VG Gold Corp.

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2010

General

The following discussion of performance, financial condition and future prospects should be read in conjunction with VG Gold Corp.'s (the "Company" or "VG Gold") unaudited interim financial statements and notes thereto for the three and nine month periods ended September 30, 2010 and audited financial statements and notes thereto for the year ended December 31, 2009, which were prepared in accordance with generally accepted accounting principles ("GAAP") in Canada. Additional information, including an Annual Information Form can be found on SEDAR, www.sedar.com. All dollar amounts are in Canadian dollars. This discussion and analysis is dated October 29, 2010.

Overview

The principal business of VG Gold is to explore and develop gold properties in Timmins, Ontario, Canada and to acquire additional gold properties in the Timmins area. VG Gold was formed on March 24, 1972 by articles of amalgamation under the Ontario Business Corporations Act. VG Gold is currently focused on exploring its properties; the Buffalo Ankerite property is 100% controlled and the Fuller property is 100% owned. The Company holds a 68.5% interest in the Davidson Tisdale property. The primary focus during the year 2010 was on the Paymaster Property, which has been optioned from Goldcorp Inc. ("Goldcorp"), with a secondary focus on the Davidson Tisdale Property. For more information see the Company web site: www.vggoldcorp.com.

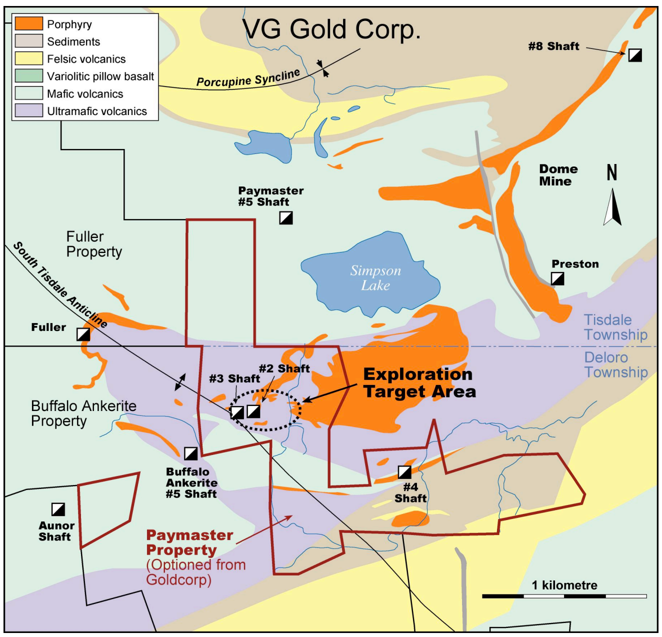
During the quarter the Company signed an agreement with Lexam Explorations Inc. ("Lexam") to combine the two companies, forming Lexam VG Gold Inc. The combination would be effected through a Plan of Arrangement under which common shareholders of VG Gold would receive one common share of the combined company, for every common share of VG Gold currently held, and common shareholders of Lexam would receive 2.1 common shares of the combined company for every common share of Lexam currently held. In connection with the Plan of Arrangement, Rob McEwen, Chairman and Chief Executive Officer of Lexam, will complete a private placement financing for units in Lexam for gross proceeds of $5 million. The Plan of Arrangement is subject to court, shareholder and regulatory approvals. The Company will be holding a special meeting of shareholders on December 13, 2010, to consider, and if deemed advisable, to approve the proposed combination and the private placement.

The attached table illustrates on a pro forma basis, as of September 28, 2010, the share structure of the combined company after giving effect to the proposed transaction and Mr. McEwen's private placement.

EFFECT ON SHARE STRUCTURE

VG Gold common shares outstanding	180,378,727
Shares issuable in exchange for Lexam common shares that were outstanding before the private placement to Rob McEwen	101,848,503
Shares of VG Gold owned by Lexam to be cancelled	(75,000,000)
Shares issuable in exchange for Lexam shares issued in the private placement	10,416,667

Pro forma common shares outstanding	217,643,897
VG Gold warrants outstanding	5,340,750
VG Gold options outstanding	4,325,000
Lexam warrants issued in the private placement, converted into combined company warrants	5,208,333
Lexam options converted into combined company options	525,000
Pro forma fully diluted shares	233,042,980



Paymaster Property

The Paymaster property consists of 16 claims with an area of about 500 acres, adjacent to the Fuller and Buffalo Ankerite properties and 2 miles south east of the City of Timmins. VG Gold has the option to earn a 60% interest in the Paymaster claims over a period of four years. (See details on page 6 under *Goldcorp Agreement.)*

The east-west mineralized Paymaster west porphyry zones on both the Fuller Property and the Buffalo Ankerite property trend on to the Paymaster property. 15 of the Paymaster claims are situated to the east of the Fuller and Buffalo Ankerite properties and one claim is located adjacent to the west extension of the Buffalo Ankerite South Mine zone. The Company plans to focus 50% of its exploration budget on the Paymaster property west porphyry zone during the remainder of 2010. On the Paymaster property, the west porphyry zone represents the primary exploration focus of the company. Previous historical mining and exploration work established the presence of gold zones associated with porphyry.

During 2010 VG Gold's exploration drilling work was performed on the Paymaster property, which was optioned from Goldcorp, under a four year option agreement. The project is situated next to Goldcorp's Dome mine, which has produced 17.1 million ounces of gold to date.

VG Gold has focused its drilling on the Paymaster west porphyry zone, where historic underground mining has occurred from near surface to a depth of 600 feet. The Company drilled 56 holes targeting both near open pit mineralization and deeper mineralization, which could be worked by underground mining methods. For 2009 drill results see the drill table at http://www.vggoldcorp.com/pdfs/drilling_paymaster.pdf .

Phase I drilling (3rd Quarter 2009)

Phase I drilling successfully confirmed the presence of near-surface, widespread gold mineralization at the Paymaster West project. All of the holes targeted gold mineralization between 15 metres (50 feet) and 90 m (300 feet) below surface. Since drilling occurred close to the previously mined areas, most of the holes encountered underground openings with six of the 12 holes totaling 1,138 meters having to be terminated prior to their targeted depth. The presence of high-grade gold mineralization in the upper areas outside of the previously mined areas indicates that there is good exploration potential not only at depth, but also close to surface.

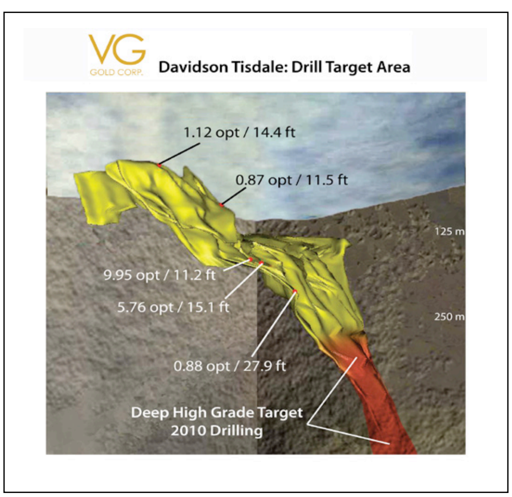
Gold mineralization at the Paymaster West project is hosted within strongly altered and well-mineralized quartz feldspar porphyry. Alteration consists of pervasive ankerite and sericite with local tourmaline, both disseminated and in veins. Pyrite mineralization is disseminated throughout, with local concentrations to 20 per cent. Visible gold (VG) was noted in two holes.

Phase II drilling (4th Quarter 2009)

Based on the successful phase I drilling, VG Gold mobilized a second diamond drill to the Paymaster West project. Phase II drilling is planned to consist of 40 holes totaling 11,455 metres (37,582 feet) and will target porphyry-hosted, high-grade gold mineralization located between 150 m (500 feet) and 300 m (1,000 feet) below surface and beneath the historical mine workings.

Phase III drilling (1st to 3rd Quarter 2010)

Phase III drilling began in January 2010 and consists shallow drilling to outline near surface, potentially open pittable gold mineralization and to outline the deposit between surface and approximately 1,000 feet deep along 2,700 feet of strike length. Exploration drilling has taken place along the entire strike length, from the Buffalo Ankerite on the east and up to the property boundary with Goldcorp's Dome Mine in the west. The Company released drill results on July 12 and September 13 during the quarter. In late October the near surface drilling is scheduled to be completed along the 2,700-strike length, and then deeper drilling will commence below 1,000 feet depth along the property strike length to explore for higher grade underground mineralization.



Davidson Tisdale Property

The Davidson Tisdale Property consists of 10 claims covering approximately 520 acres in Tisdale Township.

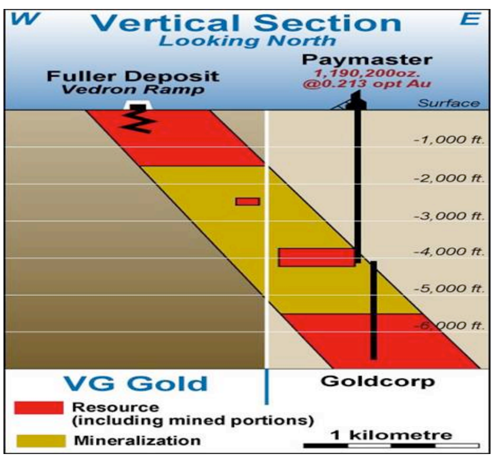
The property is accessed by an all-weather road from the town of South Porcupine and is located 5 kilometers northeast of the city of Timmins. During the year Laurion Minerals sold its 31.5% joint venture interest to San Gold Corp.

Geologically the property is situated on the north limb of the Porcupine Syncline, a structure that hosts a number of the richest gold deposits in Timmins, including the Hollinger and McIntyre Mines. Significant development work took place in the 1980s, with a decline ramp driven to a depth of 550 feet. Historical work in the 1920s established several mine levels down to 600 feet.

Drilling has been focused in the area from surface to 200 metres in both the S-Zone and the Main Zone. VG Gold's exploration focus is on the high-grade quartz veins in the Main Zone. VG Gold filed a PEA issued by Vetrin Mine Planners on www.sedar.com in October 16, 2007 and the qualified person for the report is Ronald Moran. The Company is working towards obtaining all necessary permits required for production.

During 2010 VG Gold, paying 68.5%, and San Gold, paying 31.5%, plan to continue exploring the property below 200 meters to greater depth.

Exploration drilling took place from January 2010 to July 2010, with focus on the Main Zone below 250 metres deep.

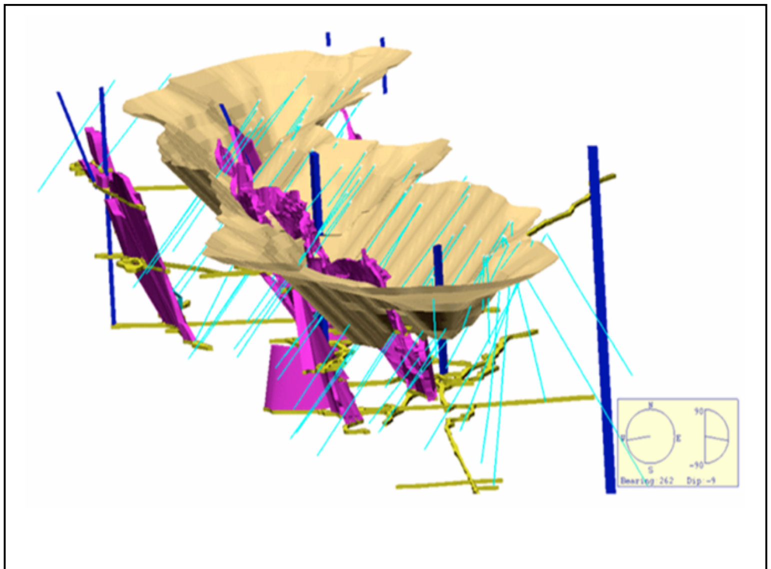


Fuller Property

The 100% owned Fuller Property consists of 17 claims totaling 672 acres located in Tisdale and Deloro Townships, Timmins, Ontario. Four new patented claims were acquired from the Porcupine Joint Venture owned by Goldcorp Canada Ltd., with a 51% interest and Goldcorp Inc., with a 49% interest (together "Goldcorp") during the prior year. The property is accessed by paved road and is located 2 km southeast of the city of Timmins.

Property geology consists of the east-west trending volcanic flows that have produced more than 50 million gold ounces within a 3 mile radius of the Fuller deposit. Neighbours include the Dome Mine to the east and the Hollinger and McIntyre Mines to the north and northwest. In 1984 the fractured ownership of the Fuller Deposit was consolidated under VG Gold's control. Further exploration and development work proceeded during the late 1980s. This work involved establishing a decline ramp to a depth of 650 feet with 5 mine levels, and confirming a historically estimated gold resource. In the late 1990s, VG Gold's exploration drilling was designed to expand the resource (see updated Wardrop NI 43-101 report filed on www.sedar.com December 4, 2007). The Fuller Property resource is situated in steeply dipping zones of sulphide mineralization. The gold zones appear to be the updip extension of the neighbouring Goldcorp owned Paymaster mine. Seven gold zones that contain gold mineralization have been drilled to a depth of 1,600 feet. Paymaster, the on strike neighbour, was mined and developed to a depth of 7,000 feet.

VG Gold filed a Preliminary Economic Assessment (PEA) issued by Vetrin Mine Planners on www.sedar.com in April 4, 2008 with Ronald Moran as the qualified person.



Buffalo-Ankerite South Mine Pit Shell

Buffalo Ankerite Property

The 100% controlled Buffalo Ankerite property consists of 35 claims totaling 1,063 acres in Deloro township, Ontario. The property is accessed by a paved road 2 kilometres southeast of the city of Timmins.

The Buffalo Ankerite mine produced 1 million ounces of gold from 1926 to 1953. Adjacent to the west, the Aunor mine produced 2.5 million ounces of gold, and to the east the Paymaster mine produced 1.2 million ounces of gold. The geology of the property consists of volcanic flows that are folded from east-west to north by northeast. A 4,000 feet deep production shaft on the property was the primary means of historical gold production.

A PEA issued by Vetrin Mine Planners was filed on www.sedar.com in July 6, 2007 for the near surface gold mineralization in the south mine area, as outlined by recent drilling. The qualified person for the PEA is Ronald Moran. Drilling continued through 2009, with plans to continue to expand the mine area gold mineralization in future programs.

Overall Performance

For the period ended September 30, 2010 the Company's cash position decreased, from $6,708,698 as of December 31, 2009 to $2,675,233. The Paymaster and Davidson-Tisdale properties were the primary exploration focus of the Company during the quarter.

The Company will continue to focus on its four central Timmins properties during 2010. This will comprise of exploration drilling, permitting and mine planning activities. The main activities carried out during the quarter were focused on increasing the gold resources through exploration drilling on the Paymaster and Davidson-Tisdale properties.

Goldcorp Agreement

Effective June 13, 2008, the Company signed an option and joint venture agreement with Goldcorp. This agreement allows the Company to earn a 60 percent interest in select claims of the Paymaster Property situated on the east boundary of both VG Gold's Buffalo Ankerite and Fuller properties. Also included is one Aunor Mine Claim situated on the west side of the Buffalo

Ankerite Property. Under the terms of the agreement, VG Gold has the option to earn a 60 percent interest in 15 claims by incurring exploration expenditures of $6 million over 4 years, subject to a back-in-right option. 14 of the claims are in Deloro Township, with 13 on the east side of the Buffalo Ankerite Property, and the Aunor claim on the west side. The other two claims are optioned to the 4,075 feet level in the adjacent Paymaster Mine in Tisdale Township and are adjacent to the east side of the Fuller Property. VG Gold also acquired a 100 percent interest in four claims in Tisdale Township on the west side of the Fuller Property in exchange for the surface rights to five claims on the northern part of the Fuller Property.

Under the terms of the Option and Joint Venture Agreement, VG Gold can exercise its option and enter into a 60/40 Joint Venture agreement with Goldcorp once it has completed the $6 million work program and has made payments of cash, shares and warrants specified below. Upon VG Gold exercising its option to form the joint venture, Goldcorp has a six month period where it can exercise a back-in right to increase its interest from 40 percent to 70 percent, and become the operator, by making a payment of $710,000 to VG Gold plus incurring exploration and development expenditures of $8,250,000 on the property within two years of the back-in right notice and by completing a feasibility study within three years of the back-in right notice.

The terms of the agreement provide for VG Gold to spend $800,000 in the first year of the agreement, $1.1 million in year two, $1.6 million in year three and $2.5 million in year four, for a total of $6 million over 4 years. The first year work program of $800,000 is a work commitment on the Goldcorp property, which has been met as of December 31, 2009, and the second year work commitment of $1.1 million has also been met as of September 30, 2010. VG Gold paid $40,000 on signing and has paid $50,000 at the end of the first anniversary. The Company also issued 340,000 shares on signing and 1 million warrants, which expired on June 13, 2009, with an exercise price of $0.31 per share. VG Gold has also issued shares with a value of $100,000 on the first anniversary and also issued another $100,000 worth of shares on the second anniversary. There remains a further $150,000 on the third anniversary and $200,000 on the fourth anniversary of the agreement.

This agreement provides VG Gold the opportunity to expand the known gold mineralized zones that trend from VG Gold's property onto Goldcorp's properties.

Selected Financial Information

The following table provides selected financial information that should be read in conjunction with the financial statements of the Company.

	Quarter ended September 30		***Nine months ended September 30***		***Fiscal year ending December 31,***
	2010	***2009***	***2010***	***2009***	***2009***
Interest and Other Income	$4,474	$8,517	$12,248	$25,384	$29,189
Loss for the period	$444,153	$136,217	$996,013	$385,040	$957,297
Loss per share	$(0.002)	$(0.001)	$(0.006)	$(0.003)	($0.008)
Total assets			$31,946,009	$27,605,099	$32,652,103
Mineral interests			$27,839,988	$23,881,173	$25,026,311
Total liabilities			$294,491	637,089	$483,131

Results of Operations

The Company's operations involve exploration on its gold properties in Ontario, Canada. The Company has no income from mining operations. For the quarter ended September 30, 2010, the Company had a net loss of $444,153 (September 30, 2009 - $136,217). The increased loss of $307,936 over the comparable quarter ended September 30, 2009 was mainly due to an increase in operational activities of the Company, including accounting and legal by $48,895 and an increase in shareholder relations of $29,690 and due to increased investor awareness activity in North America and Europe. Consulting fees also increased by $16,948 due to the increased corporate activity at head office. Non-cash items include an increase of $44,171 to stock-based compensation.

For the nine months ended September 30, 2010, the Company had a net loss of $996,013. (Nine months ending September 30, 2009 - $ 385,040). The increased loss of $610,973 was mainly due to management fee increase of $90,000, as bonuses were declared to officers of the Company, Accounting and Legal fees increased by $38,426 due to increased costs relating to the Lexam purchase, Advertising and Promotion by $25,255 due to the increased activity of the Company, Research and Marketing fees increased by $41,277 due to the increased coverage of the Company by Research companies, Shareholder Relations by $133,332, due to the increased activity by management of the Company in raising the profile of VG, along with an increase in travel of $34,970 for the same reason.

Revenue

The Company did not earn revenue during the quarter ended September 30, 2010, other than interest income of $3,074 and other income of $1,400.

Expenses

	Three months ended September 30, 2010	***Three months ended September 30, 2009***	***Change %***
Office, general and administrative	$402,443	263,439	53%
Stock-based compensation	$44,171	-	-%

Office, general and administrative expenses increased by 53% or $139,004, due to the increased shareholder and investor relation activities. There were no stock options granted in the quarter and the Stock-based compensation was related to shares that vested during the quarter.

Exploration and Development Expenditures

Drilling and other exploration expenditures are capitalized. Exploration expenditures, which were capitalized for the quarter ended September 30, 2010, amounted to $917,129. Capitalized exploration and development expenditures for the quarter ended September 30, 2010 includes $62,477 on the Davidson Tisdale Property, $17,942 on the Fuller Property, $432,599 on the Buffalo Ankerite Property and $404,111 on the Paymaster Property.

The Company is focused on exploring and developing its four advanced gold properties: the Davidson Tisdale Property, the Fuller Property the Buffalo Ankerite Property and the Paymaster Property. During quarter ended September 30, 2010, the primary exploration focus was on the Paymaster and Davidson-Tisdale properties.

Exploration and Development Expenditures for the quarter ended September 30, 2010

	Davidson Tisdale	*Fuller*	*Buffalo Ankerite*	*Paymaster*	*Total*
Geological	$6,103	$1,100	$21,342	$105,722	$134,267
Engineering					
Drilling	$23,828		$363,635	$245,977	$633,440
Acquisition	$12,977				$12,977
Permitting	$7,478	$12,083	$19,794		$39,355
Other	$12,091	$4,759	$27,828	$52,412	$97,090
Property Total	$62,477	$17,942	$432,599	$404,111	$917,129

Summary of Quarterly Results

Selected financial information for the eight previous fiscal quarters.

Quarterly Financial Information (unaudited)				
	2010 Q3	*2010* Q2	*2010* Q1	*2009* Q4
(a) Revenue - interest	$ 3,074	$ 4,130	$ 3,644	$ 3,805
(b) Net loss	$ (444,153)	$ (282,695)	$ (269,165)	$ (572,257)
(c) Net loss per share	$ (0.002)	$ (0.003)	$ (0.005)	$ (0.005)
(basic & fully diluted)				
	2009 Q3	*2009* Q2	*2009* Q1	*2008* Q4
(a) Revenue- interest	$ 8,517	$ $8,517	$ 8,350	$ 8,435
(b) Net loss	$ (136,217)	$ (148,532)	$ (100,291)	$ (56,322)
(c) Net loss per share	$ (0.001)	$ (0.001)	$ (0.002)	$ (0.004)
(basic & fully diluted)				

Liquidity and Capital Resources

For the quarter ended September 30, 2010 the Company's cash position decreased from the December 31, 2009 year-end total of $6,708,698 to $2,675,233.

There were 778,760 warrants exercised, which resulted in a $116,813 addition to the bank and 295,000 options exercised adding $73,750 to the bank.

Outstanding Share Data

The authorized capital of the Company is comprised of an unlimited number of common shares.

At September 30, 2010 the Company had 180,378,727 common shares outstanding (December 31, 2009 – 177,926,612).

During the quarter the Company issued:

- 778,750 common shares on exercise of warrants for gross proceeds of $116,813 and;
- 295,000 common shares on exercise of options for gross proceeds of $73,750

The number of warrants outstanding at quarter end is 5,340,750 ranging in expiry dates from November 13, 2010 to March 1, 2011 and at exercise prices ranging from $0.08 to $0.15.

The number of outstanding options at quarter end is 4,325,000 ranging in exercise prices of $0.15 to $0.60

Commitments

VG Gold has entered into a joint venture with others whereby the Company may earn an interest in certain mineral properties by making option payments in cash and property work obligations to maintain the option on properties. VG Gold's current commitments are as follows:

> By June 12, 2011 the Company is committed to exploration expenditures of $1,600,000 and $150,000 in shares to be issued. By June 12, 2012, the Company is committed to exploration expenditures of $2,500,000 and $200,000 in shares to be issued.

Transactions with Related Parties

Management fees were paid to companies controlled by officers and directors of the Company, totaling $48,000 (2009 - $48,000) for the quarter.

The Company paid legal fees of $2,772 (2009 – $12,665) for the quarter to a firm in which an officer of the Company is also a partner of the law firm.

The Company has paid directors' fees of the Company totaling $13,000 (2009 - $7,500) for the quarter.

All related party transactions into which the Company has entered are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Environmental Risks and Hazards

All phases of VG Gold's mineral exploration operations are subject to environmental regulations pertaining to the City of Timmins, the province of Ontario and Canada. Environmental legislation is evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect VG Gold's operations. Environmental hazards may exist on the properties on which VG Gold holds interests, which are unknown to VG Gold at present and which may have been caused by previous or existing owners or operators of the properties. VG Gold may become liable for such environmental hazards caused by previous owners and operators of the properties even where it has attempted to contractually limit its liability. Government approvals and permits are currently and may in the future be required in connection with VG Gold's operations. To the extent that such approvals are required and not obtained, VG Gold may be curtailed or prohibited from proceeding with planned exploration or development of mineral properties. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities which may cause operations to cease or be curtailed and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

The future costs of retiring mining assets include dismantling, remediation, ongoing treatment and monitoring of the site. These are reconciled and recorded as a liability at fair value. The liability is accreted, over time, through periodic charges to earnings. In addition, asset retirement costs are capitalized as part of the asset's carrying value and amortized over the asset's useful life. As the Corporation has not yet begun mining or milling operations, the Company currently has no identifiable obligations in relation to the retirement of its assets save for the Buffalo Ankerite mine site, for which the Mining Lands Commissioner had issued an Order for the Company to use its best efforts to remediate the open pit on the site and to maintain security. The estimated cost to perform this work is not determinable due to the uncertainty about the timing of the remediation work as the Company is still exploring the property for future development and therefore no liability has been accrued in the financial statements.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on VG Gold and could cause increases in exploration expenses, capital expenditures and production costs. They may also cause a reduction in levels of production at producing properties or they may require abandonment or delays in development of new mining properties.

Production of mineral properties may involve the use of dangerous and hazardous substances such as sodium cyanide. While all steps will be taken to prevent discharges of pollutants into the environment, VG Gold may become subject to liability for hazards against which it cannot be insured. The Company is subject to all environmental acts and regulations at the federal and provincial levels. These include, but are not limited to, the following:

Federal Level (Canada)	**Provincial Level (Ontario)**
Canadian Environmental Protection Act	Environmental Protection Act
Fisheries Act	Mining Act
Navigable Waters Protection Act and Regulations	

To the Company's knowledge, there are no liabilities to date, which relate to environment risks or hazards.

Critical Accounting Estimates

The Company's significant accounting policies are summarized in note 2 of the audited financial statements for the year ended December 31, 2009. These financial statements have been prepared using Canadian GAAP applicable to a going concern, which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business. However, the Company is in the exploration stage and is subject to risks and challenges similar to companies in the comparable stage. As a result of these circumstances, there is significant doubt as to the appropriateness of the going concern presumption. There is no assurance that the Company's funding initiatives will continue to be successful and these financial statements do not reflect the adjustments to carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material. The policies described below and estimates related to them have the most significant effect in preparation and presentation of the Company's financial statements.

Mineral Properties

The Company defers the costs of exploration and capital assets in existing projects and carries them as assets until production begins. Mineral properties and deferred exploration expenditures are recorded at cost and do not necessarily reflect present or future values. If a project is successful, the related mineral properties and deferred exploration expenditures will be amortized over the estimated economic life of the project. If a project is unsuccessful, or if exploration ceases because continuation is not economically feasible, the mineral properties and related exploration expenditures are written off.

Senior management periodically reviews the carrying value of the mineral properties and deferred exploration expenditures, to consider whether there are any conditions that may indicate impairment.

Where estimates of future cash flows are available, a reduction in carrying value is recorded to the extent the net book value of the investment exceeds the estimated future cash flows. Where estimates of the future cash flows are not available and where other conditions suggest impairment, management assesses if the carrying value can be recovered and provides for impairment, if so indicated.

Warrants

The Company accounts for warrants using the fair value method. Under this method, the value of warrants is measured at fair value at the grant date using the Black-Scholes valuation model and recorded as share capital when the warrants are exercised.

Stock-based Compensation

The Company has a stock-based compensation plan. VG Gold accounts for stock options using the fair value method. Under this method, compensation expense for stock options granted is measured at fair value at the grant date using the Black-Scholes valuation model and recognized over the vesting period of the options granted. Forfeitures of stock options are recognized as incurred.

Nature of Operations

VG Gold is an exploration and development company engaged in the mining business. Some of its mineral properties are currently being explored and developed and the Company has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of the amount shown for mineral properties is dependent upon the existence of economically recoverable reserves, as established in accordance with National Instrument No. 43-101, upon the ability of VG Gold to obtain the necessary financing to complete exploration and development and upon future profitable production or proceeds from disposition of such properties.

The Company tries to maximize its exposure to promising exploration and development opportunities, to manage the risks inherent in exploration and to make appropriate use of financial management resources.

Off-Balance Sheet Arrangements

As at September 30, 2010, the Company does not have off-balance sheet arrangements.

Additional Funding Requirements

As discussed, the mineral properties of VG Gold are in the exploration and development stage and, as a result, the Company has no source of operating cash flow. The Company intends to raise such additional funds to complete its projects. There is no assurance that VG Gold will be able to raise additional funds on reasonable terms. The development of any ore deposits found on the exploration properties of VG Gold depends on the ability of the Company to obtain financing through debt financing, equity financing or other means. If the exploration and development programs of VG Gold are successful, additional funds will be required to develop the properties and, if successful, additional funds will be required to place them in commercial production. The only source of future funds presently available to VG Gold is the sale of equity capital of VG Gold or the sale by VG Gold of an interest in any of its properties in whole or in part. The ability of VG Gold to arrange such financing in the future will depend in part upon the prevailing capital market conditions, as well as on the business performance of the Company.

There can be no assurance that VG Gold will be successful in its efforts to arrange additional financing if needed on terms satisfactory to VG Gold. If additional financing is raised by the issuance of shares from the treasury of the Corporation, control of VG Gold may change and shareholders may suffer additional dilution. If adequate financing is not available, VG Gold may be required to delay, reduce its scope, eliminate one or more exploration activities or relinquish rights to certain of its interests. Failure to obtain additional financing on a timely basis could cause VG Gold to forfeit its interests in some or all of its properties and to reduce or terminate its operations.

Future Accounting Changes

Section 1582

The new Section 1582 - Business Combinations, which replaces Section 1581 - Business Combinations, establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. The new standard applies to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier application is permitted.

The Company plans to early adopt this standard in light of the Lexam and VG Gold proposed business combination as the transaction is expected to close by the end of 2010.

Section 1601 & 1602

The new Sections 1601 - Consolidated Financial Statements and Section 1602 - Non-Controlling Interest, together replace Section 1600 - Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes the accounting for a non-controlling interest in a subsidiary, in the consolidated financial states, subsequent to a business combination. These standards apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year.

The Company does no expect the adoption of these new standards to have an impact on its financial statements.

Status of VG Gold's Transition to International Financial Reporting Standards (IFRS)

On February 13, 2008, the CICA Accounting Standards Board (AcSB) confirmed that the changeover to IFRS from Canadian GAAP will be required for publicly accountable enterprises for interim and annual financial statements effective for fiscal years beginning on or after January 1, 2011, including comparatives for 2010. The objective is to improve financial reporting by having one single set of accounting standards that are comparable with other entities on an international basis.

The Company commenced its IFRS conversion project during 2009 and established a formal project governance structure, including an IFRS Steering Committee, to monitor the progress and critical decisions in the transition to IFRS. The Steering Committee consists of senior financial management. An external consultant was engaged to work with the Company's designated project staff. Regular reporting has been provided by the Steering Committee to the Audit Committee of the Board of Directors. The external auditors have also been consulted throughout the process.

The implementation project consists of three primary phases: the scoping and diagnostic phase (high-level impact assessment to identify key areas); the impact analysis, evaluation and design phase (project teams to develop policy alternatives, draft financial statement content and determine changes to existing accounting policies, information systems and business processes); and the implementation and review phase (implement and approve changes to accounting policies, information systems, business processes, training programs, develop IFRSs-compliant financial statements and obtain audit committee approval). The company completed the scoping and diagnostic phase in December 2009, and is now in either the impact analysis, evaluation and design phase or the implementation and review phase, depending on the area of IFRSs.

Commencing for the period ended March 31, 2011 the Company will restate its comparative fiscal 2010 financial statements for annual and interim periods to be consistent with IFRS. In addition, the Company will reconcile equity and net earnings from the previously reported fiscal 2010 Canadian GAAP amounts to the restated 2010 IFRS amounts.

The Company continues to monitor standards development as issued by the IASB and the Accounting Standards Board (Canada), as well as regulatory developments as issued by the Canadian Securities Administrators, which may affect the timing, nature or disclosure of the Company's adoption of IFRS.

Given the progress of the project and outcomes identified, the Company could modify choices made between the time of communicating these key milestones and the changeover date. Further, changes in regulation or economic conditions at the date of the changeover or throughout the project could result in changes to the transition plan being different from those communicated.

The following table summarizes the key elements of the company's plan for transitioning to IFRS and the progress made against each activity. There have been no significant changes to the status of these key elements from that disclosed in the company's 2009 financial review annual report.

Key Activities	Milestones	Status
Accounting policies and procedures: • Identify differences between IFRSs and the company's existing policies and procedures • Analyze and select ongoing policies where alternatives are permitted • Analyze and determine which IFRS 1 exemptions will be taken on transition to IFRSs • Revise accounting policy and procedures manuals	• Senior management approval and audit committee review of policy decisions by Q1 2010 • Revised accounting policy and procedures manuals in place by Q3 2010	• Certain major accounting policy decisions were preliminarily approved by senior management and reviewed by the audit committee of the Board of Directors in Q1 2010. Some accounting policy choices are still being analyzed and not all decisions have been made where accounting policy choices are available • Revisions to accounting and procedures manuals are being drafted as work on each area of IFRSs progresses
Financial statement preparation • Prepare financial statements and note disclosures in compliance with IFRSs • Quantify the effects of converting to IFRSs • Prepare first-time adoption reconciliations required under IFRS 1	• Senior management approval and audit committee review of preliminary pro forma financial statements and disclosures by Q3 2010 • Senior management approval and audit committee review of full	• Development of financial statement format is in progress • Draft note disclosures is in progress • Effects of the conversion are being quantified as work on each area of IFRSs progresses

	proforma financial statements prior to changeover	
Training • Provide technical training to key finance and accounting personnel	• Ongoing training to key personnel as needed	• Technical training provided to key personnel in Q4 2009 and Q1 2010
Business Activities • Identify conversion impacts upon contracts	• Impacts on contracts identified by Q2 2010 • Taxation impacts identified by Q3 2010	• Identification of contracts is complete. Adoption of IFRSs is not expected to have any material impact on the company's contracts
Financial information systems • Identify changes required to financial information systems and implement solutions • Determine and implement solution for capturing financial information under Canadian GAAP and IFRS in 2010	• Necessary changes to financial information systems implemented by transition date • Solution for capturing financial information under Canadian GAAP and IFRS in Q2 2010	• Necessary changes to financial information systems is in progress • IFRS reporting application has been implemented to enable the capturing of financial information under both Canadian GAAP and IFRS
Control Environment • Maintain effective Disclosure Controls & Procedures (DC&P) and Internal Controls over Financial Reporting (ICFR) throughout the IFRS project • Design and implement new IFRS control environment	• Incremental controls to be developed by Q3 2010 for the review of IFRS comparative financial information • Redesigned business process standards and controls to be in place by Q1 2011	• Completed impact assessment of IFRS technical accounting differences on financial reporting risks, procedures, systems and controls • Business processes are being assessed and redesigned (as needed) as the project progresses

Set out below are the key areas where changes in accounting policies are expected to have a significant impact on our financial statements. The list and components below should not be regarded as a complete list of changes that will result from the transition to IFRS. It is intended to highlight those areas we believe to be most significant. In addition, the differences described below are based on Canadian GAAP and IFRS standards as they exist today. At this stage, we have not completed quantifying the impact of these differences on our financial statements.

Accounting Policy Area	***Impact of Policy Adoption***
Share-Based Payments	**Differences from existing Canadian GAAP:** IFRS 2, "Share-Based Payments", requires that stock based compensation payments to employees be measured (both initially and at each reporting date) based on fair values of the awards. The fair value is required to be measured separately for each instalment and is recognized over the vesting period of each instalment (graded vesting). This will result in front-loading of compensation expense which is different from Canadian GAAP. **Expected transition impact:** 2010 net income may be affected by any 2010 stock option awards issued which vest in instalments.
Asset Retirement Obligations	**Differences from existing Canadian GAAP**: Under IFRS, an ARO is established when we have a constructive obligation to

	restore one of the properties to original condition. As a consequence, the Company may be required to set up ARO's earlier than under Canadian GAAP. The Company is required to set up a corresponding asset and depreciate it over the remaining life of the asset. **Expected transition impact:** The expected transition impact may result in reduced retained earnings on transition should the Company identify any ARO's not recorded under Canadian GAAP. The Company is currently in the process of identifying whether we have any ARO's related to our properties in accordance with IFRS.
Exploration and evaluation	**Differences from existing Canadian GAAP**: IFRS 6, *Exploration for and Evaluation of Mineral Resources*, allows an entity to either develop a new accounting policy for exploration and evaluation expenditures consistent with IFRS requirements or continue to follow the Company's existing policy. **Expected transition impact**: The Company will continue to use our existing accounting policy to capitalize all exploration costs. The Company is currently determining if there are historical exploration costs that should not have been capitalized under IFRS 6.
Asset impairment	**Differences from existing Canadian GAAP**: Under IFRS, assets are tested for impairment either individually or within cash generating units ("CGU's"). This approach reflects the smallest group of assets capable of generating largely independent cash inflows, which may differ from asset groups under Canadian GAAP. Impairment charges relating to long-lived assets may be more frequent under IFRS as the cash flow test for recoverability is based on a one step discounted cash flow approach. Impairment under IFRS is recognized if the carrying amount exceeds the higher fair value less cost to sell and value in use. Unlike Canadian GAAP, reversal of impairment charges is required under IFRS if the circumstances leading to the impairment no longer exist. **Expected transition impact**: The Company is currently in the process of obtaining appraisals of our long-term assets as we have no revenues for the purposes of calculating CGU's.
Property, Plant and Equipment	**Differences from existing Canadian GAAP**: The Company has the option to record property, plant and equipment at their fair value on transition to IFRS. This fair value becomes the deemed cost of the asset. The election can be taken on an asset-by-asset basis. The Company is currently analyzing the

	potential for utilizing this election on certain assets. **Expected transition impact**: The expected impact is uncertain as the Company is currently in the process of the determining the fair value of the underlying asset groups.
Income taxes	**Differences from existing Canadian GAAP**: Income tax differences may arise from the changes in the assets and liabilities as described above and may result in changes to the calculation of our future income tax assets and liabilities. **Expected transition impact**: To be determined.

Risks and Uncertainties

The Company's business of exploring and developing mineral properties is highly uncertain and risky by its very nature. In addition, the ability to raise funding in the future to maintain the Company's exploration and development activities is dependant on financial markets, which often fail to provide necessary capital.

Regulatory standards continue to change making the review process longer, more complex and more costly. Even if an apparently mineable deposit is developed, there is no assurance that it will ever reach production or be profitable, as its potential economics are influenced by many key factors such as commodity prices, foreign exchange rates, equity markets and political interference, which can not be controlled by management.

Management's evaluation of disclosure controls and procedures

Management is responsible for establishing and maintaining a system of controls and procedures over the public disclosure of financial and non-financial information regarding the Company. Such controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported, on a timely basis, to senior management, including the President and the Chief Financial Officer (CFO), so that they can make appropriate decisions regarding public disclosure. The system of disclosure controls and procedures includes, but is not limited to, our Disclosure Policy, our Code of Business Ethics, the effective functioning of our Disclosure and Audit Committees, procedures in place to systematically identify matters warranting consideration of disclosure by the Disclosure Committee and verification processes for individual financial and non-financial metrics and information contained in annual and interim filings, including the financial statements, MD&As, Annual Information Forms and other documents and external communications.

As required by CSA Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures was conducted under the supervision of Management, including the President and CFO, as of September 30, 2010. The evaluation included documentation review, enquiries and other procedures considered by Management to be appropriate in the circumstances.

Based on that evaluation, the President and the CFO have concluded that the design and operation of the system of disclosure controls and procedures was effective as of September 30, 2010.
The President and CFO are also required, under Multilateral Instrument 52-109, to file certifications of the annual filings. Copies of these certifications may be found on SEDAR at www.sedar.com.

Internal Control over Financial Reporting

The Company's Chief Executive Officer and Chief Financial Officer are also responsible for establishing and maintaining internal control over financial reporting (as required by Multilateral Instrument 52-109). These responsibilities include: (i) designing the Company's internal control over financial reporting, or causing it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP; and (ii) causing the Company to disclose in this MD & A any change in the Company's internal control over financial reporting that occurred during the Company's most recent period that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. Internal control over financial reporting should include policies and procedures that establish, among others, the following items:

- Maintenance of records in reasonable detail, that accurately and fairly reflect the transactions and dispositions of the Company's assets;
- Reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with applicable GAAP;
- Receipts and expenditures are only being made in accordance with authorizations of management and the Board of Directors; and
- Reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Due to inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Forward Looking Statements

This report may contain forward-looking statements that involve a number of risks and uncertainties, including statements regarding the outlook for the Company's business and operational results. By nature, these risks and uncertainties could cause actual results to differ materially from what has been indicated. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to failure to establish estimated resources and reserves, the grade and recovery of ore which is mined from estimates, capital and operating costs varying significantly from estimates, delays or failure in obtaining governmental, environmental or other project approvals and other factors including *those risks and uncertainties identified above. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information as a result of new information, future results or other such factors which affect this information, except as required by law.*

Signed

"*Alex Falconer*"
Alex Falconer, CFO

November 11, 2010