

Lexam Explorations

NEWS RELEASE

Toronto, Canada
April 25, 2006

2005 Fourth Quarter Results

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Results

Lexam Explorations Inc. ("Lexam" or the "Company") recorded a loss of \$31,366 during the three months ended December 31, 2005, compared to a loss of \$2,533,336 during the corresponding period in 2004. During the year ended December 31, 2005, Lexam recorded a loss of \$95,545 compared to a loss of \$2,618,333 during 2004. The large loss during the fourth quarter of 2004 and that year resulted from the Company's decision to write-off all accumulated resource properties balances following the decision by Lexam's partner on its oil & gas project, Petro-Hunt LLC ("Petro-Hunt"), to discontinue further work on the Baca oil & gas property. The Company's loss in 2005 was primarily attributable to administrative expenses.

Administrative expenses were \$52,215 and \$119,280 for the fourth quarter and year-ended December 31, 2005, respectively. This compares to a credit of \$4,244 for the fourth quarter of 2004 and an expense of \$81,261 for the full year 2004. Administrative expenses have increased as Goldcorp is no longer providing administrative services to the Company. Under a management services agreement, Goldcorp had provided management and administrative services to the Company until August 31, 2005 at a cost of \$14,000 (2004 - \$24,000). The Company also incurred costs during the fourth quarter in connection with moving to a new head office location.

Exploration expenses were \$21,289 for the fourth quarter of 2005 and \$18,432 for the full year compared to \$10,033 and \$10,614 for the respective periods in 2004. The costs incurred relate primarily the preparation of a NI 51-101 report by Watts, Griffis and McOuat Limited ("WGM") on the Baca property, as well as maintaining certain mining claims unrelated to the Baca Project.

During the fourth quarter of 2005, the Company obtained confirmation of their entitlement to US\$35,000 relating to reclamation deposits assigned to the State of Colorado in connection with the Baca property which were originally posted in 1992. US\$10,000 was released by the State of Colorado during 2005 and another US\$25,000 was held as a certificate of deposit in Lexam's name at December 31, 2005.

| | Three months ended December 31, | | Twelve months ended December 31, | |
|----------------|------------------------------------|---------------|-------------------------------------|---------------|
| | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004</u> |
| Loss | \$ (31,366) | \$(2,533,336) | \$ (95,545) | \$(2,618,333) |
| Loss per share | \$ nil | \$ (0.07) | \$ nil | \$ (0.07) |

Oil & Gas Property Status

In 2004, Lexam entered into a joint venture partnership with Petro-Hunt to explore Lexam's 100,000+ acre oil and gas property located in south central Colorado. Lexam was later informed by Petro-Hunt that they had decided against further exploration and development of the Baca Project. However, significant effort was expended by Petro-Hunt on 2-D seismic data acquisition, processing and modeling during the property evaluation phase. Lexam has requested and received from Petro-Hunt the raw data on the property that was produced during 2004.

During the fourth quarter of 2005, Lexam hired two consulting geologists to analyze the 2-D seismic data prepared by Petro-Hunt. The interpreted data was combined with geological data Lexam had acquired and performed earlier on the Baca Project and included in the NI 51-101 report prepared by WGM. WGM made the following recommendations:

- 1) The oil and gas potential of the Crestone East Prospect, located on Lexam's Colorado property, should be tested by drilling an initial well to basement at an estimated depth of 15,000 ft. (4,570 m);
- 2) In preparation for drilling, a more thorough analysis and integration of available seismic data by a qualified oil and gas geologist and geophysicist is recommended. The primary objectives of this work should include the full integration of the Petro-Hunt data with Lexam's existing seismic and geological data, a better defined depth to basement for the purpose of designing the proposed well(s) and estimating drilling costs, and a further analysis of the gas potential of the Tertiary section;
- 3) Prior to drilling, leasing the ConocoPhillips 25% undivided oil and gas interest and leasing additional oil and gas rights over the Crestone West Prospect on the west side of the Baca Grant are strongly recommended; and
- 4) Results of the initial test of the Crestone East target will determine if a 3-D seismic survey of the prospect area is recommended to more completely define individual fault blocks, potential structural/stratigraphic targets on the flanks of the Crestone structure and the potential for finding gas in the lower Tertiary section, prior to drilling additional wells.

Since receiving the completed report in mid-January 2006, Lexam has begun a thorough analysis and integration of the available seismic data and initiated plans for a proposed well design on the property.

Financial Condition and Outlook

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 actively evaluating alternatives to address these issues, including joint venturing certain properties and seeking additional sources of debt or equity financing.

On February 18, 2005, the Company's listing on the TSX Venture Exchange ("TSX-V") was transferred to the NEX board of the TSX-V due primarily to the Company's lack of sufficient operating capital. The NEX board allows Lexam's shares to continue trading while it seeks alternative financing or other joint venture partners to resume exploration activities. In February 2006, Lexam submitted its application to reactivate on the TSX Venture Exchange.

The Company had cash on hand of \$35,084 at December 31, 2005. Current assets (including cash) totalled \$67,818 compared to current liabilities of \$606,965.

Appointment

On April 25, 2006, Lexam appointed Perry Ing as the Chief Financial Officer of the Company effective immediately. Mr. Ing has served as the Corporate Controller of the Company since 2003. He was also the Corporate Controller of Goldcorp from 2003 to 2005.

Mr. Ing holds CA, CPA, and CFA designations and spent six years in the mining practice of PricewaterhouseCoopers LLP in Toronto prior to his roles at Lexam and Goldcorp.

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**LEXAM EXPLORATIONS INC.
CONSOLIDATED FINANCIAL STATEMENTS**

Consolidated Balance Sheets

(in Canadian dollars)

| | <u>As at December 31,</u> | |
|---|---------------------------|---------------------|
| | <u>2005</u> | <u>2004</u> |
| Assets | | |
| Current assets | | |
| Cash and short-term investments | \$ 35,084 | \$ 11,932 |
| Accounts receivable | 2,409 | 1,198 |
| Reclamation deposit | 29,075 | - |
| Prepaid expenses | <u>1,250</u> | <u>2,554</u> |
| | 67,818 | 15,684 |
| Resource property (note 3) | <u>-</u> | <u>-</u> |
| | <u>\$ 67,818</u> | <u>\$ 15,684</u> |
| Liabilities and Shareholders' Equity (Deficit) | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (note 5) | \$ 148,384 | \$ 459,286 |
| Due to related party | 458,581 | - |
| Shareholders' equity (deficit) | | |
| Capital stock (note 4) | 16,402,075 | 16,402,075 |
| Deficit | <u>(16,941,222)</u> | <u>(16,845,677)</u> |
| | <u>(539,147)</u> | <u>(443,602)</u> |
| | <u>\$ 67,818</u> | <u>\$ 15,684</u> |
| Going concern (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 December 31, | | Twelve months ended December 31, | |
|--|------------------------------------|-----------------------|-------------------------------------|-----------------------|
| | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004</u> |
| Revenues | | | | |
| Interest income | \$ 110 | \$ 304 | \$ 139 | \$ 1,180 |
| Expenses | | | | |
| Administrative | 52,215 | (4,244) | 119,280 | 81,261 |
| Exploration | 21,289 | 10,033 | 18,432 | 10,614 |
| Recovery of reclamation deposits | <u>(42,028)</u> | <u>-</u> | <u>(42,028)</u> | <u>-</u> |
| | <u>31,476</u> | <u>5,789</u> | <u>95,684</u> | <u>91,875</u> |
| Write-off of resource property (note 4) | <u>-</u> | <u>(2,527,638)</u> | <u>-</u> | <u>(2,527,638)</u> |
| Earnings (loss) for the period | <u>(31,366)</u> | <u>(2,533,336)</u> | <u>(95,545)</u> | <u>(2,618,333)</u> |
| Deficit at beginning of period | <u>(16,909,856)</u> | <u>(14,312,341)</u> | <u>(16,845,677)</u> | <u>(14,227,344)</u> |
| Deficit at end of period | <u>\$(16,941,222)</u> | <u>\$(14,845,464)</u> | <u>\$(16,941,222)</u> | <u>\$(16,845,677)</u> |
| Earnings (loss) per share (basic and diluted) | <u>\$ -</u> | <u>\$ (0.07)</u> | <u>\$ -</u> | <u>\$ (0.07)</u> |
| Weighted average number of shares outstanding (000's) | <u>38,107</u> | <u>38,107</u> | <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 December 31, | | Twelve months ended December 31, | |
|---|------------------------------------|------------------|-------------------------------------|------------------|
| | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004</u> |
| Cash provided by (used in) | | | | |
| Operating activities | | | | |
| Earnings (loss) for the period | \$ (31,366) | \$(2,533,336) | \$ (95,545) | \$(2,618,333) |
| Items not affecting cash | | | | |
| Write-off of resource property balance | - | 2,527,638 | - | 2,527,638 |
| Change in other non-cash operating working capital | <u>60,643</u> | <u>(8,240)</u> | <u>118,697</u> | <u>(14,024)</u> |
| | <u>29,277</u> | <u>(13,938)</u> | <u>23,152</u> | <u>(104,719)</u> |
| Investing activities | | | | |
| Additions to resource properties | - | (7,409) | - | (7,409) |
| Increase (decrease) in cash and short-term investments | (29,277) | (21,347) | 23,152 | (112,128) |
| Cash and short-term investments at beginning of period | <u>5,807</u> | <u>33,279</u> | <u>11,932</u> | <u>124,060</u> |
| Cash and short-term investments at end of period | <u>\$ 35,084</u> | <u>\$ 11,932</u> | <u>\$ 35,084</u> | <u>\$ 11,932</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 in Canada 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 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 continue its exploration programs.

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

The financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, adjustments may be necessary to the carrying value of assets, such as accounts receivable and prepaid expenses, the accounts payable and accrued liabilities balance, and the reported expenses.

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, 2005.

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

3. Capital Stock

At December 31, 2005, the Company had 38,107,436 common shares outstanding. A total of 39,657,436 shares would have been outstanding had all options been exercised. Lexam has not awarded any stock options subsequent to January 1, 2002.

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

4. Resource Property

During the first quarter of 2004, the Company entered into an agreement with an independent and privately held oil & gas company, Petro-Hunt LLC (“Petro-Hunt”), to conduct additional exploration on Lexam’s property. Petro-Hunt performed work on the project throughout the second and third quarter of the 2004, however, during the fourth quarter Lexam was informed by Petro-Hunt that they have decided against further exploration and development of the project. In light of the Company’s financial situation and inability to further develop the project subsequent to Petro-Hunt’s decision to discontinue further work, the Company decided during the fourth quarter of 2004 to write-off the resource properties balance of \$2,527,638. All subsequent costs incurred on the property have been expensed. Work in 2005 related primarily to reviewing the seismic data received from Petro-Hunt and producing a revised technical report.

The company has a US\$25,000 reclamation deposit posted with the State of Colorado in connection with Lexam’s surface rights to the Baca Property. At December 31, 2005, it was held as a certificate of deposit maturing in March 2006. Subsequent to the maturity in March 2006, the certificate of deposit was extended to March 2007.