



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

FOR THE FIRST QUARTER ENDED MARCH 31, 2008

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

This MD&A is prepared as of May 27, 2008 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, 2007 and the unaudited interim consolidated financial statements for the period ending March 31, 2008. 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 loss of \$904,222 (\$0.02 per share) during the three months ended March 31, 2008, compared to a loss of \$1,634,693 (\$0.03 per share) during the corresponding period in 2007. The decrease in the loss compared to the prior year was due to a reduction in exploration and administrative expenditures, partially offset by a loss on sale of available-for-sale securities.

	Three months ended March 31	
	<u>2008</u>	<u>2007</u>
Loss	\$ (904,222)	\$(1,634,693)
Loss per share	\$ (0.02)	\$ (0.03)

BACA OIL & GAS PROJECT UPDATE

The Baca Oil and Gas Project totals 100,000 acres and is located in south-central Colorado, USA. Lexam owns 75% of the oil and gas rights. The remaining 25% is owned by ConocoPhillips. In 2006 Lexam informed the surface owner, United States Fish and Wildlife Service (USFWS) that it intended to perform certain exploration activities on the project area.

In early 2007 Lexam completed a 3D seismic survey over a total of 16,000 acres. Based on this data and previous 2D seismic surveys, Lexam informed that USFWS that it intended to drill two test wells down to 14,000 ft (4,265 m).

On May 25th, 2007 Lexam announced that the San Luis Valley Ecosystem Council (SLVEC) had filed and served a Complaint against the USFWS in Federal District Court in Colorado. The SLVEC claimed that the USFWS has not complied with the National Environmental Policy Act (NEPA) in connection with the exploration activities being carried out and proposed by Lexam. The USFWS proceeded to voluntarily comply with NEPA and commissioned an Environmental Assessment (EA) study based on Lexam's proposed exploration activities.

Lexam has since been informed by USFWS that the draft Environmental Assessment has been completed and that the public comment period concluded on March 3rd, 2008. Once the USFWS has finished reviewing the public's comments, it will make a decision regarding the level of impact Lexam's proposed exploration activities will have on the federal land.

The USFWS decision, which is expected within the next month, is not whether Lexam has the right to conduct exploration activities, but determines the necessary measures to be taken in order to mitigate any possible surface disturbance, which may include conducting additional environmental studies. If the USFWS determines that Lexam's proposed exploration will not have a significant environmental impact the Company is planning to proceed with road and well pad construction as soon as possible. Alternatively, the USFWS decision may require the proposed exploration activities to be furthered studied under NEPA. In addition, Lexam cannot make any assurances that there will not be any future Complaints against the USFWS and Company's proposed exploration activities which could potentially delay the timing of the project.

OTISH URANIUM PROJECT – QUEBEC, CANADA

The Otish Uranium Project totals 205,000 acres and is located in central Quebec, Canada. Lexam has an option to earn 50% of the project from Golden Valley Mines by spending Cdn\$3 million over three years. To date, approximately Cdn\$800,000 has been spent by Lexam on the project.

As previously announced Lexam and Golden Valley Mines have recently completed a compilation of the historical holes drilled by Western Mines Ltd (data from Ministère de l'Énergie et des Ressources naturelles (Quebec) documentation technique GM 35584) in 1979 on the project area. The results have identified a zone of uranium mineralization on the Mistassini portion of the project that is larger and higher grade than was previously believed to exist. Holes within the zone were reported to reach up to 5100 ppm (0.51%) U_3O_8 , and ten holes returned values better than 850 ppm (0.085%) U_3O_8 over a strike length of approximately 80 meters (262.5 ft.).

The U_3O_8 mineralization is shallow, located about 20 meters (65.5 ft.) below surface. The mineralized zone is spatially related to the unconformity (up to 5 meters [16.4 ft.] above it) occurring next to the margin of the sedimentary basin along a bedding facies contact of upper coarser grained arkose-conglomerate with finer and variable graphitic wacke. The approximate thickness of the mineralized zone is 5 meters (16.4 ft.) and remains open. The inferred strike extension of the zone was intersected in drilling by SOQUEM (Ministère de l'Énergie et des Ressources naturelles documentation technique GM 36262) in 1979 about 2.4 kilometres to the north along trend. Here a single hole intersected a best value of 1140 ppm (0.114%) U_3O_8 .

The 2008 exploration program will consist of two phases of drilling that will total 4,000 meters (13,125 ft.). The first phase is scheduled to begin over the coming weeks, but has been delayed due to weather conditions in the project area. This initial drilling will focus on extending the uranium mineralization that has been identified on the Mistassini project area and will also test priority targets that have been outlined using artificial intelligence and advanced mathematics. The second phase will include follow-up drilling and testing other targets in the Otish portion of the project. The total cost of the program is estimated to be Cdn\$2 million.

FINANCIAL RESULTS

Overall, exploration and administrative expenses have decreased significantly during the first quarter of 2008 compared to the first quarter of 2007. The following tables provide details of exploration and administrative spending:

Exploration Expenses

	<u>2008</u>	<u>2007</u>
Colorado – Baca Project		
Geophysical surveying and mapping	\$ -	\$ 1,203,023
Technical and professional services	127,159	93,044
Permitting and Environmental	45,613	20,419
Land fees – property taxes and title work	-	17,754
Other	1,000	5,921
Quebec – Otish Basin JV (uranium)		
Land – surveying, staking and claim fees	22,440	82,446
Nevada (divested in Q2 2007)		
Land fees – property taxes and title work	-	22,939
Other	<u>-</u>	<u>10,711</u>
Total Q1 Exploration Expense	<u>\$ 196,212</u>	<u>\$ 1,456,257</u>

Exploration costs decreased approximately 87% in the first quarter of 2008 compared to the first quarter of 2007. In 2007, Lexam was in the midst of completing the 3D seismic survey for the Baca Project while in 2008, Lexam's costs are primarily related to the environmental process underway with the USFW as described previously. Spending at the Otish Uranium Project decreased approximately 73% compared to the prior year, however, is expected to increase significantly in the spring and summer seasons as Lexam will undertake a significant drilling program and expects to spend a total of approximately \$2 million at Otish during 2008.

Administrative Expenses

	<u>2008</u>	<u>2007</u>
Management fees – related party	\$ 48,404	\$ 89,032
Professional fees (accounting, audit and legal)	40,167	71,662
Public company fees and investor relations	28,831	31,809
Director's fees and expenses	2,250	2,250
Office and general	<u>1,281</u>	<u>16,163</u>
Total Q1 Administration Expense	<u>\$ 120,933</u>	<u>\$ 210,916</u>

Overall, administrative expenses have decreased to \$120,933 for the first quarter of 2008 compared to \$210,916 for the first quarter of 2007, a 43% decrease. This decrease across management fees, professional fees, public company and investor relations, and office and general expenses is primarily a result of the significant decrease in corporate development and explorations activities. The first quarter of 2007 was exceptionally busy for Lexam as it was completing the 3D seismic survey at Baca, acquiring property for the Otish Uranium project, and negotiating the sale of the Nevada properties. 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.

LIQUIDITY AND CAPITAL RESOURCES

As a result of tax payments made during the first quarter of 2008, the Company's cash balance has decreased to \$977,808 from \$2,912,210 at December 31, 2007. Lexam expects that the existing cash on hand will be utilized in 2008 for expenditures relating to the Otish Uranium Project and administrative expenses. Lexam may continue to utilize the 6.2 million remaining shares of Rubicon received from the sale of the Nevada properties in order to complete the drilling program at Otish. Should a drilling decision be made at the Baca Project, Lexam would also consider a variety of other funding alternatives such as equity issuance, debt arrangements, or joint venture partnerships. 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 March 31, 2008, current assets totalled \$9,247,105 compared to current liabilities of \$386,090. The Company has no significant contractual obligations. At March 31, 2008 and December 31, 2007, Lexam had 48,469,287 common shares and 4,328,000 warrants outstanding. These balances were unchanged at May 27, 2008.

SUMMARY OF QUARTERLY RESULTS

	<u>2008</u>		<u>2007</u>		<u>2006</u>			
	<u>Q1</u>	<u>Q4</u>	<u>Q3</u>	<u>Q2</u>	<u>Q1</u>	<u>Q4</u>	<u>Q3</u>	<u>Q2</u>
Total income	\$ 234,281	\$ 13,727	\$ 977,391	\$ 18,984,557	\$ 32,480	\$ 37,155	\$16,202	\$ 272
Net earnings (loss)	(904,222)	2,055,697	(1,589,986)	11,967,612	(1,634,693)	(354,043)	11,599	(120,128)
Per share - basic	(0.02)	0.04	(0.03)	0.25	(0.03)	(0.01)	0.00	(0.00)
-diluted	(0.02)	0.04	(0.03)	0.23	(0.03)	(0.01)	0.00	(0.00)

FINANCIAL INFORMATION AND NOTICE TO READER

Attached are the Consolidated Financial Statements of Lexam Explorations Inc. for the three months ended March 31, 2008. These interim financial statements have not been subject to auditor review.

Consolidated Balance Sheets*(in Canadian dollars)*

	As at March 31, 2008 <i>(unaudited)</i>	As at December 31, 2007
Assets		
<i>Current assets</i>		
Cash and cash equivalents	\$ 977,808	\$ 2,912,210
Amounts receivable	419,695	705,779
Prepaid expenses	14,782	3,074
Available-for-sale securities	7,834,820	10,338,080
	<u>9,247,105</u>	<u>13,959,143</u>
Restricted cash	66,723	64,435
Future tax asset	1,584,656	1,248,445
	<u>\$ 10,898,484</u>	<u>\$ 15,272,023</u>
Liabilities and Shareholders' Equity		
Liabilities		
Accounts payable and accrued liabilities	\$ 259,836	\$ 574,974
Due to related party (<i>note 5</i>)	10,927	57,863
Taxes payable	115,327	2,779,972
	<u>386,090</u>	<u>3,412,809</u>
Minority interest	<u>30,276</u>	<u>30,276</u>
Shareholders' equity		
Common shares and warrants	21,142,402	21,142,402
Deficiency	(7,645,216)	(6,740,994)
Accumulated other comprehensive loss	(3,015,068)	(2,572,470)
	<u>10,452,118</u>	<u>11,828,938</u>
	<u>\$ 10,898,484</u>	<u>\$ 15,272,023</u>

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

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

	Three months ended	
	March 31,	
	2008	2007
Expenses		
Administrative	\$ 120,933	\$ 210,916
Exploration	196,212	1,456,257
	<u>317,145</u>	<u>1,667,173</u>
Other Income/Expense		
Loss on sale of available-for-sale securities	(821,358)	-
Foreign exchange gain	214,741	-
Interest and other income	19,540	32,480
	<u>(587,077)</u>	<u>32,480</u>
Net loss	<u>(904,222)</u>	<u>(1,634,693)</u>
Deficiency at beginning of period	<u>(6,740,994)</u>	<u>(17,539,624)</u>
Deficiency at end of period	<u><u>\$ (7,645,216)</u></u>	<u><u>\$(19,174,317)</u></u>
Loss per share <i>(basic and diluted)</i>	<u><u>\$ (0.02)</u></u>	<u><u>\$ (0.03)</u></u>
Weighted average number of shares outstanding (000's)	<u><u>48,469</u></u>	<u><u>48,397</u></u>

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

Net loss	<u>\$ (904,222)</u>	<u>\$(1,634,693)</u>
Unrealized loss on available-for-sale Securities, net of taxes of \$470,187	<u>(940,374)</u>	<u>-</u>
Comprehensive loss	<u><u>\$(1,844,596)</u></u>	<u><u>\$(1,634,693)</u></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,	
	2008	2007
Cash provided by (used in)		
Operating activities		
Loss for the period	\$ (904,222)	\$ (1,634,693)
Adjustments:		
Add: loss on available-for-sale securities	821,358	-
Less: foreign exchange gain	(214,741)	-
Items not affecting cash		
Change in other non-cash operating working capital	(2,969,202)	(158,847)
	<u>(3,266,807)</u>	<u>(1,789,540)</u>
Investing activities		
Proceeds on sale of available-for-sale securities	1,332,405	-
	<u>1,332,405</u>	<u>-</u>
Decrease in cash	(1,934,402)	(1,789,540)
Cash at beginning of period	<u>2,912,210</u>	<u>3,918,049</u>
Cash at end of period	<u>\$ 977,808</u>	<u>\$ 2,128,509</u>
 <i>Supplemental Information</i>		
Income taxes paid	2,664,645	-
Interest paid	-	-

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

Notes to Consolidated Financial Statements (*unaudited*)

1. Basis of Presentation

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 a development stage resource company, the Company has no regular 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 is not appropriate, certain adjustments may be necessary to the financial statements. These adjustments could include the carrying value of assets, such as amounts receivable, available-for-sale securities, 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, 2007.

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.

2. Changes in Accounting Policies and Presentation

Effective January 1, 2008, the Company adopted section 3031 of the Handbook, *Inventories*, which prescribes the accounting treatment for inventories and provides guidance on the determination of costs and its subsequent recognition as an expense. There was no impact of adopting this standard.

Effective January 1, 2008, the Company adopted section 1535 of the Handbook, *Capital Disclosures*, which requires disclosure of information that enables users of the Company's financial statements to evaluate the entity's objectives, policies and processes for managing capital. The disclosures required by this section are presented in note 5.

Effective January 1, 2008, the Company adopted Handbook Section 3862, Financial Instruments – Disclosure (“Section 3862”) and Handbook Section 3863, Financial Instruments – Presentation (“Section 3863”). The objective of Section 3862 is to provide financial statement disclosure to enable financial statement users to evaluate the significance of financial instruments on the Company's financial position and performance and the nature and extent of risks arising from financial instruments that the Company is exposed to during the reporting period and at the balance sheet date, and how the Company is

Notes to Consolidated Financial Statements (*unaudited*)

managing those risks. The purpose of Section 3863 is to enhance the financial statement user's understanding of the significance of financial instruments to the Company's financial position, performance and cash flows. The disclosures required by these sections are presented in note 4.

3. Capital Stock

	<u>March 31, 2008</u>		<u>December 31, 2007</u>	
	<u># Outstanding</u>	<u>Amount</u>	<u># Outstanding</u>	<u>Amount</u>
Common shares	48,469,287	\$ 20,228,713	48,469,287	\$ 20,228,713
Warrants	4,328,000	\$ 913,689	4,328,000	\$ 913,689
		<u>Exercise</u>		<u>Exercise</u>
		<u>Price</u>		<u>Price</u>
Stock options	250,000	\$ 0.15	250,000	\$ 0.15

4. Financial Instruments and Risk ManagementCategories of financial assets and liabilities

Financial instruments are classified into one of the following five categories under Canadian generally accepted accounting principles: held-for-trading, held to maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities. The carrying value of the Company's financial instruments is classified into the following categories:

	<u>March 31,</u> <u>2008</u>	<u>December 31,</u> <u>2007</u>
Held for trading	\$ 1,044,531	\$ 2,976,645
Available-for-sale	7,834,820	10,338,080
Loans and receivables	419,695	705,779
Other financial liabilities	270,763	632,837

The classification of the categories of financial instruments is consistent with that described in *note 3(a)* to the audited consolidated financial statements at December 31, 2007.

Risk Management

The Company's activities expose it to a variety of financial risks: market risk (foreign exchange risk), credit risk and liquidity risk. The Company's risk management program focuses on ensuring liquidity is available to the Company in to order to fund its exploration efforts. Risk management is the responsibility of Lexam's management who identify and evaluate financial risks. Material risks are monitored and discussed with the Audit Committee of the Board of Directors. Lexam does not utilize derivative financial instruments.

Notes to Consolidated Financial Statements (*unaudited*)*Foreign Exchange Risk*

Certain of the Company's financial assets and liabilities are denominated in US dollars. In addition, the Company incurs costs at its Baca Project in Colorado primarily in US dollars. Accordingly, the Company is exposed to financial gain or loss as a result of foreign exchange movements against the United States dollar, and the Company's exploration costs are affected by changes in exchange rates between the US and Canadian dollar.

The Company has elected not to hedge its exposure to fluctuations in the US dollar as the timing and amounts of exploration spending in US dollars is contingent on the environmental and regulatory processes which are not feasible to predict. The Company's administrative costs denominated in US dollars are not significant.

Credit risk

Credit risk arises from cash and cash equivalents held with bank and financial institutions and amounts receivable. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counter party credit risk is to prevent losses in financial assets. The Company assesses the quality of its counter parties, taking into account their creditworthiness and reputation, past experience and other factors.

The majority of the Company's receivable balances consist of exploration rebate claims due from the Province of Quebec in connection with spending at the Otish Uranium Project. This project is located at a latitude defined by the Province as "near north" where eligible exploration expenditures are subject to a 38.75% refund. The Company is exposed to credit risk in connection with the timing of processing of refund payments and their determination of whether all of our spending qualifies as eligible exploration expenditures which would affect the amount of the refund. As at March 31, 2008, the Company recorded a receivable of approximately \$350,000 from the Province of Quebec in connection with the rebate.

Liquidity risk and management of capital

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maximize available cash reserves to meet its liquidity requirements in order to meet obligations as they come due and execute our exploration programs. The Company achieves this by maintaining our funds predominantly in cash. Any cash equivalents are limited to Government of Canada treasury bills with original maturities of less than 90 days. As at March 31, 2008 the Company had cash and cash equivalents of \$977,808. The Company's requirements for capital in the foreseeable future may include the continued conversion of available-for-sale securities into cash as market conditions allow. At March 31, 2008, these securities had a market value of \$7,834,820.

Notes to Consolidated Financial Statements (unaudited)

As a development stage exploration company, Lexam's objective in managing capital is to safeguard the entity's ability to continue as a going concern so that it can continue to its exploration efforts. As at March 31, 2008, the Company had a deficit of \$7,645,216, and since it has no regular source of income or cash flow, this deficit is expected to increase.

The Company regularly assesses corporate opportunities that may strengthen its capital position. Options Lexam may choose to consider include, but are not limited to, issuing new shares, selling assets, acquiring assets, entering joint venture partnerships or other transactions.

5. Related Party Transactions

Management services for Lexam were provided by a private company wholly owned by Mr. McEwen which received management fees of \$57,093 for the first quarter of 2008 (2007 – \$85,432). At March 31, 2008, \$5,875 (December 31, 2007 – \$60,432) 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, totalling \$nil for the first quarter of 2008 (2007 – \$3,600). At March 31, 2008, \$4,282 (December 31, 2007 – \$nil) was owed to Mr. Ing's private company. All related party transactions are recorded at the exchange amount.

6. Accumulated Other Comprehensive Loss

	<u>2008</u>	<u>2007</u>
Balance at beginning of period	\$(2,572,470)	\$ -
Realized losses on sale of securities	497,776	-
Unrealized losses on securities	<u>(940,374)</u>	<u>(2,572,470)</u>
Balance at end of period	<u>\$(3,015,068)</u>	<u>\$(2,572,470)</u>

7. Comparative Figures

Certain comparative amounts have been reclassified to conform to the presentation adopted in 2008.