

# LEXAM EXPLORATIONS INC.

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## NEWS RELEASE

Toronto, Canada  
May 19, 2004

### 2004 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 \$23,271 during the three months ended March 31, 2004, compared to earnings of \$202,875 during the corresponding period in 2003. The loss in the first quarter of 2004 can largely be attributed to expenditures for administrative costs of \$23,934, up from \$17,783 for the same period in 2003. Earnings during the first quarter of 2003 resulted from the sale of Lexam's investment in Miramar Mining Corp. which was sold for total proceeds of \$339,418.

	Three months ended	
	March 31,	
	2004	2003
Earnings (loss)	\$ (23,271)	\$ 202,875
Earnings (loss) per share	\$ -	\$ 0.01

### Joint Venture Agreement

During the first quarter of 2004, an agreement was reached with an independent and privately held oil and 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. A program of 2D seismic data acquisition was completed in February that added approximately 60 line miles (97 km) of new data that is being processed and incorporated with the 60 miles (97 km) of existing Lexam data over the prospect. The program is designed to provide additional information and identify potential well locations for the purpose of testing the Lexam property 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 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. In addition to the joint venture agreement, the Company may pursue additional actions to address these issues, such as seeking additional sources of debt or equity financing and investigating possible reorganization alternatives.

**Financial Information and Notice to Reader**

Attached are the Consolidated Financial Statements of Lexam Explorations Inc. for the three months ended March 31, 2004. These interim financial statements have not been subject to auditor review.

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Stock Symbol: TSX Venture ("LEX")

**LEXAM EXPLORATIONS INC.  
CONSOLIDATED FINANCIAL STATEMENTS**

**Consolidated Balance Sheets**

*(in Canadian dollars)*

	As at March 31, 2004 <u>          </u> <i>(unaudited)</i>	As at December 31, 2003 <u>          </u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and short-term investments	\$ 108,156	\$ 124,060
Accounts receivable	-	968
Prepaid expenses	<u>1,596</u>	<u>2,281</u>
	109,752	127,309
<b>Resource properties</b>	<u>2,520,229</u>	<u>2,520,229</u>
	<u>\$ 2,629,981</u>	<u>\$ 2,647,538</u>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	<u>\$ 478,521</u>	<u>\$ 472,807</u>
<b>Shareholders' equity</b>		
Capital stock (notes 1 and 4)	16,402,075	16,402,075
Deficit	<u>(14,250,615)</u>	<u>(14,227,344)</u>
	<u>2,151,460</u>	<u>2,174,731</u>
	<u>\$ 2,629,981</u>	<u>\$ 2,647,538</u>
<b>Contingencies</b> (note 1)		

*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>2004</u>	<u>2003</u>
Revenues		
Interest income	\$ 663	\$ 1,539
Expenses		
Administrative	23,934	17,783
Exploration	<u>-</u>	<u>599</u>
	<u>23,934</u>	<u>18,382</u>
Gain on sale of marketable securities	<u>-</u>	<u>219,718</u>
Earnings (loss) for the period	<u>(23,271)</u>	<u>202,875</u>
Deficit at beginning of period	<u>(14,227,344)</u>	<u>(14,396,830)</u>
Deficit at end of period	<u>\$(14,250,615)</u>	<u>\$(14,193,955)</u>
Earnings (loss) per share (basic and diluted)	<u>\$ -</u>	<u>\$ 0.01</u>
Weighted average number of shares outstanding (000's)	<u>38,107</u>	<u>38,107</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>2004</u>	<u>2003</u>
Cash provided by (used in)		
Operating activities		
Earnings (loss) for the period	\$ (23,271)	\$ 202,875
Items not affecting cash		
Gain on sale of marketable securities	-	(219,718)
Change in non-cash operating working capital	<u>7,367</u>	<u>(12,484)</u>
	<u>(15,904)</u>	<u>(29,327)</u>
Investing activities		
Additions to resource properties, net	-	(1,914)
Proceeds on disposal of marketable securities	<u>-</u>	<u>339,418</u>
	<u>-</u>	<u>337,504</u>
Increase (decrease) in cash and short-term investments	(15,904)	308,177
Cash and short-term investments at beginning of period	<u>124,060</u>	<u>10,004</u>
Cash and short-term investments at end of period	<u>\$ 108,156</u>	<u>\$ 318,181</u>

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

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

**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.

In addition to the joint venture agreement, the Company may pursue alternatives to improve its financial position, such as seeking additional sources of debt or equity financing and investigating possible reorganization alternatives.

**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, 2003. These interim financial statements have not been subject to auditor review.

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. Change in Accounting Policy**

Effective January 1, 2004, the Company has adopted the fair value method of accounting for all stock option awards. Under this method the Company recognizes a compensation expense for all stock option awards based on the fair value of the options on the date of grant which is determined by using an option pricing model. The fair value of the options is expensed over the vesting period of the options. The change in accounting policy has been adopted retroactively with no impact to prior period earnings. The Company had not issued any stock options in 2002 or 2003.

**4. Capital Stock**

At March 31, 2004, the Company had 38,107,436 common shares outstanding. A total of 40,957,436 shares would have been outstanding had all options been exercised.