

# LEXAM EXPLORATIONS INC.

---

## NEWS RELEASE

Toronto, Canada  
August 8, 2002

### **2002 Second 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 \$52,005 in the three months ended June 30, 2002, compared to a loss of \$70,623 during the corresponding period in 2001. During the six months ended June 30, 2002, Lexam recorded a loss of \$72,776, down from \$130,611 during the first half of 2001. The reduced loss was the result of lower administration, exploration and interest expense in 2002. The interest expense during 2001 related to a demand loan outstanding to Goldcorp Inc. During the second quarter of 2001, the demand loan, along with accrued interest, was settled in exchange for Lexam shares. The loss for the six months ended June 30, 2002, was also partially offset by a gain on sale of marketable securities of \$11,427. During the half, 155,000 shares of Hope Bay Gold Corporation Inc. (Hope Bay Gold) were sold for proceeds of \$39,327.

In May of 2002, Hope Bay Gold amalgamated with Miramar Mining Corporation (Miramar). Shareholders of Hope Bay Gold received 0.263 of a Miramar share for each Hope Bay Gold share. At June 30, 2002, Lexam's 174,895 Miramar shares had a market value of \$286,828.

During the second quarter of 2002, costs of \$10,025 were incurred on the Baca Property, the Company's oil & gas property in Colorado. Expenditures during the six months ended June 30, 2002 were \$35,362. The costs involved analysing seismic data that was obtained in 2001 and keeping the property rights in good standing.

	Three months ended		Six months ended	
	June 30,		June 30,	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Loss	\$ (52,005)	\$ (70,623)	\$ (72,776)	\$ (130,611)
Loss per share	nil	nil	nil	nil

### **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 and six months ended June 30, 2002.

For further information, please contact:

Halina B. McGregor

Vice President, Finance and Chief Financial Officer

(416) 865-0326

e-mail: [info@lexamexplorations.com](mailto:info@lexamexplorations.com)

***Corporate Office:***

145 King Street West  
Suite 2700  
Toronto, Ontario  
Canada M5H 1J8  
Telephone: (416) 865-0326  
Facsimile: (416) 361-5741  
General enquires: (800) 813-1412  
(Canada and United States)

***Transfer Agent and Registrar:***

Computershare Trust Company of Canada  
100 University Avenue  
9<sup>th</sup> Floor  
Toronto, Ontario  
Canada M5J 2Y1  
Telephone: (416) 981-9633  
Facsimile: (416) 981-9800  
Enquiries regarding shares, lost  
certificates, change of address and other  
matters: (800) 663-9097

Stock Symbol: CDNX (“LEX”)

**LEXAM EXPLORATIONS INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**

**Consolidated Balance Sheets**

*(in Canadian dollars)*

	As at June 30, 2002 <u>          </u> <i>(unaudited)</i>	As at December 31, 2001 <u>          </u>
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 80,240	\$ 164,332
Accounts receivable	2,090	5,179
Prepaid expenses	2,565	5,252
Marketable securities (market value - \$286,828; 2001 - \$147,600)	<u>119,700</u>	<u>147,600</u>
	204,595	322,363
<b>Resource properties</b>	<u>2,484,052</u>	<u>2,448,690</u>
	<u>\$ 2,688,647</u>	<u>\$ 2,771,053</u>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 439,240	\$ 453,870
Exploration and development commitments	<u>862,901</u>	<u>857,901</u>
	<u>1,302,141</u>	<u>1,311,771</u>
<b>Shareholders' equity</b>		
Capital stock (notes 1 and 4)	16,402,075	16,402,075
Deficit	<u>(15,015,569)</u>	<u>(14,942,793)</u>
	<u>1,386,506</u>	<u>1,459,282</u>
	<u>\$ 2,688,647</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 June 30,		Six months ended June 30,	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Revenues				
Interest and other income	\$ 324	\$ 47	\$ 527	\$ 97
Expenses				
Administrative	47,136	47,230	74,583	81,576
Exploration	5,193	6,883	10,147	14,445
Interest expense	-	16,557	-	34,687
	<u>52,329</u>	<u>70,670</u>	<u>84,730</u>	<u>130,708</u>
Gain on sale of marketable securities	-	-	11,427	-
Loss for the period	<u>(52,005)</u>	<u>(70,623)</u>	<u>(72,776)</u>	<u>(130,611)</u>
Deficit at beginning of period	<u>(14,963,564)</u>	<u>(14,497,488)</u>	<u>(14,942,793)</u>	<u>(14,437,500)</u>
Deficit at end of period	<u><u>\$(15,015,569)</u></u>	<u><u>\$(14,568,111)</u></u>	<u><u>\$(15,015,569)</u></u>	<u><u>\$(14,568,111)</u></u>
Loss per share (basic and diluted)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Weighted average number of shares outstanding (000's)	<u>38,726</u>	<u>26,012</u>	<u>38,726</u>	<u>25,831</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		Six months ended	
	June 30,		June 30,	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Cash provided by (used in)				
Operating activities				
Loss for the period	\$ (52,005)	\$ (70,623)	\$ (72,776)	\$ (130,611)
Items not affecting cash				
Gain on sale of marketable securities	-	-	(11,427)	-
Change in non-cash operating working capital	<u>(64,568)</u>	<u>71,502</u>	<u>(3,854)</u>	<u>128,913</u>
	<u>(116,573)</u>	<u>879</u>	<u>(88,057)</u>	<u>(1,698)</u>
Investing activities				
Additions to resource properties, net of recoveries from option partner	(10,025)	-	(35,362)	-
Proceeds on disposal of marketable securities	<u>-</u>	<u>-</u>	<u>39,327</u>	<u>-</u>
	<u>(10,025)</u>	<u>-</u>	<u>3,965</u>	<u>-</u>
Increase (decrease) in cash	(126,598)	879	(84,092)	(1,698)
Cash at beginning of period	<u>206,838</u>	<u>6,252</u>	<u>164,332</u>	<u>8,829</u>
Cash at end of period	<u>\$ 80,240</u>	<u>\$ 7,131</u>	<u>\$ 80,240</u>	<u>\$ 7,131</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 six months ended June 30, 2002, the Company has not awarded any stock options.

**4. Capital Stock**

At June 30, 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.