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ANNUAL INFORMATION FORM

For the year ended December 31, 2003

Dated May 18, 2004

LEXAM EXPLORATIONS INC.

ANNUAL INFORMATION FORM

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The information set forth in this Annual Information Form is as of December 31, 2003, unless otherwise indicated.

DISCLOSURE REGARDING FORWARD LOOKING STATEMENTS

The information presented constitutes “forward-looking statements” within the meaning of the United States *Private Securities Litigation Reform Act of 1995*. Such forward-looking statements, including, but not limited to, those with respect to resource prices, capital expenditures, reserve determination, costs and timing of the development of new deposits and permitting time lines, involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Lexam Explorations Inc. (“Lexam”) to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the actual results of current exploration activities, conclusions of economic evaluations, changes in project parameters as plans continue to be refined and the future price of oil and gas. Although Lexam has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

REPORTING CURRENCY AND FINANCIAL INFORMATION

All currency amounts in this Annual Information Form are expressed in Canadian dollars unless otherwise indicated.

RISK FACTORS

Lexam’s operations and financial performance are subject to the normal risks of a junior reserve company and are subject to various factors which are beyond the control of the Corporation; certain of these risk factors are described below:

Resource Price Volatility

Resource prices fluctuate widely and are affected by numerous factors beyond Lexam’s control, including central bank sales, producer hedging activities, expectations of inflation, the relative exchange rate of the US dollar with other major currencies, global and regional demand and political and economic conditions and production costs. The effect of these factors, individually or in the aggregate, on the price of resources is impossible to predict with accuracy. Resource prices are also affected by worldwide production levels. In addition, the price of resources has on occasion been subject to very rapid short-term changes because of speculative activities.

Risks of Acquisitions

Lexam may in the future evaluate opportunities to acquire additional resource assets and businesses. These acquisitions may expose Lexam to new geographic, political, operating, financial and geological risks. Lexam’s success in its acquisition activities depends on its ability to identify suitable acquisition candidates, acquire them on acceptable terms. Any acquisitions would be accompanied by risks, such as the difficulty of assimilating the operations and personnel of any acquired companies; the inability of management to maximize the financial and strategic position of Lexam through the successful incorporation of acquired assets and businesses; additional expenses associated with amortization of acquired intangible assets; the maintenance of uniform standards, controls, procedures and policies; and the potential unknown liabilities associated with acquired assets and businesses. In addition, Lexam would need additional capital to finance an acquisition. Debt financing related to any acquisition will expose Lexam to the risk of leverage, while equity financing may cause existing shareholders to suffer dilution. There can be no assurance that Lexam would be successful in overcoming these risks or any other problems encountered in connection with such acquisitions.

Competition for Resource Lands

There is a limited supply of desirable resource lands available for acquisition, claim staking, or leasing in the areas where Lexam contemplates conducting exploration activities. Many participants are engaged in the resource business, including large, established resource companies with substantial capabilities and long earnings records. Lexam may be at a competitive disadvantage in acquiring resource properties, as many of its competitors have greater financial resources and larger technical staffs than Lexam. Accordingly, there can be no assurance that

Lexam will be able to compete successfully for new resource properties.

ITEM 2: NAME AND INCORPORATION

Lexam Explorations Inc. (the "Corporation" or "Lexam") was incorporated under the *Business Corporations Act* (Ontario) by articles of incorporation dated November 12, 1993 and did not carry on any active business operations prior to March 31, 1994. The principal office of the Corporation is located at 145 King Street West, Suite 2700, Toronto, Ontario, Canada M5H 1J8.

In this Annual Information Form, any reference to the Corporation or Lexam shall include all of its subsidiaries, including Lexam Explorations (U.S.A.) Inc. ("Lexam USA"), unless the context otherwise requires.

Capital Structure

As of March 31, 2004, there were 38,107,436 Common Shares issued and outstanding.

Material Subsidiaries

The following table indicates, as of December 31, 2003, the subsidiaries of the Corporation and their jurisdiction of incorporation.

Subsidiaries	Percentage Owned	Jurisdiction of Incorporation
Lexam Explorations Corporation of America, Inc.	100%	Colorado
Lexam Explorations (U.S.A.) Inc., a subsidiary of Lexam Explorations Corporation of America, Inc.	100%	Colorado

ITEM 3: GENERAL DEVELOPMENT OF THE BUSINESS

The Corporation is in the business of the exploration for gold, oil and gas in western Canada and the United States. As of December 31, 2003, Goldcorp Inc. ("Goldcorp") holds 49.8% of the outstanding voting shares of Lexam.

Due to lack of funds and Lexam's inability to secure new financing, no major exploration projects were carried out in 2003 by Lexam. During the first quarter of 2004, Lexam entered into an agreement with an independent and privately held oil & gas company to conduct additional exploration on Lexam's property for up to two years. Should a production decision be made, Lexam would retain a 12.5% production royalty on its 75% ownership of oil & gas rights.

The Corporation's principal United States exploration property is an early stage oil and gas target located in Colorado. The Canadian exploration properties consist of holdings in the Yukon and British Columbia. These properties are in the early stages of exploration and include targets for gold, copper, zinc and coal. In 1996, Lexam acquired an option on a diamond exploration property located in Greenland. No exploration has been done since 1998 in Greenland. In 1999, the Corporation was required to make qualifying expenditures with respect to past and current expenditure commitments of approximately \$1.5 million. These expenditures were not made and, as a result, the Corporation forfeited the land licences. However, notwithstanding the licences being forfeited, under the laws governing mineral exploration in Greenland, the Corporation was liable for 50% of the unfulfilled work commitments, which was estimated to be approximately \$750,000. Discussions were held between the Corporation and the Government of Greenland in an attempt to extend the term of, or reach a settlement with respect to, the unfulfilled work commitment. An agreement was reached between the parties whereby, in exchange for \$75,000, Lexam would receive a full and final release from the outstanding work commitments. As a result, in the fourth quarter of 2002, the Corporation recorded a \$675,000 non-cash decrease in the provision for outstanding work commitments in Greenland, reducing the liability from \$750,000 to \$75,000. The payment to the Government of Greenland was made in April 2003.

Lexam is party to a management services agreement (the "Management Services Agreement") pursuant to which Goldcorp provides technical, administrative and corporate management services to Lexam on a cost-recovery basis,

not to exceed \$4,000 per month. Also pursuant to the Management Services Agreement, Goldcorp agreed not to compete with Lexam for mining exploration opportunities within a radius of ten miles of the properties of Lexam for the term of the Management Services Agreement.

ITEM 4: NARRATIVE DESCRIPTION OF THE BUSINESS

Lexam is in the business of the exploration for gold, oil and gas in Canada and the United States. It controls, has options on, or holds exploration leases on, approximately 162,108 hectares of land.

UNITED STATES EXPLORATION PROPERTIES

Lexam's key United States exploration properties are located in Colorado and Nevada. In total, the United States properties comprise approximately 155,282 hectares of land. These properties are in the early stages of exploration, and include targets for gold and oil and gas. Due to lack of funds, the Corporation's exploration office in Denver, Colorado has remained closed since June 1999.

OIL AND GAS TARGET

Location and Ownership

The San Luis Basin oil and gas target is located in Saguache County, south central Colorado, about 241 kilometres southwest of Denver. It is situated on the east side of the San Luis Basin and is accessed by paved and dirt roads and jeep trails that cross the property. The property consists primarily of a large tract of land granted by the King of Spain in the late 1700's (the Luis Maria Baca Grant No. 4, being the "Grant"). The present land position contains 40,469 hectares of fee land in the Grant and approximately 17,806 hectares of land adjacent to the Grant. In 1997, Lexam exercised its right (the "Option") pursuant to an option agreement to acquire the remaining 50% interest in all the mineral rights, including some of the oil and gas rights, owned by a third party corporation in the Grant for US\$500,000. As a result, Lexam now holds a 75% interest in the oil and gas rights and a 100% interest in the mineral rights to the Grant. The remaining 25% interest in the oil and gas rights to the Grant is owned by ConocoPhillips. As part of the Option exercised in 1997, Lexam acquired varying interests in the oil and gas rights to the 17,806 hectares of land located adjacent to the Grant. Access to the Grant for the purposes of exploring and developing Lexam's mineral rights is guaranteed by the deeds to the property and by a paid-up, 20-year surface use agreement that was negotiated in 1992.

Geology and History

The San Luis Basin, one of a series of sedimentary basins that comprise the northern portion of the Rio Grande rift, is structurally analogous to a number of rift basins worldwide that produce oil and gas and to oil-producing, extensional basins in Nevada. The 1992 discovery of a near-surface accumulation of oil along more than six kilometres of the basin margin and the subsequent discovery of lower Cretaceous rocks has turned the eastern San Luis basin into an attractive frontier oil and gas play. Seismic and gravity data indicate that more than 40,000 hectares of prospective, lower Cretaceous rocks are present at depths ranging from 2,130 metres to more than 4,800 metres. Two types of traps, closed structures near the axis of the basin and fault blocks that form structural benches along the basin margin, have been mapped. Potential oil and gas reservoirs include sandstones in the Dakota, Morrison and Entrada formations, fractured Mancos Shale and possibly a thick section of Pennsylvanian-age sediments interpreted to be present in the deep basin.

Lexam drilled the Baca #1 and Baca #2 wells in 1995 to explore and evaluate a fault block target in the vicinity of Deadman Creek. Both wells encountered a thin, faulted section of Mancos Shale. Traces of biodegraded oil were observed in thick intervals of both wells. Based on the data obtained from drilling these two wells, Lexam expanded its oil and gas exploration efforts to include deeper parts of the San Luis Basin.

Lexam's primary exploration target on the Grant, the Crestone Prospect, was identified and mapped by additional seismic data that was acquired in 1996 and 1998. The most recent seismic data, shot by Sonat Exploration in 1998, confirms four-way closure on the 5,868 hectare Crestone structure. Regional geological data, combined with well data from the San Juan sag and the Wet Mountain Valley, suggests that excellent porosity can be expected in sandstones of the Dakota Formation. The exploration potential of the Crestone Prospect is estimated to be 1.3 trillion cubic feet of recoverable gas. Estimates were made by Thomas A. Watkins based on geological interpretations of Mr. Watkins, a well qualified oil and gas consultant employed by the Corporation.

The potential for discovering a basin-centered accumulation of hydrocarbons in the 1,424 square kilometre Crestone sub-basin, with a preserved section of Cretaceous Mancos Shale and Dakota Group sandstones at depths of 3,650 metres to more than 4,800 metres, adds significantly to the overall potential of the project. The San Luis basin is bracketed by giant, basin-centered gas accumulations in all of the surrounding basins where Cretaceous rocks are present at depths greater than 2,400 metres. The San Juan, Denver-Julesberg and Piceance basins have all produced large amounts of oil and gas from Cretaceous rocks. By analogy, and because of its greater depth, it is anticipated that a blanket, basin-centered gas accumulation may also be present in the San Luis Basin. If such an accumulation is present, the potential of the San Luis Basin oil and gas play is estimated to be more than 5 trillion cubic feet of gas.

At Pole Creek, a shallow, fault-block target has been identified close to the margin of the basin. This structural setting is analogous to the Grant Canyon, Bacon Flat and Blackburn fields in Nevada where productive reservoir rocks are preserved in fault block in the hanging wall of basin-bounding detachment faults. The strong shows of live oil encountered in Lexam's mineral exploration drill holes occur immediately up-dip from the Pole Creek Prospect. Lexam's exploration estimate of potentially recoverable oil for the Pole Creek Prospect is 30 million barrels of oil ("MMBO").

In January 2004, Lexam reached an agreement with a large, privately owned oil and gas exploration company to further evaluate and test the oil and gas potential of the San Luis Basin properties. The agreement provides for a work program to allow the partner to earn an oil and gas lease on Lexam's 75% interest, with Lexam retaining a 12.5% royalty. Work on the project began in February 2004 when a 60-line mile of 2D seismic data was acquired by the partner. The data is currently being processed and interpreted to determine if drilling is warranted.

NEVADA GOLD TARGETS

Location and Ownership

Lexam holds the mineral rights, in varying percentages, to a large number of land positions in Elko County, Nevada and Box Elder County, Utah. The various land holdings consist of approximately 93,078 hectares of mineral rights on fee land. Of the 93,078 hectares, Lexam owns 100% of the fee mineral rights to approximately 54,621 hectares and an average of approximately 62% of the remaining 38,447 hectares. The bulk of the fee mineral rights occurs on alternate sections of land that resemble a checkerboard, thereby allowing Lexam to effectively control exploration on much of the federally-administered land.

Geology and History

The exploration work to date on the Elko County properties has focused on gold and silver mineralization, although the mineral holdings contain a defined tungsten resource and potential for copper, molybdenum, limestone, barite and other industrial minerals. Lexam's mineral rights have been separated into numerous reconnaissance areas and projects with drill targets.

All of the Elko County lands in which Lexam holds a majority interest have been covered with a first phase exploration program. Lexam has drill tested several large anomalous, but uneconomic, gold systems at Twelve-mile Canyon, Patterson Pass, Trout Creek and Three-Mile Spring. Lexam's present knowledge of these prospects suggests that the hydrothermal systems responsible for the gold mineralization were either not focused enough or too short-lived to form an economic deposit. The remaining drill targets at these prospects may be deep (greater than 230 metres) or are covered by alluvium on sediments and valley floors. Lexam may evaluate these high-risk targets at a later date.

In 2004, Lexam signed a Confidentiality Agreement with a privately held mineral exploration company that is examining Lexam's exploration data to determine if the remaining drill targets are of interest. Their examination of the data is not yet complete.

CANADIAN EXPLORATION PROPERTIES

The Canadian exploration properties consist of holdings in British Columbia and the Yukon Territory. In total, these properties comprise approximately 6,826 hectares of land. These properties are at different, but early, stages of exploration, and include targets for gold, copper, zinc and coal.

No exploration work has been performed on those projects since 1991.

LEGAL MATTERS

Regulation

The Corporation is subject to environmental regulation by federal, provincial, state and local authorities. The Corporation has adopted an environmental policy pursuant to which it has confirmed its commitment to the protection of the natural environment. The Corporation's policy is to conduct its operations in a manner that complies with all legal requirements regarding the natural environment. The Corporation is in compliance in all material respects with applicable governmental rules and regulations.

Canada

The mineral exploration and mining industry in Canada operates under both federal and provincial legislation governing exploration, development and production. Such legislation relates to the method of acquisition and ownership of mining rights, labour, health and safety standards, royalties, mining and income taxes, exports and other matters.

The mining industry in Canada is also subject to legislation at both the federal and provincial levels concerning the protection of the environment. In particular, such legislation imposes high standards on the mining industry to reduce or eliminate the effects of wastes generated by extraction and processing operations and subsequently deposited on the ground or emitted into the air or water. Accordingly, the design of mines and mills and the conduct of overall extraction and processing operations is subject to the restrictions contained in such legislation. In addition, the construction, development and operation of a mine, mill and refinery typically entail compliance with applicable environmental legislation and/or review processes and the obtaining of land use and other permits, water licences and similar authorization from various governmental agencies. In particular, legislation is in place for lands under federal jurisdiction or located in certain provinces which provides for the preparation of costly environmental impact assessment reports prior to the commencement of any mining operations. These reports entail a detailed technical and scientific assessment as well as a prediction of the impact on the environment of proposed development.

Although subsearches of title have been conducted in relation to all of the properties, title confirmations have not been obtained by the Corporation with respect to all of the properties. If a title defect does exist with respect to a particular property, it is possible that the Corporation may lose all, or a portion, of its interest in such property. In the 1994 Lexam Purchase/Subscription Agreement, each of CSA and Goldcorp provided an indemnity to Lexam in relation to any title defects in the properties.

The Canadian mineral claims included in the properties have not yet been surveyed and, accordingly, the exact location of the outer boundaries of such claims are not known with certainty. As with most projects of this nature in Canada, aboriginal rights may be claimed on Crown properties with respect to which mining rights have been conferred. The Corporation is not aware of any aboriginal land claims having been asserted or any legal actions relating to native issues having been instituted with respect to any of the Canadian mineral claims included in the properties. The Corporation is aware of the mutual benefits afforded by co-operative relationships with indigenous people in conducting exploration activity and is supportive of measures established to achieve such cooperation.

United States

Legislation and implementing regulations adopted or proposed by the Environmental Protection Agency, the Federal Bureau of Land Management and by comparable agencies in various states, directly and indirectly, affect the mining industry in the United States. These laws and regulations address the environmental impact of mining and mineral processing, including the potential contamination of soil, air and water from mining operations, such as tailings discharges and other wastes generated by mining companies. In particular, legislation such as the *Clean Water Act*, the *Clear Air Act*, the *Resource Conservation and Recovery Act*, the *Comprehensive Environmental Response, Compensation and Liability Act* and the *National Environmental Policy Act* and comparable state statutes require analyses and/or impose effluent standards, new source performance standards, air and water quality and emission standards, remediation requirements and other design or operational requirements for various contaminants of mining and mineral processing. Such statutes impose liabilities on owners and operations for the remediation of waste.

Furthermore, mine operations must comply with the Federal *Mine Safety and Health Act of 1977*, as amended, which is enforced by the Mining Safety and Health Administration ("MSHA"), an agency within the Department of Labour, and by comparable agencies in various states. All mines, both underground and surface are subject to inspections by MSHA. Lexam's operations also must comply with the Federal *Occupational Safety and Health Act* of 1970, as amended, and applicable state laws, and the regulations promulgated thereunder, with respect to occupational safety and health matters not covered by the Federal *Mine Safety and Health Act* of 1977.

A small fraction of Lexam's holdings are located on unpatented mineral claims on federal lands. Revisions to the *Mining Act of 1872* are pending before the United States Congress. The bills deal with royalties for minerals extracted from unpatented claims on federal lands, future patenting of claims located on unpatented claims on federal lands as well as the regulation of mining on unpatented claims on federal lands. All of these bills are not expected to materially affect the operations of Lexam because of the small number of unpatented claims held by the Corporation and because of the stage of exploration of the properties held by Lexam. There can be no assurance that such amendments will be adopted or, if adopted, as to the final form thereof.

MISCELLANEOUS

The mineral exploration and mining business is competitive in all of its phases. The Corporation will compete with numerous other companies and individuals in the search for and the acquisition of attractive mineral properties. The Corporation's ability to acquire exploration properties in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for mineral exploration.

The Corporation had several employees, based in the Denver, Colorado exploration office until June 1999, when the Corporation closed its office there.

Only two continued to do work for Lexam. One employee was James N. Donaldson, General Manager, U.S. Operations. He was responsible for property evaluation and acquisition, planning and implementation of field exploration programs for the Corporation, contract negotiations and administration, contractor management permitting and land management. Mr. Donaldson has worked in the financial and management side of the mining industry for 21 years. He is currently working as an unpaid consultant on the San Luis Basin project. The second employee was Thomas A. Watkins, a senior geologist with a Master of Science degree in geology, who was responsible for evaluating the mineral potential of, and exploring, the Corporation's properties in the United States. During 2003, Mr. Watkins provided his services to the Company on a contract basis.

In November 1999, the Board of Directors approved a resolution to grant to these individuals, as well as to other consultants and vendors of the Corporation, stock options and the payment of common shares in settlement of indebtedness. A further resolution was made to grant further shares to them in 2001.

ITEM 5: SELECTED CONSOLIDATED FINANCIAL INFORMATION

Three-Year Comparative (in Canadian dollars)

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Revenues	\$ 5,272	\$ 860	\$ 135
Earnings (loss)	169,486	545,963	(505,293)
<i>Per Share</i>			
Basic	0.00	0.01	(0.01)
Diluted	0.00	0.01	(0.01)
Total Assets	\$2,647,538	\$2,644,895	\$2,771,053

Two-Year Comparative by Quarter (in Canadian dollars)

	<u>2003</u> <u>Dec. 31</u>	<u>2003</u> <u>Sept. 30</u>	<u>2003</u> <u>June 30</u>	<u>2003</u> <u>Mar. 31</u>	<u>Total</u>	<u>2002</u> <u>Dec. 31</u>	<u>2002</u> <u>Sept. 30</u>	<u>2002</u> <u>June 30</u>	<u>2002</u> <u>Mar. 31</u>	<u>Total</u>
Revenues	\$339	\$452	\$2,942	\$1,539	\$5,272	\$119	\$214	\$324	\$203	\$860
Earnings (loss)	(31,384)	(24,867)	22,862	202,875	169,486	640,056	(21,317)	(52,005)	(20,771)	545,963
<i>Per Share</i>			NIL							
Basic	NIL	NIL	NIL	0.01	NIL	0.02	NIL	NIL	NIL	0.01
Diluted	NIL	NIL		0.01	NIL	0.02	NIL	NIL	NIL	0.01

DIVIDENDS

The Corporation does not have an established dividend policy and has not paid a dividend since its incorporation.

CONTROLS AND PROCEDURES

Evaluation of Disclosure Control and Procedures

As indicated in the certifications attached to this report, Lexam's principal executive officer and principal financial officer have evaluated Lexam's disclosure controls and procedures as of a date within ninety (90) days prior to the filing of this report. Based on that evaluation, these officers have concluded that Lexam's disclosure controls and procedures are effective for the purpose of ensuring that material information relating to Lexam, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which this report is being prepared.

Changes In Internal Controls

There have not been any significant changes in Lexam's internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation.

ITEM 6: MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion of the results of operations and the financial condition of Lexam constitute management's review of the factors that affected the Corporation's financial and operating performance in 2003.

This discussion should be read in conjunction with Lexam's consolidated financial statements and related notes. All dollar amounts are stated in Canadian dollars.

Lexam's consolidated results include the financial statements of the Corporation and its wholly-owned subsidiary companies.

Results of Operations

During 2003, management's focus was on expanding exploration and development of the Baca project in the San Luis Basin in Colorado and continuing to improve the financial position of the Corporation. Subsequent to December 31, 2003, an agreement was reached with an independent and privately held oil & gas company to conduct additional exploration of Lexam's 100,000+ acre oil and gas property located in south central Colorado over the next two years. Plans are to commence a program of 2D seismic data acquisition that will add approximately 60 line miles of new data, which will be incorporated, with the 60 miles of data Lexam has acquired since 1994 over its oil and gas property. The program is designed to provide additional information on the northern and western margins of the anticlinal structure and identify potential well locations for the purpose of testing the Crestone Prospect by drilling. Should a production decision be made, Lexam would retain a 12.5% production royalty on its 75% interest of the property's oil and gas rights.

Financial Results

Lexam recorded earnings of \$169,486 in 2003, compared to earnings of \$545,963, in 2002. The Corporation's earnings in 2003 were largely due to a realized gain in the sale of the Corporation's marketable securities of \$219,718 and a decrease in the non-cash provision for outstanding work commitments at Sage Creek of \$66,804.

Administrative expenses were \$120,821 in 2003, comparable to \$118,529 in 2002.

Exploration expense in 2003 was \$1,487, compared to \$22,795 in 2002. Expenses in 2002 primarily related to keeping the Corporation's property rights in good standing, and general expense in the United States despite closing the exploration office in June 1999. During 2003, Lexam capitalized costs, totalling \$7,582, related to analysis on the Baca Project.

During the year ended December 31, 2000, the Corporation recorded a liability of \$750,000, representing 50% of unfulfilled work commitments in Greenland. Subsequent to December 31, 2002, an agreement was reached between the parties whereby, in exchange for \$75,000, Lexam would be given a full and final release from the outstanding work commitments in Greenland. As a result, in 2002, the Corporation recorded a \$675,000 decrease in the non-cash provision for outstanding work commitments in Greenland, reducing the liability from \$750,000 to \$75,000. Payment of \$75,000 was made to the government of Greenland in 2003 for full settlement of the claim.

During the first quarter of 2002, 155,000 shares of Hope Bay Gold Inc. ("Hope Bay") were sold for proceeds of \$39,327 and a net gain of \$11,427 was recognized.

In May of 2002, Hope Bay amalgamated with Miramar Mining Corporation ("Miramar"). Shareholders of Hope Bay received 0.263 of a Miramar share for each Hope Bay share. In addition, as part of the transaction, Hope Bay transferred its French Guiana assets to Ariane Gold Corp. ("Ariane"). Special warrants of Ariane were distributed to Hope Bay shareholders. Following the amalgamation, Lexam held 174,895 Miramar shares and 6,650 Ariane special warrants which were exercised for one common share per warrant.

The Corporation's shares in both Miramar and Ariane were sold in the first quarter of 2003 for net proceeds of \$339,418, resulting in a gain of \$219,718.

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 Corporation 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.

On June 29, 2001, subsequent to receiving shareholder and regulatory approval, the Corporation issued 16,164,970 shares at \$0.10 per share to be used in the settlement of outstanding payables and other liabilities. Various creditors accepted a total of 12,450,911 shares, reducing the Corporation 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 the demand loan and accrued interest totaling \$1,070,337. Goldcorp's equity interest in Lexam, at December 31, 2003, was 49.8%. Goldcorp provides management and administrative services to the Corporation. During 2003, the cost of these services was \$24,000 (2002 - \$24,000). At December 31, 2003, Lexam's total outstanding liability to Goldcorp was \$261,260 (2002 - \$209,705).

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. Subsequent to December 31, 2001, the remaining undistributed shares that were being held by Lexam as custodians, totalling 3,714,059 shares, were cancelled.

At December 31, 2003, Lexam had a cash balance of \$124,060, compared to \$10,004 in 2002. The increase was largely due to the proceeds of \$339,418 on the sale of marketable securities partially offset by the payment of ongoing operating costs and various other liabilities.

Outlook

As noted previously, in early 2004, the Corporation has entered into an exploration agreement with an independent and privately held oil & gas company for continued exploration of Lexam's oil and gas property in Colorado. The Corporation will await the results of the exploration program before further decisions are made.

Risks and Uncertainties

The Corporation's operations are subject to all the risks and uncertainties normally incident to the exploration, development and extraction of natural resources. Whether a deposit will ultimately be commercially viable depends upon a number of factors including, but not limited to, the quantity and quality and reserves discovered, commodity prices, development feasibility, environmental issues, government laws and regulations, and the ability to obtain financing. The effects of these factors cannot be accurately predicted, but any of these issues could impede development or render it uneconomic.

Critical Accounting Policies

Costs relating to the acquisition and exploration of non-producing resource properties, less recoveries, are deferred until such time as the properties are either put into commercial production, sold, determined not to be economically viable or abandoned. General exploration expenditures which do not relate to specific resource properties are written off in the year incurred.

The costs deferred at any time do not necessarily reflect present or future values. The ultimate recovery of such amounts depends on the discovery of economic reserves and the successful commercial development of the related properties.

Recent Accounting Pronouncements

Lexam will adopt on January 1, 2004, the new Canadian accounting standard on asset retirement obligations. This standard applies to legal obligations associated with the retirement of a tangible long-lived asset that result from its acquisition, construction, development or normal operation as well as obligations arising in connection with leasing and other agreements concerning the rights to explore for or exploit natural resources. The Corporation does not expect to be affected by the adoption of this standard.

ITEM 7: MARKET FOR SECURITIES

Lexam's common shares are listed and posted for trading on the TSX Venture Exchange (Symbol: LEX). As of March 31, 2004, there were 38,107,436 common shares issued and outstanding. The following sets out certain information with respect to the market price for the common shares during the first, second, third and fourth quarters of 2003 and 2002, as quoted on the TSX Venture Exchange.

	2003			2002		
	<u>High</u> <u>(Cdn\$)</u>	<u>Low</u> <u>(Cdn\$)</u>	<u>Volume</u>	<u>High</u> <u>(Cdn\$)</u>	<u>Low</u> <u>(Cdn\$)</u>	<u>Volume</u>
First Quarter	0.05	0.01	476,200	0.16	0.03	251,200
Second Quarter	0.06	0.01	863,300	0.13	0.04	520,100
Third Quarter	0.21	0.02	4,064,300	0.11	0.03	485,600
Fourth Quarter	0.20	0.06	1,928,300	0.05	0.01	935,200

ITEM 8: DIRECTORS AND OFFICERS

The directors and officers of the Corporation, the municipalities of their residence and their principal occupations are listed below:

DIRECTORS

<u>Name and Municipality of Residence</u>	<u>Position with the Corporation</u>	<u>Principal Occupation</u>
ROBERT R. MCEWEN Toronto, Ontario	Chair, Chief Executive Officer and a Director (A Director since 1993)	Chairman and Chief Executive Officer of the Corporation. Also, Chairman and Chief Executive Officer and a director of Goldcorp. Past Director of CSA Management Inc.
RICHARD W. BRISSENDEN ⁽¹⁾ Toronto, Ontario	Director (A Director since 1994)	Chartered Accountant, Chairman, Excellon Resources Inc., a mineral exploration and development company, since September 1990. Vice-President of William G. Brissenden Inc., an investment holding company, since June 1976. President of Regal Goldfields Limited, a mineral exploration and development company, since February 1996. Mr. Brissenden also serves as a director of several other public companies.
DR. HUGH C. SQUAIR ⁽¹⁾ Surrey, British Columbia	Director (A Director since 1994)	Consultant and President of Design Exploration, a consulting firm.
ROBERT E. VAN TASSELL ⁽¹⁾ High River, Alberta	Director (A Director since 1996)	Geologist, retired in 1998, after 42 active years in the mining industry.

Note:

⁽¹⁾ Member of the Audit Committee.

EXECUTIVE OFFICERS

<u>Name and Municipality of Residence</u>	<u>Position with the Corporation</u>	<u>Principal Occupation</u>
ROBERT R. MCEWEN Toronto, Ontario	Chair, Chief Executive Officer and a Director	Chairman and Chief Executive Officer of the Corporation. Also, Chairman and Chief Executive Officer and a director of Goldcorp. Past Director of CSA Management Inc.
GILLES FILION Mississauga, Ontario	Vice President, Exploration	Engineer. Vice President, Exploration of the Corporation. Also Vice President, Exploration of Goldcorp. From August 1994 to February 1998, Manager, Geological Services at Pearson Hoffman. Prior to August 1994, Independent Consulting Geologist. He has 25 years of expertise in gold exploration and mining.
BRAD J. BOLAND Newmarket, Ontario	Vice President, Finance	Vice President, Finance of the Corporation. Also, Vice President, Finance of Goldcorp. He has been with the Corporation since 1998. He was Controller from July 2001 to February 2003 when he became Vice President, Finance. He has 8 years of experience in the mining industry.
R. GREGORY LAING Oakville, Ontario	Vice President, Legal	Vice President, Legal of the Corporation. Also, Vice President, Legal of Goldcorp. Greg joined the Corporation in 2003 after serving for over eight years as General Counsel to a mid-tier Canadian gold mining company with extensive international operations where he was responsible for managing all legal matters of the corporation. Prior to entering the mining industry, Greg worked for nine years as a corporate securities lawyer at two prominent Bay Street firms.
PERRY Y. ING Toronto, Ontario	Corporate Controller	Corporate Controller of the Corporation. Also Corporate Controller of Goldcorp. He has been with the Corporation since December 2003. He is a Chartered Accountant with six years of experience in the mining practice at PricewaterhouseCoopers LLP from 1997 to 2003.
JAMES N. DONALDSON Conifer, Colorado, USA	General Manager, U.S. Operations	General Manager, U.S. Operations of the Corporation. He has been with Lexam and its predecessor companies since 1984. Prior to that he worked for two large diversified mining companies for eight years in a variety of management positions in finance, exploration and production.

Mr. R. W. Brissenden, Dr. H. C. Squair and Mr. R. E. Van Tassell comprise the Audit Committee of the Board of Directors. The Audit Committee reviews the financial statements of the Corporation and reports thereon to the Board of Directors.

The Corporation does not have an Executive Committee.

ITEM 9: PROMOTERS

None.

ITEM 10: LEGAL PROCEEDINGS

None.

ITEM 11: INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Lexam believes no director or executive officer of the Corporation has had any interest in any material transaction during the years ended December 31, 2003, 2002 and 2001.

ITEM 12: TRANSFER AGENTS AND REGISTRATORS

The transfer agent and registrar in Canada is Computershare Trust Company of Canada, Toronto, Ontario.

ITEM 13: MATERIAL CONTRACTS

The Corporation has no material contracts outside those entered into in the ordinary course of business.

ITEM 14: INTERESTS OF EXPERTS

None.

ITEM 15: ADDITIONAL INFORMATION

Additional information relating to the Corporation can be found on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the issuer's securities, options to purchase securities and interests of insiders in material transactions, is contained in the Management Information Circular dated April 15, 2004. Additional information is contained in the Corporation's Management's Discussion & Analysis and audited consolidated financial statements for the year ended December 31, 2003. Upon request to the Investor Relations Department of the Corporation at its registered office, 145 King Street West, Suite 2700, Toronto, Ontario M5H 1J8, the Corporation will provide any person with a copy of:

- (a) the Corporation's Annual Information Form;
- (b) the Corporation's Management Information Circular dated April 15, 2004;
- (c) the Corporation's 2003 Management's Discussion & Analysis and audited consolidated financial statements; and
- (d) any unaudited interim reports to shareholders issued by the Corporation subsequent to December 31, 2003.

ITEM 16: FINANCIAL STATEMENTS

Reference is made to Lexam audited consolidated financial statements for the year ended December 31, 2003 appended hereto.

APPENDIX A

Consolidated Financial Statements of

LEXAM EXPLORATIONS INC.

Years ended December 31, 2003 and 2002

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Lexam Explorations Inc. as at December 31, 2003 and 2002 and the consolidated statements of earnings and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Corporation'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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Handwritten signature of KPMG LLP in black ink, with a horizontal line underneath.

Chartered Accountants
Toronto, Ontario
February 13, 2004

Lexam Explorations Inc.
Consolidated Balance Sheets
(in Canadian dollars)

	<u>As at December 31,</u>	
	<u>2003</u>	<u>2002</u>
Assets		
Current assets		
Cash and short-term investments	\$ 124,060	\$ 10,004
Accounts receivable	968	624
Prepaid expenses	2,281	1,920
Marketable securities (note 3)	<u>-</u>	<u>119,700</u>
	127,309	132,248
Resource property (note 4)	<u>2,520,229</u>	<u>2,512,647</u>
	<u>\$ 2,647,538</u>	<u>\$ 2,644,895</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	\$ 472,807	\$ 447,846
Exploration and development commitments (note 4)	<u>-</u>	<u>191,804</u>
	<u>472,807</u>	<u>639,650</u>
Shareholders' equity		
Capital stock (note 5)	16,402,075	16,402,075
Deficit	<u>(14,227,344)</u>	<u>(14,396,830)</u>
	<u>2,174,731</u>	<u>2,005,245</u>
	<u>\$ 2,647,538</u>	<u>\$ 2,644,895</u>
Going concern (note 1)		
Contingencies (note 8)		
Subsequent event (note 4 (a))		

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

Approved by the Board,



Robert R. McEwen
 Director



Richard W. Brissenden
 Director

Lexam Explorations Inc.
Consolidated Statements of Earnings and Deficit
(in Canadian dollars)

	<u>Years ended December 31,</u>	
	<u>2003</u>	<u>2002</u>
Revenues		
Interest income	\$ <u>5,272</u>	\$ <u>860</u>
Expenses		
Administrative	120,821	118,529
Exploration	<u>1,487</u>	<u>22,795</u>
	<u>122,308</u>	<u>141,324</u>
Decrease in provision for exploration and development commitments (note 4)	66,804	675,000
Gain on sale of marketable securities (note 3)	<u>219,718</u>	<u>11,427</u>
Earnings for the year	169,486	545,963
Deficit at beginning of year	<u>(14,396,830)</u>	<u>(14,942,793)</u>
Deficit at end of year	\$ <u>(14,227,344)</u>	\$ <u>(14,396,830)</u>
Earnings per share (basic and diluted)	\$ <u>-</u>	\$ <u>0.01</u>
Weighted average number of shares outstanding (000's)	<u>38,107</u>	<u>38,417</u>

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

Lexam Explorations Inc.
Consolidated Statements of Cash Flows
(in Canadian dollars)

	<u>Years ended December 31,</u>	
	<u>2003</u>	<u>2002</u>
Cash provided by (used in)		
Operating activities		
Earnings for the year	\$ 169,486	\$ 545,963
Items not affecting cash		
Decrease in provision for exploration and development commitments	(66,804)	(675,000)
Gain on sale of marketable securities (note 3)	(219,718)	(11,427)
Change in other non-cash operating working capital	<u>(100,744)</u>	<u>10,766</u>
	<u>(217,780)</u>	<u>(129,698)</u>
Investing activities		
Additions to resource properties (note 5 (a))	(7,582)	(63,957)
Proceeds on disposal of marketable securities	<u>339,418</u>	<u>39,327</u>
	<u>331,836</u>	<u>(24,630)</u>
Increase (decrease) in cash and short-term investments	114,056	(154,328)
Cash and short-term investments at beginning of year	<u>10,004</u>	<u>164,332</u>
Cash and short-term investments at end of year	<u>\$ 124,060</u>	<u>\$ 10,004</u>

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

Lexam Explorations Inc.
Notes to Consolidated Financial Statements (unaudited)

1. Going Concern

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

The Corporation 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 Corporation will be able to raise sufficient additional financing to fulfill its expenditure commitments or complete its exploration programs.

The Corporation is pursuing several alternatives to address these issues, including joint venturing certain properties and seeking additional sources of debt or equity financing.

2. General and Summary of Significant Accounting Policies

The Corporation was incorporated under the laws of the Province of Ontario by articles of incorporation dated November 12, 1993. The Corporation's principal activity is mineral and oil and natural gas exploration. At December 31, 2003, Goldcorp Inc. ("Goldcorp") had a 49.8% equity interest in the Corporation.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates.

The principal accounting policies followed by the Corporation, which have been consistently applied, are summarized as follows:

Principles of Consolidation

The consolidated financial statements include the financial statements of the Corporation and its wholly owned subsidiary companies, of which the principal subsidiary is Lexam Explorations Corporation of America Inc.

All significant intercompany balances and transactions have been eliminated on consolidation.

Cash and Short-Term Investments

Cash and short-term investments include those short-term money market instruments which, on acquisition, have a term to maturity of three months or less.

Marketable Securities

Marketable securities are accounted for at the lower of cost or market value. The market value of the Corporation's securities is determined based on the closing price reported on recognized securities exchanges. Such indicated market values do not necessarily represent the realizable value of the total holding of any security, which may be more or less than that indicated by market quotations. Investment transactions are accounted for on the trade date and realized gains and losses from such transactions are calculated on the average cost basis.

Lexam Explorations Inc.
Notes to Consolidated Financial Statements (unaudited)

Resource Properties

Costs relating to the acquisition and exploration of non-producing resource properties, less recoveries, are deferred until such time as the properties are either put into commercial production, sold, determined not to be economically viable or abandoned. General exploration expenditures which do not relate to specific resource properties are written off in the year incurred.

The costs deferred at any time do not necessarily reflect present or future values. The ultimate recovery of such amounts depends on the discovery of economic reserves and the successful commercial development of the related properties.

Income Taxes

The asset and liability method is used in accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. A reduction in respect of the benefit of a future tax asset (a valuation allowance) is recorded against any future tax asset if it is more likely than not that the asset will not be realized. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs.

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at year-end rates of exchange. Non-monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the transaction dates. Transactions denominated in foreign currencies are translated into Canadian dollars at rates of exchange prevailing during the year. The applicable exchange gains and losses arising on translation are reflected in operations.

Stock-Based Compensation

The Corporation accounts for all stock-based compensation 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 capital transactions. The Corporation has not awarded any stock options during 2002 or 2003.

Earnings Per Share

Basic earnings per share is calculated by dividing net earnings by the weighted average number of shares outstanding during the year. The calculation of diluted earnings per share uses the treasury stock method which adjusts the weighted average number of shares for the dilutive effect of options and warrants.

3. Marketable Securities

At December 31, 2001, the Corporation held 820,000 shares of Hope Bay Gold Inc. ("Hope Bay"). During the first quarter of 2002, 155,000 Hope Bay shares were sold for proceeds of \$39,327 and a net gain of \$11,427 was recognized. In May of 2002, Hope Bay amalgamated with Miramar Mining Corporation ("Miramar"). Shareholders of Hope Bay received 0.263 of a Miramar share for each Hope Bay share. In addition, as part of the transaction, Hope Bay transferred its French Guiana assets to Ariane Gold Corp. ("Ariane"). Special warrants of Ariane were distributed to Hope Bay shareholders. Following the amalgamation, Lexam held 174,895 Miramar shares and 6,650 Ariane special warrants which were exercised for one common share per warrant.

The remainder of the Corporation's shares in both Miramar and Ariane were sold in the first quarter of 2003 for net proceeds of \$339,418, resulting in a gain of \$219,718.

Lexam Explorations Inc.

Notes to Consolidated Financial Statements (unaudited)

4. Resource Property

	Baca Project
Balance at January 1, 2002	\$ 2,448,690
Additions, net (a)	<u>63,957</u>
Balance at December 31, 2002	2,512,647
Additions, net (a)	<u>7,582</u>
Balance at December 31, 2003	<u>\$ 2,520,229</u>

(a) Baca Project

The Baca Project consists of the Corporation's oil and gas property, which is located along the northeastern margin of the San Luis Basin in Colorado. Lexam holds a 75% interest in the property's oil and gas rights.

Subsequent to December 31, 2003, the Corporation entered into an agreement with an independent and privately held oil and gas company. That company is to conduct additional exploration on the property and has the right to perform work on the property for up to two years. Should a production decision be made, Lexam would retain a 12.5% production royalty on its 75% interest in the property's oil and gas rights.

During 2003, Lexam incurred costs of \$7,582 (\$63,957 – 2002) related to analysing seismic data on the property.

(b) Greenland Outstanding Work Commitments

In early 1996, a third party, Platinova A/S, acquired, pursuant to exploration licences issued by the government of Greenland, certain diamond exploration rights in Greenland. In August 1996, the Corporation entered into an option and joint venture agreement with Platinova (the Agreement), relating to the exploration for diamonds. Pursuant to the Agreement, Lexam was in the process of earning a 50% interest in Platinova's interest in those exploration licences upon the satisfaction of certain conditions, including completion of certain required drilling programs and including incurring certain required qualifying work expenditures pursuant to the exploration licences under the laws of Greenland.

In 1999, the Corporation failed to make qualifying expenditures with respect to expenditure commitments. As a result, the Corporation forfeited the land licences.

Pursuant to the laws governing mineral exploration in Greenland, notwithstanding the licences being forfeited, the Corporation was required to pay 50% of the outstanding work commitments of 7,813,053 DKK (approximately \$1.5 million). During the year ended December 31, 2000, the Corporation recorded a liability of \$750,000, representing 50% of the unfulfilled work commitments. In 2002, an agreement was reached whereby, in exchange for \$75,000, Lexam would be given a full and final release from the outstanding work commitments in Greenland. As a result, the Corporation recorded a \$675,000 decrease in the non-cash provision for outstanding work commitments in Greenland, reducing the liability from \$750,000 to \$75,000. Payment of \$75,000 was made to the government of Greenland in 2003 for full settlement of the claim.

Lexam Explorations Inc.
Notes to Consolidated Financial Statements

(c) Exploration and Development Commitments

At December 31, 2003, Lexam had accrued \$116,804 for liabilities related to a joint venture agreement on a resource property in British Columbia. During 2003, the Corporation satisfied all obligations related to this liability in exchange for \$50,000. As a result the Corporation recorded a non-cash decrease in the provision for exploration and development commitments for \$66,804.

5. Capital Stock

(a) Authorized

The authorized capital stock of the Corporation consists of an unlimited number of common shares.

(b) Issue of Shares in Settlement of Debt

On June 29, 2001, subsequent to receiving shareholder and regulatory approval, the Corporation issued 16,164,970 shares at \$0.10 per share to be used in the settlement of outstanding payables and other liabilities. Various creditors accepted a total of 12,450,911 shares, reducing the Corporation'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 a demand loan and accrued interest totalling \$1,070,337. Goldcorp's equity interest in Lexam, upon receiving shares for debt, increased from 30.8% to 47.0%.

At December 31, 2003, Goldcorp had a 49.8% equity interest in the Corporation.

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 February 2002, the remaining undistributed shares that were being held by Lexam as custodian, totaling 3,714,059 shares, were cancelled.

(c) Changes in Capital Stock

	2003		2002	
	Shares	Amount	Shares	Amount
Outstanding at beginning of year	38,107,436	\$ 16,402,075	41,821,495	\$ 16,402,075
Undistributed shares cancelled	-	-	(3,714,059)	-
Outstanding at end of year	<u>38,107,436</u>	<u>\$ 16,402,075</u>	<u>38,107,436</u>	<u>\$ 16,402,075</u>

(d) Employee Incentive Plan

Under the Corporation's employee incentive plan, options may be granted to directors, officers and employees at the discretion of the Board of Directors. A maximum of 4,500,000 shares may be issued under the plan. The exercise price per share is equal to the greater of \$0.15 per common share and the weighted average price of the common shares for the most recent five days preceding the date of granting of the option on which actual trading in respect of the common shares of the Corporation takes place. Each option under the employee incentive plan, which allows for the purchase of one share, vests over a maximum of three years and expires not later than ten years from the date on which it was granted. No options have been granted in 2002 or 2003.

Lexam Explorations Inc.
Notes to Consolidated Financial Statements

At December 31, 2003, there were options for 2,850,000 shares outstanding, at prices ranging from \$0.15 to \$0.20 per share. The weighted-average remaining term to expiry is 4.8 years, with all options expiring on or before August 14, 2011. The following is a breakdown of the options currently outstanding:

	<u>Options</u>		<u>Average Exercise Price</u>	
	<u>(000's)</u>		<u>(\$ per share)</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Outstanding at beginning of year	3,150	3,920	\$ 0.18	\$ 0.29
Cancelled /expired	<u>300</u>	<u>770</u>	<u>0.28</u>	<u>0.71</u>
Outstanding at end of year	<u>2,850</u>	<u>3,150</u>	<u>\$ 0.17</u>	<u>\$ 0.18</u>

6. Income Taxes

(a) Earnings Before Taxes

Earnings before taxes by jurisdiction is comprised of the following:

	<u>2003</u>	<u>2002</u>
Canada	\$ 160,752	\$ 551,658
United States	<u>8,734</u>	<u>(5,695)</u>
Total	<u>\$ 169,486</u>	<u>\$ 545,963</u>

(b) Provision for Income Taxes

The provision for (recovery) of income taxes differs from the amount that would have resulted by applying Canadian federal and provincial statutory tax rates of approximately 37% (2002 – 39%).

	<u>2003</u>	<u>2002</u>
Income taxes		
Income tax recovery calculated using statutory tax rates	\$ 62,710	\$ 212,927
Losses not tax benefitted	-	1,670
Losses not previously tax-benefitted	(62,684)	(214,524)
Foreign earnings (losses) subject to different tax rates	<u>(26)</u>	<u>(73)</u>
Income tax provision (recovery)	<u>\$ -</u>	<u>\$ -</u>

Notes to Consolidated Financial Statements

(c) Future Tax Balances

The tax effects of temporary differences that give rise to future income tax assets and future income tax liabilities at December 31, 2003 and 2002 are as follows:

	<u>2003</u>	<u>2002</u>
United States:		
Future tax liability - long-term portion		
Resource properties	\$ 560,449	\$ 574,382
Future tax assets - long-term portion		
Net operating losses	4,840,199	6,408,200
Valuation allowance	<u>(4,279,750)</u>	<u>(5,833,818)</u>
	<u>560,449</u>	<u>574,382</u>
Total United States	<u>\$ -</u>	<u>\$ -</u>
Canada:		
Future tax assets - current portion		
Marketable securities	<u>\$ -</u>	<u>\$ 16,306</u>
Future tax assets - long-term portion		
Resource properties	\$ 416,739	\$ 394,368
Net operating losses	853,905	694,525
Net capital losses	153,873	103,981
Other	<u>5,346</u>	<u>5,346</u>
	1,429,863	1,198,220
Valuation allowance	<u>(1,429,863)</u>	<u>(1,214,526)</u>
Total Canada	<u>\$ -</u>	<u>\$ -</u>

(d) Tax Loss Carryforwards

The Corporation has net operating loss carryforwards of approximately \$2,364,000 available for Canadian income tax purposes expiring in 2004 to 2009.

The Corporation's U.S. subsidiary has net operating loss carryforwards of approximately \$12,976,000 expiring in 2004 to 2023.

The benefit of the above losses has not been recognized for financial statement purposes.

7. Related Party Transactions

At December 31, 2003, Goldcorp had a 49.8% equity interest in the Corporation. Goldcorp provides management and administrative services to the Corporation. During 2003, the cost of these services was \$24,000 (2002 - \$24,000). At December 31, 2003, Lexam's total outstanding liability to Goldcorp was \$261,260 (2002 - \$209,705).

8. Contingencies

The Corporation's exploration activities are subject to various governmental laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and generally becoming more restrictive. The Corporation believes it complies in all material respects with all applicable laws and regulations.

9. Fair Value of Financial Instruments

The carrying value of all short-term investments, accounts receivable, and accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these items.