2,700,000 warrants at $0.10 for total proceeds to the Company of $270,000 and pursuant to which the Company issued 2,700,000 common shares.

3. For the year under review:

a) Summary of securities issued during the period.

Date of Issue	Type of Security	Type of Issue	Number	Price	Total Proceeds	Type of Consideration	Commission
June 2003	Shares	Exercise of Warrants	2,700,000	$0.10	$270,000	Cash	N/A

b) Summary of options granted: None.

4. Share Capital

a) Authorised Share Capital: Unlimited.

b) Issued Share Capital

Common shares have been issued as follows:

	Shares (#)	Value ($)
Balance, December 31, 2001	11,548,156	2,300,611
Shares issued for mineral claims and options	50,000	4,500
Consolidation and name change	(5,799,078)	--
	5,799,078	2,305,111
Shares issued for cash		
- private placement	2,700,000	270,000
- private placement	150,000	22,500
- exercise of warrants	25,000	5,000
Shares issued for property payment	22,500	4,275
Shares issued to settle debt	175,000	35,000
Shares issued for conversion of note payable plus interest	501,908	50,363
Share issuance costs	–	(31,148)
Balance December 31, 2002	9,373,486	2,661,101
Shares issued for cash		
- exercise of warrants	2,700,000	270,000
Balance December 31, 2002	12,073,486	2,931,101

c) Summary of options, warrants and convertible securities outstanding.

Security	Amount	Exercise Price	Expiry Date
Options	700,000	$0.19	Sept. 2, 2007
Warrants	150,000	$0.19	Sept. 2, 2004

d) Total number of shares in escrow or subject to pooling agreement.

Escrow shares	173,029

5. Directors and Officers

Chris Staargaard	Director, President and Chief Executive Officer
Russ Cranswick	Director
Ryan Bennett	Director
Frank Wheatley	Director, Secretary and Chairman

SCHEDULE C - MANAGEMENT DISCUSSION AND ANALYSIS

Description of Business

Lithic Resources Ltd. is a mineral exploration company engaged in the business of acquiring and exploring mineral properties. The following discussion of the financial condition, changes in financial condition and results of operations for the year ended December 31, 2003 should be read in conjunction with the Company's consolidated financial statements. Additional information relating to the Company may be found at www.sedar.com and www.lithicresources.com.

Discussion of Operations and Financial Condition

The Company is a mineral exploration company with active properties held solely or through joint ventures and options. All of the Company's projects are in the early stage of exploration, therefore it does not have operations or operating results in the conventional use of the terms. Its financial success will ultimately be dependent upon finding economically recoverable reserves, confirmation of the Company's interest in those reserves and the ability of the Company to obtain the necessary financing to profitably produce those reserves.

On December 5, 2003, the Company signed a letter of intent to earn a 100% interest in the Friendly Lake property 100 kilometres north of Kamloops, British Columbia. The terms in the letter of intent are the same as those constituting the final agreement described in the section on Subsequent Events. Other than the Friendly Lake acquisition, the Company was mainly engaged in a continuing world-wide review of properties and projects for possible acquisition In the last quarter of 2003.

The Company's general and administrative costs for 2003, less interest income of $3,927, were $146,253. The largest component of this was management compensation of $91,667 paid to a company owned by the President of the Company. Other significant components of general and administrative costs include professional fees of $15,891 for legal and audit services, a decrease from $35,333 in 2002 due to additional legal fees indirectly associated with the Company's restructuring in 2002. General office costs (including rent, phone, filing fees, travel and insurance, a portion of which is provided at the rate of $600 per month by a company owned by the President of the Company) decreased from $33,966 last year to $25,525, due mainly to somewhat lower travel costs in 2003. Communications and investor relations costs (AGM costs, phone, transfer agent fees and wire service costs) were $9,988. The net loss for the year decreased from $235,010 to $144,397 or $0.01 per share, largely because the costs of the Company's restructuring were accounted for in 2002.

Other than in the normal course of business, the Company does not have any material contracts or commitments, is not involved in any legal proceedings, has no contingent liabilities or debt obligations and is not in breach of any corporate or securities laws. The Company does not have any investor relations contracts. Chris Staargaard, President of the Company, is available to answer shareholder inquiries.

Financings, Principal Purposes and Milestones

No financings were carried out in the quarter. The Company's funds on hand were directed mainly at a continuing international search for advanced and/or strategic mineral properties.

Subsequent Events

On January 30, 2004, the Company signed an option agreement to earn a 100% interest in the Friendly Lake property in British Columbia subject to a 2% Net Smelter Returns royalty payable to the vendor. The terms of the agreement are as follows:

On Regulatory Approval	a cash payment of $50,000 and the issuance of 100,000 shares (paid)

On or before December 15, 2004	$250,000 in exploration work, payments of $75,000 in cash and 125,000 shares
On or before December 15, 2005	$500,000 in exploration work, payments of $100,000 in cash and 150,000 shares
On or before December 15, 2006	$1,000,000 in exploration work, payments of $150,000 in cash and 175,000 shares
On or before December 15, 2007	$1,250,000 in exploration work, payments of $250,000 in cash and 200,000 shares
On or before December 15, 2008	$2,000,000 in exploration work, payments of $375,000 in cash and 250,000 shares

In addition to the above general terms, other terms and conditions of the Agreement include:

1. Lithic has the right to purchase, at any time, in return for a cash payment of Two Million ($2,000,000) Dollars, one-half (50%) of the 2% Net Smelter Returns royalty retained by Electrum.
2. Electrum is entitled to receive from Lithic a one-time cash payment of Two Million ($2,000,000) Dollars on the achievement of Commercial Production from the Property. Such payment is distinct from and independent of the purchase of the royalty interest.

In late April and early May, 2004, the Company completed a financing by way of a partly brokered private placement of an aggregate of 2,556,000 units and 703,333 flow-through units for total gross proceeds of $850,000. The financing closed in two tranches, the first of which was brokered by Dundee Securities Corporation and closed on April 26, 2004 with the issuance of 1,600,000 units and 333,333 flow through units. The second tranche, non-brokered, closed on May 4, 2004 with the issuance of 956,000 units and 370,000 flow-through units.

Each unit was priced at 25 cents and consists of one common share and one non-transferable share purchase warrant entitling the placee to acquire one additional common share of the company at the price of $0.35 in the first year after closing and at the price of $0.50 during the second year after closing.

Each flow-through unit was priced at 30 cents and consists of one flow-through share and one-half of one non-transferable share purchase warrant entitling the placee to acquire one additional common share of the Company at the price of $0.40 in the first year after closing and at the price of $0.50 during the second year after closing.

As agent for part of the financing, Dundee received a cash commission of $35,000 and 193,333 broker warrants, each of which entitle them to purchase up to 193,333 shares of the Company at an exercise price of $0.25 per share until April 26, 2005.

The proceeds from the financing will be used to advance the Company's exploration properties and for general corporate purposes.

Risks

The mineral exploration business is speculative and involves a high degree of risk. There is no assurance the Company's mineral exploration activities will be successful as few properties that are explored are ultimately developed into producing mines. At present, none of the Company's properties have a known body of commercial ore and any proposed exploration programs are an exploratory search for ore. In exploring and developing its mineral deposits, the Company will be subject to an array of complex economic and technical risks, including, among other things, volatile metals markets, competition, changing government regulations, title issues and political instability. The development of the Company's properties will depend upon the Company's ability to obtain financing through the joint venturing of projects, private placement financings, public financings or other means. There is no assurance that the Company will be successful in obtaining the required financings.

Quarterly Information

Quarterly Period	Revenue($)(1)	Net loss($)	Net loss per share($)
Twelve months ended Dec. 31, 2003	3,927	144,397	0.01
Nine months ended Sept. 30, 2003	2,555	115,550	0.01
Six months ended June 30, 2003	836	81,967	0.00
Three months ended March 31, 2003	263	44,440	0.00
Twelve months ended Dec. 31, 2002	396	235,010	0.03
Nine months ended Sept. 30, 2002	46	110,025	0.01
Six months ended June 30, 2002	38	79,839	0.00
Three months ended March 31, 2002	26	25,384	0.00

(1) Revenues are interest income

Liquidity and Solvency

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 $50,000 to $100,000 annually. These maintenance costs are typical for a public company of this nature and consist of stock exchange filing fees, legal fees, audit fees, financing fees, transfer agent fees and general office expenses such as rent 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. The mineral exploration business is a highly speculative one and raising funds by the sale of shares has been very difficult in this sector in the last few years.

CORPORATE INFORMATION

Head Office

Lithic Resources Ltd.
912-510 West Hastings St.
Vancouver, B.C.
Canada V6B 1L8

Listing

TSX Venture Exchange
Symbol: LTH

Share Capital

(at December 31, 2003)
Authorized: unlimited
Issued: 12,073,486

Officers and Directors

Christiaan F. Staargaard
President, CEO and Director

Ryan T. Bennett
Director

Russell Cranswick
Director

Frank D. Wheatley
Chairman, Secretary and Director

Registrar and Trust Agent

Computershare Trust Company of Canada
4th Floor, 510 Burrard St.
Vancouver, B.C.
Canada V6C 3B9

Auditor

Manning Elliott
11th Floor, 1050 West Pender St.
Vancouver, B.C.
Canada V6E 3S7

Legal Counsel

Gowling LaFleur Henderson LLP
Suite 2300, 1055 Dunsmuir St .
Vancouver, B.C.
Canada V7X 1J1

Internet

Website: www.lithicresources.com

E-mail: info@lithicresources.com

Annual General Meeting

Boardroom
900-475 Howe Street
Vancouver, B.C.
Canada V6C 2B3
11:00 AM - June 23, 2004