



**MANAGEMENT'S DISCUSSION AND ANALYSIS
and
INTERIM FINANCIAL STATEMENTS**

FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2007

(All amounts are expressed in Canadian dollars unless otherwise indicated.)

This MD&A is prepared as of November 30, 2007 and should be read in conjunction with the audited financial statements of Lexam Explorations Inc. ("Lexam" or the "Company") for the year ended December 31, 2006 and the unaudited interim consolidated financial statements for the period ending September 30, 2007. This MD&A includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical fact, that address future exploration activities and events or developments that the Company expects, are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements.

FINANCIAL HIGHLIGHTS

Lexam recorded a net loss of \$1,589,986 (\$0.03 per share basic and diluted) during the three months ended September 30, 2007, compared to net income of \$11,599 (\$0.00 per share basic and diluted) during the corresponding period in 2006. The loss for the quarter was the result of exploration expenditures, administrative and corporate development costs, and unrealized foreign exchange losses; this loss was partially offset by the realized gain on the previously announced sale by Lexam's 62% owned subsidiary, MacPass Resources ("MacPass"), of the Jason property in the Yukon to HudBay Minerals ("HudBay"). Major expenditures during the quarter included costs associated with an Environmental Assessment ("EA") being prepared in conjunction with the Lexam's planned drilling at its Baca Project in Colorado, exploration spending at the Otish Uranium Project in Quebec including costs related to administration and corporate development activities. For the year to date, net income was \$8,742,933 (\$0.18 per share and \$0.17 per share diluted) compared to a loss of \$244,359 (\$0.01 per share basic and diluted) in the corresponding period in 2006. The gain for the year is the result of the sale of the Nevada properties during the second quarter.

	Three months ended September 30		Nine months ended September 30	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Net Income (loss)	\$(1,589,986)	\$ 11,599	\$ 8,742,933	\$(244,359)
Net Income (loss) per share				
-basic	\$ (0.03)	\$ (0.00)	\$ 0.18	\$ (0.01)
-diluted	\$ (0.03)	\$ (0.00)	\$ 0.17	\$ (0.01)

BACA OIL & GAS PROJECT UPDATE

On May 25th, 2007 Lexam announced that the San Luis Valley Ecosystem Council (“SLVEC”) had filed and served a Complaint against the United States Fish and Wildlife Service (“USFWS”) in Federal District Court in Denver, Colorado. The SLVEC claims that the USFWS had not complied with the National Environmental Policy Act (“NEPA”) in connection with certain exploration activities carried out and proposed by Lexam on the Baca Oil & Gas Project.

Since the Complaint was filed, the USFWS engaged ENSR, a leading environmental consultancy firm, to complete an EA pursuant to NEPA. On August 17th, 2007, USFWS held a public meeting to inform interested parties about Lexam’s activities and to seek comment on the Company’s proposed oil and gas drilling. The USFWS and ENSR have reviewed the public’s comments and have undertaken the necessary actions to complete an EA in compliance with NEPA.

Lexam has been informed by the USFWS and ENSR that the EA is now being finalized. Once the final EA is complete it will be submitted for a minimum 30 day public comment period. The USFWS will consider all additional public comments before determining the level of impact Lexam’s proposed exploration activities will have on the federal land.

OTISH URANIUM JV PROJECT – QUEBEC, CANADA

During the third quarter Lexam and its joint venture partner, Golden Valley Mines (TSX Venture: GZZ), carried out their initial exploration program on the Otish Uranium Project in north-central Quebec. Lexam’s properties are situated near property owned by Strateco Resources, which recently announced a total resource estimate of 4.1 million lbs. of uranium at an approximate grade of 0.7% U₃O₈ and Cameco, the world’s largest uranium producer, recently disclosed a drill intercept of 1.06% eU₃O₈ over nearly 16 meters. Lexam and Golden Valley hold approximately 205,400 acres, making it the regions largest land holder.

During July an airborne geophysical survey was completed over the Mistassini portion of the project, which defined 5 new high priority target areas for potential economic uranium mineralization that are situated along the unconformity contact of the basin. The style of mineralization that will be tested is similar to the high-grade uranium deposits found in Saskatchewan’s Athabasca Basin where 28% of the world’s annual uranium production is mined. Prior drilling in the Mistassini section of Lexam and Golden Valley’s land position returned a uranium intersection of 0.16% U₃O₈ over 1.40 meters. A second airborne survey was initiated on the Otish section of the project before winter conditions set in. Approximately 27% of the second airborne survey was completed before the program concluded. Results from this survey are currently pending. The second survey is scheduled to be completed during the 2008 spring season.

Lexam and Golden Valley also completed a detailed geological and geophysical survey with the objective of re-locating and re-sampling historical uranium showings on the project area. Exploration focused on 7 of the most significant reported historical showings on the project. Sampling over the Mistassini section was also conducted to identify radioactive mineralized zones for drill testing in early 2008 with surface samples over both sections returning anomalous uranium values and path finder elements.

Lexam and Golden Valley are making preparations to commence their first phase drill program by the second quarter of 2008. The initial program of diamond drilling will consist of

approximately 3,500 ft (1,067 meters) of drilling. The results from this initial program, along with exploration results obtained from the second full field season on the ground, will be used to establish the size of the second phase drill program that is scheduled for the second half of 2008.

JASON BASE METAL PROPERTY – YUKON, CANADA

In July 2007, Lexam's 62% subsidiary, MacPass, received the \$900,000 cash proceeds due on closing of the Jason Property sale which was in addition to the initial \$100,000 deposit received previously. Lexam has received approximately \$380,000 in dividends and repayment of funds due from MacPass with further amounts to be settled upon windup as MacPass will discontinue its business operations in the Yukon. MacPass also paid \$229,778 in dividends to the minority shareholders. Lexam retains a 0.9% net smelter return ("NSR") on the Jason property. HudBay has the option to purchase, from Lexam, 0.45% of the NSR at any time, for approximately \$370,000, and the remaining 0.45% for approximately \$1,200,000.

RUBICON TRANSACTION

As of September 30, 2007, Lexam's wholly owned US subsidiary held 8,571,429 common shares of Rubicon Minerals Corporation (Tickers: AMEX: RBY; TSX: RMX) which were received in the second quarter of 2007 as proceeds for the sale of Lexam's Nevada properties. At the end of the second quarter, Rubicon was trading at US\$1.80 (C\$1.90). At September 30, 2007, Rubicon shares were trading at US\$1.76 (C\$1.76). Changes in the value of the securities are reflected in the statement of comprehensive income. The appreciation in the Canadian dollar from approximately 0.94 cents to the US dollar at June 30, 2007 to parity with the US dollar at September 30, 2007, a 6.4% increase, caused the reported unrealized foreign exchange loss of approximately \$1.2 million for the quarter as the Rubicon shares are held by Lexam's US subsidiary and therefore are valued in US dollars prior to translation to Canadian dollars for reporting purposes.

FINANCIAL RESULTS

Exploration expenses increased for the three and nine month periods ending September 30, 2007 compared to the corresponding periods in 2006. The Company also incurred increased administration expenses for the nine month period compared to 2006. In 2006, Lexam did not have sufficient cash resources available for significant exploration or corporate development activities until the private placement to raise \$4.4 million in cash was completed during the third quarter of 2006. The foreign exchange loss is a result of unrealized losses on the appreciation of US dollar denominated securities as described above. The following tables provide details of exploration and administrative spending:

Exploration Expenses

	Three months ended September 30		Nine months ended September 30	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Colorado – Baca Oil and Gas Project				
3D Seismic surveying and mapping	\$ 13,128	\$ 111,339	\$ 1,216,151	\$ 111,339
Technical and professional services	66,278	46,423	242,955	83,645
Permitting and environmental	89,008	34,906	130,212	40,401
Land fees – property taxes and title work	-	-	17,754	-
Other	-	-	5,921	-
Quebec – Otish Uranium Project				
Geophysical surveying and mapping	376,937	-	376,937	-
Technical and professional services	52,996	-	52,996	-
Land – surveying, staking and claim fees	94,061	-	176,507	-
Nevada (divested in Q2 2007)				
Land fees – property taxes and title work	-	31,219	22,939	49,240
Permitting and environmental	-	-	9,482	-
Other	<u>572</u>	<u>-</u>	<u>15,749</u>	<u>4,758</u>
Total Exploration Expense	<u>\$ 692,982</u>	<u>\$ 223,887</u>	<u>\$ 2,268,175</u>	<u>\$ 289,383</u>

Exploration expense during the third quarter consisted of approximately \$170,000 in spending on the Baca Oil and Gas Project and approximately \$525,000 in spending at the Otish Uranium Project. The majority of the costs related to Baca were incurred by Lexam on behalf of the USFWS in order to prepare an EA in advance of the Company's planned oil and gas drilling. Amounts spent at Otish relate primarily to geophysical surveying and mapping. Overall, exploration expense for the quarter was 210% higher than the comparative period in 2006 when work focused mainly on preparation for the 3D seismic survey at the Baca Project. For the year to date, exploration expense was nearly \$2.3 million compared to less than \$300,000 for the same period in 2006, reflecting the increase in resources Lexam has to dedicate to exploration spending.

Administrative Expenses

	Three months ended September 30		Nine months ended September 30	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Management fees – related party	\$ 81,027	\$ 71,170	\$ 242,391	\$ 156,722
Professional fees				
-accounting, audit and legal	39,545	38,645	200,376	96,223
Public company fees and investor relations	27,606	58,583	100,636	90,981
Director's fees and expenses	2,250	3,000	6,775	9,000
Office and general	<u>19,027</u>	<u>12,038</u>	<u>55,461</u>	<u>21,402</u>
Total Administration Expense	<u>\$ 169,455</u>	<u>\$ 183,436</u>	<u>\$ 611,639</u>	<u>\$ 374,328</u>

Overall, administrative expenses of \$169,455 for the third quarter of 2007 were 8% lower than the \$193,436 for the third quarter of 2006, and 27% lower than the \$231,268 spent during the second quarter of 2007. The largest decrease was in public company fees and investor relations expenses as additional costs were incurred in the comparative 2006 period when Lexam completed a \$4.4 million private placement and relisted its common shares onto the TSX Venture Exchange from the NEX Board. This decrease was partially offset by increases in management fees and office and general expenses.

For the year to date, increases in management fees, professional fees, and office and general expenses reflect the increase in corporate development and exploration activities. This has been reflected in the sales of Lexam's non-core assets (Nevada and Yukon properties) and managing new exploration activities relating to the Baca and Otish Uranium Projects. As Lexam does not

have any full-time employees, management and professional fees are generally expected to increase proportionally with the level of activity in the Company. Lexam's management continues to be active in pursuing additional opportunities to strengthen the balance sheet and seek attractive opportunities to build its share value.

LIQUIDITY AND CAPITAL RESOURCES

As a result of exploration and administrative spending, the Company's cash balance has decreased to \$1,541,854 from \$3,918,049 at December 31, 2007 and \$1,667,184 at June 30, 2007. However, this does not include the potential cash value, net of taxes, of the Rubicon commons shares Lexam received from the sale of its Nevada properties.

For the balance of 2007, Lexam expects to spend approximately \$200,000 in additional expenditures at the Otish Uranium Project, \$100,000 related to the EA for the Baca Project and approximately \$150,000 in administrative expenses. The \$200,000 to be spent on the Otish Uranium Project, together with the approximately \$600,000 already spent will satisfy Lexam's spending commitments for the first year of the project. To meet future exploration and liquidity requirements, as well as to satisfy tax liabilities, Lexam would consider selling a portion or all of its Rubicon common shares or may also consider a variety of other funding alternatives with the objective of minimizing shareholder dilution. There can be no assurance that the Company will be successful at raising such funds or whether funds raised will be at terms economically favourable to existing shareholders.

At September 30, 2007, current assets totalled \$16,731,515 compared to current liabilities of \$5,437,348. Lexam's working capital at September 30, 2007, inclusive of the Rubicon shares and related taxes, was approximately \$11.3 million compared to \$3.6 million at December 31, 2006. The Company has no significant contractual obligations and no off-balance sheet arrangements. At September 30 and November 30, 2007, Lexam had 48,469,287 common shares and 4,328,000 warrants outstanding. The warrants, which have an exercise price of \$0.70 per share, expire on August 1, 2008.

SUMMARY OF QUARTERLY RESULTS

	<u>2007</u>				<u>2006</u>		<u>2005</u>	
	<u>Q3</u>	<u>Q2</u>	<u>Q1</u>	<u>Q4</u>	<u>Q3</u>	<u>Q2</u>	<u>Q1</u>	<u>Q4</u>
Total income	\$ 977,391	\$18,984,557	\$ 32,480	\$ 37,155	\$16,202	\$ 272	\$ 158	\$ 110
Net income (loss)	(1,589,986)	11,967,612	(1,634,693)	(354,043)	11,599	(120,128)	(135,830)	(31,366)
Per share—basic	(0.03)	0.25	(0.03)	(0.01)	0.00	(0.00)	(0.00)	(0.00)
Per share—diluted	(0.03)	0.23	(0.03)	(0.01)	0.00	(0.00)	(0.00)	(0.00)

OTHER ITEMS

Risks and Uncertainties

The Company'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 of 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, may be 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.

Related Party Transactions

Management services for Lexam were provided by a private company wholly owned by Mr. McEwen, Lexam's Chairman and CEO, which incurred management fees and expenses of \$38,532 for the third quarter (2006 – \$69,694) and \$162,316 for the year to date (2006 – \$110,714). At September 30, 2007, \$30,222 (December 31, 2006 – \$63,215) was owed to Mr. McEwen's private company. Management fees were also paid to a private company wholly owned by Perry Ing, Lexam's CFO, totaling \$18,000 for the third quarter of 2007 (2006 – nil) and \$46,600 for the year to date (2006 – \$15,720). All related party transactions are recorded at the exchange amount.

Changes in Accounting Policies and Initial Adoption

Lexam adopted the following two accounting standards effective January 1, 2007:

a) Section 3855 – Financial Instruments – Recognition and Measurement. Section 3855 requires that all financial assets, except those classified as held to maturity, and derivative financial instruments, must be measured at fair value. All financial liabilities must be measured at fair value when they are classified as held for trading; otherwise, they are measured at cost. Investments classified as held for sale are reported at fair market value (or mark to market) based on quoted market prices with unrealized gains or losses excluded from earnings and reported as other comprehensive income or loss. Investments subject to significant influence are reported at cost and not adjusted to fair market value.

b) Section 1530 – Comprehensive Income. Comprehensive income or loss is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net earnings such as unrealized gains or losses on available-for-sale investments. Other comprehensive income would include the holding gains and losses from available-for-sale securities which are not included in net loss until realized.

The adoption of Sections 1530 and 3855 did not have any impact on the opening deficit of the Company.

Future accounting changes

On January 1, 2008, the Company will adopt CICA 1535, Capital Disclosures. This standard requires the disclosure of information related to the objectives, policies and processes for managing capital. There will be no impact to the Company's financial statements as this standard only addresses disclosure requirements.

On January 1, 2008, the Company will adopt CICA 3862, Financial Instruments – Disclosures and CICA 3863, Financial Instruments – Presentation. CICA 3862 requires disclosure of information related to the significance of financial instruments to the Company's performance. The Company is also required to disclose information related to the risks of its use of financial instruments and how those risks are managed. CICA 3863 does not materially differ from the current standard, CICA 3861. As these standards specifically address presentation and disclosure requirements, there will be no impact to the Company's financial statements.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis to senior management, including Lexam's Chief Executive Officer and Chief Financial Officer, so that appropriate decisions can be made regarding public disclosure. Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls and procedures should not exceed their expected benefits. As such, the Company's disclosure controls and procedures can only provide reasonable assurance, and not absolute assurance, that the objectives of such controls and procedures are met.

Management of the Company is responsible for evaluating the design of internal controls over financial reporting. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with accounting principles generally accepted in Canada. The Company's internal controls and procedures can only provide reasonable assurance, and not absolute assurance with respect to the preparation and presentation of the financial statements.

There have been no changes in the Company's disclosure controls and procedures and internal controls over financial reporting during the quarter ended September 30, 2007 that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

FINANCIAL INFORMATION AND NOTICE TO READER

Attached are the Consolidated Financial Statements of Lexam Explorations Inc. for the three and nine months ended September 30, 2007. These interim financial statements have not been subject to auditor review.

Consolidated Balance Sheets*(in Canadian dollars)*

	As at September 30, 2007 <i>(unaudited)</i>	As at December 31, 2006
Assets		
Current assets		
Cash	\$ 1,541,854	\$ 3,918,049
Amounts receivable	56,133	5,987
Reclamation deposit	64,662	75,751
Prepaid expenses	61,599	2,353
Available-for-sale securities <i>(note 2(d))</i>	15,007,267	-
	<u>\$ 16,731,515</u>	<u>\$ 4,002,140</u>
Liabilities and Shareholders' Equity		
Liabilities		
Accounts payable and accrued liabilities	\$ 453,263	\$ 286,547
Due to related parties	63,936	63,215
Taxes payable	5,198,796	-
Option deposit	-	100,000
	<u>5,715,995</u>	<u>449,762</u>
Shareholders' equity		
Common shares and warrants	21,142,402	21,092,002
Deficiency	(8,796,691)	(17,539,624)
Accumulated other comprehensive loss	(1,330,191)	-
	<u>11,015,520</u>	<u>3,552,378</u>
	<u>\$ 16,731,515</u>	<u>\$ 4,002,140</u>

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

Consolidated Statements of Income (Loss) and Deficiency (unaudited)*(in Canadian dollars)*

	Three months ended September 30		Nine months ended September 30	
	2007	2006	2007	2006
Expenditures				
Administrative	\$ 169,455	\$ 183,436	\$ 611,639	\$ 374,328
Exploration	692,982	223,887	2,268,177	289,383
	<u>862,437</u>	<u>407,233</u>	<u>2,879,816</u>	<u>663,711</u>
Other Income/Expense				
Gain on property sales	960,391	-	19,921,867	-
Debt forgiveness	-	402,720	-	402,720
Interest and other income	16,882	16,202	72,443	16,632
Foreign exchange loss (note 2(d))	(1,196,397)	-	(2,226,730)	-
	<u>(219,124)</u>	<u>418,922</u>	<u>22,221,040</u>	<u>419,332</u>
Net income (loss) before taxes and minority interest	(1,081,561)	11,599	17,767,580	(244,359)
Provision for income tax	(278,647)	-	(5,915,053)	-
Minority interest, net of taxes	(229,778)	-	(229,778)	-
Net income (loss)	<u>(1,589,986)</u>	<u>11,599</u>	<u>8,742,933</u>	<u>(244,359)</u>
Deficiency at beginning of period	(7,206,705)	(17,197,180)	(17,539,624)	(16,941,222)
Deficiency at end of period	<u>\$ (8,796,691)</u>	<u>\$(17,185,581)</u>	<u>\$ (8,796,691)</u>	<u>\$(17,185,581)</u>
Net Income (loss) per share				
Basic	<u>\$ (0.03)</u>	<u>\$ (0.00)</u>	<u>\$ 0.18</u>	<u>\$ (0.01)</u>
Diluted	<u>\$ (0.03)</u>	<u>\$ (0.00)</u>	<u>\$ 0.17</u>	<u>\$ (0.01)</u>
Weighted avg. number of shares				
outstanding (000's) – basic	<u>48,469</u>	<u>45,400</u>	<u>48,445</u>	<u>41,113</u>
– diluted	<u>53,047</u>	<u>39,400</u>	<u>53,071</u>	<u>38,537</u>

Consolidated Statements of Other Comprehensive Income (Loss) (unaudited)*(in Canadian dollars)*

	Three months ended September 30		Nine months ended September 30	
	2007	2006	2007	2006
Net income (loss)	\$ (1,589,986)	\$ 11,599	\$ 8,742,933	\$ (244,359)
Unrealized loss on available-for-sale securities, net of tax	(144,591)	-	(1,330,191)	-
Comprehensive income (loss)	<u>\$ (1,734,577)</u>	<u>\$ 11,599</u>	<u>\$ 7,412,742</u>	<u>\$ (244,359)</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 September 30		Nine months ended September 30	
	2007	2006	2007	2006
Cash provided by (used in)				
Operating activities				
Income (loss) for the period	\$(1,589,986)	\$ 11,599	\$ 8,742,933	\$ (244,359)
Adjustments:				
Add: minority interest	229,778	-	229,778	-
Less: gain on property sale	(960,391)	-	(960,391)	-
Items not affecting cash:				
Unrealized gain on sale of Nevada properties, net of related taxes and foreign exchange translation	1,351,969	-	(11,251,626)	-
Debt forgiveness	-	(402,720)	-	(402,720)
Change in other non-cash operating working capital	173,079	82,183	142,489	127,796
	<u>(795,551)</u>	<u>(308,938)</u>	<u>(3,096,817)</u>	<u>(519,283)</u>
Investing activities				
Proceeds on property sale	900,000	-	900,000	-
	<u>900,000</u>	<u>-</u>	<u>900,000</u>	<u>-</u>
Financing activities				
Warrants exercised	-	-	50,400	-
Stock options exercised	-	-	-	195,000
Dividends paid by subsidiary	(229,778)	-	(229,778)	-
Private placement – shares	-	3,471,111	-	3,471,111
Private placement – warrants	-	928,889	-	928,889
	<u>(229,778)</u>	<u>4,400,000</u>	<u>(179,378)</u>	<u>4,595,000</u>
Increase (decrease) in cash	(125,330)	4,091,062	(2,403,195)	4,075,717
Cash at beginning of period	<u>1,667,184</u>	<u>19,739</u>	<u>3,918,049</u>	<u>35,084</u>
Cash at end of period	<u>\$ 1,541,854</u>	<u>\$ 4,110,801</u>	<u>\$ 1,541,854</u>	<u>\$ 4,110,801</u>

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

Notes to Consolidated Financial Statements (*unaudited*)**1. Basis of Presentation and Significant Accounting Policies**

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.

As an exploration stage resource company, the Company has no source of cash flow and will need to raise additional funds in the future in order to advance its exploration efforts. There can be no assurance that the Company will be successful at raising such funds or whether funds raised will be at terms economically favourable to existing shareholders. If in the future the going concern assumption was not appropriate, certain adjustments may be necessary to the financial statements. These adjustments could include the carrying value of assets, such as amounts receivable and prepaid expenses, the accounts payable and accrued liabilities balance, and the reported expenses. The Company is a development stage enterprise with respect to CICA Accounting Guideline 11.

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, 2006.

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.

Income/Loss per Share

Basic and diluted losses per share are the same for the comparative 2006 periods reported, as the effect of potential issuances of shares under share option agreements would be anti-dilutive.

New Accounting Standards

Effective January 1, 2007, Lexam adopted two new accounting standards issued by the CICA: Section 1530, Comprehensive Income and Section 3855, Financial Instruments – Recognition and Measurement. The adoption of these standards did not materially impact the consolidated financial statements.

Comprehensive Income

As a result of adopting these standards, a new category, Accumulated Other Comprehensive Income, will be added to shareholders' equity in the consolidated balance sheets. A component for this category will include unrealized gains and losses on financial assets classified as available-for-sale. The impact on the Company's financial position of adopting Section 1530 was nil at January 1, 2007 and an accumulated other comprehensive loss of \$1,330,191 at September 30, 2007.

Notes to Consolidated Financial Statements (unaudited)**Financial Instruments – Recognition and Measurement**

Section 3855 was adopted retroactively, without restatement. Under this new standard, all financial instruments will be classified as one of the following: held to-maturity, loans and receivables, held-for-trading or available-for-sale. Financial assets and liabilities held-for-trading will be measured at fair value with gains and losses recognized in net income. Financial assets held-to-maturity, loans and receivables, and financial liabilities other than those held-for-trading, will be measured at amortized cost. Available-for-sale instruments will be measured at fair value with unrealized gains and losses recognized in other comprehensive income. The standard also permits the designation of any financial instrument as held-for-trading upon initial recognition. Transaction costs will be netted against the underlying instrument. The impact on the Company's financial position of adopting Section 3855 was nil at January 1, 2007 and an other comprehensive loss of \$1,330,191 at September 30, 2007.

2. Capital Stock**a) Outstanding Common Shares**

	2007	
	<u>Shares</u>	<u>Amount</u>
Outstanding at beginning of the year	48,397,287	\$20,163,113
Warrants exercised – Q2	72,000	65,600
Outstanding at September 30	<u>48,397,287</u>	<u>\$20,228,713</u>

b) Outstanding Warrants

	2007	
	<u>Warrants</u>	<u>Amount</u>
Outstanding at beginning of the year	4,400,000	\$ 928,889
Warrants exercised – Q2	(72,000)	(15,200)
Outstanding at September 30	<u>4,328,000</u>	<u>\$ 913,689</u>

c) Employee Incentive Plan

	2007	
	<u>Options</u>	<u>Exercise Price</u>
Outstanding at beginning of the year	250,000	\$ 0.15
Outstanding at September 30	<u>250,000</u>	<u>\$ 0.15</u>

d) Accumulated Other Comprehensive Loss

	2007	
Balance at beginning of the year	\$	-
Comprehensive loss on available-for-sale securities, net of tax		(1,330,191)
Balance at September 30		<u>\$ (1,330,191)</u>

Notes to Consolidated Financial Statements *(unaudited)*

Accumulated other comprehensive loss amounts relate to market value decreases in the available-for-sale securities held by Lexam. Foreign exchange losses reported are primarily unrealized losses relating to those same securities which are held by Lexam's US subsidiary.

3. Related Party Transactions

Management services for Lexam were provided by a private company wholly owned by Mr. McEwen, Lexam's Chairman and CEO, which incurred management fees and expenses of \$63,166 for the third quarter (2006 – \$69,694) and \$187,130 for the year to date (2006 – \$110,714). At September 30, 2007, \$63,936 (December 31, 2006 – \$63,215) was owed to Mr. McEwen's private company. Management fees were also paid to a private company wholly owned by Perry Ing, Lexam's CFO, totaling \$18,000 for the third quarter of 2007 (2006 – \$10,232) and \$46,400 for the year to date (2006 – \$22,350). All related party transactions are recorded at the exchange amount.

Related party transactions related to the Rubicon transaction were discussed in note 3 above.