

# LEXAM EXPLORATIONS INC.

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## NEWS RELEASE

Toronto, Canada  
May 9, 2002

### **2002 First Quarter Results**

*(All amounts in this news release are expressed in Canadian dollars.)*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### **Financial Results**

Lexam recorded a loss of \$20,771 in the three months ended March 31, 2002, compared to a loss of \$59,988 during the corresponding period in 2001. The loss in the first quarter of 2002 included administrative costs of \$27,447, reduced from \$34,346 during the same period in 2001. Exploration expense during the first quarter of 2002 was \$4,954, down from \$7,562 during the corresponding period in 2001. The loss for the first three months of 2002 was partially offset by a gain on sale of marketable securities of \$11,427. During the quarter, 155,000 shares of Hope Bay Gold Corporation Inc. (Hope Bay Gold) were sold for proceeds of \$39,327. At March 31, 2002, Lexam had 665,000 Hope Bay Gold shares remaining with a market value of \$239,400, along with a cash balance of \$206,838. During the remainder of the year the Company's cash position will decline as a result of ongoing costs and settlement of accounts payable.

During the first quarter of 2002, costs of \$25,337 were incurred on the Baca Property, the Company's oil & gas property in Colorado. The costs involved analysing seismic data that was obtained in 2001 and keeping the property rights in good standing.

	Three months ended March 31,	
	<u>2002</u>	<u>2001</u>
Loss	\$ (20,771)	\$ (59,988)
Loss per share	\$ -	\$ -

### **Financial Condition**

Lexam is currently not able to continue its exploration efforts and discharge its liabilities in the normal course of business, and may not be able to ultimately realize the carrying value of its assets, subject to, among other things, being able to raise sufficient additional financing to fund its exploration programs. The Company is pursuing several alternatives to address these issues, including joint venturing certain properties, seeking additional sources of debt or equity financing and investigating possible reorganization alternatives.

**Financial Information**

Attached are the Consolidated Financial Statements of Lexam Explorations Inc. for the three months ended March 31, 2002.

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Stock Symbol: CDNX (“LEX”)

**LEXAM EXPLORATIONS INC.  
CONSOLIDATED FINANCIAL STATEMENTS**

**Consolidated Balance Sheets**

*(in Canadian dollars)*

	As at March 31, 2002 <u>          </u> <i>(unaudited)</i>	As at December 31, 2001 <u>          </u>
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 206,838	\$ 164,332
Accounts receivable	1,455	5,179
Prepaid expenses	3,939	5,252
Marketable securities (market value - \$239,400; 2001 - \$147,600)	<u>119,700</u>	<u>147,600</u>
	331,932	322,363
<b>Resource properties</b>	<u>2,474,027</u>	<u>2,448,690</u>
	<u>\$ 2,805,959</u>	<u>\$ 2,771,053</u>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 509,547	\$ 453,870
Exploration and development commitments	<u>857,901</u>	<u>857,901</u>
	<u>1,367,448</u>	<u>1,311,771</u>
<b>Shareholders' equity</b>		
Capital stock (notes 1 and 4)	16,402,075	16,402,075
Deficit	<u>(14,963,564)</u>	<u>(14,942,793)</u>
	<u>1,438,511</u>	<u>1,459,282</u>
	<u>\$ 2,805,959</u>	<u>\$ 2,771,053</u>
<b>Contingencies (note 1)</b>		

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

**Consolidated Statements of Operations and Deficit (unaudited)***(in Canadian dollars)*

	Three months ended March 31,	
	<u>2002</u>	<u>2001</u>
Revenues		
Interest and other income	\$ 203	\$ 50
Expenses		
Administrative	27,447	34,346
Exploration	4,954	7,562
Interest expense	<u>-</u>	<u>18,130</u>
	<u>32,401</u>	<u>60,038</u>
Gain on sale of marketable securities	<u>11,427</u>	<u>-</u>
Loss for the period	<u>(20,771)</u>	<u>(59,988)</u>
Deficit at beginning of period	<u>(14,942,793)</u>	<u>(14,437,500)</u>
Deficit at end of period	<u><u>\$(14,963,564)</u></u>	<u><u>\$(14,497,488)</u></u>
Loss per share (basic and diluted)	<u>\$ -</u>	<u>\$ -</u>
Weighted average number of shares outstanding (000's)	<u>38,107</u>	<u>25,657</u>

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

**Consolidated Statements of Cash Flows (unaudited)***(in Canadian dollars)*

	Three months ended March 31,	
	<u>2002</u>	<u>2001</u>
Cash provided by (used in)		
Operating activities		
Loss for the period	\$ (20,771)	\$ (59,988)
Items not affecting cash		
Gain on sale of marketable securities	(11,427)	-
Change in non-cash operating working capital	<u>60,714</u>	<u>57,628</u>
	<u>28,516</u>	<u>(2,360)</u>
Investing activities		
Additions to resource properties, net	(25,337)	(217)
Proceeds on disposal of marketable securities	<u>39,327</u>	<u>-</u>
	<u>13,990</u>	<u>(217)</u>
Increase (decrease) in cash	42,506	(2,577)
Cash at beginning of period	<u>164,332</u>	<u>8,829</u>
Cash at end of period	<u>\$ 206,838</u>	<u>\$ 6,252</u>

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

**Lexam Explorations Inc.**  
**Notes to Consolidated Financial Statements**

**1. Basis of Presentation and Going Concern**

The consolidated financial statements are prepared in accordance with generally accepted accounting principles and on the assumption that Lexam Explorations Inc. (the "Company" or "Lexam") will be able to realize the carrying value of its assets and discharge its liabilities in the normal course of business.

The Company has a significant working capital deficiency and is not currently able to continue its exploration programs and discharge its liabilities in the normal course of business, and may not be able to ultimately realize the carrying value of its assets, subject to, among other things, being able to raise sufficient additional financing to fund its exploration programs. There can be no assurance that the Company will be able to raise sufficient additional financing to fulfill its expenditure commitments or complete its exploration programs.

During 2001, subsequent to receiving shareholder and regulatory approval, the Company issued 16,164,970 shares at \$0.10 per share as part of a plan to settle outstanding payables and other liabilities. Various creditors accepted a total of 12,450,911 shares, reducing the Company's liabilities by \$1,245,090, with a corresponding increase in share capital of the same amount. Goldcorp received 11,734,264 shares of Lexam in exchange for settlement of \$1,173,426 in payables, which included an outstanding demand loan due to Goldcorp, along with accrued interest, totalling \$1,070,337. Goldcorp's equity interest in Lexam, upon receiving shares for debt, increased from 31% to 47%.

Of the 16,164,970 shares issued, 3,782,678 were issued to Lexam as custodian for certain creditors. These shares were issued to be distributed to additional creditors that had not yet accepted shares in exchange for payables. In 2002, the remaining undistributed shares that were being held by Lexam as custodian, totalling 3,714,059 shares, were cancelled.

The Company is pursuing several alternatives to improve its financial position, including joint venturing certain properties, seeking additional sources of debt or equity financing and investigating possible reorganization alternatives.

**Lexam Explorations Inc.**  
**Notes to Consolidated Financial Statements**

**2. General**

The unaudited interim period consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles. The preparation of financial data is based on accounting policies and practices consistent with those used in the preparation of the audited annual consolidated financial statements. The accompanying unaudited consolidated financial statements should be read in conjunction with the notes to the Company's audited consolidated financial statements for the year ended December 31, 2001.

These unaudited interim consolidated financial statements reflect all normal and recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of the respective interim periods presented.

**3. Changes in Accounting Policies**

Effective January 1, 2002, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants in Handbook Section 3870, "Stock-based compensation and other stock-based payments". Section 3870 is applied prospectively to all stock-based payments to non-employees granted on or after January 1, 2002.

The Company accounts for all stock-based payments to non-employees granted on or after January 1, 2002, using the fair value based method. Stock options granted to employees are accounted for as a capital transaction. Grants made to non-employees outstanding at January 1, 2002, the new recommendations are applied retroactively, without restatement. The changes have not had an impact on the Company's financial position. The Company is also required to disclose the pro forma effect of accounting for stock option awards granted to employees subsequent to January 1, 2002, under the fair value based method. During the three months ended March 31, 2002, the Company has not awarded any stock options.

**4. Capital Stock**

At March 31, 2002, the Company had 38,107,436 common shares outstanding. If all outstanding options had been exercised a total of 42,027,436 shares would have been outstanding.