LITHIC RESOURCES LTD.

ANNUAL REPORT 2005

After turning the Friendly Lake project back to the vendor in early 2005, our search for new projects was accelerated. Unfortunately, the few advanced gold and/or copper-based projects that appeared to be available were either overpriced, lacked sufficient potential or had serious flaws. As a result, we decided to change focus from the commodities in vogue to one that was not as popular at the time but has long been known to peak later in the metals cycle: zinc. Our expectation was that there were still some interesting zinc projects with real potential that could be acquired for a reasonable price.

Shortly thereafter, we were fortunate to identify and subsequently purchase a 100% interest in the advanced Crypto zinc project in Utah from EuroZinc Mining Corporation. Since acquiring the property in 2001, EuroZinc had concentrated on developing its assets in Portugal and the Crypto property had become somewhat of an orphan. Because zinc prices were relatively low at the time, we were able to make a very reasonable deal for the property.

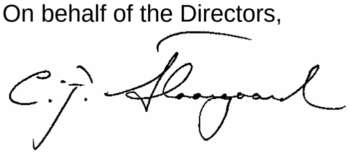
We were attracted to Crypto for a number of reasons. First of all, it has a historical mineral resource, outlined by Cyprus Minerals in the early 1990's, of approximately 5.4 million tonnes grading 8.68% zinc in a sulphide zone and approximately 2.8 million tonnes grading 7% zinc in an overlying oxide zone. While these resources are not NI43-101 compliant and do not indicate a resource or a reserve with demonstrated economic viability, they are believed by the Company to be relevant and a reliable indication of the potential of the property. Second, both zones are open for expansion. Third, the project is located in one of the most mining friendly states in America. Fourth, its US location gives it full exposure to US dollar denominated metals prices, unlike a lot of other jurisdictions where a declining US dollar has led to locally increased costs of production, offsetting gains from higher US dollar prices. Fifth, there is significant additional exploration potential on the property, not only in the possibility of similar but as yet undiscovered zinc mineralization, but also in following up on some very interesting signs of porphyry molybdenum mineralization as well as the old, high grade silver mines.

We had also been looking at an earlier stage volcanogenic massive sulphide (VMS) zinc-copper prospect in south eastern Quebec submitted to us by two geologists that had worked on the property back in the 1990's. An initial review showed that it was situated in a district with several old producing zinc-copper±silver±gold mines contained in the same general belt of Ordovician volcanic rocks that host the world-class Buchans and Bathurst VMS districts in Newfoundland and New Brunswick respectively. Historically, the property area had received relatively little prospecting and exploration attention compared with the rest of the district as the mineral rights had been owned by a pulp and paper company until the 1980's. Our preliminary review also showed that various strong indications of VMS mineralization and alteration discovered in the 1990's had not been followed up adequately and so we entered into an option for a 100% interest in the property. A subsequent and more detailed review of old exploration data has shown that there are almost 20 kilometres of highly prospective stratigraphy on the property with excellent potential to host a significant VMS deposit.

Since we acquired these projects, the market for zinc has performed even better than we might have hoped, with the price currently in the vicinity of US$1.50 per pound. Its fundamentals going forward are probably the best of any of the metals and unlike the case for copper and gold, there are relatively few zinc-focussed companies for investors to choose from. We feel that our flagship Crypto project is very attractive compared with the zinc assets held by our competitors and plan an aggressive campaign of exploration in 2006 to expand known mineralization with drilling and to search for new zones. The Stoke Mountain property represents an excellent pipeline project and we will be able to advance it to the drill stage with an inexpensive program of exploration. Finally, we continue to search for other exceptional opportunities to add to our project portfolio.

Given our excellent projects and an outstanding market for zinc and other base metals, there has never been a better outlook for the Company. We look forward to a very busy and productive year.

On behalf of the Directors,



C.F. Staargaard
President and CEO

MANNING ELLIOTT
CHARTERED ACCOUNTANTS
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AUDITORS' REPORT

To the Shareholders of
Lithic Resources Ltd.

We have audited the consolidated balance sheets of Lithic Resources Ltd. as at December 31, 2005 and 2004 and the statements of loss and deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

CHARTERED ACCOUNTANTS

Vancouver, British Columbia

February 23, 2006

CONSOLIDATED BALANCE SHEETS AS AT DECEMBER 31, 2005 AND 2004

	2005 $	2004 $
ASSETS		
Current		
Cash	**54,673**	358,617
Amounts receivable	**1,731**	23,854
Marketable securities	**2,290**	2,290
	58,694	384,761
Environmental Bond	**-**	5,000
Property and Equipment *[Note 4]*	**3,117**	4,453
Mineral Claims and Options *[Note 5]*	**332,288**	2
	394,099	394,216
LIABILITIES		
Current		
Accounts payable and accrued liabilities *[Note 8]*	**16,933**	71,705
SHAREHOLDERS' EQUITY		
Capital Stock *[Note 6]*	**4,235,366**	3,995,116
Contributed Surplus	**76,500**	76,500
Deficit	**(3,934,700)**	(3,749,105)
	377,166	322,511
	394,099	394,216

Nature of Operations and Continuance of Business [Note 1]

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)

CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005 $	2004 $
MINERAL CLAIMS, OPTIONS AND EXPLORATION COSTS		
Acquisition costs written-off	-	160,778
Exploration costs	**28,876**	726,937
Less: option payments	**-**	(20,000)
	28,876	867,715
ADMINISTRATIVE EXPENSES		
Amortization	**1,336**	1,908
Assets written-down	**-**	310
Communication and investor relations	**22,233**	23,737
Management fees and employee compensation *[Notes 6 and 8]*	**89,012**	97,222
Office, rent and travel	**24,971**	30,141
Professional fees	**21,437**	15,745
Stock based compensation *[Note 6]*	**-**	76,500
Less: interest income	**(2,270)**	(4,628)
	156,719	240,935
NET LOSS FOR THE YEAR	**(185,595)**	(1,108,650)
DEFICIT - BEGINNING OF YEAR	**(3,749,105)**	(2,640,455)
DEFICIT - END OF YEAR	**(3,934,700)**	(3,749,105)
LOSS PER SHARE	**(0.01)**	(0.07)
WEIGHTED AVERAGE SHARES OUTSTANDING	**18,033,000**	16,483,000

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

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005 $	2004 $
OPERATING ACTIVITIES		
Loss for the year	(185,595)	(1,108,650)
Add non-cash items		
Acquisition costs written-off	-	160,778
Amortization	1,336	1,908
Assets written down	-	310
Stock based compensation	-	76,500
Change in non-cash working capital items	(27,649)	27,814
CASH USED IN OPERATING ACTIVITIES	(211,908)	(841,340)
FINANCING ACTIVITIES		
Proceeds from common shares issued	-	1,159,500
Share issuance costs	-	135,485
CASH PROVIDED BY FINANCING ACTIVITIES	-	1,024,015
INVESTING ACTIVITIES		
Purchase and staking of mineral claims and option payments	(92,036)	(57,670)
Purchase of property and equipment	-	(2,322)
CASH USED IN INVESTING ACTIVITIES	(92,036)	(59,992)
INCREASE (DECREASE) IN CASH DURING THE YEAR	(303,944)	122,683
CASH - BEGINNING OF YEAR	358,617	235,934
CASH - END OF YEAR	54,673	358,617
NON-CASH FINANCING ACTIVITIES		
Value of shares issued for mineral property payments	240,250	40,000

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

1. NATURE OF OPERATIONS AND CONTINUANCE OF BUSINESS

The Company was incorporated on October 24, 1997 under the laws of the Province of British Columbia as Berland Resources Ltd. Effective June 7, 2002 the Company undertook a restructuring whereby the Company consolidated its shares on a 2 for 1 basis, changed its name to Lithic Resources Ltd., and continued from the BC Company Act to the Canada Business Corporations Act. 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 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.

As at August 31, 2005, the Company had an accumulated deficit of $3,934,700 and working capital of $41,761. These financial statements have been prepared on the basis that the Company is a going concern, which contemplates the realization of its assets and the settlement of its liabilities in the normal course of operations. The ability of the Company to continue as a going concern is uncertain and dependent upon obtaining the financing necessary to meet its future exploration commitments and to complete the development of its properties and/or realizing proceeds from the sale of one or more of the properties. These financial statements do not reflect any adjustments related to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

[a] Basis of presentation and consolidation

The financial statements of the Company are prepared in accordance with Canadian generally accepted accounting principles and include the accounts of the Company and its wholly-owned subsidiary N.P.R. (US) Inc., a Nevada corporation. N.P.R. (US) Inc. was acquired on May 30, 2005, see Note 3. All inter-company transactions and balances have been eliminated upon consolidation.

[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. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant. Actual results could differ from these estimates.

[c] Cash and equivalents

Cash and cash equivalents consists of cash in bank accounts and short-term deposits with maturity dates of less than three months.

[d] Marketable securities

Marketable securities acquired as proceeds of mineral property option transactions are recorded at fair market value upon receipt. Losses in value, which are other than temporary, are recognized by writing down the investment to market value.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

[e] Mineral claims, options and deferred exploration costs

The Company records its interests in mineral properties and areas of geological interest at cost. Costs relating to these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or allowed to lapse. These costs will be amortized over the estimated useful life of the property following commencement of production, or written off if the mineral properties or projects are sold or allowed to lapse. It is reasonably possible that economically recoverable reserves may not be discovered and accordingly a material portion of the carrying value of mineral properties and related deferred exploration costs could be written-off.

The Canadian Institute of Chartered Accountants released Accounting Guideline 11 – Enterprises in the Development Stage (“AG11”).

Pursuant to AG11 there should be a presumption of impairment in the carrying amount of deferred development costs of enterprises in the development stage engaged in extractive operations when any of the following conditions exist:

[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.

If any of the Company's mineral properties attains commercial production, capitalized costs will be amortized on a unit of production basis. The Company does not accrue the estimated future costs of maintaining its mineral properties in good standing.

[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 adopted EIC-146, which is effective for all flow-through share transactions initiated after March 19, 2004. Canadian tax legislation permits a company to issue securities referred to as flow-through shares whereby the investor may claim the tax deductions arising from the related resource expenditures. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, a future income tax liability is recognized and the shareholders’ equity is reduced.

If the Company has sufficient unused tax loss carryforwards to offset all or part of this future income tax liability and no future income tax assets have been previously recognized for these carryforwards, a portion of such unrecognized losses is recorded as income up to the amount of the future income tax liability that was previously recognized on the renounced expenditures

[h] Share issuance costs

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

[i] Stock-based compensation

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 the employee and director stock options granted, settled, or modified since January 1, 2004. The Company accounts for the granting of stock options and direct awards of stock to employees, directors and non-employees using the fair value method whereby all awards will be recorded at fair value on the date of grant. The Company estimates the fair value of each stock option at the date of grant using the Black-Scholes option pricing model. Any consideration paid by the option holders to purchase shares is credited to share capital. The fair value method requires the Company to charge to operations the fair value of the options granted or modified during a period. Accordingly, the Company has charged to operations recorded an amount of $76,500 in respect of employee, director and non-employee options granted in 2004.

[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] 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.

[l] Foreign currency transactions and subsidiary translation

The accounts of the Company are expressed in Canadian dollars. Foreign currency monetary assets and liabilities are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Other balance sheet items are translated into Canadian dollars at the exchange rate in effect on the respective transaction dates. Translation gains and losses relating to monetary items are included in operations.

The Company's US subsidiary is considered an integrated subsidiary which is financially and operationally dependent on the Company. The Company uses the temporal method to translate the accounts of its integrated US operation into Canadian dollars. Monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates for the period, except for amortization, which is translated on the same basis as the related asset. The resulting exchange gains or losses are recognized in income

[m] Income taxes

The Company follows the asset and liability method of accounting for income taxes. Future income tax assets and liabilities are determined based on temporary differences between the accounting and taxes bases of existing assets and liabilities, and are measured using the tax rates expected to apply when these differences reverse. A valuation allowance is recorded against any future tax asset if it is more likely than not that the asset will not be realized.

3. ACQUISITION

On May 30, 2005, the Company acquired all of the issued and outstanding common shares of N.P.R. (US) Inc. ("NPR") from EuroZinc Mining Corp. NPR was incorporated on November 9, 1984 in the State of Nevada, USA. Consideration was $25,000 in cash and 1,500,000 million common shares of the Company having an estimated fair market value of $232,500 being the price of the shares in the open market at the date of the transaction. The total cash and non-cash consideration was $257,500. The acquisition of NPR was treated as an acquisition of assets rather than a business combination because the acquisition does not meet the definition of a business as outlined in EIC-124.

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

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

4. PROPERTY AND EQUIPMENT

	Cost $	Accumulated Amortization $	2005 Net Book Value $	2004 Net Book Value $
Computer equipment	4,432	2,683	1,749	2,498
Computer software	2,687	1,916	771	1,102
Furniture and fixtures	1,754	1,157	597	853
	8,873	5,756	3,117	4,453

5. MINERAL CLAIMS AND OPTIONS

Acquisition costs:

Property	Ownership interest	Carrying Value ($) 2005	2004
Canada			
Fly Lake *[a]*	100% - owned	1	1
Roaring River Property [*b]*	100% - owned	1	1
Stoke Mountain *[d]*	under option	29,467	-
United States			
Crypto *[e]*	100% - owned	302,819	-
		332,288	2

Exploration costs charged directly to operations

	2005	2004
Friendly Lake	$21,196	$726,937
Stoke Mountain	2,013	-
Crypto	2,743	-
General	2,924	-
	$28,876	$726,937

5. MINERAL CLAIMS AND OPTIONS (continued)

[a] Fly Lake

The Fly Lake property in is located in the Red Lake Mining Division in North-western Ontario. The property was acquired on January 19, 2000 and is subject to a 2% NSR royalty payable to Rio Algom Exploration Ltd. (“Rio”).

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

The claims are carried at a nominal $1. As at December 31, 2005 the property consists of 44 claims in good standing to May, 2007.

[b] Roaring River

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

On April 24, 2003, the Company entered into an option agreement with Lac Des lles Mines Ltd. whereby Lac Des lles 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 of $1. The property is subject to a 2% NSR Royalty.

[c] Friendly Lake

On January 30, 2004, the Company signed an option agreement to earn a 100% interest in the Friendly Lake mineral property located in British Columbia.

After spending $726,937 in 2004 on exploration, 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. In 2005 the Company incurred $21,196 in additional costs at Friendly Lake in order to complete its obligations under the option agreement.

[d] Stoke Mountain

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

On signing:	$15,000 in cash and 50,000 shares (paid)
June 16, 2006	$25,000 in cash, 75,000 shares and $75,000 in exploration expenditures
June 16, 2007	$40,000 in cash, 100,000 shares and $200,000 in exploration expenditures
June 16, 2008	$75,000 in cash, 200,000 shares and $300,000 in exploration expenditures
June 16, 2009	$400,000 in exploration expenditures

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

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

[e] Crypto Property

On May 30, 2005, and amended June 29, 2005, the Company acquired all of the issued and outstanding common shares of N.P.R. (US) Inc. ("NPR") from EuroZinc Mining Corp. NPR was incorporated on November 9, 1984 in the State of Nevada, USA. NPR's only asset was a 100% interest in the Crypto Zinc Property. The Property includes a 100% interest in 40 unpatented mining claims, 17 patented mining claims and 1 Utah State mineral lease. Consideration was $25,000 in cash and 1,500,000 million common shares of the Company having an estimated fair market value of $232,500 being the price of the shares in the open market at the date of the transaction. The total cash and non-cash consideration was $257,500. The acquisition of NPR was treated as an acquisition of assets rather than a business combination because the acquisition does not meet the definition of a business as outlined in EIC-124.

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

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

An additional $45,320 of costs were incurred directly by the Company and capitalized as acquisition costs. These costs were for recording and maintenance costs.

6. CAPITAL STOCK

Authorized: Unlimited common shares without par value.

Issued:	Number of shares	Value $
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	2,556,000	639,000
Private Placement – flow through	703,333	211,000
Private Placement – flow through	1,000,000	300,000
Share Issue Costs	-	135,485
Balance December 31, 2004	16,482,819	3,995,116
Issued for property	1,550,000	240,250
Balance December 31, 2005	18,032,819	4,235,366

In May 2004, the Company completed a private placement of 2,556,000 units at $0.25 per unit for proceeds of $639,000 and 703,333 flow-through units at $0.30 per unit for proceeds of $211,000. Each non flow-through unit consisted of one common share and one non-transferable share purchase warrant. One whole warrant will entitle the holder to acquire one additional common share of the Company at $0.35 per share expiring May 2005 and $0.50 per share expiring May 2006. Each flow-through unit consisted of one flow-through share and one-half of one non-transferable share purchase warrant. One whole warrant will entitle the holder to acquire one additional common share of the Company at $0.40 per share expiring May 2005 and at $0.50 per share expiring May 2006. The Agent received a commission of 7% 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% of the number of units sold in the brokered offering. Each brokers' warrant is exercisable into one common share of the Company, at $0.25 per share expiring April 2005.

In September 2004, the Company completed a $300,000 flow-through private placement. The placement consisted of $1,000,000 flow-through shares at $0.30 per share. 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 $0.30 per share for one year following the closing.

[a] Stock options

On September 27, 2004, the Company granted 450,000 stock options to directors of the Company. These options are exerciseable at $0.20 per share expiring September 27, 2009.

The fair value of the stock options granted 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 resulting and estimated fair value of $76,500 was charged to operations during 2004.

The weighted average number of shares under option and the weighted average option price for the year ended December 31, 2005 are as follows:

	Number of Options	Weighted Average Option Price $	Weighted Average Remaining Life Months
Balance, December 31, 2003	700,000	0.19	45
Granted	450,000	0.20	60
Exercised	–	–	–
Cancelled	–	–	–
Lapsed	–	–	–
Balance, December 31, 2004	1,150,000	0.19	45
Beginning of year	1,150,000	0.19	–
Granted	–	–	–
Exercised	–	–	–
Cancelled	–	–	–
Lapsed	–	–	–
Balance, December 31, 2005	1,150,000	0.19	30

[b] Warrants

At December 31, 2005 and 2004 warrants were outstanding as follows:

2005	2004	Expiry
-	193,333	$0.25 April 2005
-	100,000	$0.30 September 2005
1,600,000	1,600,000	$0.35/0.50 April 2005/2006
166,667	166,667	$0.40/0.50 April 2005/2006
956,000	956,000	$0.35/0.50 May 2005/2006
185,000	185,000	$0.40/0.50 May 2005/2006
2,907,667	3,201,000	

7. INCOME TAXES

The Company has income tax losses of $872,000 to carry-forward to apply against future years taxable income expiring as follows:

Year	$	Year	$
2006	140,000	2010	108,000
2007	91,000	2014	194,000
2008	53,000	2015	127,000
2009	159,000		

The benefit of these losses will be recorded when realized.

7. INCOME TAXES (continued)

At December 31, 2005 the Company has cumulative Canadian Exploration Expenditures ("CEE") of $687,820 after $Nil of CEE was renounced to investors in prior periods. CEE is available for 100% deduction against future years' taxable income which give rise to possible future tax recoveries of approximately $239,800.

Canadian Development Expenses of $168,139 are available at a rate of 30% each year for deduction against future years' taxable income, which gives rise to possible future tax recoveries of $58,600. The value of these tax assets has been reduced to $NIL because of a valuation allowance.

8. RELATED PARTY TRANSACTION

During the year the Company recorded, at their exchange amounts, management compensation of $89,012 (2004 - $97,222), which was paid to a company owned by the Company's President of which $5,489 (2004 - $10,796) is included in accounts payable.

9. SUBSEQUENT EVENTS

On April 4, 2006 the Company announced that it intends to raise funds by way of a non-brokered private placement of up to 3,728,000 units at a price of $0.25 per unit for total proceeds of up to $932,000. Each unit will consist of one common share of the Company and one non-transferable share purchase warrant. The placement is subject to acceptance by the TSX Venture Exchange.

On April 4, 2006, the Company received a payment of approximately $100,000 from a third party with which it had been in advanced negotiations to acquire a significant asset. This payment was negotiated as a settlement when the other party withdrew prior to finalizing any agreement.

10. SEGMENTED INFORMATION

The Company operates in one industry, mineral exploration and two geographic segments, being Canada and the United States. The accounting policies of the segments are the same as those described in Note 2.

	Canada $	United States $	Total $
2005			
Revenue	-	-	-
Amortization	1,336	-	1,336
Exploration costs written-off	(26,133)	(2,743)	(28,876)
Segment operating loss	(182,852)	(2,743)	(185,595)
Segment assets	29,469	302,819	332,288
2004			
Revenue	-	-	-
Amortization	1,908	-	1,908
Exploration costs written-off	(726,937)	-	(726,937)
Acquisition costs written-off	(160,778)	-	(160,778)
Segment operating loss	(1,108,650)	-	(1,108,650)
Segment assets	2	-	2

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, 2005 is dated and current as of April 21, 2006. 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 two active projects, the advanced Crypto zinc project in western Utah and the Stoke Mountain zinc-copper-silver project in south eastern Quebec. Other than working on its active properties, the Company is engaged in a continuing world-wide review of properties and projects for possible acquisition.

Crypto Zinc Project

In May of 2005, the Company signed an agreement to purchase a 100% interest in the advanced Crypto zinc project from EuroZinc Mining Corporation in exchange for 1.5 million shares and $25,000 in cash. The 2,876 acre property is located in Utah about 100 miles southwest of Salt Lake City and is easily accessable by road.

Utah has a long history of mining. In 2003, it ranked ninth in the USA for non-fuel mineral production, of which base and precious metals accounted for almost US$1.3 billion in value. Several mining projects are in development and the improved metals market in the last couple of years has also led to a substantial increase in mineral exploration in the state, with uranium, base metals, gold and iron being the main commodities of interest. Crypto's US location is particularly advantageous in that it will give the project full exposure to US dollar denominated commodity prices. With the decline of the US dollar and strengthening foreign currencies, metal production in many other countries has seen little or no benefit from rising metals prices.

Regional Metallogeny

The Crypto deposit is a carbonate replacement deposit (CRD), similar in character to the world class Bingham, Park City, Tintic and other CRD districts elsewhere in Utah whose historic production at today's metal prices would have values ranging from US$1-6 billion. The property includes the old Fish Springs Mining District which, from the late 19th century through the mid-1970's, recorded small scale production of high grade silver-lead ore averaging 125 ounces of silver per ton and 44% lead from veins and oxidized replacement deposits.

History of Work and Property Geology

Modern exploration commenced in 1953 when Kennecott identified a very large magnetic anomaly in the course of an airborne survey being carried out in a regional search for porphyry copper deposits. Beginning in 1961, Utah International drilled the property for its iron (magnetite) deposits, subsequently discovering significant zinc mineralization on which they focussed their attention until exiting in 1985. In the early 1990's, Cyprus Minerals optioned the property and drilled a number of additional holes, mainly to test the known zones at depth. In all, 68 holes totalling about 27,000 metres have been drilled on the property.

Zinc mineralization at Crypto consists of coarse-grained sphalerite in a number of replacement deposits and magnetite-bearing skarns in a moderately dipping sequence of Ordovician to Silurian carbonates where they have been cut by a quartz monzonite intrusive. The intrusive appears to be a cupola extending upwards from a larger body at depth and is probably Tertiary in age. A zone of copper enrichment with values ranging from 0.2-0.4% is roughly coincident with zinc mineralization. Marbleization of the surrounding carbonate rocks is extensive. Mineralization is generally oxidized to a depth of about 250 metres, sphalerite having been converted to zincite, smithsonite, hemimorphite and hydrozincite.

At deeper levels, several significant intervals of molybdenite mineralization have been intersected in drilling and molybdenite is commonly found along fractures and shears in other holes, suggesting interesting potential for a buried porphyry molybdenum deposit related to the intrusive system. In fact, the general distribution of mineralization on the Crypto property shows zoning similar to that in typical porphyry systems, with an inner zone of molybdenum-rich mineralization grading outwards to zinc, then lead, silver and manganese with increasing distance from the intrusive.

Numerous workings of the historic Fish Springs District are developed on high grade silver-lead replacement deposits controlled by structures east of the known zinc deposit. The single largest mine was the Utah Mine, which produced about 13,000 tons at an average grade of about 128 ounces silver per ton (4,389 gpt) and 44% lead. The district total is recorded at about 20,300 tons at a similar grade.

Historical Resource Estimate

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

	Tonnes	% Zn	contained lb Zn
Oxide Zinc	2,800,000	7.00	431,984,000
Sulphide Zinc	5,400,000	8.68	1,033,058,880

This historical estimate was made prior to the implementation of NI43-101 standards, does not conform to those standards and should not be relied on as being indicative of a resource or a reserve with demonstrated economic viability. However, Cyprus' estimate was independently reviewed in 1993 by Roscoe Postle Associates Inc. of Toronto who found their methodology to be consistent with industry practice at the time. Based both on their independent review and Cyprus' status as a senior mining company, the Cyprus estimate is believed by the Company to be relevant and a reliable indication of the mineral potential of the property.

Exploration Potential

In their review of Cyprus' resource estimate, Roscoe Postle also confirmed Cyprus' observation that since a number of the sulphide zones were open along strike and/or down dip, there is good potential to expand mineralization by in-fill and step-out diamond drilling. Numerous long intercepts of high grade zinc mineralization in the sulphide zone show potential for substantial mining widths at significant grade. Based on available information, the Company believes that there is excellent potential for expanding the currently defined sulphide zone into an economically viable zinc deposit suited to underground mining.

Since the remainder of the property has not been explored to any significant degree, an additional exploration objective will be to follow up on several of the outlying drill holes in which a number of mineralized intercepts were encountered. A deep, 3 metre wide interval in one of these holes drilled about 600 metres to the east of the main zone graded 3.5% Cu, 7.65% Zn, 0.10% Mo and 21.8 gpt Ag, suggesting a strong possibility that either known mineralization is much more extensive than previously thought or that other and separate zinc ± copper ± silver-rich CRD zones are present on the property.

Finally, Utah International reported significant potential for additional silver-rich mineralization at depth in the Utah Mine based on their underground mapping and sampling in the 1970's and 1980's.

Proposed Work Programs

Phase One

- high resolution aerial photography to produce an accurate digital elevation model, topographic map and orthophoto for the property
- deep penetrating induced polarization survey to search for other sulphide zones on the property
- detailed airborne magnetic survey to search for other as-yet-undiscovered magnetite skarns and intrusive bodies with which economic mineralization might be associated

Phase Two

- 10,000 metres of drilling in 10-15 holes, with the following objectives:
  - rapid expansion of known sulphide zinc mineralization
  - test various IP and magnetic anomalies identified in Phase One that could represent other zinc ± lead ± silver ± copper-bearing replacement deposits associated with as yet unknown intrusives elsewhere on the property
  - extend selected drill holes to depth to investigate the possibility that numerous molybdenite-bearing drill intercepts encountered to date are related to a significant buried porphyry molybdenum deposit
  - test extensions to historically mined, high grade silver-lead deposits

Phase One is budgeted at approximately $200,000 and is scheduled for May-July 2006. Phase Two is budgeted at approximately $2 million and is planned for later in the year.

Stoke Mountain Property

In June of 2005, the Company acquired an option to earn a 100% interest in the Stoke Mountain copper-zinc-silver property by making cash payments totalling $155,000, issuing 425,000 shares and carrying out $975,000 in work. The first year's requirements are $15,000, 50,000 shares and $75,000 in work. The 11,091 hectare property is centred about 20 kilometres northeast of the town of Sherbrooke in southeastern Quebec, less than a two hour drive east of Montreal. A variety of roads surround and cross the property allowing for easy access and a rail line passes immediately to the south.

Geologically, the property is situated in the Dunnage tectonic zone, a belt of old oceanic crust that includes a collage of Cambrian to Mid-Ordovician island-arc terranes well-known for their volcanogenic massive sulphide (VMS) deposits, some of which, such as Buchans and Brunswick No. 12, are world-class. Other significant VMS deposits and occurrences in the zone include Aur Resources' Duck Pond deposit (in development) and Messina Minerals' Boomerang VMS discovery on its Tulks South property, both in Newfoundland.

The island arc terranes in the Dunnage Zone in southeastern Quebec are well-mineralized with numerous small VMS deposits suggesting active mineralizing systems throughout the region in Ordovician time. Some of the deposits that were mined earlier in the 20th century include the Cupra-d'Estrie (2.43 mt at 3.28% zinc, 2.74% copper, 38 gpt silver), Solbec (2.06 mt at 4.57% zinc, 1.57% copper, 48.6 gpt silver) and Suffield (1.39 mt at 7% zinc, 0.9% Cu, 0.5% lead, 91.2 gpt silver and 2.7 gpt gold) deposits. No single large deposit has been found yet although most VMS districts are characterized by one or two large deposits in addition to more numerous smaller ones.

Unlike the areas to the southwest and northeast, which had been prospected since the turn of the century, the property area saw little exploration until the 1980's as the mineral rights were owned by Domtar Paper. Since then, Lac Minerals has explored the property for Bousquet-style gold deposits, followed by Phelps Dodge's search for VMS deposits in the mid to late 1990's. Along with government mapping, this work showed that the property is underlain by a sequence of intermediate to felsic fragmental volcanic rocks capped by black argillite to the northwest and intruded by granitic rocks to the southeast.

Phelps Dodge focussed their drilling on a number of IP anomalies deep within the volcanic sequence. Several holes intersected footwall-style chloritic alteration and stringer chalcopyrite mineralization (5.1 m @ 6.34% copper) while others intersected narrow widths of banded sphalerite-galena-barite mineralization (0.35m @ 2.4% Zn, 2.5% Pb, 52.6 gpt Ag, 850 ppb gold). Classically, however, VMS deposits are most often found near or at the top of the volcanic sequence. A compilation of lithogeochemical sampling by the Quebec government and Phelps Dodge shows a strong concentration of anomalous footwall-type alteration lithogeochemistry near the prospective volcanic-sediment contact and stratigraphically above PD's drilling. This strongly suggests that the most favourable stratigraphic level on the Stoke property is actually the volcanic/shale contact and in fact many of the other VMS deposits in the region are found along or near this horizon. Over 15 kilometres of this contact remain untested by drilling and it represents a prime exploration target.

The Company plans a Phase One program of detailed geological mapping, geochemical soil sampling and whole rock geochemistry to further refine targets and identify new ones. The program is budgeted at $200,000 and is scheduled to begin in May. Phase Two will involve drill testing of targets identified or refined in Phase One.

Other Properties

The Fly Lake property, located in the Uchi Lake area of north-western Ontario, was assigned to Berland (Lithic's predecessor) 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.

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 2005, consists of 44 claims. 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 2005, less interest income of $2,270, totalled $156,719. The largest single component of these costs was management compensation of $89,012 paid to a company owned by the President of the Company. Other significant components of these costs in the year include $24,971 for office, travel and other general costs, $22,233 for communications and investor relations, and $21,437 for professional fees. None of these amounts have changed substantially from 2004.

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

Exploration expenditures of $28,876 in the year are substantially lower than the $726,937 spent in 2004 as no further work was carried out at Friendly Lake. The 2005 costs are mainly associated with the relinquishment of that property and include the filing of assessment work on the claims as per the agreement with the vendor as well as some minor expenditures to remove debris and remediate drill sites. This remediation enabled the Company to recover a $5,000 environmental bond that had been put in place as per its British Columbia mineral exploration permit.

	2004				2005			
	Friendly	**Crypto**	**Stoke**	**General**	**Friendly**	**Crypto**	**Stoke**	**General**
Drilling	199,791.00							
IP survey	118,925.00							
Linecutting	76,000.00							
Wages	67,186.39							
Room/Board	50,451.28							
Analytical	48,375.40							
Soil sampling	29,114.75							
Miscellaneous	21,469.41				367.37			
Roads	20,063.50							
Truck Rental	11,639.14							
Equip. Rental	5,426.63							
Prospecting	3,850.00							
Filing Fees	3,770.00				19,250.00			
Staking	2,899.50							
Remediation					1,578.63			
Travel						2,743.02	1,392.4	2,924.31
Maps/Reports							620.46	
Totals	**726,937.00**	**--**	**--**	**--**	**21,196.00**	**2,743.02**	**2,012.86**	**2,924.31**

Travel to the Crypto and Stoke Mountain properties as well as other field examinations accounted for a minor proportion of total exploration expenditures in 2005. No other substantial exploration expenditures were incurred.

Selected Annual Information

Year		**2005**	**2004**	**2003**
Total Revenues		Nil	Nil	Nil
Net Income or Loss[1]	**Total**	(185,595)	(1,108,650)	(144,397)
	Per Share	(0.01)	(0.08)	(0.01)
	Per Diluted Share[2]	n/a	n/a	n/a
Total Assets		58,694	394,216	307,271
Total Long Term Financial Liabilities		Nil	Nil	Nil
Cash Dividends Per Share		Nil	Nil	Nil

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

The net loss has varied from year to year mainly on the basis of the amount of exploration work carried out by the company. The large decrease in the loss from 2004 to 2005 reflects the termination of the Friendly Lake project after a relatively large program of work was carried out in 2004. No significant exploration was carried out in 2003.

Selected Quarterly Information

The net loss for the Company in the period decreased significantly from that in the same period in 2004 because there were no substantial exploration expenditures in 2005.

Quarter Ended	Revenue ($)	Net loss ($)	Net loss per share ($)	Net loss per share diluted[1]($)
Dec. 31, 2005	Nil	34,202	0.01	n/a
Sept. 30, 2005	Nil	39,843	0.00	n/a
June 30, 2005	Nil	45,565	0.00	n/a
March 31, 2005	Nil	65,985	0.00	n/a
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

(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, 2005, there were 18,032,819 common shares outstanding, 1,150,000 stock options and 2,907,667 warrants.

Liquidity and Solvency

The Company had a net working capital position of $41,761 at December 31, 2005 compared with $313,056 at the same point in 2004. As at the end of 2005, the Company did not have sufficient liquidity to meet its current obligations in 2006. However, on April 4, it announced a financing of $932,000 to fund its project and working capital requirements for the year.

The Company's general and administrative costs, exclusive of any management compensation or direct business costs such as acquisitions, field work or travel, are in the range of $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.

Subsequent Events

On April 4, 2006, the Company received a payment of approximately $100,000 from a third party with which it had been in advanced negotiations to acquire a significant asset. This payment was negotiated as a settlement when the other party withdrew prior to finalizing any agreement.

On April 4, 2006, the Company announced a non-brokered private placement for gross proceeds of $932,000. The placement comprises 3,728,000 units priced at $0.25 per unit, each unit consisting of one common share of the Company and one non-transferable share purchase warrant. Each warrant entitles the placee to acquire one additional common share of the Company for a period of twenty-four months following the closing at an exercise price of $0.35 during the first year and an exercise price of $0.50 during the second year. The units to be issued on the offering are subject to a four-month hold period. The financing is subject to the approval of the TSX Venture Exchange.

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Shares

Listing:	TSX Venture Exchange
Symbol:	LTH
Authorized:	unlimited
Issued:	18,032,819 (at 4-21-2006)

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Ryan T. Bennett
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Annual General Meeting

Whistler Boardroom
Gowling LaFleur Henderson LLP

Suite 2300, 1055 Dunsmuir St .
Vancouver, B.C. Canada V7X 1J1
9:30AM - May 26, 2006

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