Preliminary Prospectus Dated May 27, 1998

THIS IS A PRELIMINARY PROSPECTUS RELATING TO THESE SECURITIES, A COPY OF WHICH HAS BEEN FILED WITH THE SECURITIES COMMISSION OR SIMILAR AUTHORITY OF PROVINCES OF ONTARIO AND BRITISH COLUMBIA BUT WHICH HAS NOT YET BECOME FINAL FOR THE PURPOSE OF A DISTRIBUTION OR A DISTRIBUTION TO THE PUBLIC. INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. THESE SECURITIES MAY NOT BE SOLD TO, NOR MAY OFFERS TO BUY BE ACCEPTED FROM, RESIDENTS OF SUCH JURISDICTIONS PRIOR TO THE TIME A RECEIPT FOR THE FINAL SHORT FORM PROSPECTUS IS OBTAINED FROM THE APPROPRIATE SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY.

THIS PROSPECTUS CONSTITUTES A PUBLIC OFFERING OF THESE SECURITIES ONLY IN THOSE JURISDICTIONS WHERE THEY MAY BE LAWFULLY OFFERED FOR SALE AND THEREIN ONLY BY PERSONS PERMITTED TO SELL SUCH SECURITIES. NO SECURITIES COMMISSION OR SIMILAR AUTHORITY IN CANADA HAS IN ANY WAY PASSED UPON THE MERITS OF THE SECURITIES OFFERED HEREUNDER AND ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE.

LEXAM EXPLORATIONS INC.

$2,500,000

2,431,034 Units
Issuable upon the Exercise of Special Warrants

Lexam Explorations Inc. (the ''Corporation'') is hereby qualifying for distribution 2,431,034 units (''Units'') issuable upon the exercise of 2,431,034 outstanding Special Warrants. Of the 2,431,034 outstanding Special Warrants, 2,000,000 were issued to purchasers pursuant to an Offering Memorandum dated December 29, 1997, while 431,034 were subscribed for by CSA Management Inc. (''CSA'').

Each Special Warrant will entitle the holder thereof to acquire one (1) unit (''Unit'') consisting of one (1) common share of the Corporation (''Common Share'') and one-half (½) of one common share purchase warrant of the Corporation (''Warrant''), at no additional cost, at any time until 9:00 p.m. (Toronto time) (the ''Expiry Time'') on that day (the ''Expiry Date'') which is the earlier of: (i) five (5) business days following the date of issuance by the securities commissions or similar regulatory authorities in each of the Selling Provinces in which purchasers of Special Warrants reside (the ''Filing Provinces'') of a receipt for a (final) prospectus (the ''Prospectus'') to be filed in each of the Filing Provinces in respect of the distribution of the Common Shares and the Warrants issuable upon the exercise of the Special Warrants; and (ii) February 3, 1999. Any Special Warrants not exercised or repurchased prior to the Expiry Time shall be deemed to have been exercised immediately prior to the Expiry Time without any further action on the part of the holder. All of the Special Warrants were previously issued on February 3, 1998. See ''Plan of Distribution''. Each Warrant will entitle the holder to acquire one (1) Common Share for $1.20 on or before 9:00 p.m. (Toronto time) on February 3, 1999, subject to adjustment. See ''Description of Warrants''.

	Price(1)	Agents' Fee(2)(3)	Net Proceeds to the Corporation(4)
Per Special Warrant	$1.00	$0.075	$0.925
Per Special Warrant to CSA	$1.16	—	$1.16
Total Offering	$2,500,000	$150,000	$2,350,000

Notes :

(1) CSA, the holder of approximately 34% of the outstanding Common Shares before giving effect to this offering, acquired 431,034 Special Warrants at $1.16 each. No Agent's Fee was payable in respect of the Special Warrants acquired by CSA.

(2) The subscription price per Special Warrant was established by negotiation between the Corporation and the Agent, Canaccord Capital Corporation.

(3) The Agent also received 210,000 Agent's special warrants (''Agent's Special Warrants''). Each Agent's Special Warrant is exercisable, at no cost, to acquire one (1) Agent's warrant (''Agent's Warrant'') at any time until the Expiry Time. The Agent's Warrants are exercisable at any time until one year from the Closing Date to acquire 210,000 Common Shares for $1.20 per Common Share.

(4) Before deducting the estimated expenses of this offering of $250,000.

The issue price to purchasers of $1.00 per Special Warrant and the issue price to CSA of $1.16 per Special Warrant were determined as a result of negotiations between the Corporation and the Agent. On December 29, 1997 the closing price of the Common Shares on The Montreal Exchange was $1.40 per share. The proceeds from the sale of the Special Warrants were released to the Corporation at the closing of the private placement of the Special Warrants on February 3, 1998.

The effective issue price of $1.00 per Unit issuable upon the exercise of the Special Warrants (other than to CSA) exceeds the net tangible book value per Common Share as at December 31, 1997, after giving effect to this offering, to the exercise of the Special Warrants by $0.65 or 65% of the offering price per Unit. See ''Dilution''.

Any Common Shares or Warrants issued upon the exercise of Special Warrants prior to the issuance of a receipt for a (final) prospectus qualifying the Common Shares and Warrants to trade publicly will be subject to the relevant hold periods under applicable securities legislation. An investment in the Units is speculative due to the nature of the Corporation's involvement in the exploration for oil and gas and for gold and other minerals. See ''Risk Factors''.

Certificates for the Common Shares and Warrants will be available for delivery upon the exercise or deemed exercise of the Special Warrants. Certain legal matters in connection with this offering will be passed upon on behalf of the Corporation by Bennett Jones Verchere, Toronto, and on behalf of the Agent by Swinton & Company, Vancouver.

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SUMMARY

The following information is a summary only and is qualified in its entirety by the more detailed information appearing elsewhere in this prospectus.

The Corporation

Lexam was incorporated under the laws of the Province of Ontario by articles of incorporation dated November 12, 1993 and did not carry on any active business operations prior to March 31, 1994. In this Prospectus, any reference to Lexam or the Corporation shall include all of its subsidiaries, including Lexam Explorations (U.S.A.) Inc., unless the context otherwise requires. The registered and principal office of the Corporation is located at Suite 2700, 145 King Street West, Toronto, Ontario, Canada M5H 1J8.

The Offering

Offering: 2,431,034 units (''Units''), each Unit consisting of one (1) common share (''Common Share'') and one-half (½) of one common share purchase warrant (''Warrant''), issuable upon the exercise of 2,431,034 outstanding Special Warrants. Each whole Warrant may be exercised at any time on or before 9:00 p.m. (Toronto time) on February 3, 1999, subject to adjustment, to acquire one Common Share for $1.20. See ''Description of Warrants''.

Special Warrants: 2,431,034 Special Warrants were issued on February 3, 1998 pursuant to prospectus exemptions under applicable securities legislation at a price of $1.00 per Special Warrant and $1.16 per Special Warrant to CSA for an aggregate gross consideration of $2,500,000. See ''Plan of Distribution''. Each Special Warrant entitles the holder thereof to acquire, at no additional cost to the holder, one (1) Unit consisting of one (1) Common Share and one-half (½) of one Warrant subject to adjustment, at any time until the Expiry Date. Each Warrant will entitle the holder to acquire one (1) Common Share for $1.20 on or before 9:00 p.m. (Toronto time) on February 3, 1999. Any Special Warrants not exercised prior to the Expiry Date will be deemed to have been exercised immediately prior to the Expiry Date without any further action on the part of the holder.

Use of Proceeds: The net proceeds from the sale of the Special Warrants, after the payment of the Agent's fee and the estimated expenses of this offering, were $2,100,000.

The proceeds will be used as follows: (i) approximately $1,115,000 in connection with the Corporation's Greenland diamond exploration; (ii) approximately $389,000 in connection with the Corporation's Nevada gold exploration; (iii) approximately $58,000 in connection with the Corporation's San Luis Valley Colorado oil and gas property; (iv) approximately $57,000 in connection with maintaining Canadian property claims, leases and exploration licences; (v) approximately $380,000 in connection with maintaining the Denver office; and (vi) the remainder to be added to working capital to be used for general corporate purposes. See ''Use of Proceeds''.

Risk Factors: An investment in the Units is speculative due to the nature of the Corporation's involvement in the exploration for diamonds, gold and other minerals, and oil and gas in Canada, the United States and Greenland, and is subject to risk factors normally associated with such exploration and certain additional risk factors specifically related to the Corporation. These include, but are not limited to, the following:

- The Corporation's properties are all at an exploration stage. There is no present prospect of such properties becoming productive in the near future. Accordingly, the Corporation will have no significant source of operating cash flow pending development of producing mines or oil wells (if any) on its properties and will be dependent upon future equity or debt financings to continue operations.

- The Corporation's exploration programs may never result in profitable commercial mining or oil and gas operations, and significant expenditures of capital may be required before such determination can be made.
- The Corporation's operations may result in potential liability for environmental pollution and may be affected by the delays and expenses inherent in complying with environmental laws and responding to the concerns of environmentalists and regulators relating to mining and to oil and gas activities.

See ''Risk Factors''.

METRIC EQUIVALENTS

Tonnages referred to in this prospectus are either to a short ton (2,000 pounds), referred to herein as a ''ton'', or to a metric tonne (2,204.6 pounds), referred to herein as a ''tonne'' or a ''metric ton''. A reference herein to an ''ounce'' means a troy ounce (31.103 grams) and to an ''ounce per ton'' means one troy ounce per ton (34.2856 grams per tonne). Distances referred to herein are either to a ''mile'' (1.6093 kilometres) and a ''foot'' (0.305 metres) or to a ''kilometre'' (0.621 miles) and a ''metre'' (3.28 feet). Areas referred to herein are either to an ''acre'' (0.4046 of a hectare) or to a ''hectare'' (2.471 acres), or to a ''square kilometre'' (100 hectares) or to a ''hectare'' (0.01 of a square kilometre).

GLOSSARY

In this prospectus, unless the context otherwise requires, capitalized words and phrases shall have the meaning set forth below.

''**Agency Agreement**'' means the agreement dated for reference December 29, 1997 between the Corporation and the Agent;

''**Agent**'' means Canaccord Capital Corporation;

''**Agent's Special Warrants**'' means the Special Warrants issued by the Corporation to the Agent, with each Agent's Special Warrant exercisable, at no cost, to acquire an Agent's Warrant at any time until the Expiry Time;

''**Agent's Warrants**'' means the Common Share purchase warrants to be issued by the Corporation to the Agent upon exercise of the Agent's Special Warrants, with the Agent's Warrants being exercisable at any time until February 3, 1999 to acquire 210,000 Common Shares for $1.20 per Common Share;

''**Closing Date**'' means the date of the closing of the Special Warrant offering, which was February 3, 1998;

''**Common Share**'' or ''**Common Shares**'' means, respectively, one or more common shares in the capital of the Corporation;

''**CSA**'' means CSA Management Inc.;

''**Expiry Date**'' means the earlier of: (i) five (5) business days following the date of issuance by the securities commission or similar regulatory authorities in each of the Filing Provinces of a receipt for the Prospectus; and (ii) February 3, 1999;

''**Expiry Time**'' means 9:00 p.m. (Toronto time) on the Expiry Date;

''**Filing Provinces**'' means the Selling Provinces in which purchasers of Special Warrants reside;

''**Goldcorp**'' means Goldcorp Inc.;

''**Lexam''** or the ''**Corporation**'' means Lexam Explorations Inc.;

''**ME**'' means the Montreal Exchange;

''**Montreal Trust**'' means Montreal Trust Company of Canada at its principal office in Toronto;

''**Offering Memorandum**'' means the confidential offering memorandum of the Corporation dated December 29, 1997;

''**Selling Provinces**'' means the Provinces of British Columbia and Ontario;

''**Special Warrants**'' means the Special Warrants to be qualified pursuant to this prospectus; and

''**Warrants**'' means the Common Share purchase warrants to be issued by the Corporation upon exercise of the Special Warrants, with each Warrant entitling the holder to acquire one Common Share for $1.20 on or before February 3, 1999.

In this prospectus, unless otherwise noted, all dollar amounts are expressed in Canadian currency.

THE CORPORATION

Lexam was incorporated under the laws of the Province of Ontario by articles of incorporation dated November 12, 1993 and did not carry on any active business operations prior to March 31, 1994. In this Prospectus, any reference to Lexam or the Corporation shall include all of its subsidiaries, including Lexam Explorations (U.S.A.) Inc. (''Lexam USA''), unless the context otherwise requires. The registered and principal office of the Corporation is located at Suite 2700, 145 King Street West, Toronto, Ontario, Canada M5H 1J8.

CSA is the holder of approximately 34% of the outstanding Common Shares before giving effect to this offering. See ''Principal Shareholder''.

BUSINESS OF THE CORPORATION

Lexam is in the business of the exploration for gold, oil and gas in western Canada and the United States, as well as diamonds in Greenland. It controls, has an option on, or holds exploration leases on, approximately 587,834 hectares of land on which exploration is being conducted by the Corporation.

Greenland Exploration Property

Location

The property is contained in two blocks comprising approximately 2,655 square kilometres, or 265,500 hectares. The exploration lands are located on the west coast of Greenland stretching from Nuuk, the capital, approximately 180 kilometres northward.

Geology and History

Diamond exploration is being conducted over an area of Archean rocks on the western coast of Greenland centered near Nuuk. The area covers a north-south length of 550 kilometres. The geological formation is characterized by deep, crusted fractures through which kimberlite, the host source of diamonds, was forced to the surface under tremendous heat and pressure over the millenia. The west coast of Greenland has more than 200 kimberlite dykes and over 250 known dykes with similar properties to kimberlite, extending from the south to the north of the Archean Craton. The geology of Greenland's west coast is similar in many respects to that of the Canadian Shield where world-class diamond discoveries have been made in the Lac de Gras region of the Northwest Territories. Many geologists consider Greenland to be the eastern extension of the Canadian Shield and, as a result, prospectors in Greenland are applying many of the same theories and exploration techniques developed in Canada.

Diamonds are found primarily in carrot-shaped geological formations known as kimberlite pipes, the caps of which are ''softer'' than the host rock. In theory, slowly melting glaciers picked up glacial till as they receded and in the process, gauged out the softer kimberlite caps, forming small lakes or topographic lows. The glacial till, including kimberlite from the caps, was subsequently deposited in the line of retreat.

Early in 1996, Platinova A/S (''Platinova'') acquired the diamond exploration rights covering approximately 33,000 square kilometres of terrain. Kimberlite dykes were known to occur in this area but none of them had, to the end of 1995, yielded any diamonds. Platinova's exploration rights are subject to a three percent gross overriding royalty on diamond production in favour of Cominco Ltd. (''Cominco''). Cominco may either take its three percent share of production in kind at the mine site, or it may require Platinova to market Cominco's share of the production on the same basis as its own share of production. In August 1996, an option and joint venture agreement was executed between Platinova and Lexam relating to the exploration for diamonds. Pursuant to the joint venture agreement, Lexam is in the process of earning a 50% interest in certain lands in respect of which Platinova has received an exclusive exploration licence. In order to earn the interest Lexam, must complete 10,000 metres of diamond drilling on the lands subject to the option, or obtain Platinova's approval to take a 1,000 ton bulk sample from a prospective diamond target, on or before December 31, 2000. To date, Lexam has undertaken 6.9% of the required drilling.

The original properties of the joint venture consisted of two blocks, comprising approximately 3,390 square kilometres or 338,722 hectares. The exploration program conducted during 1996 and 1997 resulted in the relinquishing and acquisition of certain properties, with a net reduction of the aggregate exploration area of 735 square kilometres or 73,500 hectares. There are a number of anomalies on Lexam's joint venture properties. Two of these anomalies are on strike with the Platinova discovery announced in September 1996, where kimberlite float contained a clear, white micro-diamond. Platinova's discovery block lies immediately to the east of Lexam's property.

Pursuant to the joint venture agreement, Lexam committed to incur approximately DKK$1.0 million of exploration expenditures prior to December 31, 1996. These expenditures were incurred in 1996. The 1996 exploration program consisted of compilation of existing geophysical data, the collection of new airborne magnetic data and geochemical sampling of glacial tills and stream sediments. Seventy-two samples, representing 44 individual potential kimberlite targets were collected, mainly from the northern block of the property. Trace minerals were found in a few of these samples.

In July 1997, Platinova announced its second discovery of a diamond; a macro-diamond from a 27.6 kilogram sample of kimberlite boulders. The diamond had dimensions of 1.62 millimetres by 1.53 millimetres by 0.22 millimetres and weighed approximately 0.01 carats. This discovery lies approximately five kilometres south of Lexam's concession boundary and 15 kilometres south of Lexam's kimberlite boulder and dyke occurrences.

In August 1997, in the course of a till sampling program which collected 308 samples, two occurrences of kimberlite boulders and four occurrences of kimberlite dykes were identified on the northern Manitsoq concession block. The dyke occurrences strike from 257 to 270 degrees with a vertical dip and are from 0.5 to 2.0 metres in width and range from 300 to 2,500 metres in length. In September 1997, two white, translucent micro-diamonds were located on Lexam's joint venture properties. The diamonds were contained in a 42.6 kilogram sample taken from a kimberlite dyke, in location MK01. The discovery site is located 15 kilometres north of Platinova's July 1997 macro-diamond discovery site and 40 kilometres east of its September 1996 micro-diamond discovery site. The kimberlite dyke has been traced over a distance of 2.5 kilometres and has coarse-grained textures containing abundant indicator minerals such as G-10 garnets, picro-ilmenites, chrome diopsides and mantle xenoliths or nodules. Preliminary indicator mineral data and kimberlite occurrences identified in 1997 indicate a 70 kilometre long by 30 kilometre wide "corridor" extending from the coast northeast to the ice cap, considered highly prospective to host additional kimberlite sources.

A large 10,000 line kilometre detailed (125 metre spaced lines) helicopter magnetic and electromagnetic survey was initiated in early September 1997 to further delineate potential kimberlite targets. Ten potential kimberlite pipe targets were identified in the preliminary analysis of the airborne geophysical survey and a follow up glacial till sampling program. Seven of these targets were drill tested starting in February 1998 when frozen lakes allowed drill access to those targets. These targets occurred in a small area or cluster that is adjacent to Lexam's discovery and sampling site (MK01) where a bulk sample was collected for analysis. Seven hundred ninety-two kilograms of sample material was processed by an independent Canadian laboratory by caustic dissolution. Forty-one diamonds were recovered from the sample, of which 38 were white and transparent and 16 of the 41 diamonds were macro-diamonds (measuring greater than 0.5 millimetres on one or more sides). Management believes that the relevance of this diamond discovery is threefold. First, it demonstrates that the kimberlite structures on Lexam's property have originated deep within the earth's crust and have passed through an area where conditions are conducive for the formation of diamonds and their transportation to surface. Second, on a regional basis, this discovery links the numerous sources of indicator minerals on Lexam's joint venture properties, and that of its partner Platinova, with deep-rooted kimberlite structures. Third, the chemistry of these indicator minerals, based on the diamond discoveries made in the Northwest Territories, suggest that kimberlite structures on its property could be prospective for economic diamond deposits.

Between February 2, 1998 and February 21, 1998, Lexam completed six diamond drill holes on seven targets over a distance of 0.7 kilometres. These drill holes constituted the first phase in testing for kimberlite bodies close to the Greenland coast. A narrow kimberlite dyke was intercepted on one target but no kimberlite bodies were encountered. The other targets returned intersections of various magnetic rock types which accounted for the geophysical signatures. Since no kimberlite pipes have yet been discovered in Greenland, a typical signature in this geological and topographical setting is still unknown.

The first phase of the exploration program conducted in February 1998 was designed to test a variety of anomaly types selected from preliminary airborne geophysical data, topographical and indicator mineral data. On the basis of the preliminary data, it is expected that well over 100 additional targets will be selected for follow up. The information gained from this phase will be used to determine further targets for ground follow up geophysics, geochemistry, mapping and drilling during the remainder of 1998. It is anticipated that further drilling will be conducted in May 1998 following further target definition.

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 155,400 hectares of land. These properties are generally in the early stages of exploration, and include targets for gold and oil and gas. The Corporation maintains an exploration office in Denver, Colorado.

Oil Target at San Luis Valley, Colorado

Location

The Baca oil target is located in Saguache County, south central Colorado, in the Crestone Mining District, 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 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'') and an area of claims staked near the southeast corner of the Grant. The present land position contains 40,469 hectares of fee land in the Grant and 82 unpatented claims (about 664 hectares) that were staked in early 1992 to cover a strike extension of interest and 29 state and federal oil and gas leases covering 20,456 hectares. 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 Sonat Exploration Company (''Sonat'') 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 property.

Geology and History

The geology of the area is dominated by Precambrian gneisses and schists and Paleozoic metasediments, in a structurally complex setting. Precambrian rocks have been thrust over a sequence of Paleozoic sediments and underlying Precambrian quartz monzonite gneiss.

Drilling had encountered live oil in the breccia and fractured gneiss below the detachment fault. Two exploratory wildcat oil wells were drilled in 1995. No economic occurrences of oil were found, however, from these two wells. The hanging wall of the detachment fault consists of Mesozoic sediments that include the Mancos shale, the Dakota Formation and the Morrison Formation.

Seismic and gravity data obtained in 1996, combined with the interpretation of a third party's seismic data, has identified three oil and gas prospects on the Grant. A compilation of the air photo and satellite interpretations, geology, well and seismic data has been combined on one map and shows the locations of the three prospects along with 10 exploration lead areas. An additional seismic survey over the Crestone and Pole Creek Prospects is required to fully map the targets and pick well locations.

On December 12, 1997, Lexam announced the completion of a joint exploration agreement (''Joint Exploration Agreement'') with Sonat, which has the necessary technical and financial resources to properly explore the potential of the property. Key provisions of the Joint Exploration Agreement provided for Sonat to earn a 50% interest in the 40,469 hectacres in the Grant by conducting a seismic analysis over a portion of the properties and by drilling and completing two wells. A 56.3 kilometre two dimensional seismic program has been designed and permitted. To earn an interest in the properties, both wells must be spudded within 19 months. The Joint Exploration Agreement designates an area of mutual interest covering the most prospective zones of the basin. Lexam and Sonat will have an equal share in the additional properties acquired in and around the designated area.

In March 1998, Sonat completed their two dimensional seismic survey on Lexam's property. However, a recent change in management of Sonat will delay any decisions on drilling for several months.

Prior to carrying out this exploration work, it was believed that no oil existed in the San Luis Basin. The basin is structurally analogous to a number of productive rift basins worldwide and to oil-producing, extensional basins in Nevada. Cretaceous or oil-bearing sediments may also exist beneath the Precambrian gneiss (and hence, beneath the detachment fault), either along a thrust fault or along a series of reverse faults.

Gold exploration targets also exist on the property, namely the detachment fault extending from the Independent Mine area (an old producing mine) south to the Liberty area. Ten samples of quartz vein and/or host rock containing minor quartz vein material were assayed in 1993. The ten samples averaged 6.89 grams of gold per tonne over an average width of 0.49 metres. Reconnaissance conducted in the area has indicated a large linear geochemical anomaly of about 365.78 metres long, in an area with old prospect workings. A total of 21 out of 45 rocks collected assayed 1,000 parts gold per billion or higher. Assays ranged from trace to 55.54 grams of gold per tonne.

Gold Targets at Elko County, Nevada

Location

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 a mixture of mineral rights on fee land (approximately 93,078 hectares) and located claims on federally administered land (575 hectares). 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 38,445 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 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 lands in which Lexam holds a majority interest has been covered with a first phase exploration program. Lexam has drill tested several large anomalous, but uneconomic gold systems at Twelvemile 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 1997, Lexam wrote down the amount carried on its balance sheet in respect of its Nevada properties by $1.6 million. This amount represents the cost of surface exploration from 1995 to 1997, which has not to date resulted in the identification of economic reserves. Lexam plans to maintain its land holdings in northeast Nevada. There are no holding costs associated with the fee mineral acherage, and the annual cost for located claims is nominal.

Canadian Exploration Properties

The Canadian exploration properties consist of holdings in British Columbia, the Yukon and the Northwest Territories. In total, these properties comprise approximately 97,529 hectares of land. These properties are in the early stages of exploration, and include targets for gold.

Gold Target at MacKenzie, Northwest Territories

Location and Geology

The MacKenzie properties are located 695 kilometres northeast of Yellowknife and 130 kilometres southwest of Cambridge Bay, in the Northwest Territories. The claims abut Hope Bay in Melville Sound. The properties consist of seven claims, covering an aggregate area of 5,226 hectares.

The claims are situated within the Hope Bay Greenstone Belt of the Slave Structural Province. The belt has an average width of 14.5 kilometres and extends 80 kilometres east southeast of Melville Sound. The belt is flanked, on the east, west and south, by granitic rocks. The belt contains greenschist grade metavolcanic and metasedimentary rocks, which are believed to be members of the Yellowknife Supergroup and Archean in age.

BHP Minerals Canada Ltd. (''BHP''), the optionee of Lexam's MacKenzie properties, conducted a drill program on a number of targets during 1995 and 1996. This drill program encountered narrow, low-grade mineralized sections, with varying intensities of alteration styles. The results from zones drilled were uneconomic. Drilling by BHP of 983 metres on the Koig claim completed in May 1997 designed largely to test the unexposed eastern and western contacts of the Discovery Shear System encountered extensive alteration in several drill holes but no significant gold-bearing systems. Through their exploration expenditures, BHP has earned a 60% interest in the property.

In early July, BHP announced preliminary resource estimates for its own Hope Bay gold project as between two and three million ounces. Further work is planned for the MacKenzie project.

Other Canadian Properties

Other Canadian projects include the SY project and the Jason project. The SY project is located on Yathkyed Lake, approximately 800 kilometres east of Yellowknife and 222 kilometres south of Baker Lake. The SY project consists of 13 claims of which 10 are contiguous, covering an area of approximately 43,242 hectares. Two types of mineralization have been identified on the SY project: stratabound gold mineralization, in iron formation, and auriferous quartz-carbonate-sericite-chlorite schist, in ductile shear zone. The iron formation is believed to be the more extensive of the two types. Limited exploration activity has been conducted in the area since 1948. A number of gold discoveries were made, including the B-Zone at Cullaton Lake, which was mined from December 1981 to August 1985. Exploration on the property is preliminary.

The Jason project is a lead-zinc-silver property and is located in the Yukon Territory. No exploration work has been performed on this property since 1991. In addition, Lexam holds interests in other properties in British Columbia and the Yukon Territory.

Government Regulation and Environmental and Title 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.

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 licenses and similar authorizations 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. Failure to comply with such legislation may result in orders being issued thereunder which may cause operations to cease or to be curtailed or may require the installation of additional facilities or equipment. Violators may be required to compensate those suffering loss or damage by reason of their mining activities and may be fined if convicted of an offense under such legislation.

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 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 Lexam Purchase/Subscription Agreement which Lexam entered into at the time it acquired most of its properties, each of a predecessor Corporation 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 Bureau of Land Management and 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 potential contamination of soil and water from 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, air quality and emission standards, remediation requirements and other design or operational requirements for various contaminants of mining and mineral processing.

Further, 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 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. Included in the amendments is a provision for a royalty of not less than eight percent of the gross income from the production of minerals from unpatented claims on federal lands. The proposed royalty is not expected to materially affect the earnings, if any, 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.

DESCRIPTION OF WARRANTS

The Common Share purchase warrants (''Warrants'') are governed by the Common Share purchase warrant certificate (the ''Warrant Certificate''). Each whole Warrant may be exercised at any time, subject to adjustment, to acquire one Common Share at $1.20, until 9:00 p.m. (Toronto time) on February 3, 1999. Reference is made to the Warrant Certificate for the full text of the attributes of the Warrants. The Corporation may purchase, by private contract or otherwise, all or any portion of the Warrants and any Warrants so acquired shall be cancelled and may not be reissued.

The Warrant Certificate contains provisions to the effect that in the event of any consolidation, reclassification or change of the Common Shares or any other capital reorganization affecting the Common Shares or in the event of the consolidation, amalgamation or merger of the Corporation with another corporation, a proportionate adjustment or change will be made in the number and kind of securities issuable on the exercise of the Warrants.

The Warrant Certificate also provides that the exercise price per Common Share is subject to adjustment in certain events, including:

(a) the subdivision of the outstanding Common Shares into a larger number of Common Shares or the consolidation of the outstanding Common Shares into a lesser number of Common Shares;

(b) the fixing of a record date for the issue to holders of all or substantially all of the outstanding Common Shares, other than by way of a dividend paid in the ordinary course, of a dividend or other distribution payable in Common Shares; or

(c) the fixing of a record date for the issuance of rights, options or warrants to the holders of all or substantially all of the outstanding Common Shares entitling them, during a period expiring not more than sixty days after such record date, to subscribe for or purchase Common Shares, or securities convertible into or exchangeable for Common Shares, at a price per Common Share or having a conversion or exchange price per Common Share less than 90% of the ''Current Market Price'' (as defined in the Warrant Certificate) of the Common Shares.

All adjustments are cumulative provided that: (i) no adjustment in the exercise price will be required to be made unless the adjustment would require an increase or decrease of at least 1% of the exercise price; or (ii) if the holders of Warrants are entitled to participate in the event giving rise to the adjustment as if they had exercised their Warrants; no adjustment shall be made to the number of Common Shares issuable on the exercise of the Warrants unless it would result in a change of at least one one-hundredth of a Common Share.

The Corporation also covenants in the Warrant Certificate that during the period in which the Warrants are exercisable, it will give notice of certain events to the holders of the Warrants at least 14 days prior to the record date or the effective date, as the case may be, of such event.

Holders of Warrants do not have any rights as shareholders of the Corporation.

PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement between the Corporation and the Agent, the Agent agreed to act as, and the Corporation appointed the Agent as, the sole and exclusive agent of the Corporation to offer up to 2,000,000 Special Warrants for sale on an agency basis in the Selling Provinces at a price of $1.00 per Special Warrant, all in reliance upon exemptions from the prospectus requirements of applicable securities legislation. In addition, CSA acquired 431,034 Special Warrants. The price of Special Warrants to purchasers pursuant to the Offering Memorandum was $1.00 per Special Warrant. In compliance with the rules of the ME, CSA's purchase price was $1.16 per Special Warrant. The Corporation paid the Agent a fee of $0.075 per Special Warrant sold for an aggregate fee of $150,000. No Agent's fee was payable on the 431,034 Special Warrants purchased by CSA, the Corporation's principal shareholder. The Agent also received Agent's Special Warrants. The Agent's Special Warrants are exercisable, at any time until February 3, 1999, to acquire 210,000 Agent's Warrants at no cost. Each Agent's Warrant will be exercisable, at any time until February 3, 1999, to acquire one Common Share for $1.20. The prospectus will qualify the issuance of the Agent's Warrants upon the exercise of the Agent's Special Warrant. The Agent will receive no additional fees in connection with the distribution of

Units upon the exercise of Special Warrants. The offering price of the Special Warrants was determined by negotiation between the Corporation and the Agent in accordance with the rules and policies of the ME.

This prospectus is being filed to qualify the distribution of: (i) the 2,431,034 Common Shares; and (ii) the 1,215,517 Warrants to be issued upon the exercise of the 2,431,034 Special Warrants. The Common Shares issuable upon the exercise of the Special Warrants and the Warrants will be fully paid and non-assessable.

Holders of Special Warrants who exercise such Special Warrants on or prior to the Expiry Date should complete the applicable forms on the Special Warrant Certificates representing their Special Warrants and deliver such Special Warrant Certificates to the Corporation's offices in Toronto. Subsequent to the Expiry Date, Special Warrant Certificates cease to evidence Special Warrants and represent only the right of the registered holder thereof to receive share certificates representing that number of underlying Common Shares and Warrants specified on the face of such Special Warrant Certificate.

USE OF PROCEEDS

The net proceeds from the sale of the Special Warrants, after the payment of the estimated expenses of this offering of $400,000, including the Agent's fee, were $2,100,000.

Approximately $1,115,000 of the net proceeds will be used in connection with the Corporation's Greenland diamond exploration program as follows:

Geochemical Sampling	
7 detail till samples from 30 airborne targets	$ 181,000
200 additional samples plus till follow up	170,000
Caustic fusion	9,000
1 tonne sample from 3 dykes	99,000
	459,000
Prospecting	
4 person crew	22,000
Accommodation	4,000
Boat — 14 days	31,000
Helicopter	77,000
	134,000
Ground Geophysics	
Contract	30,000
Mobilization/demobilization	15,000
Interpretation and report	15,000
	60,000
Diamond Drilling	
1,000 metres	275,000
Caustic fusion of all Kimberlite	74,000
Supervision and lodging	18,000
Shipping samples & equipment	22,000
	389,000
General	
Consulting fees	22,000
Air travel	11,000
Nuuk office support	40,000
	73,000
Total	$1,115,000

See ‘‘Business of the Corporation — Greenland Exploration Property’’.

Approximately $389,000 of the net proceeds will be used in connection with the Corporation’s Nevada gold exploration projects as follows:

Compilation of gravity & aeromagnetic data	$ 66,000
Field evaluation of prospects	48,000
Antelope Peak Project Reconnaissance Area — proposed joint venture	255,000
Reclamation — Lewis Spring Prospect	8,000
Reclamation — Twelvemile Canyon Prospect	8,000
Federal claim rental	4,000
Total	$389,000

See ‘‘Business of the Corporation — Gold Targets at Elko County, Nevada’’.

Approximately $58,000 of the net proceeds will be used in monitoring the oil and gas exploration by Sonat.

See ‘‘Business of the Corporation — Oil Target at San Luis Valley, Colorado’’.

Approximately $380,000 of the net proceeds will be used in maintaining the Denver office including personnel, vehicles and accounting.

Approximately $57,000 of the net proceeds will be used in maintaining Canadian claims, leases and exploration licences as follows:

Claim maintenance	$11,000
Exploration licences	40,000
Lease maintenance	6,000
Total	$57,000

The remainder of the net proceeds will be added to the working capital of the Corporation to be used for general corporate purposes.

DESCRIPTION OF SHARE CAPITAL

The authorized share capital of the Corporation consists of an unlimited number of Common Shares. As at April 30, 1997, there were 21,909,581 Common Shares issued and outstanding.

The Common Shares entitle the holders thereof to vote at all meetings of shareholders of the Corporation on the basis of one vote per share, to receive dividends if and when declared thereon by the board of directors of the Corporation, and to participate in the distribution of the remaining assets of the Corporation upon its liquidation, dissolution or winding up.

PRIOR SALES

On October 2, 1997, the Corporation completed a rights offering by way of a rights offering circular dated August 18, 1997. Pursuant to that rights offering, 4,381,916 Common Shares were issued at $0.30 per share, with Lexam receiving net proceeds of approximately $1.2 million.

CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of the Corporation as at March 31, 1998 and as at April 30, 1998 before and after giving effect to the conversion of the Special Warrants (but before the exercise of the Warrants issuable upon the exercise of the Special Warrants and before the exercise of the Agent's Warrants).

	Outstanding as at March 31, 1998	Outstanding as at April 30, 1998	Outstanding as at April 30, 1998 (after the giving effect to the conversion of the Special Warrants)
Common Shares (authorized — unlimited)(1)	$12,833,803 (21,909,581 issued)	$12,833,803 (21,909,581 issued)	$14,933,803 (24,340,615 issued)
Special Warrants	$ 2,100,000	$ 2,100,000	—
Deficit	(6,333,991)	(6,333,991)(2)	(6,333,991)(2)
	$ 8,599,812	$ 8,599,812	$ 8,599,812

Notes:

(1) As at March 31, 1998, there were options to acquire 1,835,000 Common Shares outstanding under the Corporation's Employee Incentive Plan, at an average exercise price of $0.58 per share. Of this total, 1,050,000 are pending shareholder approval.

(2) As at March 31, 1998.

DIVIDEND POLICY

The Corporation, since its date of incorporation, has not paid any dividends on the Common Shares and it is not currently anticipated that dividends will be paid on the Common Shares in the foreseeable future.

PRICE RANGE AND TRADING VOLUME OF COMMON SHARES

The Common Shares have been listed and posted for trading on the ME, under the symbol ''LEX'', since April 1, 1994. The following table sets forth the high and low closing prices and the volume of trading of the Common Shares on the ME from the date of such listing, as reported by the ME.

	High	Low	Volume (shares)
1995			
Fourth Quarter	$1.55	$0.50	1,869,851
1996			
First Quarter	$1.00	$0.57	573,694
Second Quarter	1.05	0.50	1,178,004
Third Quarter	0.85	0.55	1,261,524
Fourth Quarter	0.85	0.45	570,505
1997			
First Quarter	0.72	0.46	325,533
Second Quarter	0.60	0.45	1,198,757
Third Quarter	0.50	0.28	874,919
Fourth Quarter	1.40	0.45	2,682,200
1998			
First Quarter	2.05	0.75	2,424,400
April	1.05	0.80	1,015,000
May to May 26, 1998	1.00	0.81	89,715

On May 26, 1998, the closing price of the Common Shares, as reported by the ME, was $0.85.

DILUTION

The offering price per Unit issued upon the exercise of the Special Warrants (other than to CSA) exceeds the net tangible book value per Common Share as at March 31, 1998, after giving effect to this offering, by $0.65 (or 65%) of the offering price per Unit, calculated as follows:

Offering price per Unit (other than to CSA)		$1.00
Net tangible book value per Common Share as at March 31, 1998 before giving effect to this Offering	$0.30	
Increase of net tangible book value per Common Share after giving effect to this Offering	0.05	
Net tangible book value per Common Share as at March 31, 1998 after giving effect to this offering		0.35
Dilution of net tangible book value per Unit to investors (other than CSA)		$0.65
Percentage of dilution in relation to the allocated offering price per Unit		65%

The dilution relative to the Special Warrants purchased by CSA would be $0.81 (70%) after giving effect to this offering.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The following discussion of the results of operations and the financial condition of Lexam constitutes management's review of the factors that affected the Company's financial and operating performance for the periods presented.

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 Company and its wholly-owned subsidiary companies.

Three months Ended March 31, 1998 Compared to Three Months Ended March 31, 1997

Lexam reported a loss of $77,790 for the three months ended March 31, 1998, compared to a loss of $123,763, or one cent per share, in the same period in 1997.

Exploration expenditures expensed for the three months ended March 31, 1998 of $50,741 were slightly lower than the $92,201 expenses in the same period in the previous year. The 1998 exploration expenditures expensed relate to the Nevada gold project. In 1997, they related to the Baca Oil target.

Interest and other income of $11,557 was higher than the $4,342 recorded a year ago, as a result of higher cash balances.

Administrative expenses were consistent at $38,606 compared to $35,904 a year ago.

Year Ended December 31, 1997 Compared to Year Ended December 31, 1996

Lexam reported a loss of $2.7 million, or 14 cents per share, compared to a loss of $0.6 million, or four cents per share in 1996.

The loss in 1997 includes a write down of $1.6 million from the carrying value of the Nevada gold project. The amount written off represents the cost of surface exploration programs from 1995 to 1997, which have not, to date resulted in the identification of any economic ore resources. In 1996, the Sundog property claims were allowed to lapse. As a result, $0.3 million of deferred exploration expenditures relating to this property were written off. Offsetting the 1996 results, was $0.3 million realized on the sale of certain investments.

Exploration expenditures expensed in 1997 of $0.9 million relate to various property examinations in Greenland and the United States, including the Baca oil target. In 1996, expenditures of $0.4 million mainly relate to the Baca oil target.

Interest and other income in 1997 of $8,194 was lower than the $25,993 recorded a year ago mainly as a result of lower cash balances as well as lower prevailing interest rates.

Administrative expenses were consistent at $0.2 million.

Year Ended December 31, 1996 Compared to Year Ended December 31, 1995

Lexam reported a loss for 1996 of $0.6 million, or $0.04 per share, compared to a loss of $2.8 million, or $0.23 per share, in 1995.

In 1996, the Sundog property claims were allowed to lapse. As a result, $0.3 million of deferred exploration expenditures relating to this property were written off. In 1995, $3 million of previously capitalized exploration expenditures, relating to the Baca oil target, were expensed as a result of the drilling results on the wildcat oil wells. Expenditures in the amount of $0.4 million, mainly relating to the Baca oil target, continued to be incurred in 1996 and expensed. Seismic work and integration of gravity data were performed.

Offsetting the exploration expenditures and Sundog write-off was $0.3 million realized on the sale of certain investments.

Interest and other income in 1996 was $25,993, compared to $90,838 in 1995. The decrease in interest and other income was due to lower prevailing interest rates.

Administrative expenses were consistent with 1995 at $0.2 million.

Liquidity and Capital Resources

In 1997, total exploration expenditures on resource properties was $1.9 million, of which $0.7 million was spent on acquiring the remaining 50% interest in all of the Baca Grant mineral rights, including some of the oil and gas rights, pursuant to an option agreement. Also, $0.4 million was spent on the Nevada gold targets and $0.3 million was spent on the Greenland diamond project. By comparison, in 1996, exploration expenditures were $1.6 million, of which $0.6 million was spent on the Nevada gold targets, $0.4 million was spent on the Baca oil target and $0.3 million was spent in Greenland. In 1995, exploration expenditures were $3.4 million, of which $2.7 million was spent on the Baca oil target.

In October 1997, Lexam successfully completed a rights offering for net proceeds of $1.2 million. By comparison, in June 1996, Lexam raised approximately $1.8 million through a rights offering, which was fully subscribed. In June 1995, Lexam completed a private placement of 1,900,000 special warrants for net proceeds of $2.2 million.

MANAGEMENT OF THE CORPORATION

Directors and Officers

The directors and officers of the Corporation, the municipalities of their residence, their principal occupations and their five-year employment history are listed below:

Name and Municipality of Residence	Position with the Corporation	Principal Occupation
Robert R. McEwen . . . . Toronto, Ontario	Chairman and 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 and CSA. Prior to September, 1997, also served as President of the Corporation, Goldcorp and CSA. Served as Chairman, President and Chief Executive Officer and a director of predecessor companies to Goldcorp and CSA.

Name and Municipality of Residence	Position with the Corporation	Principal Occupation
Rolando C. Francisco . . . . Toronto, Ontario	President and a Director	President of the Corporation. Also serves as President and a Director of Goldcorp and CSA from April 1996 to May 1997, Mr. Francisco was Executive Vice-President and Chief Financial Officer and a director of the Bre-X Group of companies. From March 1994 to March 1996, Mr. Francisco was Senior Vice-President and Chief Financial Officer and a Director of Goldcorp, CSA and Lexam. Prior to March 1994, Mr. Francisco was Senior Vice President and Chief Financial Officer and a director of predecessor companies to Goldcorp.
Richard W. Brissenden[(1)] . . . . Toronto, Ontario	Director	Chartered Accountant, President of Regal Goldfields Limited (a mineral exploration and development corporation) since February 1996, Vice-President of William G. Brissenden Inc., an investment holding corporation, since June of 1976 and Chairman, Excellon Resources Inc., a mineral exploration and development corporation, since September 1990. From September 1994 through June 1996, Mr. Brissenden was President and CFO of LatinGold Inc. (formerly MVP Capital Corp.) and Vice-President and CFO of that corporation from June 1991 through September 1994. In addition, he was President of Valdez Gold Inc. from August 1990 through September 1993, President of Dundee-Palliser Resources Inc. from August 1993 through March 1996 and President of International Northland Resources Inc. from March 1996 to October 1997. Mr. Brissenden also serves as a director of several other public companies.
Dr. Hugh C. Squair[(1)] . . . . Mississauga, Ontario	Director	Geologist and President of Design Exploration, a consulting firm.
Robert E. Van Tassell . . . . Burlington, Ontario	Vice President, Business Development and Director	Geologist. Vice President, Business Development of Lexam and Goldcorp. Prior to March 1998, Vice President, Exploration of Lexam and Goldcorp. Prior to March 31, 1994, Vice President, Exploration, Dickenson Mines Limited.

Name and Municipality of Residence	Position with the Corporation	Principal Occupation
Floriana G. Cipollone . . . . Toronto, Ontario	Vice President, Finance	Chartered Accountant. Vice President, Finance of Goldcorp and CSA. Prior to January 13, 1998 Corporate Controller and Treasurer of Lexam, Goldcorp and CSA. Prior to August, 1996 Manager Corporate Accounting of Lexam, Goldcorp and CSA. From March 1990 to March 1995 a Chartered Accountant with KPMG.
Abraham N. Rubinfeld . . . . Burlington, Ontario	Vice President, Legal and Secretary	Lawyer. Vice President, Legal and Secretary of Goldcorp and CSA. Prior to January 13, 1998, Corporate Counsel and Secretary of Lexam, Goldcorp and CSA. Prior to March 1994, Corporate Counsel and Secretary of predecessors to CSA and Goldcorp.
James N. Donaldson . . . . Lakewood, Colorado, U.S.A.	General Manager, U.S. Operations	General Manager, U.S. Operations. Prior to June 1996, General Manager, Lexam USA.

Note:
(1) Member of the Audit Committee.

Messrs. R. W. Brissenden and Dr. H. C. Squair 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.

Employees and Key Personnel

In addition to its officers, Lexam has four employees. The following is a brief biographical description of three of these employees:

James N. Donaldson — Mr. Donaldson is the General Manager, U.S. Operations and is responsible for the property evaluation and acquisition, planning and implementation of field exploration programs for the Corporation, contract negotiations and administration, contractor management, staff supervision, permitting and land management. Mr. Donaldson has worked in the financial and managerial sides of the mining industry for 21 years.

Thomas A. Watkins — Mr. Watkins is a senior geologist with Lexam USA responsible for evaluating the mineral potential of and exploring all of the Corporation's United States properties. Mr. Watkins has 21 years experience as a geologist specializing in exploration and development of epithermal precious metal deposits and holds a Masters of Science degree in geology.

Fred W. Limbach — Mr. Limbach is a senior geologist with Lexam USA. He conducts project management of gold properties, including evaluations and acquisitions, land negotiations, permitting, geological mapping, exploration and development drilling, generation of geologic models from detailed core and rotary drill logs and ore reserve calculations. Mr. Limbach has 23 years experience in the mining industry and holds a Masters degree in geology.

EXECUTIVE COMPENSATION

During 1997, no salaries were paid by the Corporation to its executive officers. The following table sets forth for 1995, 1996 and 1997 information concerning compensation earned by: (i) the Chairman and Chief Executive Officer; (ii) the President; (iii) the Senior Vice President and Chief Financial Officer; and (iv) the Vice President, Exploration, in their capacities as executive officers of the Corporation. Such individuals were the only ''executive officers'' of the Corporation in 1997. In March 1998, Mr. R.E. Van Tassell was appointed as Vice President, Business Development.

Mr. Francisco resigned as a director and Senior Vice President and Chief Financial Officer of the Corporation on March 15, 1996. Mr. Dalen B. Fairbairn replaced Mr. Francisco in the position of Senior Vice President and Chief Financial Officer as of August 1, 1996. On August 29, 1997, Mr. Fairbairn resigned as Senior Vice President and Chief Financial Officer of the Corporation. On September 2, 1997, Mr. Francisco was appointed to the office of President of Lexam. On that same date, Mr. McEwen ceased to hold the office of President of the Corporation. No options were exercised by Executive Officers in 1997.

Summary Compensation Table

		Annual Compensation			Long-Term Compensation			
					Awards		Payouts	
Name of Principal Position (a)	Year (b)	Salary ($) (c)	Bonus ($) (d)	Other Annual Compensation ($) (c)	Securities Under Options/ SARs Granted (#) (f)[1]	Restricted Shares or Restricted Share Units ($) (g)	LTIP Payouts ($) (h)	All Other Compensation ($) (i)
Robert R. McEwen	1997	—	—	—	720,000	—	—	—
Chairman & Chief	1996	—	—	—	400,000	—	—	—
Executive Officer	1995	—	—	—	400,000	—	—	—
Rolando Francisco[2]	1997	—	—	—	200,000	—	—	—
President	1996	—	—	—	—	—	—	—
	1995	—	—	—	250,000	—	—	—
Robert Van Tassell	1997	—	—	—	225,000	—	—	—
Vice President,	1996	—	—	—	100,000	—	—	—
Exploration[3]	1995	—	—	—	100,000	—	—	—
Dalen B. Fairbairn[4]	1997	—	—	—	—	—	—	—
	1996	—	—	—	50,000	—	—	—

Notes:

(1) Options are exercisable for the purchase of Common Shares.

(2) Mr. Francisco resigned as a director and Senior Vice President and Chief Financial Officer of the Corporation on March 15, 1996. Mr. Francisco assumed the position of President on September 2, 1997 and a director on November 5, 1997.

(3) Mr. Van Tassell was appointed Vice President, Business Development in March 1998.

(4) Mr. Fairbairn resigned as a director and Senior Vice President and Chief Financial Officer of the Corporation on August 29, 1997.

Employee Incentive Plan

The Lexam Employee Incentive Plan was approved by the Lexam shareholders at the annual and special meeting of shareholders held in June 1994.

On October 16, 1997, options to purchase 1,050,000 Common Shares were granted to directors and employees of the Corporation. The exercise price is $0.71 per share. Messrs. R.W. Brissenden and H.C. Squair were granted 15,000 options each. The options may be exercised over five years to October 16, 2002. The grant is subject to shareholder approval of the amended and restated Plan. As at December 31, 1997, executive officers as a group held options to purchase 1,145,000 Common Shares, directors who are not also executive officers held, as a group, options to purchase 60,000 Common Shares, and employees of Lexam who are not executive officers or directors, as a group, held options to purchase 580,000 Common Shares.

The objective of the Lexam Employee Incentive Plan is to encourage equity participation in the Corporation by its directors, officers and employees and the directors, officers and employees of its subsidiaries and affiliates through the acquisition of Common Shares. The Lexam Employee Incentive Plan consists of an employee share purchase plan (the ''Share Purchase Plan''), and employee share option plan (the ''Share Option Plan''), an employee share bonus plan (the ''Share Bonus Plan'') and an employee share loan plan (the ''Share Loan Plan'').

The Lexam Employee Incentive Plan is administered by the Lexam Board of Directors. The Lexam Board of Directors may amend, modify, suspend or terminate the Lexam Employee Incentive Plan, subject to any necessary regulatory approvals, but any amendment, which would: (i) materially increase the number of Common Shares which might be issued under the Lexam Employee Incentive Plan; (ii) materially increase the benefits to persons participating in the Lexam Employee Incentive Plan; or (iii) materially modify the requirements as to eligibility for participation in the Lexam Employee Incentive Plan, must be approved by the affirmative votes of the holders of a majority of the Common Shares present or represented, and entitled to vote, at a meeting of the holders of Common Shares before it becomes effective.

The Lexam Employee Incentive Plan is subject to the following:

(a) the aggregate number of Common Shares reserved for issuance from time to time thereunder (including any Common Shares subject to issuance upon the exercise of any outstanding options granted under the Share Option Plan) is 1,300,000 Common Shares;

(b) the number of Common Shares issued and reserved for issuance pursuant to the Share Loan Plan (whether or not such Common Shares are issued pursuant to the exercise of options granted under the Share Option Plan) must not exceed 25% of the aggregate number of Common Shares issued and reserved for issuance pursuant to the Lexam Employee Incentive Plan;

(c) the number of Common Shares issued and reserved for issuance pursuant to the Share Bonus Plan must not exceed 5% of the total number of Common Shares issued and reserved for issuance pursuant to the Lexam Employee Incentive Plan;

(d) the aggregate number of Common Shares issued and reserved for issuance pursuant to the Lexam Employee Incentive Plan to any one person must not exceed 50% of the aggregate number of Common Shares issued and reserved for issuance pursuant to the Lexam Employee Incentive Plan; and

(e) no grant made under the Lexam Employee Incentive Plan is assignable except in certain limited circumstances.

Share Purchase Plan

The purpose of the Share Purchase Plan is to encourage employees of the Corporation to purchase Common Shares on a regular basis. Prior to January 1 of each calender year, employees of the Corporation, its subsidiaries and affiliates who have been continuously employed by the Corporation for at least 12 months may participate in the Share Purchase Plan by contributing up to 10% of their basic annual salary to the Share Purchase Plan by monthly deductions. Immediately prior to the date any Common Shares are issued to a Share Purchase Plan participant, the Corporation will contribute an amount equal to 75% of the employee's contribution then held in trust by the Corporation. On a monthly basis, the Corporation will issue to the employee the number of Common Shares that the employee is entitled to based on the aggregate contributions by the employee and the Corporation. The purchase price of such shares will be the greater of $0.20 per share and the weighted-average price of the shares for the most recent 10 days preceding the issue date on which actual trading in respect of the shares occurred on the ME, provided that, if trading on the ME has not occurred on at least five days during the 90 days preceding such date of issue, the issue price shall be a minimum of $0.20 per share. No fractional Common Shares will be issued and any unused contribution will be carried forward and utilized in subsequent months.

An employee's participation in the Share Purchase Plan for the current calendar year will terminate if: (i) he or she ceases to be an employee of the Corporation, its subsidiaries or affiliates; (ii) the individual gives written notice to the Corporation on either June 30 or December 31 of that year of his or her intention to no longer participate in the Share Purchase Plan; (iii) the person dies; or (iv) the Share Purchase Plan is terminated. If the Share Purchase Plan is terminated, the employee and the Corporation will each be entitled on the effective date of the termination to receive any amounts the employee has contributed under the Share Purchase Plan which have not been used to purchase Common Shares.

Share Option Plan

The Share Option Plan is intended to promote the interests of the Corporation and its shareholders by making provision for stock options as an additional incentive to attract, retain and motivate directors, officers and salaried employees. The Board of Directors of the Corporation or a duly appointed committee thereof may, in its discretion, grant to any director, officer or salaried employee of the Corporation or its affiliated options to purchase Common Shares over a period which may not exceed 10 years in duration. The purchase price of such shares will be equivalent to the closing price of the Common Shares on the ME on the business day immediately preceding the date of the grant of the option and, if the Common Shares did not trade on that date, the purchase price will be the rate of $0.20 per share and the weighted-average price of the Common Shares for the most recent 10 days preceding the date of the grant of option on which actual trading in respect of the Common Shares occurred on the ME, provided that, if trading on the ME has not occurred on at least five days during the 90 days preceding the date of grant of the option, the exercise price shall be $0.20 per share.

No options may be exercised after an option holder ceases to be employed by the Corporation, unless the relationship with the Corporation or its affiliates ceases because of permanent disability, retirement after age 60 or the death of the individual. In such circumstances, the options remain exercisable for up to one year after such person ceased being a director, officer or salaried employee of the Corporation or its affiliates. Termination of the Share Option Plan will not affect any outstanding options.

Share Bonus Plan

The Share Bonus Plan is intended to promote the interests of the Corporation by permitting the Board of Directors of the Corporation or a duly appointed committee thereof to issue, in its discretion, Common Shares to any full-time salaried employee of the Corporation or its affiliates as a bonus in consideration of the past services of such individual. Such shares will be issued subject to such terms and conditions as the Board of Directors of the Corporation deems appropriate.

Share Loan Plan

The purpose of the Share Loan Plan is to provide an additional incentive to full-time salaried employees of the Corporation or its affiliates by loaning them funds to assist them in purchasing Common Shares. The Board of Directors of the Corporation determined the terms and conditions of any such loan, including rates of interest (if any). All shares issued pursuant to the Share Loan Plan will initially be held by a trustee as security for the loan and released as the loan is paid down.

Any outstanding loans to an employee mature and are payable on the earlier of the stated maturity date and the date that is 18 months after such individual ceases to be an employee, except by reason of death in which event any outstanding loans matures one year from the date of death.

Option/SAR Grants during 1997[1]

Name (a)	Securities Under Options/SARs Granted (#) (b)	% of Total Options/SARs Granted to Employees in Financial Year (c)	Exercise or Base Price ($/Security) (d)	Market Value of Securities Underlying Options/SARs on the Date of Grant ($/Security) (e)	Expiration Date (f)
Rolando C. Francisco	200,000	19%	$0.71	$0.70	Oct. 16, 2002
Robert R. McEwen	320,000	30%	$0.71	$0.70	Oct. 16, 2002
Robert E. Van Tassell	100,000	11%	$0.71	$0.70	Oct. 16, 2002
Dalen B. Fairbairn	—	—	—	—	—

Notes:

(1) The options are subject to shareholder approval of the amended and restated Lexam Employee Incentive Plan.

PRINCIPAL SHAREHOLDER

To the knowledge of the Corporation, the following table sets forth the name of the only shareholder owning of record or beneficially, directly or indirectly, more than 10% of the outstanding Common Shares as at April 30, 1998.

Owner	Designation of Shares	Type of ownership	Number of Shares Held	Percentage of Shares[1]	Percentage of Shares after the Exercise of Special Warrants
CSA Management Enterprises Ltd.[2]	Common	Beneficially and of record	7,475,343	34%	32%

Notes:

(1) Calculated on the basis of 21,909,581 Common Shares outstanding as at April 30, 1998.

(2) CSA Management Enterprises Ltd. is a wholly-owned subsidiary of CSA Management Inc., a corporation controlled by Evanachan Limited, which, in turn, is controlled by Mr. Robert R. McEwen, a director and senior officer of the Corporation.

To the knowledge of the directors of the Corporation, there have been no transfers of Common Shares which have materially affected the control of the Corporation since the date of the last annual general meeting of the Corporation which was held on May 21, 1997.

Mr. Francisco owns 37,500 Common Shares of the Corporation. Mr. Francisco is the only director or officer of the Corporation to own shares of the Corporation.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Goldcorp and CSA hold (as to an 11⁄15ths interest and a 4⁄15ths interest, respectively) a royalty interest equal to 1½% of Lexam's net smelter return in respect of its share of the production of mineral ores, including all concentrates and other products derived therefrom, originating from certain of Lexam's Canadian mineral exploration properties.

Goldcorp and CSA hold (as to an 11⁄15ths interest and a 4⁄15ths interest, respectively) a royalty interest equal to 1½% of Lexam USA's interest in all products and substances produced and mined from properties held by Lexam USA.

Lexam is party to a management services agreement (the ''Management Services Agreement'') with Goldcorp and CSA, 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, CSA and Goldcorp agreed not to compete with Lexam for mining exploration opportunities within a radius of 10 miles of the properties of Lexam for the term of the Management Services Agreement.

RISK FACTORS

An investment in the Units of the Corporation is speculative and the risk factors outlined in this section should be considered when evaluating such Units.

Absence of Cash Flow

The properties of the Corporation are all at an exploration stage and there is no present prospect of such properties becoming productive in the near future. Accordingly, the Corporation will have no source of operating cash flow pending development (if any) of producing mines or oil wells on the properties. While the Corporation has adequate means to fund its proposed exploration programs for 1998, its actual expenditures and financing needs will depend upon the results of its exploration activities. Any further expenditures by the Corporation in relation to future exploration or development of its properties will require additional equity or debt financings. There is no assurance that such funding will be available to the Corporation. Any additional equity financings may result in the dilution of the interests of current shareholders in the Corporation.

Relationships with Associated Companies

Certain directors and officers of the Corporation are associated with CSA and Goldcorp. As a result, conflicts of interest may arise from time to time, and the Corporation and such persons may compete for available exploration opportunities. See ''Interest of Management and Others in Material Transactions''.

Nature of Resource Exploration

The exploration and development of oil and gas and mineral deposits involves significant financial risks over a significant period of time. Few properties which are explored are ultimately developed into producing mines or oil wells and significant expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a site. No assurance can be offered that exploration programs of the Corporation will result in a profitable commercial mining or oil and gas operation.

The Corporation's operations will be subject to all of the hazards and risks normally incident to exploration and development of gold, coal, silver, oil and gas, diamonds and base metals, any of which could result in damage to life or property, environmental damage and possible legal liability for any or all damage. The Corporation's activities may be subject to prolonged disruptions due to weather conditions depending on the location of operations in which the Corporation has interests. Hazards such as unusual or unexpected formations, pressures or other conditions may be encountered.

All phases of the Corporation's operations will present environmental risks and hazards and will be subject to environmental regulation in the various jurisdictions in which it operates. In addition, the Corporation may experience certain delays and/or incur certain expenses inherent in responding to the concerns of environmentalists relating to the impact of mining activities on the environment.

Whether a mineral deposit or an oil and gas resource will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit or resource, such as its size, financing costs and governmental regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals, and environmental protection. The effect of these factors cannot be accurately predicted, and the combination of them may result in the Corporation not receiving an adequate return on invested capital.

Status of Property Titles

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 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 Lexam Purchase/Subscription Agreement, each of a predecessor Corporation to CSA and Goldcorp provided an indemnity to Lexam in relation to any title defects in the properties.

Competition

The mineral exploration, mining and oil and gas businesses are competitive in all of their phases. The Corporation will compete with numerous other companies and individuals in the search for and the acquisition of attractive mineral and oil and gas properties. The Corporation's ability to acquire mineral reserves and oil and gas resources 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 and oil and gas exploration.

Insurance

While the Corporation will carry insurance in such amounts as it considers adequate, the nature of the risks faced by the Corporation and described herein is such that the liabilities could exceed policy limits or could be excluded from coverage. The potential costs which could be associated with any liabilities not covered by insurance or in excess of insurance coverage or compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, adversely affecting the Corporation's financial position.

Native Issues

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.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Bennett Jones Verchere, counsel to the Corporation, the following summary describes, as of the date hereof, the principal Canadian federal income tax considerations under the *Income Tax Act* (Canada), as amended, (the ''ITA'') applicable to persons who hold Special Warrants. This summary:

- is based upon the current provisions of the ITA and counsel's understanding of the current administrative and assessing policies of Revenue Canada, and takes into account all specific proposals to amend the ITA publicly announced by the Minister of Finance (Canada) prior to the date hereof. This summary does not otherwise take into account or anticipate any change to the law or administrative practice, whether by legislative, governmental or judicial action;

- applies only to persons who, (i) are residents of Canada, (ii) acquire, hold and dispose of Common Shares and Warrants as capital property, and (iii) deal at arm's length with the Corporation, within the meaning of the ITA. In general, securities will be considered to be capital property to the holder provided that the holder does not hold such securities in the course of carrying on a business of buying and selling securities and has not acquired such securities in a transaction or transactions considered to be an adventure in the nature of trade. Certain ''financial institutions'' subject to the ''mark-to-market'' rules in the ITA may be deemed not to hold Common Shares as capital property, and such persons should consult their own tax advisers. Depending on the holder's particular circumstances, Common Shares may be deemed to be capital property where the election in subsection 39(4) of the ITA has been made by a Canadian resident eligible to make such election; and

- does not take into account foreign, provincial or territorial tax legislation or considerations, which may vary from the Canadian federal income tax considerations described herein.

This summary is of a general nature only rather than a complete analysis of all possible income tax considerations, and is not intended to be, nor should it be construed as, legal or tax advice to any particular person. Accordingly, holders of Special Warrants should consult their own tax advisers with respect to their particular circumstances.

Special Warrants

Exercise of Special Warrants

The exercise of a Special Warrant in accordance with its terms will not constitute a disposition of property for the purposes of the ITA, with the result that no gain or loss will be realized by a holder upon the exercise of Special Warrants. Upon the exercise of a Special Warrant, it is necessary to allocate its purchase price between the Common Share and the one-half of a Warrant received in exchange, on a reasonable basis, for the purpose of determining the tax cost (''adjusted cost base'' or ''ACB'') of these separate properties. The Corporation, in consultation with the Agent, believes that a reasonable allocation of the $1.00 purchase price per Special Warrant (other than to CSA) is $0.93 per Common Share and $0.07 per one-half of a Warrant. While the Corporation and the Agent believe that this allocation is reasonable, Revenue Canada is not bound by this allocation.

Averaging of ACB of Identical Properties

Under the ITA, a special rule applies to determine the cost of identical capital properties held by the same person. For the purpose of determining the cost of each such identical property, the ACB of each such identical property is averaged with the ACB of all other such identical properties owned by the same person, to produce a uniform ACB per identical property. Each Common Share or Warrant, whether acquired hereunder or otherwise, would generally be considered to be identical to all other such Common Shares or Warrants (respectively) owned by that same person.

Common Shares and Warrants

Exercise of Warrants

The exercise of a Warrant will not constitute a disposition of property for the purposes of the ITA, with the result that no gain or loss will be realized by a holder upon the exercise of Warrants. The ACB to the holder of the Common Share thereby acquired will be the aggregate of the exercise price and the ACB to the holder of the Warrant so exercised, subject to the provisions of the ITA dealing with the averaging of the ACB of identical properties (described above).

Disposition of Common Shares or Warrants

Upon the disposition of a Common Share or Warrant (including upon the expiry of a Warrant), any gain or loss thereby realized will be a capital gain or loss. A person's capital gain (capital loss) from the disposition of any property is calculated as the amount by which the holder's proceeds of disposition exceed (are less than) the aggregate of the holder's ACB of the property disposed of and certain outlays or expenses incurred to make the disposition. The holder's taxable capital gain (allowable capital loss) is three-quarters of this amount. The holder must include any such taxable capital gain in income for the taxation year of the disposition, and may deduct any such allowable capital loss from taxable capital gains in the year in which such allowable capital loss is realized. Subject to the detailed rules contained in the ITA, any remaining allowable capital loss may generally be applied to reduce net taxable capital gains realized by the holder in the three preceding and in all subsequent taxation years. Capital gains realized by an individual may be subject to alternative minimum tax under the ITA, depending on the individual's circumstances.

Recognition of capital losses otherwise realized may be denied where arising in various circumstances set out in the ITA, including transactions involving ''affiliated persons'' described in proposed amendments to the ITA set out in a Notice of Ways and Means Motion (the ''December 8 Notice'') released by the Minister of Finance (Canada) on December 8, 1997 and presently in bill form as Bill C-28. In addition, a capital loss realized by a corporation on the disposition of a share may be reduced by the amount of certain dividends on that share received by that corporation, as set out in the ITA. Similar rules apply to partnerships with corporate partners and trusts with corporate beneficiaries. The December 8 Notice proposes various changes to these rules, including their extension to situations in which a trust or partnership is a member of a partnership or beneficiary of a trust.

Canadian-controlled private corporations are subject to an additional refundable tax of 6⅔% on the lesser of any such corporation's: (i) ''aggregate investment income'' (including taxable capital gains); and (ii) taxable income (less any amount claimed in respect of the small business deduction) for the year. This additional tax will be refunded to the corporation at the rate of $1 for every $3 of taxable dividends paid while it is a private corporation.

LEGAL MATTERS

Certain matters relating to the distribution of the Common Shares and Warrants upon exercise of the Special Warrants described herein will be passed upon on behalf of the Corporation by Bennett Jones Verchere, Toronto, and by Swinton & Company, Vancouver, on behalf of the Agent.

LEGAL PROCEEDINGS

The Corporation is not currently subject to any material legal proceedings.

AUDITORS, TRANSFER AGENTS AND REGISTRARS

The auditors of the Corporation are KPMG, Chartered Accountants, Suite 3300, Commerce Court West, Toronto, Ontario M5L 1B2.

The transfer agent and registrar for the Special Warrants, the Common Shares and the Warrants is Montreal Trust Company of Canada at its principal office in Toronto.

MATERIAL CONTRACTS

The only material contracts entered into by the Corporation since its date of incorporation, other than contracts entered into in the ordinary course of business, are as follows:

(a) the Agency Agreement;

(b) the Lexam Purchase/Subscription Agreement referred to under ''Government Regulation and Environmental and Title Matters''; and

(c) the Management Services Agreement referred to under ''Interest of Management and Others in Material Transactions''.

Copies of the foregoing are currently available and will continue to be available for examination at the offices of the Corporation, Suite 2700, 145 King Street West, Toronto, Ontario M5H 1J8 during normal business hours for a period of 30 days from the date of this prospectus.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in several of the provinces provide purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser but such remedies must be exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal advisor.

CONTRACTUAL RIGHT OF ACTION FOR RESCISSION

In the event that a holder of a Special Warrant, who acquired a Common Share or Warrant upon the exercise of a Special Warrant as provided for in this prospectus, is or becomes entitled under applicable securities legislation to the remedy of rescission by reason of this prospectus, a final prospectus or any amendment thereto containing a misrepresentation, the holder shall be entitled to rescission not only of the holder's exercise of its Special Warrants but also of the transaction pursuant to which the Special Warrant was initially acquired, and shall be entitled, in connection with such rescission, to a full refund from the Corporation of all consideration paid on the acquisition of the Special Warrants. In the event that the holder is a permitted assignee of the interest of the original Special Warrants subscriber, a permitted assignee shall be entitled to exercise the rights of rescission and refund granted hereunder as if the permitted assignee shall be entitled to exercise the rights of rescission and refund granted hereunder as if the permitted assignee was the original subscriber. The foregoing is in addition to any other right or remedy available to the holder of the Special Warrants under section 130 of the *Securities Act* (Ontario), section 131 of the *Securities Act* (British Columbia) or otherwise at law.

AUDITORS' REPORT TO THE DIRECTORS

We have audited the consolidated balance sheets of Lexam Explorations Inc. as at December 31, 1997 and 1996 and the consolidated statements of operations and deficit and cash flows for each of the years in the four year period ended December 31, 1997. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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, 1997 and 1996 and the results of its operations and its cash flows for each of the years in the four year period ended December 31, 1997 in accordance with generally accepted accounting principles.

Chartered Accountants

Toronto, Canada
February 2, 1998

LEXAM EXPLORATIONS INC.

CONSOLIDATED BALANCE SHEETS

(in Canadian dollars)

	March 31, 1998	December 31, 1997	December 31, 1996
	(unaudited)		
ASSETS			
Current assets			
Cash and short-term investments	$1,310,413	$ 9,964	$ 701,879
Accounts receivable			11,018
Prepaid expenses	350	1,005	1,303
	1,310,763	10,969	714,200
Resource properties (note 3)	7,738,633	6,905,378	7,529,217
	$9,049,396	$6,916,347	$8,243,417
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	$ 449,584	$ 338,745	$ 190,977
Shareholders' equity			
Capital stock (note 4)	12,833,803	12,833,803	11,631,248
Special Warrants (note 4)	2,100,000		
Deficit	(6,333,991)	(6,256,201)	(3,578,808)
	8,599,812	6,577,602	8,052,440
	$9,049,396	$6,916,347	$8,243,417

Contingencies (note 7)

Approved by the Board of Directors:

(Signed) "ROBERT R. MCEWEN"
Director

(Signed) "RICHARD W. BRISSENDEN"
Director

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

LEXAM EXPLORATIONS INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

(in Canadian dollars)

	Three months ended March 31,		Years ended December 31,			
	1998	1997	1997	1996	1995	1994
	(unaudited)					
Interest and other income	$ 11,557	$ 4,342	$ 8,194	$ 25,993	$ 90,838	$ 60,901
Gain on sale of investments				300,106	318,330	
	11,557	4,342	8,194	326,099	409,168	60,901
Expenses						
Administrative	38,606	35,904	172,118	174,145	175,591	105,995
Exploration	50,741	92,201	873,456	432,274	8,166	18,750
Write down of resource properties (note 3)			1,640,013	309,458	3,018,582	132,015
	89,347	128,105	2,685,587	915,877	3,202,339	256,760
Loss for the period	(77,790)	(123,763)	(2,677,393)	(589,778)	(2,793,171)	(195,859)
Deficit at beginning of period	(6,256,201)	(3,578,808)	(3,578,808)	(2,989,030)	(195,859)	
Deficit at end of period	$(6,333,991)	$(3,702,571)	$(6,256,201)	$(3,578,808)	$(2,989,030)	$(195,859)
Loss per share	$	$ (0.01)	$ (0.14)	$ (0.04)	$ (0.23)	$ (0.02)
Weighted average number of shares outstanding (000's)	21,910	17,528	18,623	15,754	12,347	8,904

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

LEXAM EXPLORATIONS INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in Canadian dollars)

	Three months ended March 31,		Years ended December 31,			
	1998	1997	1997	1996	1995	1994
	(unaudited)					
Cash provided by (used in)						
Operating activities						
Loss for the period	$ (77,790)	$(123,763)	$(2,677,393)	$ (589,778)	$(2,793,171)	$ (195,859)
Items not affecting cash						
Gain on sale of investments				(300,106)	(318,330)	
Writedown of resource properties (note 3)			1,640,013	309,458	3,018,582	132,015
	(77,790)	(123,763)	(1,037,380)	(580,426)	(92,919)	(63,844)
Change in non-cash operating working capital	111,494	(22,028)	159,084	134,179	39,479	(56,999)
Net cash provided by (used in) operating activities	33,704	(145,791)	(878,296)	(446,247)	(53,440)	(120,843)
Investing activities						
Additions to resource properties, net	(833,255)	(122,732)	(1,016,174)	(1,168,535)	(3,434,449)	(905,397)
Proceeds on sale of investments				300,106	318,330	
Acquisition of mineral interests from Goldcorp and CSA, net of cash acquired (note 2)						(5,418,894)
Net cash used in investing activities	(833,255)	(122,732)	(1,016,174)	(868,429)	(3,116,119)	(6,324,291)
Financing activities						
Issue of capital stock (notes 2 and 4)				95,000		7,480,891
Shares issued in connection with right offering (note 4)			1,202,555	1,817,151		
Issue of special warrants net (note 4)	2,100,000				2,238,191	
Net cash provided by financing activities	2,100,000		1,202,555	1,912,151	2,238,191	7,480,891
Increase (decrease) in cash and short-term investments	1,300,449	(268,523)	(691,915)	597,475	(931,368)	1,035,757
Cash and short-term investments at beginning of period	9,964	701,879	701,879	104,404	1,035,772	15
Cash and short-term investments at end of period	$1,310,413	$ 433,356	$ 9,964	$ 701,879	$ 104,404	$ 1,035,772

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

LEXAM EXPLORATIONS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Information as at March 31, 1998 and for the three months ended March 31, 1998 and 1997 is unaudited)

1. General and Summary of Significant Accounting Policies

Lexam Explorations Inc. (the ''Company'' or ''Lexam'') was incorporated under the laws of the Province of Ontario by articles of incorporation dated November 12, 1993 and did not carry on active business operations prior to March 31, 1994. The Company's principal activity is mineral and oil exploration.

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

Principles of Consolidation

The consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiary companies, of which the principal subsidiary is Lexam Explorations Corporation of America Inc. (''Lexam USA''), formerly Challenger Gold (U.S.), Inc.

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

Resource Properties

Costs relating to the acquisition and exploration of nonproducing 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.

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.

Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

2. Reorganization

On March 31, 1994, as part of a Reorganization involving Goldcorp Inc., CSA Management Limited, Dickenson Mines Limited and the Company, CSA and Goldcorp: (i) transferred certain of their jointly-owned mineral interests, including the common shares of Lexam USA to Lexam, in exchange for Lexam common shares; (ii) purchased its pro rata share of a royalty from Lexam valued at $157,000; and (iii) subscribed for additional Lexam common shares aggregating to $1,843,000. The Lexam royalty comprises: (i) a 1½% net smelter return royalty in respect of Lexam USA's share of the production of base or precious metals from ores; and (ii) a 1½% royalty in respect of Lexam USA's share of the production of oil, natural gas and coal, in each case derived from the mineral exploration properties owned by Lexam USA at March 31, 1994. In addition, Goldcorp and CSA retained a 1½% net smelter return royalty interest in certain of the Canadian mineral properties. Goldcorp distributed to its shareholders, including CSA, all of the common shares of Lexam that it owned, as part of the Reorganization.

Since CSA and Goldcorp are related parties, the value of the net assets acquired is recorded at the predecessor's cost less $157,000 and comprises the following:

Cash	$ 61,997
Other current assets	45,068
Resource properties	5,480,890
Accounts payable and accrued liabilities	(107,064)
	$ 5,480,891

3. Resource Properties

The breakdown of resource properties by project is as follows:

	March 31,	December 31,	
	1998	1997	1996
Greenland diamond project	$1,243,010	$ 536,870	$ 267,757
Baca — oil and gas and mineral	2,050,170	1,918,409	1,093,597
Nevada gold project	2,003,408	2,003,408	3,321,001
Jason project	1,166,913	1,166,887	1,157,327
Sy project	745,134	745,134	742,260
MacKenzie gold project	455,250	455,250	455,250
Other	74,748	79,420	492,025
	$7,738,633	$6,905,378	$7,529,217

In 1997, the Company has written down the carrying value of its Nevada gold project (consisting of various gold and base metal prospects) to write off costs incurred on those properties since 1994. The costs written off represent the cost of surface exploration programs in 1995 to 1997 which has not, to date, resulted in the identification of any economic ore resources. Deep exploration drilling on these prospects is being considered.

In 1995, the Company wrote off previously capitalized expenditures relating to the two exploratory wildcat oil wells drilled on the Baca property. The oil shows in both of these wells were uneconomic occurrences.

4. Capital Stock

Authorized

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

Rights Offerings

On September 2, 1997, each registered common shareholder received one right for each common share held. Four rights entitled the holder thereof to subscribe for one common share at $0.30 per share, on or before October 2, 1997. The offering was fully subscribed, for gross proceeds of $1,314,575 less issue costs of $112,020.

On June 25, 1996, each registered common shareholder received one right for each common share held. Four rights entitled the holder thereof to subscribe for one common share at $0.55 per share, on or before July 22, 1996. The offering was fully subscribed, for gross proceeds of $1,928,043 less issue costs of $110,892.

Private Placements of Special Warrants

On February 3, 1998 the Company completed an issue of 2,431,034 Special Warrants for net proceeds of $2,100,000, after estimated issue costs of $400,000. Each Special Warrant is exercisable for one common share and one-half of one common share purchase warrant at no additional cost. Each whole common share purchase warrant is exercisable to acquire one common share for $1.20 per share on or before February 3, 1999.

On June 2, 1995, the Company completed the private placement of 1,900,000 Special Warrants for gross proceeds of $2,565,000 less issue costs of $326,809. Each Special Warrant was exchanged in October 1995 into one common share of the Company and one-half of one common share purchase warrant. All common share purchase warrants expired unexercised.

4. Capital Stock (Continued)

Changes in Capital Stock

	Shares	Amounts
Balance December 31, 1993	15	$ 15
Issue of capital stock for cash (note 2)	2,389,202	1,843,000
Issue of capital stock on acquisition of mineral interests (note 2)	9,482,915	5,637,891
Balance December 31, 1994	11,872,132	7,480,906
Issue of capital stock in connection with the private placement of Special Warrants	1,900,000	2,238,191
Balance December 31, 1995	13,772,132	9,719,097
Issue of capital stock in connection with rights offering	3,505,533	1,817,151
Exercise of stock options	250,000	95,000
Balance December 31, 1996	17,527,665	11,631,248
Issue of capital stock in connection with rights offering	4,381,916	1,202,555
Balance December 31, 1997	21,909,581	12,833,803
Balance March 31, 1998	21,909,581	$12,833,803

Employee Incentive Plan

Under the Company's employee incentive plan, options may be granted to directors, officers and employees at the discretion of the Board of Directors. A maximum of 1,300,000 shares may be issued under the plan. The exercise price per share is equal to the greater of $0.20 per common share and the weighted average price of the common shares for the most recent ten days preceding the date of granting of the option on which actual trading in respect of the common shares of the Company occurred on the Montreal Exchange. Each option under the employee incentive plan, which allows for the purchase of one share, expires not later than five years from the date on which it was granted and all current options expire on or before April 27, 2003.

At March 31, 1998 there were options for 1,835,000 shares outstanding at an average exercise price of $0.58 (December 31, 1997 — 1,785,000 at an average exercise price of $0.57). Of this total, 1,050,000 are pending shareholder approval.

5. Income Taxes

The Company's U.S. subsidiary has net operating loss carryforwards of approximately US$12,600,000 for U.S. tax purposes available to offset certain future United States taxable income, which expire from 1999 to 2012. In addition, the Company has non capital loss carryforwards of approximately $550,000 for Canadian tax purposes available to offset future Canadian taxable income, which expire from 2003 to 2004. The benefit of these loss carryforwards has not been recognized for accounting purposes.

6. Related Party Transactions

The Company reimburses Goldcorp Inc. for management and administrative costs incurred by Goldcorp on the Company's behalf. For the three months ended March 31, 1998, the Company reimbursed Goldcorp $6,000 for such costs (For the twelve months ended December 31, 1997, 1996 and 1995 — $24,000; 1994 — $18,000).

7. Contingencies

The Company'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 Company believes it complies in all material respects with all applicable laws and regulations.

CERTIFICATE OF THE CORPORATION

Dated: May 27, 1998

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part XV of the *Securities Act* (Ontario), Part 9 of the *Securities Act* (British Columbia) and the respective regulations thereunder.

(Signed) "ROBERT R. MCEWEN"
Chairman and Chief Executive
Officer and a Director

(Signed) "FLORIANA G. CIPOLLONE"
Vice President, Finance

On behalf of the Board of Directors

(Signed) "ROLANDO C. FRANCISCO"
President and Director

(Signed) "RICHARD W. BRISSENDEN"
Director

CERTIFICATE OF THE AGENT

Dated: May 27, 1998

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part XV of the *Securities Act* (Ontario), Part 9 of the *Securities Act* (British Columbia) and the respective regulations thereunder.

CANACCORD CAPITAL CORPORATION

By: (Signed) "PETER M. BROWN"
Chairman and Chief Executive Officer

The following persons have an interest, directly or indirectly, to the extent of not less than 5% in the capital of Canaccord Capital Corporation:

Peter M. Brown (through The MacLachlan Investments Corporation)
Michael G. Greenwood (directly and through 728541 Alberta Ltd.)
Dennis N. Burdett (directly and through 558853 B.C. Ltd.)
Michael W. Murphy (directly and through 517387 B.C. Ltd.)

Their interests are held indirectly through Canaccord Investment Ltd. and Canaccord Holdings Ltd.