LITHIC RESOURCES LTD.

ANNUAL REPORT 2004

LITHIC
RESOURCES

To the Shareholders:

The past year saw a significant increase in Lithic's visible activity, with two properties drilled. The Friendly Lake property was optioned last winter on the basis that it was an under-explored and very large scale intrusive-hydrothermal system in a geologic belt containing important copper-gold deposits such as Mt. Polley, Copper Mountain and Galore Creek. In addition to its prospective geological setting, the appeal of the property was enhanced by its southern location, low relief and excellent road access as compared with many of the other copper-gold projects currently being explored in British Columbia.

After a very extensive surface program over the summer, which included a helicopter-borne magnetic survey and over 100 kilometres of grid-based geology, soil geochemistry and IP, we identified a variety of drill targets including well-developed soil anomalies in copper, lead and silver overlying a large expanse of hydrothermally altered volcanic rocks as well as several gold anomalies overlying sedimentary rocks. Other points of interest included some of the known occurrences of copper and lead-silver mineralization.

Thirteen core holes were drilled in the fall to test a variety of these targets but while numerous zones of weak copper, lead and/or molybdenum mineralization were encountered, unfortunately none were of potentially economic grade. We were forced to conclude that if the very extensive alteration and geochemical anomalies on the property were indeed related to a significant bulk tonnage copper deposit, it was either at too great a depth to be mineable or alternatively, that it had already been eroded away. As a result, we returned the property to the vendor.

At Roaring River, our joint venture partner North American Palladium renewed their option in April and completed an IP survey over the grid they had established in 2003. They subsequently drilled five short holes to test some of the IP anomalies but failed in most of them to reach the target intrusive complex from which the PGE-mineralized boulders found on surface had probably been derived. They chose to terminate their option soon thereafter but emphasized that since the source of the boulders had not been found, the property's exploration potential was undiminished. We will continue to look for a partner to advance the exploration at Roaring River.

While the lack of interesting results on these properties in 2004 is disappointing, this is the sort of thing that happens in mineral exploration. We have moved on and are now looking forward to the future. Despite being busy with Friendly Lake, our efforts to secure an advanced property never ceased and in fact have redoubled since January. We are seeing an increasing number of opportunities and are optimistic that one or more of them will result in a new acquisition.

On behalf of the Directors,

C.F. Staargaard
President and CEO

MANNING ELLIOTT
CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To the Shareholders of
Lithic Resources Ltd.

We have audited the balance sheets of Lithic Resources Ltd. as at December 31, 2004 and 2003 and the statements of loss and deficit, and cash flows for the years ended December 31, 2004 and 2003. 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, 2004 and 2003 and the results of its operations and its cash flows for the years ended December 31, 2004 and 2003 in accordance with Canadian generally accepted accounting principles.

/s/ "Manning Elliott"

CHARTERED ACCOUNTANTS

Vancouver, British Columbia
March 24, 2005

BALANCE SHEETS AS AT DECEMBER 31, 2004 AND 2003

ASSETS	**2004 ($)**	2003 ($)
Current		
Cash and cash equivalents	**358,617**	235,934
Accounts receivable	**28,854**	1,588
Marketable securities	**2,290**	2,600
	384,761	240,122
Environmental Bond	**5,000**	–
Property and Equipment *[Note 4]*	**4,453**	4,039
Mineral Claims and Options *[Note 5]*	**2**	63,110
	394,216	307,271
LIABILITIES		
Current		
Accounts payable and accrued liabilities *[Note 8]*	**71,705**	16,625
SHAREHOLDERS' EQUITY		
Capital Stock *[Note 6]*	**3,995,116**	2,931,101
Contributed Surplus	**76,500**	–
Deficit	**(3,749,105)**	(2,640,455)
	322,511	290,646
	394,216	307,271

Nature of Operations [Note 1]
Subsequent Events [Note 9]

Approved on behalf of the Board:

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

C.F. Staargaard, Director F.D. Wheatley, Director

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

STATEMENTS OF LOSS AND DEFICIT FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004 $	2003 $
MINERAL CLAIMS, OPTIONS AND EXPLORATION COSTS		
Acquisition costs written-off	**160,778**	21,815
Exploration costs	**726,937**	10,256
Less: option payments	**(20,000)**	(30,000)
	867,715	2,071
ADMINISTRATIVE EXPENSES		
Amortization	**1,908**	1,732
Assets written down	**310**	1,450
Communication and investor relations	**23,737**	9,988
Management fees and employee compensation *[Notes 6 and 8]*	**97,222**	91,667
Office, rent, travel and miscellaneous	**30,141**	25,525
Professional fees	**15,745**	15,891
Stock based compensation [Note 6]	**76,500**	–
Less interest income	**(4,628)**	(3,927)
	240,935	142,326
NET LOSS FOR THE YEAR	**(1,108,650)**	(144,397)
DEFICIT - BEGINNING OF YEAR	**(2,640,455)**	(2,496,058)
DEFICIT - END OF YEAR	**(3,749,105)**	(2,640,455)
LOSS PER SHARE	**(0.08)**	(0.01)
WEIGHTED AVERAGE SHARES OUTSTANDING	**14,688,042**	10,948,486

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

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003
OPERATING ACTIVITIES	**$**	$
Loss for the year	**(1,108,650)**	(144,397)
Add non-cash items		
Acquisition costs written-off	**160,778**	21,815
Amortization	**1,908**	1,732
Assets written down	**310**	1,450
Stock based compensation	**76,500**	–
Change in non-cash working capital items		
Accounts Receivable	**(27,266)**	3,252
Accounts Payable	**55,080**	(12,603)
	27,814	(9,351)
CASH USED IN OPERATING ACTIVITIES	**(841,340)**	(128,751)
FINANCING ACTIVITIES		
Proceeds from common shares issued	**1,159,500**	270,000
Share issuance costs	**135,485**	–
CASH PROVIDED BY FINANCING ACTIVITIES	**1,024,015**	270,000
INVESTING ACTIVITIES		
Purchase and staking of mineral claims and option payments	**(57,670)**	(20,000)
Purchase of capital assets	**(2,322)**	–
CASH USED IN INVESTING ACTIVITIES	**(59,992)**	(20,000)
INCREASE IN CASH DURING THE YEAR	**122,683**	121,249
CASH AND EQUIVALENTS - BEGINNING OF YEAR	**235,934**	114,685
CASH AND EQUIVALENTS - END OF YEAR	**358,617**	235,934
NON-CASH FINANCING ACTIVITIES		
Value of shares issued for mineral property payments	**40,000**	–
SUPPLEMENTAL DISCLOSURES		
Interest Paid	**–**	–

(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 old for 1 new 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. 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 the necessary financing to complete the development and future profitable production from these claims or dispose of them for more than their cost. 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] Basis of Presentation

The financial statements of the Company are prepared in accordance with Canadian generally accepted accounting principles

[b] 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.

[c] Cash and equivalents

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

[d] Marketable securities

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

[e] 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 effect on the current carrying value of both mineral claims and options and deferred exploration and development costs.

Under Accounting Guideline 11, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

[f] 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	30%
Furniture and fixtures	30%

[g] 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.

[h] Share issuance costs

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

[i] Stock-based compensation

The Company recognizes stock-based compensation expense in accordance with CICA Handbook Section 3870 “Stock-based Compensation and Other Stock-based Payments”. When stock or stock options are issued to non-employees, compensation expense is recognized based on the fair value of the stock or stock options issued. During 2004, the Company changed its accounting policy related to employee stock options, and began to recognize compensation expense for stock or stock option grants to employees, based on the fair value of the stock or stock options issued. See Notes 3 and 6[d].

[j] Loss per share

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

[k] 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.

[l] 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. CHANGE IN ACCOUNTING POLICY

During 2004, the Company adopted the provisions of CICA Handbook Section 3870, *“Stock-based Compensation and Other Stock Based Payments”,* as it relates to employee stock options. In accordance with the provisions of this section, the Company has accounted prospectively for all employee stock options granted, settled, or modified since January 1, 2004 as a charge to operations based upon the fair value method. The fair value method requires the Company to expense the fair value, as determined using the Black Scholes option-pricing model, of the employee options granted or modified during a period. Accordingly, the Company has recorded an amount of $76,500 in respect

3. CHANGE IN ACCOUNTING POLICY (continued)

of employee options granted in 2004 (Note 6[d]). Pro forma loss would continue to be disclosed as it relates to employee stock options granted during 2003.

4. PROPERTY AND EQUIPMENT

	Cost $	Accumulated Amortization $	Net Book Value 2004 ($)	Net Book Value 2003 ($)
Computer equipment	4,432	1,934	2,498	1,247
Computer software	2,687	1,585	1,102	1,574
Furniture and fixtures	1,754	901	853	1,218
	8,873	4,420	4,453	4,039

5. MINERAL CLAIMS AND OPTIONS

Acquisition costs:

Property	Ownership interest	Carrying Value ($) 2004	2003
Fly Lake *[c]*	100% - owned	1	1
KAPP Property *[d]*	100% - owned	0	1
Roaring River Property *[a]*	100% - owned	1	63,108
		2	63,110

Exploration costs charged directly to operations during fiscal 2004 were:

	Friendly Lake $ *[b]*
Line cutting, geophysical and field	450,864
Drilling and assaying	276,073
	726,937

Exploration costs charged directly to operations during fiscal 2003 were:

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

[a] Roaring River Property

In 2000, Berland Resources acquired an option for a 100% interest in the Roaring River property in north-western Ontario from Stares Contracting Corp., subject to a 2% NSR royalty. The Company completed its option to earn the 100% interest in 2003, having paid a total of $42,000 in cash and having issued 125,000 pre-consolidation shares with a total fair market value of $17,000.

On April 24, 2003, the Company entered into an option agreement with Lac Des Îles Mines Ltd. whereby Lac Des Îles had the right to earn a 60% interest in the Roaring River property in return for making cash payments totalling $90,000 and incurring $500,000 in exploration expenditures over a three year period. After carrying out some surface work and drilling five holes totalling 500 metres, LDI returned the property to the Company on November 3, 2004, having made $50,000 in cash payments. The Company subsequently wrote down its property acquisition cost to a nominal value. The property currently consists of 25 claims.

5. MINERAL CLAIMS AND OPTIONS (continued)

[b] Friendly Lake Property

On January 30, 2004, the Company signed an option agreement to earn 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 were as follows:

On Regulatory Approval 100,000 shares (paid)	a cash payment of $50,000 and the issuance of
On or before December 15, 2004 cash and 125,000 shares	$250,000 in exploration work, payments of $75,000 in
On or before December 15, 2005 cash and 150,000 shares	$500,000 in exploration work, payments of $100,000 in
On or before December 15, 2006 in cash and 175,000 shares	$1,000,000 in exploration work, payments of $150,000
On or before December 15, 2007 $250,000 in cash and 200,000 shares	$1,250,000 in exploration work, payments of
On or before December 15, 2008 in cash and 250,000 shares	$2,000,000 in exploration work, payments of $375,000

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

1. 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 the vendor.
2. a one-time cash payment of Two Million ($2,000,000) Dollars to the vendor on the achievement of Commercial Production from the Property.

After spending $726,937 on exploring the property, the Company returned the property to the vendor in January 2005. All costs related to the property were written off as of December 31, 2004. Subsequent to December 31, 2004 the Company incurred costs of $19,000 in order to comply with the filing requirements to maintain the claims in good standing for the next five years as per the option agreement with the vendor.

[c] Fly Lake Property

The Fly Lake property in northwestern Ontario was acquired through Berland's assumption of Cumberland Resources Ltd.'s 100% option with Rio Algom Exploration Ltd. on October 27, 1997. Pursuant to an amending agreement dated January 19, 2000 between Berland and Rio Algom, the required exploration expenditures were reduced to that already spent by Berland and Berland was deemed to have exercised the option for a 100% interest in the property, subject to a 2% NSR royalty payable to Rio.

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

The claims were written off in fiscal 2000 and are carried at a nominal $1. As at December 31, 2004, the property consists of 44 claims in good standing.

[d] Kapp Property

In 1998, Berland Resources staked 43 mining claims in northeastern Ontario on the basis of kimberlitic indicator minerals discovered during a government survey and in 1999, acquired another 6 claims, subject to a 1% NSR royalty in favour of the vendor, by conducting an airborne geophysical survey. On October 31, 2001 Canabrava Diamond Corporation acquired the right to earn a 100% interest in five of the claims. They terminated the agreement in 2002 after carrying out some drilling, having made a cash payment of $10,000 and having issued 10,000 shares to the Company. A single remaining claim was allowed to lapse in March 2004.

6. CAPITAL STOCK

Authorized: Unlimited common shares without par value.

Issued:	Number of shares	Value $
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**
Exercise warrants	50,000	9,500
Issued for Property	100,000	40,000
Private Placement	3,259,333	850,000
Private Placement	1,000,000	300,000
Share Issue Costs	-	135,485
Balance December 31, 2004	**16,482,819**	**3,995,116**

[a] Private Placement

In May 2004, the Company completed a private placement of $850,000 consisting of 2,556,000 units and 703,333 flow-through units of the Company by way of brokered and non-brokered placement. Each unit was priced at 25 cents and consists of one common share and one non-transferable share purchase warrant. One whole warrant will entitle the placee to acquire one additional common share of the company at the price of $0.35 to May 2005 and at the price of $0.50 to May 2006. 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. One whole warrant will entitle the placee to acquire one additional common share of the company at the price of $0.40 to May 2005 and at the price of $0.50 to May 2006. The agent received a commission of 7 per cent of the gross proceeds raised from the brokered offering, payable in cash. In addition, the agent was issued brokers' warrants in an amount equal to 10 per cent of the number of units sold in the brokered offering. Each brokers' warrant is exercisable into one common share of the company, at an exercise price of 25 cents per share, to April 2005.

[b] Private Placement

In September 2004, the Company completed a $300,000 non-brokered private placement. The placement consisted of one million flow-through shares at a price of 30 cents. A finder's fee of $21,000 in cash and 100,000 warrants was paid, each warrant entitling the finder to purchase one additional common share of the Company at a price of 30 cents for one year following the closing.

[c] Escrowed Shares

During fiscal 2003, 324,419 escrowed common shares were released and 173,029 escrowed common shares which were in escrow in fiscal 2003 were released in fiscal 2004. At the end of fiscal 2004, 43,259 common shares remain in escrow.

[d] Stock options

On September 27, 2004, the Company granted 450,000 stock options to directors of the Company. These options are exercisable at 20 cents and expire in September 2009.

The fair value of the stock options was estimated using the Black-Scholes model: risk-free interest rate was 4.07%, expected volatility of 31%, an expected life of five years and no expected dividends. The resultant and estimated value of $76,500 was charged to operations.

6. CAPITAL STOCK (continued)

The weighted average number of shares under option and the weighted average option price for the year ended December 31, 2004 are as follows:

	Number of Options	Weighted Average Option Price ($)	Weighted Average Remaining Life (Years)
Beginning of year	700,000	0.19	3.75
Granted	450,000	0.20	5.00
Exercised	–	–	–
Cancelled	–	–	–
Lapsed	–	–	–
End of year	1,150,000	0.19	3.75

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 would have been as follows:

	2003 $
Net loss	
As reported	(144,397)
Pro forma	(145,897)
Basic and diluted net loss per share	
As reported	(.01)
Pro forma	(.01)

[e] Warrants

At December 31, 2004 warrants were outstanding as follows:

2004	2003	Expiry Date
–	150,000	$0.19 Sept-04
193,333	–	$0.25 Apr-05
100,000	–	$0.30 Sep-05
1,600,000	–	$0.35/0.50 Apr 2005/2006
166,667	–	$0.40/0.50 Apr 2005/2006
956,000	–	$0.35/0.50 May 2005/2006
185,000	–	$0.40/0.50 May 2005/2006
3,201,000	150,000	

7. INCOME TAXES

The Company has income tax losses of $1,043,000 to carry-forward to apply against future years taxable income expiring as follows:

Year	$	Year	$	Year	$
2005	122,000	2008	70,000	2014	238,717
2006	140,000	2009	211,000		
2007	122,000	2010	139,000		

The benefit of these losses will be recorded when realized.

At December 31, 2004 the Company has cumulative Canadian Exploration Expenditures ("CEE") of $564,016 after $461,200 of CEE was renounced to investors in prior periods and $511,000 in fiscal 2004. CEE is available for 100% deduction against future years' taxable income.

7. INCOME TAXES (continued)

Canadian Development Expenses of $236,343 are available at a rate of 30% each year for deduction against future years' taxable income.

8. RELATED PARTY TRANSACTION

During the year, the Company recorded management compensation of $97,222 (2003 - $91,662), which was paid to a company owned by the Company's President. Of this amount, $10,796 (2003 - $6,790) is included in accounts payable.

9. SUBSEQUENT EVENTS

The Company returned the Friendly Lake property to the vendor in January 2005. All costs related to the property were written off as of December 31, 2004. Refer also to note 5[b].

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, 2004 is dated and current as of April 26, 2004. 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 Roaring River platinum-palladium project in north western Ontario. The Friendly Lake copper-gold project in south central British Columbia, acquired by option in the first quarter of 2004, was relinquished in the first quarter of 2005. Other than working on its active properties, the Company is engaged in a continuing world-wide review of properties and projects for possible acquisition.

Friendly Lake Property

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

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

1. The Company 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 the vendor.
2. The vendor is entitled to receive from the Company a one-time cash payment of Two Million ($2,000,000) Dollars on the achievement of Commercial Production from the Property.

The 6,825 hectare Friendly Lake copper-gold project is centred about 105 kilometres north of Kamloops, British Columbia. Access is excellent with numerous logging roads reaching and crossing the property. Geologically, the property is situated in the Quesnel Terrane which hosts numerous alkalic intrusion- related copper-gold deposits.

Mapping by the BC Geological Survey in recent years showed the region to include a previously unrecognized series of Late Triassic to Early Jurassic mafic to syenitic plutons correlative with those hosting the Mt. Polley, Afton and Copper Mountain Cu-Au deposits and possibly the gold-bearing skarn deposits at Hedley. The property covers the northernmost of these plutons, the Friendly Lake Intrusive Complex, and includes a variety of known mineral occurrences, including porphyry-style chalcopyrite-bornite mineralization, an unusual bulk tonnage, skarn-type lead-silver occurrence, base metal-bearing breccia and auriferous, low-sulphide quartz-feldspar stockwork veining.

In 2004, the Company carried out a two phase program of exploration to evaluate the property at a total cost of $726,937. The first phase of work began in May with a property-wide helicopter-borne magnetic survey using east-west lines spaced at 100 metres. This was followed with the establishment of about 135 kilometres of cut grid lines spaced at 400 metres which was used to control 1:10,000 scale geological mapping, prospecting, geochemical soil sampling (2,693 samples) and a pole-dipole IP (induced polarization) survey.

This work showed that the overall geological situation at Friendly Lake is one of a central package of Triassic Nicola Group mafic volcanics, tuffs and tuffaceous sediments that has been cut by several dioritic to gabbroic intrusives, probably of Late Triassic to early Jurassic age. A slightly younger plutonic suite also intrudes the Nicola rocks and comprises an earlier phase of sodic monzonitic rocks and a later phase of syenitic composition.

The volcanic package hosting the intrusives has been overprinted by extensive propylitic, pyritic and silicic alteration of igneous-thermal and hydrothermal origin over an area of about 7 km by 2 km. Several areas exhibit extensive fracture-controlled and disseminated galena and sphalerite mineralization as well as very broad and well-developed anomalies in copper, lead, zinc, silver and molybdenum in overlying soils. The altered rocks were interpreted as part of the thermal aureole that developed over a shallow-buried or partially exposed alkalic pluton, the outcropping syenites and monzonites being high-level offshoots from this body, while the lead-zinc-silver mineralization and other anomalous elements in soils may be peripherally related to an underlying copper-gold system. In addition, several gold-in-soil anomalies were identified overlying Nicola sedimentary rocks adjacent to the volcanic-intrusive package and were interpreted as possibly being related to structurally controlled gold mineralization.

A number of drill targets were selected on the basis of Phase One results, including mainly copper-in-soil anomalies but also several gold-in-soil anomalies and deeper tests of known copper-PGE and silver-lead occurrences. In the period from October to early December, thirteen core holes totalling 2,372.8 metres were drilled to test these targets. Although many of these holes intersected geochemically anomalous to low grade intervals for copper, lead, silver and molybdenum in variably propylitized volcanic rocks, levels of metals in these intercepts were of the same order of magnitude as those in the overlying soil anomalies. No trends in alteration that would serve as a vector to more strongly mineralized zones were observed during mapping, prospecting or drilling. Several well-developed gold-in-soil anomalies overlying sedimentary rocks were also drilled, returning only a number of weakly anomalous intercepts related to minor quartz veining.

It was concluded that if the anomalous geochemistry and geology on the property are in fact related to a significant intrusive-related copper-gold system, that system is either present at excessive depth or has been eroded away. As a result, no further work was thought to be warranted and the property was returned to the vendor.

Roaring River Property

The Roaring River property was originally staked to cover a regional aeromagnetic anomaly and anomalous levels of chromium and nickel in lake sediments associated with the 70 km by 1-15 km Roaring River gabbro/pyroxenite intrusive complex about 160 kilometres north of Thunderbay, Ontario. Although no records of previous exploration work exist, published government and academic studies indicated that the intrusive complex is zoned, with a central core of gabbro-pyroxenite surrounded by diorite, monzonite and quartz monzodiorite. It commonly exhibits mixing textures, breccia zones and pegmatitic phases as well as local centimetre scale layering. Bedrock exposure on the property is limited to due extensive glacial deposits. In addition, parts of the complex are overlain by thin sheets of relatively flat-lying Proterozoic diabase.

The Company's predecessor, Berland Resources, optioned the property in 2000 after initial prospecting by the vendors had located a number of PGE- (platinum group element) bearing boulders which resembled mineralization at North American Palladium Ltd.'s Lac Des Îles mine some 50 kilometres to the south. The agreement called for Berland to earn a 100% interest, subject to a 2% NSR royalty to the vendors, in return for making cash payments totalling $42,000 and issuing 100,000 common shares. In 2001, Berland carried out prospecting, grid-based geological mapping, a ground magnetic survey and soil sampling. Several small trenches and test pits were excavated on a number of the mineral occurrences. After the Company's re-structuring in 2002, it signed an option agreement on the property with a third party but was forced to carry out some assessment work when the other party defaulted on the agreement. In March of 2003, the Company completed its option with the vendors and became the owner of a 100% interest in the property.

In April of 2003, the property, now totalling 32,816 hectares, was optioned by North American Palladium Ltd. (NAP). The terms of the agreement were such that NAP could earn a 60% interest in the property by making cash payments totalling $90,000 and expending a total of $500,000 on exploration over a period of three years. The first year requirements included a cash payment of $30,000 on signing and $100,000 in exploration expenditures. In 2003, NAP carried out grid-based geological mapping, a ground magnetic survey and geochemical soil sampling. In April 2004, they renewed their option and carried out a limited IP survey over parts of the grid, subsequently drilling five holes totalling about 500 metres to test various IP anomalies.

On November 2, 2004, NAP notified the Company that the drill holes they completed on the Roaring River property for the most part intersected the younger diabase rather than the underlying Roaring River ultramafic intrusive complex and as no mineralization was intersected, they were terminating their option on the property. However, they also stated that since the source of the platinum-palladium-mineralized boulders remains to be found, the exploration potential of the property is undiminished. The Company is compiling the data generated by NAP and is searching for a new partner to continue with exploration.

Other Properties

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

The Company now owns a 100% interest in the property, subject to Rio Algom's back-in right for a 50% interest in exchange for completing a feasibility study and arranging financing (Rio was the original optionor to Berland). It has not performed any work on the property which, as of the end of 2004, consists of 44 claims. However, the Company recently applied at no cost to redistribute banked assessment credits to maintain the claims in good standing. It does not plan any work but is searching for a partner to continue with exploration.

Discussion of Financial Condition

General

The Company's general and administrative costs in the period, less interest income of $4,628, totalled $240,935. The largest single change from 2003 was due to the inclusion of a charge of $76,500 for stock-based compensation in the form of stock options granted to the directors. Securities regulations now mandate that stock options are expensed rather than enumerated in the notes to financial statements. A value for the options is estimated using a statistical model which attempts to take into account the volatility of the stock, the risk free rate and the weighted average life of the options. These models are generally based on companies with regular trading patterns. Where the market for the stock in question is highly volatile and not very liquid, such as is often the case in the junior mining market, the results may not be very meaningful.

Another significant difference from 2003 was an increase from $9,988 to $23,737 in the amount charged to communications and investor relations. This reflected the Company's attendance at several conferences in the earlier part of 2004 along with the preparation of promotional materials for the same. Other significant components of general and administrative costs in the year include management compensation of $97,222 paid to a company owned by the President of the Company, $30,141 for office and other general costs, and $15,745 for professional fees. These amounts have not changed substantially from 2003.

Acquisition costs of $97,670 for Friendly Lake, including both a cash payment of $50,000 and 100,000 shares, were written off. An amount of $63,108 was written off with respect to the Roaring River property. These amounts were partly offset by receipt of a $20,000 option payment for the Roaring River property.

In late April, 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 and non-brokered tranche 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.

In September, the Company closed a second private placement of one million flowthrough shares at a price of 30 cents per share for gross proceeds of $300,000. A finder's fee was paid and consisted of a cash payment of $21,000 as well as 100,000 warrants, each warrant being exercisable into one common share of the company at a price of 30 cents per share until September 2005.

The proceeds from these financings were intended to be used to advance the Company's exploration properties and, with respect to some of the non-flowthrough funds, for general corporate purposes. All of the flow-through funds raised in both private placements were spent by the end of the year.

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.

Expensed Exploration Costs for the Period

Exploration expenditures in the year were mainly related to work on the Friendly Lake property on which a total of $726,937 was spent compared with zero in the previous year. A partial breakdown of these costs is shown in the following table. No other substantial exploration expenditures were incurred.

Item	Totals
Diamond Drilling	199,791.00
IP Survey	118,925.00
Airborne Survey	76,000.00
Line Cutting	67,975.00
Salaries and Wages	67,186.39
Room and Board	50,451.28
Analytical	48,375.40
Soil Sampling	29,114.75
Miscellaneous	21,469.41
Road Construction	20,063.50
Vehicle Rental	11,639.14
Equipment Rentals	5,426.63
Prospecting	3,850.00
Filing Fees	3,770.00
Claim Staking	2,899.50
Grand Total	**726,937.00**

Selected Quarterly Information

The net loss for the Company in the period continued to be higher than in the same period in 2003 because of the exploration expenditures at Friendly Lake.

Quarter Ended	Revenue ($)	Net loss ($)	Net loss per share ($)	Net loss per share diluted[1]($)
Dec. 31, 2004	Nil	437,904	0.04	n/a
Sept. 30, 2004	Nil	373,047	0.02	n/a
June 30, 2004	Nil	255,549	0.02	n/a
March 31, 2004	Nil	42,150	0.00	n/a
Dec. 31, 2003	Nil	28,847	0.01	n/a
Sept. 30, 2003	Nil	33,583	0.00	n/a
June 30, 2003	Nil	37,527	0.00	n/a
March 31, 2003	Nil	44,440	0.00	n/a

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

Share Capital

The Company has one class of common shares. At December 31, 2004, there were 16,482,819 common shares outstanding, 1,150,000 stock options and 3,201,000 warrants.

Liquidity and Solvency

The Company had a net working capital position of $313,056 at December 31, 2004 compared with $223,497 at the same point in 2003. The Company has sufficient liquidity to meet its current obligations in 2005, however, should it acquire additional properties, additional funding will be required.

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, 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. Public financings involve significant legal costs, fees and commissions over and above the general administrative costs listed above, the total of which can be as much as 20% of the funds raised.

Risks

The mineral exploration business is speculative and involves a high degree of risk. There can be no assurance that the Company's mineral exploration activities will be successful as few properties that are explored are ultimately developed into producing mines. At present, none of the Company's properties have a known body of commercial ore and any proposed exploration programs are an exploratory search for ore. In addition to the risk that no economic body of ore exists on the property, the Company is subject to a complex array of other economic, political and technical risks in exploring and developing its mineral properties, including, among other things, volatile metals markets, competition, changing government regulations, title issues and political instability.

Since the Company has no revenues, the acquisition and development of its properties depends upon its ability to obtain financing through private placement financings, public financings, the joint venturing of projects or other means. There can be no assurance that the Company will be successful in obtaining the required financings.

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Shares

Listing:	TSX Venture Exchange
Symbol:	LTH
Authorized:	unlimited
Issued:	16,482,819 (at 12-31-2004)

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