Lexam VG Gold Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2011

This Management's Discussion and Analysis ("MD&A) is prepared as of November 10, 2011 and should be read in conjunction with the audited annual financial statements of VG Gold Corp. ("VG Gold") and Lexam Explorations Inc. ("Lexam") for the year ended December 31, 2010, and the condensed unaudited interim consolidated financial statements of Lexam VG Gold Inc. (the "Company" or "Lexam VG") for the three and nine months ended September 30, 2011 and 2010, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical fact, that address future exploration activities and events or developments that the Company expects, are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Additional information, including the Annual Information Form can be found on SEDAR, www.sedar.com. All amounts are in Canadian dollars.

Overview

On January 1, 2011, Lexam and VG Gold amalgamated forming a new corporation called Lexam VG Gold Inc. affected by way of a Plan of Arrangement pursuant to the *Business Corporations Act* (Ontario) (the "Arrangement"). As part of the Arrangement, Robert R. McEwen, former Chairman and Chief Executive Officer ("CEO") of Lexam and Non-Executive Chairman of Lexam VG, invested $5 million through a private placement in Lexam priced at $1.008 per unit of Lexam, with each unit consisting of one Lexam common share and one-half of one Lexam common share purchase warrant.

The Arrangement was approved by the shareholders of Lexam and VG Gold on December 13, 2010 and received court approval on December 20, 2010. The Arrangement was carried out pursuant to the terms and conditions contained in an arrangement agreement (the "Arrangement Agreement") dated November 5, 2010 between Lexam and VG Gold and the Plan of Arrangement.

Pursuant to the terms of the Arrangement Agreement and Plan of Arrangement, holders of common shares of Lexam became holders of common shares of Lexam VG on the basis of 2.1 Lexam VG common shares for each Lexam common share held. Holders of common shares of VG Gold became shareholders of Lexam VG on a basis of one Lexam VG common share for each VG Gold common share held.

VG Gold was formed under the *Business Corporations Act* (Ontario) as Vedron Limited on March 24, 1972 by articles of amalgamation. On January 5, 1995 VG Gold amended its articles to change its name to "Vedron Gold Inc." and to consolidate its shares on a one for ten basis. On June 27, 2007, VG Gold further amended its articles to change to the current name, "VG Gold Corp.". The common shares of VG Gold were listed on the Toronto Stock Exchange ("TSX") under the symbol "VG", on the Frankfurter Wertpapierbörse, commonly known as the Frankfurt Exchange, as "VN3" and traded on the OTCQX in the United States as "VGGCF".

Lexam was incorporated under the laws of the Province of Ontario by articles of incorporation dated November 12, 1993. Lexam was a publicly traded company listed on the TSX Venture Exchange under the symbol "LEX". Lexam's principal activity was mineral and oil and natural gas exploration in Canada and the United States. Robert R. McEwen, the Chairman and CEO, prior to acquisition of Lexam, had a 49% ownership of the outstanding common shares of Lexam.

A copy of the Joint Information Circular, dated November 11, 2010, mailed to former holders of Lexam and VG Gold common shares is available under the SEDAR profiles for each of Lexam and VG Gold. Commencing on January 4, 2011, Lexam VG was listed and traded on the TSX under the symbol "LEX" and on the OTCQX in the United States as "LEXVF". Lexam VG also trades on the Frankfurt Exchange as "VN3A". Lexam VG's corporate office is located at 181 Bay Street, Suite 4750, PO Box 792, Toronto, Ontario, Canada, M5J 2T3.

The principal business of Lexam VG is to explore and develop gold properties in Timmins, Ontario, Canada and to acquire additional gold properties in the Timmins area. Lexam VG is currently focused on exploring its properties. The Buffalo Ankerite property is 100% controlled and the Fuller property is 100% owned. The Company has the option to earn a 60% interest in the Paymaster project as earn in requirements continue to be satisfied. The Company also holds a 68.5% interest in the Davidson Tisdale property. For more information see the Company's web site: www.lexamvggold.com.

In this report, gpt represents grams per tonne, m represents metres and, km represents kilometres.

Lexam VG Gold's reporting and functional currency is the Canadian dollar.

Lexam VG Gold Amalgamation

For accounting purposes the transaction has been accounted for using IFRS 2, Share-based payment ("IFRS 2"). Under IFRS 2, the entity shall measure the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods received. The attributable equity is based on the fair value of Lexam's net assets as at December 31, 2010 calculated as follows:

Cash	$	14,014,639
Accounts receivable		80,492
Prepaids		2,790
Restricted cash (a)		70,350
Equity accounted investment in VG Gold (b)		82,500,000
Accounts payable and accrued liabilities		(303,346)
Income taxes payable		(225,706)
Future tax liability on VG Gold investment (b)		(1,330,614)
Warrants (c)		(3,666,667)
Fair value of Lexam's net assets		91,141,938
Less: Fair value of outstanding Lexam stock options (d)		(540,750)
Fair value attibutable to Lexam VG common shares issued in exchange for Lexam common shares	$	90,601,188
Cancellation of VG Gold common shares (b)		(82,500,000)
Removal of future tax liability on VG Gold investment (b)		1,330,614
Net attributable equity to Lexam VG common shares issued in exchange of Lexam common shares	$	9,431,802

(a) Lexam Explorations (USA) Inc., a wholly owned subsidiary of Lexam, held a deposit of US$70,000, through a financial institution, with the State of Colorado Oil and Gas Conservation Commission, pertaining to surface reclamation bonds on the Baca property. During 2011, US$30,000 of the deposits were returned to Lexam VG.

(b) Lexam held 75,000,000 shares in VG Gold. On December 31, 2010 these shares were valued at $1.10, which translates into a fair value of $82,500,000. The future tax liability corresponds to the difference between Lexam's accounting and tax value. Upon amalgamation, these shares were cancelled, and as a result, the investment and future tax liability have been removed.

(c) The fair value of the warrants were calculated on January 1, 2011 using the following assumptions: Stock price - $1.10, strike price - $1.00, dividend yield - 0%, estimated life - 2 years, risk-free rate - 1.71%, and volatility - 123%.

(d) The fair value of the options were calculated on January 1, 2011 using the following assumptions: Stock price - $1.10, strike price - $0.07, dividend yield - 0%, estimated life - 8.5 months, risk-free rate - 1.40%, and volatility - 78%. Previously under Lexam management, 250,000 options were granted on August 14, 2001, with a 10 year life, and a strike price of $0.15. Upon conversion, these 250,000 Lexam options were converted to 525,000 Lexam VG options, priced at $0.07.

VG Gold common shares outstanding - December 31, 2010	186,810,133
Common shares issued to acquire Lexam (e)	112,265,004
VG Gold common shares held by Lexam	(75,000,000)
Total amalgamated common shares - January 1, 2011	224,075,137
VG Gold warrants outstanding	424,344
VG Gold options outstanding	2,810,000
Common shares issuable for Lexam warrants (e)	5,208,334
Common shares issuable for Lexam options (e)	525,000
Diluted shares outstanding - January 1, 2011	233,042,815

(e) As at December 31, 2010 Lexam had a total of 53,459,605 common shares outstanding, which included 4,960,318 common shares issued to Mr. McEwen as part of the private placement. Lexam also had 2,480,159 warrants outstanding corresponding to the private placement, along with 250,000 options outstanding. The conversion ratio of 2.1 Lexam VG common shares for each Lexam common share was used in calculating the capital structure for Lexam VG.

The Company incurred costs of $377,700 pertaining to the execution of the amalgamation. These costs have been expensed during the first quarter of 2011. These costs were recorded as prepaid expenses and deposits at December 31, 2010.

Exploration and Development Activities

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 km southeast of the city of Timmins.

North Zone:

Exploration on the North Zone is testing for higher grade Mineralization adjacent to and below previously mined areas, and to explore untested parallel gold zones.

Recent exploration results announced on June 9, 2011 and July 28, 2011 with a total of six drill holes have returned higher grade results and good thickness and have established presence of four parallel gold zones, including the western most zone which produced gold between 1926 and 1953. June 9, 2011 results included 23.85 gpt over 2.4 m and 20.16 gpt over 2.5 m and July 28, 2011 results included 17.63 gpt over 3.0 m, 10.66 gpt over 4.6 m and 17.00 gpt over 1.5 m. Exploration drilling on the North Zone mineralization will continue into the next quarter.

South Zone:

Exploration on the 1,300 m long South Zone is continuing to take place with the purpose of expanding the South Zone resource between Surface and 500 m depth. Recent results were published on September 27, 2011 and included 13.44 gpt over 2.2 m, 8.82 gpt over 3.4 m and 27.10 gpt over 1.2 m. The South Zone trends east west for a distance of 1,300 m across the Buffalo Ankerite property. Drilling to expand the mineralization on the South Zone is on going.

A preliminary economic assessment ("PEA") issued by Vetrin Mine Planners was filed on sedar (www.sedar.com) on 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 was Ronald Moran.

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 approximately 3 km south east of the City of Timmins. Lexam VG has the option to earn a 60% interest in the Paymaster claims over a period of four years.

The east-west mineralized Paymaster west porphyry zones on both the Fuller Property and the Buffalo Ankerite property trend onto the Paymaster property. Fifteen 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 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. The project is situated next to Goldcorp's Dome mine.

Currently the Company is drilling at Buffalo Ankerite North zones that straddle the boundary between the Paymaster property and the Buffalo Ankerite property. The western 400 m of the Buffalo Ankerite South Zone straddles the Aunor claim, which is part of the Paymaster option agreement with Goldcorp. The Company is drilling some of the Buffalo Ankerite targets from the Paymaster side of the boundary.

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% interest in select claims of the Paymaster Property situated on the east boundary of both Lexam VG'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, Lexam VG has the option to earn a 60% interest in 16 claims by incurring exploration expenditures of $6 million over 4 years, subject to a back-in-right option. Fourteen 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 from surface to a depth of 4,075 feet (1,242 m) in the adjacent Paymaster Mine in Tisdale Township and are adjacent to the east side of the Fuller Property. Lexam VG also acquired a 100% 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, Lexam VG 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 Lexam VG 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% to 70%, and become the operator, by making a payment of $710,000 to Lexam VG 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 Lexam VG 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. In aggregate, the Company has spent in excess of $5 million on the project, issued 1,227,997 common shares, and 1,000,000 warrants. All of the warrants expired unexercised in June 2009. The Company is on track to meeting its year four exploration expenditure requirements. Pursuant to the Option and Joint Venture agreement, the Company is also obligated to issue common shares equivalent to $150,000 and $200,000 on the third and fourth anniversary date of the agreement, respectively. In the second quarter of 2011, the Company issued 218,284 common shares with a fair value equivalent to $150,000 to fulfill the third anniversary requirement.

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

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 a 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 4 km 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 Lexam VG's control. Further exploration and development work proceeded during the late 1980s. This work involved establishing a decline ramp to an approximate depth of 198 m with 5 mine levels, and confirming a historically estimated gold resource. In the late 1990s, Lexam VG's exploration drilling was designed to expand the resource (see updated Wardrop NI 43-101 report filed on www.sedar.com on December 4, 2007). The Fuller Property resource is situated in steeply dipping zones of sulphide mineralization. The gold zones appear to be updip extension of the neighbouring Goldcorp owned Paymaster mine. Seven gold zones that contain gold mineralization have been drilled to a depth of 488 m. Paymaster, the on strike neighbour, was mined and developed to a depth of 2,134 m.

During the quarter the Company drilled multiple exploration holes on the Fuller property and is currently waiting for assay results.

Lexam VG Gold filed a PEA issued by Vetrin Mine Planners on www.sedar.com on April 4, 2008 with Ronald Moran as the qualified person.

Davidson-Tisdale Property

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

The property is accessed by an all-weather road from the town of South Porcupine and is located 5 km northeast of the city of Timmins. In 2009 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 168 m. Historical work in the 1920s established several mine levels down to 183 m.

Drilling has been focused in the area from surface to 200 m in both the S-Zone and the Main Zone. Lexam VG's exploration focus is on the high-grade quartz veins in the Main Zone. Lexam VG filed a PEA issued by Vetrin Mine Planners on www.sedar.com on October 16, 2007 and the qualified person for the report was Ronald Moran.

Exploration drilling took place from January 2010 to July 2010, with 13 holes into the S-zone to a depth of 200 m and 16 holes into the Main Zone below 250 m deep. Based on the results of these holes, the Company is contemplating drilling at greater depths, below 400 m, on the Main Zone. The property is currently undergoing further geological studies in order to design the next phase of the exploration drill program.

Windsor Property

The Company had a 100% interest in the property subject to a 2% net smelter royalty. In June 2011, the Company sold its 100% interest in the property for proceeds of $50,000 resulting in a loss of $75,094. The Company's carrying value of the property was $125,094.

Baca Oil & Gas Project – Colorado, USA

The Baca Oil and Gas Project is located in south-central Colorado, USA. The Company owns 75% of the oil and gas rights. The remaining 25% is owned by ConocoPhillips. Currently, the Company is not actively exploring the property.

Investment in Uranium Valley Mines – Quebec, Canada

On May 12, 2011, Lexam VG and Golden Valley Mines Ltd. ("Golden Valley") entered into a property transfer and share purchase agreement, whereby each company transferred $300,000, along with their respective 50% interest in the Otish & Mistassini Property, located north central Quebec, to Uranium Valley Mines Ltd. ("UVM"). In addition, Golden Valley also contributed its wholly owned Beartooth project to UVM. The Company simultaneously signed an escrow agreement with UVM, whereby the cash contribution of $300,000 was placed in escrow on May 16, 2011.

As a result of the transfers, Lexam VG holds 4,000,000 common shares of UVM, reflecting an approximate ownership of 36%. UVM received TSX Venture exchange listing on July 14, 2011 and pursuant with the escrow agreement, the $300,000 contribution was released from escrow on July 14, 2011. UVM now trades under the symbol 'VZZ'. The Company's investment in UVM is accounted for using the equity method. The following is a schedule of the equity accounted investment:

		As at September 30, 2011
Purchase of investment	$	300,000
Loss on equity investment		(13,496)
	$	286,504

As at September 30, 2011, UVM had total assets approximating $4,300,000 and minimal liabilities, with a net loss approximating $38,000 for the period ended September 30, 2011.

Based on UVM's closing share price of $0.18 per share on September 30, 2011, the market value of 4,000,000 shares was $720,000.

Results of Operations

	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Net Loss	$ (420,271)	$ (444,153)	$ (2,395,198)	$ (996,013)
Net Loss per share (basic and diluted)	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.01)

The Company recorded a net loss of $2,395,198 ($0.01 per share) for the nine months ended September 30, 2011, compared to $996,013 ($0.01 per share) during the corresponding period in 2010. The increased net loss during the 2011 period is primarily attributable to increased office, general and administrative expenditures.

For the three months ended September 30, 2011, the Company had a net loss of $420,271 ($0.00 per share) compared to $444,153 ($0.00 per share) for the same period in 2010.

Office, General and Administrative Expenses

	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Management fees (including related party transactions)	$ 55,800	$ 48,799	$ 162,300	$ 233,579
Salaries and benefits	21,272	-	227,259	-
Professional fees (accounting, audit and legal)	41,621	49,862	277,235	63,023
Public company fees and investor relations	153,355	134,958	692,312	356,923
Director's fees and expenses	17,500	13,000	52,500	39,000
Office and general	83,069	155,824	804,056	435,302
	$ 372,617	$ 402,443	$ 2,215,662	$ 1,127,827

Office, general and administrative expenses decreased by 7% in the Third Quarter of 2011 compared to the Third Quarter of 2010, and increased 96% for the nine month period of 2011 compared to 2010. The increase in 2011 over 2010 was due to the increase in marketing and investor relation initiatives, amalgamation costs, and professional fees.

Exploration and Development Expenditures for the nine months ended September 30, 2011

	Fuller	**Davidson Tisdale**	**Buffalo Ankerite**	**Paymaster**	**Augdome**	**Total**
Geological	$ -	$ -	$ 5,246	$ 5,028	$ -	$ 10,274
Engineering	19,825	14,130	116,550	7,650	-	158,155
Drilling	417,683	5,983	2,195,111	1,115,835	-	3,734,612
Land & Holding	3,079	-	13,832	151,512	1,590	170,013
Recovery from joint venture partner	-	(7,809)	-	-	-	(7,809)
Other	25,373	2,425	149,557	82,629	-	259,984
September 30, 2011	$ 465,960	$ 14,729	$ 2,480,296	$ 1,362,654	$ 1,590	$ 4,325,229

Summary of Quarterly Results

Selected financial information for the eight previous fiscal quarters:

		2011			2010				2009 (Canadian GAAP)
		Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Net Loss	$	(420,271)	(686,818)	(1,288,109)	(1,343,922)	(444,153)	(282,695)	(269,165)	(572,257)
Net Loss per share (basic and diluted)	$	(0.00)	(0.00)	(0.01)	(0.01)	(0.00)	(0.00)	(0.00)	(0.01)

Liquidity and Capital Resources

At September 30, 2011, the Company's cash position increased to $10,305,894 compared to $2,130,137 at the end of 2010. The cash increase of $8,175,757 is made up of $1,663,329 used in operating activities, $9,495,234 proceeds received from investing activities and $343,852 proceeds received on the exercise of options and warrants.

Cash from investing activities primarily relate to proceeds of $14,014,639 received from Lexam upon amalgamation. Cash from financing activities was generated from the exercise of 424,344 warrants and 827,500 options.

Based on current spending projections, our current cash on hand is expected to be sufficient to fund ongoing operations for the next 12 months.

Outstanding Share Data

The following schedule outlines the number of shares outstanding.

	September 30, 2011	December 31, 2010
Common Shares	225,545,265	186,810,133
Stock Options	1,980,000	2,810,000
Warrants	5,208,334	424,344

The total common shares outstanding as of November 10, 2011 are 225,545,265.

Contractual Obligations

	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years	Total
Commitments & Permits	$ 20,000	2,660,000	160,000	560,000	$ 3,400,000
Decommissioning liabilities	-	-	455,312	-	455,312
	$ 20,000	$ 2,660,000	$ 615,312	$ 560,000	$ 3,855,312

The majority of the Company's contractual obligations consist of required expenditures under the Goldcorp Joint Venture. The Company is required to spend $2,500,000 in exploration costs and issue shares with a fair value equivalent to $200,000 by June 2012. By the end of June 2011, the Company satisfied the three year anniversary spending requirement of $1,600,000 and issued 218,284 common shares with a fair value equivalent to $150,000.

Transactions with Related Parties

During 2009, Lexam entered into a single amended management service agreement ("Service Agreement") with 2083089 Ontario Inc. ("208") pursuant to which Lexam agreed to reimburse 208 for rent, personnel, office expenses, and other administrative services on a cost recovery basis. Mr. McEwen, the Non-Executive Chairman of Lexam VG, is the owner of 208. Mr. McEwen is also the Chief Executive Officer and Director of 208. During the first quarter of 2011, Lexam VG agreed to continue with this service agreement. As at September 30, 2011, the Company incurred and paid management fees of $162,300 under the management service agreement.

In addition, the following related party transactions occurred and were reflected in the unaudited interim financial statements:

	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Consulting fees:		
Consulting fees charged by a company controlled by an officer for financial management services	$ -	$ 67,000
Consulting fees charged by officers for executive management services	$ -	$ 165,000
Legal fees:		
The company paid legal fees to a firm in which an officer of the company is also a partner of the law firm	$ -	$ 8,338

As a result of the amalgamation, Lexam VG now has executive officers as employees and are now included as part of salaries and wages or management services fees, as noted above, which are all classified as office, general, and administrative expenses in the statements of operations and comprehensive loss.

All related party transactions are recorded at the exchange amount, agreed to between the parties. Management believes these transactions are in the normal course of business and 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 Lexam VG's mineral exploration operations are subject to environmental regulations pertaining to the City of Timmins, the province of Ontario in 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 Lexam VG's operations. Environmental hazards may exist on the properties on which Lexam VG holds interests, which are unknown to Lexam VG at present and which may have been caused by previous or existing owners or operators of the properties. Lexam VG 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 Lexam VG's operations. To the extent that such approvals are required and not obtained, Lexam VG 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 there under, 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, decommissioning liabilities are capitalized as part of the asset's carrying value and amortized over the asset's useful life.

In 2010, the Company recorded a decommissioning liability pertaining to the Buffalo Ankerite property. In the past, the Mining Lands Commission had issued an Order for the Company to use its best efforts to remediate the open pit on the site. The Company is currently in the process of obtaining the appropriate mining permits for the site along with completing a closure plan. In 2010, the Company obtained a quote from a third party engineering firm estimating the closure costs, which relates to the re-sloping of the existing pit walls, revegetation and labour. There is uncertainty as to the timing of the expenditures, however, a best estimate has been used, and assumptions will be revisited quarterly.

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 Lexam VG 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, Lexam VG 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	

Off-Balance Sheet Arrangements

As at September 30, 2011, the Company does not have off-balance sheet arrangements.

Additional Funding Requirements

Mineral properties of Lexam VG are in the exploration and development stage. The Company has no source of operating cash flow, and will need to raise additional funds to complete its projects. There is no assurance that Lexam VG will be able to raise additional funds on reasonable terms. The development of ore deposits found on the exploration properties of Lexam VG depend on the ability of the Company to obtain financing through debt financing, equity financing or other means. If the exploration and development programs of Lexam VG 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 Lexam VG is the sale of equity capital of Lexam VG or the sale by Lexam VG of an interest in any of its properties in whole or in part. The ability of Lexam VG 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 Lexam VG will be successful in its efforts to arrange additional financing if needed on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Corporation, control of Lexam VG may change and shareholders may suffer additional dilution. If adequate financing is not available, Lexam VG 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 Lexam VG to forfeit its interests in some or all of its properties and to reduce or terminate its operations.

Recently Issued Accounting Pronouncements

IFRS 7 "Financial instruments – Disclosures" ("IFRS 7") was amended by the IASB in October 2010 and provides guidance on identifying transfers of financial assets and continuing involvement in transferred assets for disclosure purposes. The amendments introduce new disclosure requirements for transfers of financial assets including disclosures for financial assets that are not derecognized in their entirety, and for financial assets that are derecognized in their entirety but for which continuing involvement is retained. The amendments to IFRS 7 are effective for annual periods beginning on or after July 1, 2011. The Company has not yet determined the impact of the amendments to IFRS 7 on its financial statements.

The IASB has issued IFRS 9 "Financial Instruments" which proposes to replace IAS 39. The replacement standard has the following significant components: establishes two primary measurement categories for financial assets—amortized cost and fair value; establishes criteria for classification of financial assets within the measurement category based on business model and cash flow characteristics; and eliminates existing held to maturity, available for sale and loans and receivable categories. This standard is effective for the Company's annual year end beginning January 1, 2013. The Company will evaluate the impact of the change to its consolidated financial statements based on the characteristics of its financial instruments at the time of adoption.

IAS 1, "Presentation of Financial Statements" ("IAS 1") requires grouping of items presented in the Statement of Comprehensive Income on the basis of whether they may be reclassified to earnings subsequent to initial recognition. For those items presented before taxes, amendments to IAS 1 also require that taxes related to the two separate groups be presented separately. The amendments are effective for annual periods beginning on or after July 1, 2012, with earlier adoption permitted. The Company does not anticipate the amendments to IAS 1 to have a material impact on its consolidated financial statements.

IAS 12 "Income Taxes" ("IAS 12") provides a practical solution in determining the recovery of investment properties as it relates to accounting for deferred income taxes. This amendment is effective for annual periods beginning on or after January 1, 2012, with earlier application permitted. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

The IASB issued the following standards, which are effective for annual periods beginning on or after January 1, 2013. The Company has not yet determined the impact on its financial statements.

IFRS 12 "Disclosure of Interests in Other Entities" is a comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, and structured entities. This standard carries forward the disclosures that existed under IAS 27, IAS 28 and IAS 31, and also introduces additional disclosure requirements that address the nature of, and risks associated with, and entity's interests in other entities.

IFRS 10, "Consolidated Financial Statements" ("IFRS 10"), which replaces parts of IAS 27, "Consolidated and Separate Financial Statements" ("IAS 27") and all of SIC-12, "Consolidation – Special Purpose Entities", changes the definition of control that is the determining factor in whether an entity should be consolidated. Under IFRS 10, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IAS 27, "Separate Financial Statements (2011)" ("IAS 27 (2011)") was reissued and now only contains accounting and disclosure requirements for when an entity prepares separate financial statements, as the consolidation guidance is now included in IFRS 10. IFRS 11, "Joint Arrangements" ("IFRS 11"), which replaces IAS 31, "Interests in Joint Ventures" and SIC-13, "Jointly Controlled Entities – Non-monetary Contributions by Venturers", requires a venturer to classify its interest in a joint arrangement as either a joint operation or a joint venture. For a joint operation, the joint operator will recognize its assets, liabilities, revenue and expenses, and/or its relative share thereof. For a joint venture, the joint venturer will account for its interest in the venture's net assets using the equity method of accounting. The choice to proportionally consolidate joint ventures is prohibited. IAS 28, "Investments in Associates and Joint Ventures (2011)" was amended as a consequence of the issuance of IFRS 11. In addition to prescribing the accounting for investments in associates, it now includes joint ventures that are to be accounted for by the equity method. The application of the equity method has not changed as a result of this amendment.

IFRS 13, "Fair Value Measurement" ("IFRS 13") provides guidance on how fair value should be applied where its use is already required by other IFRS standards, and includes a definition of fair value and is a single source of guidance on fair value measurement and disclosure requirements for use across IFRS.

Management's evaluation of disclosure controls

Management is responsible for the design and effectiveness of disclosure controls and procedures to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to the Company's certifying officers. The Company's Chief Executive Officer and Chief Financial Officer have each evaluated the design of the Company's disclosure controls and procedures as at September 30, 2011 and have concluded that these controls and procedures are appropriately designed.

Internal Control over Financial Reporting:

Management is responsible for the design of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with accounting principles generally accepted in Canada. Based on a review of its internal control procedures at the end of the period covered by this MD&A, management believes its internal controls and procedures are appropriately designed as at September 30, 2011.

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 cannot be controlled by management. As a result, the Company's future business, operations, and financial condition could differ materially from the forward-looking information contained in this MD&A and described in the Forward-Looking Statements section below. For a more comprehensive discussion of the risks faced by the Company, please refer to VG Gold and Lexam's MD&A as at December 31, 2010 and the Company's Annual Information Form, dated January 1, 2011, filed on www.sedar.com.

Reliability of Information

Uranium Valley Mines is responsible for and has supplied to the Corporation all reported results from their operation. Uranium Valley Mines is an entity in which the Corporation has a significant equity interest The Corporation does not accept responsibility for the use of any Uranium Valley Mines' reported results from their operation provided in this MD&A. There can be no assurance that information reported to the Corporation by Uranium Valley Mines is accurate, the Corporation has not independently verified such information and readers are therefore cautioned regarding the extent to which they should rely upon such information.

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.