



Jajay, British Columbia (Copper/Gold)

885078

Lorraine

The Jajay land package encompasses all of the Jajay Ring, an annular magnetic anomaly, 10 kilometres in diameter, that was defined in the mid-1990's by a low-level, high-resolution magnetic survey. Lysander assembled the principal holdings between 1994 and 1996 and additional holdings were acquired by staking in 1999, following the summer exploration program.



Jajay Ring has excellent prospects. The geological model may have some similarities to Palabora in South Africa and the Alley Pluton in Colorado, U.S.A.

The presence of copper mineralization in the area has been recognized for many years and the copper cliffs of Lorraine have been known since the earliest times. In 1968, Dr. Ja Hat Koo postulated there is a buried alkalic complex within the area and Dr. Jay Hodgson first commented in 1996 on the magnetic ring structure, supporting the concept of an underlying alkalic complex. Lysander believes the area of the

Only a part of the prospective area of Jajay has been explored. Drill programs to date indicate the presence of 31.9 million tonnes containing 0.66% copper, 0.17 grams of gold per tonne and 4.70 grams of silver per tonne; however, consultants estimate that this tonnage could be doubled (and upgraded to reserve status) by a program of in-fill drilling. In addition, three additional zones of mineralization were established during the 1999 exploration program. This was a low-budget program that also commenced a search for palladium and other platinum group metals ("PGM's").

LYSANDER AR-1999

PAGETON

With a view to producing both early cash flows and an entry into a coal reclamation business with an attractive forecast return on investment, the Company has entered into an option agreement with Deepgreen Minerals Corporation NL of Australia that, if exercised, would give Lysander ownership of all the shares of Deepgreen West Virginia, Inc. Assets would include the property of the former Pageton, West Virginia mine, including coal remaining in the Pocahontas #3 seam, accessible by augering or similar mining method from its surface outcrop, and a large tailings impoundment containing the fine rejects from many years of operation of the underground mine. Importantly, the assets will also include a complete coal preparation plant and dredge that have operated successfully in reclaiming a similar impoundment in Australia and which may be re-located to Pageton.

Acquisition of the Pageton assets would be a major move for the Company and shareholder approval will be sought before proceeding. At present, the details and viability of operating plans are being carefully assessed and an international firm of consultants is preparing a technical report and valuation. Operations at Pageton would be a first step only. Operating plans envision expansion and it would be intended to reclaim impoundments and produce coal from other sites to be acquired in the vicinity.

FINANCIAL

In 1999, the Company reduced its cash outlays on operating activities to \$76,000, from \$217,000 in the previous year, while initiating the current strategy of growth. Funds subscribed for common shares, net of applicable costs, were \$409,000 in 1999, whereas no funds were raised for the treasury in the previous year. Accordingly, in 1999, the Company was able to increase expenditures on mineral properties and fixed assets to \$194,000 from \$61,000 in 1998, while increasing cash held by \$139,000, to \$151,000.

The net loss for the year was \$176,000, representing an improvement from the net loss of \$349,000, or \$242,000 before the write-off of the OP property, in 1998. Reductions were achieved in most categories of expense.

The balance sheet at December 31, 1999, includes, under shareholders' equity, a convertible security issued to Black Swan Resources Ltd. in 1999 to settle a \$99,000 debt. It is anticipated that this will be converted during 2000 into 660,000 common shares to be issued by the Company. The shareholders' equity in the 1999 balance sheet also includes a convertible debenture due to Teck Corporation. In 1999, the amount outstanding was reduced by US \$346,632 by issuing 600,000 common shares, leaving US \$403,368 (Can \$583,000) outstanding. It is expected that this, also, will eventually be settled by the issue of common shares.

In order to continue the growth of the Company's business in 2000, it is anticipated that additional finance will be required.

THE FUTURE

The Company has taken the first steps towards achieving its goals of growth and enhanced shareholder value. In addition to its Jajay project, it now has, in the Terry/Rivada precious metals project in Mexico, another excellent hard-rock prospect. At Pageton, good progress is being made in preparing for early coal production. A report by consultants is awaited and is expected to confirm the project's financial viability. If the Company exercises its option and proceeds with the Pageton project, the early establishment of operations and positive cash flows would, of course, be very significant.

Your Board and management are determined that Lysander shall succeed in building its business and adding value for its shareholders.



Arthur T. Fisher
President

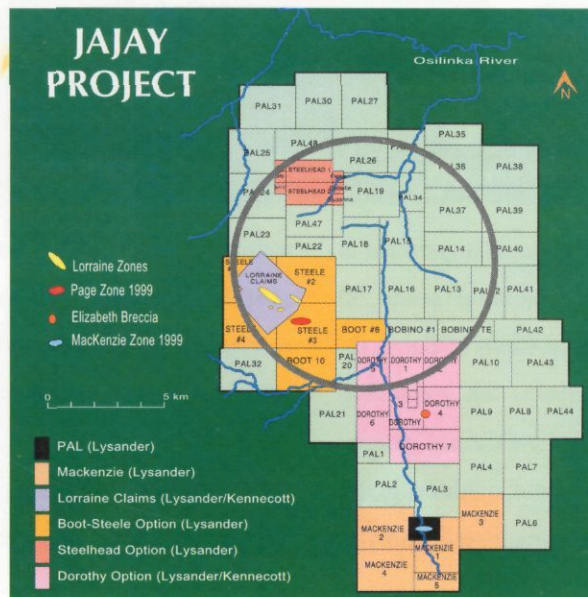
February 28, 2000



The new zones comprise the Elizabeth Breccia on the Dorothy claims, the Page Zone on the Boot-Steel claims and the MacKenzie Zone on the newly staked MacKenzie Claims. These zones are all within trucking distance of the currently indicated resource. Surface sampling (limited and probably not closely representative of average underlying grades) from each of the zones was encouraging. Analyses included a grade of 22.16% copper from one sample from the Elizabeth Breccia, an average of 0.86% copper and 3.47 grams of gold per tonne over five samples at the Page Zone and 20.75% copper and 6.76 grams of gold per tonne of gold from one grab sample at the MacKenzie Zone. These zones will provide targets for future drilling programs. There is also significant potential for discovery of other zones of interest at Jajay.

A doubling of the indicated tonnage by in-fill drilling together with additional resources from other zones nearby, could bring the project close to the 75 to 100 million tonne minimum resource estimated to be necessary to commence a detailed feasibility study.

There continue to be a number of palladium and other PGM anomalies that require early investigation.



In recent years, access to the Jajay area has improved considerably. A wide, graded logging road now connects from the railroad into the southern part of Jajay. Other logging roads and a new bridge have significantly improved access throughout the property. A power line, which supplies the new Kemess mine, is nearby.

Jajay Ring



Terry/Rivada, Baja California, Mexico (Gold/Silver)

The Terry Rivada concessions lie on the east coast of the State of Baja California, in Mexico. The concessions were registered following airborne and other regional exploration programs conducted in recent years. Previously, the area was under-explored.



Of the targets identified to date, the most important is the Puerto Rivada property, on tidewater some 50 kilometres north of the small coastal town of Bahia de Los Angeles. The property contains an extensive southwest to northeast trending epithermal quartz vein system from which samples have yielded good grades of gold and silver. The present distribution of

vein quartz types and metal values may be explained by post-mineralization tilting to the southeast through approximately 30 degrees. Lysander's initial exploration program in 1999 established that the system extends for at least one kilometre in clay-altered, tertiary rocks of

volcanic origin. The program also located quartz stockwork zones, with good sample grades and bulk-mineable potential. Within this type of system, precious metals values may increase with depth.

The two highest-grade veins yet found at Puerto Rivada form part of a group of steeply inclined, fault-

NOTES TO FINANCIAL STATEMENTS

(Amounts in tables in thousands of Canadian dollars except per share amounts.)

e) Foreign Currency Translation

Monetary assets and liabilities in foreign currencies are translated into Canadian dollars at the year-end rates of exchange. Other foreign currency balance sheet items are translated at rates prevailing at the relative transaction dates. Foreign currency revenue and expense items are translated into Canadian dollars at the average rates prevailing during the period, except for the cost of inventories sold, depreciation and amortization, which are translated at rates prevailing when the related assets were acquired. Exchange gains and losses, including those arising on translation, are included in determining current earnings.

f) Loss Per Share

Loss per share is calculated using the weighted-average number of shares outstanding each year. Fully diluted loss per share is calculated, when dilutive, by adjusting the number of common shares outstanding for the effects arising from the potential conversion of outstanding stock options and warrants.

3. MINERAL PROPERTIES

	December 31, 1998	Expenditures during 1999	Write-off/ down	December 31, 1999
Jajay Properties (a)	\$ 2,251	\$ 102	\$ -	\$ 2,353
CAT/BET Claims (b)	709	-	-	709
Pageton Property (c)	-	104	-	104
Terry/Rivada Concessions (d)	-	62	-	62
	<u>\$ 2,960</u>	<u>\$ 268</u>	<u>\$ -</u>	<u>\$ 3,228</u>

	December 31, 1997	Expenditures during 1998	Write-off/ down	December 31, 1998
Jajay Properties (a)	\$ 2,181	\$ 70	\$ -	\$ 2,251
CAT/BET Claims (b)	709	-	-	709
OP Property (e)	100	7	(107)	-
	<u>\$ 2,990</u>	<u>\$ 77</u>	<u>\$ (107)</u>	<u>\$ 2,960</u>

a) Jajay Properties, Omineca Mining Division, B.C. (Copper/Gold)

The Jajay Properties consist of 113 mineral claims containing 1,019 mineral claim units, located in the Omineca Mining Division, British Columbia, Canada. The properties comprise a 100% interest in the 36 claims of the Lorraine Property, the 10 Dorothy Property claims, the 6 Boot-Steele Property claims, and 56 staked claims, together with the right, under an option agreement, to acquire a 50% interest in the 5 Steelhead Property claims.

In respect of each of the Lorraine Property and the Dorothy Property, Kennecott Canada Explorations Inc. (Kennecott) has a 60% back-in right for cash consideration of 150% of 60% of the post option expenditures incurred by the Company, that is exercisable after a feasibility study has been provided to Kennecott. If the mineral reserves shown in the feasibility study for the Lorraine Property are less than 150 million tonnes or if the mineral reserves shown in the feasibility study for the Dorothy Property are less than 100 million tonnes (in each case grading 0.6% copper or copper equivalent), Lysander may purchase the relative back-in right by issuing 20,000 post consolidated (100,000 pre-consolidated) of its common shares to Kennecott. After it receives the feasibility study for either property, Kennecott has the right to sell its back-in right to Lysander, for 20,000 post consolidated (100,000 pre-consolidated) common shares to be issued by Lysander.

The Company's interest in the Boot-Steele Property is subject to a 2% net smelter return royalty. Pursuant to an option agreement under which it acquired its 100% undivided interest in this property, the Company issued 50,000 of its pre-consolidated (equivalent to 10,000 post-consolidated) common shares per year from 1995 to 1998.

NOTES TO FINANCIAL STATEMENTS

(Amounts in tables in thousands of Canadian dollars except per share amounts.)

By an option agreement dated July 29, 1996, amended by letter dated August 6, 1999, the Company may acquire a 50% interest in the Steelhead Property. Consideration includes an initial \$6,000 payment (paid) and the incurring of \$500,000 (\$35,000 incurred) in exploration expenditures over the four-year period ending July 24, 2003.

b) CAT/BET Claims, Omineca Mining Division, B.C. (Gold/Copper)

The Company has a 100% interest in 20 mineral claims totalling 226 units located in northwestern British Columbia.

c) Pageton Property, West Virginia, U.S.A. (Coal)

In September 1999, the Company entered into an option agreement with Deepgreen Minerals Corporation N.L. (Deepgreen) of Australia to acquire all of the capital stock of Deepgreen West Virginia, Inc. (DWV). The agreement is subject to the approval of the Canadian Venture Exchange. Prior to exercise of the option, DWV would own the Pageton coal property in McDowell County, West Virginia and a complete coal processing plant. A total of 500,000 common shares of the Company have been issued at \$0.16 per share as consideration for this option. If the option were to be exercised, a further 4,750,000 Lysander shares would be issued, with warrants permitting the purchase of a further 2,375,000 shares at \$0.30 per share for the first year, then at \$0.35 per share for the remainder of a two-year period, and a note for \$300,000. Deepgreen would subscribe to at least \$800,000 of a financing to provide Lysander with development and working capital.

d) Terry/Rivada Concessions, Baja California, Mexico (Gold/Silver)

In August 1999, the Company entered into an agreement to earn an interest in the Terry/Rivada Concessions located in north-east Baja California, Mexico. Within four months of executing the agreement with the current owner, Central Minera Corp., (Central) Lysander will have the right to expend US \$50,000 on due diligence investigations; whereupon Lysander will have the right to expend US \$200,000 within the next twelve months on exploration of the property in order to earn a 25% interest. Expenditures of US \$250,000 within the next twelve months, for exploration, pre-feasibility and pre-production investigations, would increase Lysander's interest to 51%. Thereafter, within the next twelve-month period at Lysander's election, it may issue shares with a market value equivalent to US \$2,000,000 to increase its stake to 100%. In the event that Lysander incurs all the expenditures noted above, but does not issue the shares to achieve the 100% interest, Lysander and Central shall then be deemed to have formed a joint venture for further development and exploration of the property.

e) O.P. Property, The Northwest Territories, Canada

As of December 31, 1998, the carrying value of the O. P. Property was written off and the Company's interest has since been surrendered.

4. FIXED ASSETS

	<u>1999</u>	<u>1998</u>
Office equipment	\$ 9	\$ 4
Office furniture	10	9
	<u>19</u>	<u>13</u>
Less: Accumulated depreciation	(12)	(10)
	<u>\$ 7</u>	<u>\$ 3</u>

5. CONVERTIBLE DEBENTURE

During 1996, Teck Corporation loaned the Company a total of US \$750,000 to assist in funding a drilling program in Brazil. The loan was unsecured, non-interest bearing and without fixed or agreed terms of repayment. On October 8, 1997, the loan payable was replaced by a convertible debenture that is unsecured and non-interest bearing. The Canadian dollar equivalent of the debenture may be converted, in whole or in tranches, into common shares issuable at \$0.75 per post-consolidated share if exercised within one year and thereafter at prices of \$0.85, \$1.00, \$1.15 and \$1.30 per post-consolidated share for the second, third, fourth and fifth years