VG Gold and Lexam Explorations to Combine Rob McEwen to Invest Additional $5 Million in New CompanyTimmins Focused, Excellent Projects and Strong Treasury

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- Rob McEwen to Invest Additional $5 Million in New Company
- Timmins Focused, Excellent Projects and Strong Treasury

TORONTO, 09/29/10 - VG Gold Corp. (TSX: VG) (FRANKFURT: VN3) (OTCQX: VGGCF) and Lexam Explorations Inc. (TSX VENTURE: LEX) are pleased to announce that they have reached an agreement in principle to combine the two companies to create a well funded exploration company focused on the Timmins mining camp in Northern Ontario. 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. Under the proposed transaction, Rob McEwen, the current Chairman and CEO of Lexam, would acquire a major stake in the combined company through a private placement of $5 million and his current 49% percent ownership interest in Lexam. Rob McEwen will become the Chairman of the combined company and Tom Meredith, the current President and CEO of VG Gold, will hold those positions in the combined company.

Highlights of the combined company would include:

- Strategic land position: Well positioned around Goldcorp's Dome Mine that has produced 17 million ounces of gold.

- Growing resource base with initial Paymaster West estimate due at year- end.

- Aggressive exploration: $10.0 million exploration program over next twelve months.

- Strong treasury: Approximately $15.0 million in cash and no debt.

- Attractive valuation versus Timmins peer group.

- Combined company to be named 'Lexam VG Gold Inc.'

'Northern Ontario is an area that has been particularly kind to me and I am a firm believer that there remains a lot more gold to be found. By combining VG Gold and Lexam we are creating a vehicle that has excellent properties and a strong treasury, enabling the company to aggressively explore for the next major gold discovery,' stated Rob McEwen, Chairman and CEO of Lexam.

'The combination of VG Gold and Lexam creates a compelling opportunity for shareholders of both companies! The addition of Rob McEwen as Lexam VG Gold's Chairman is a testament to the value enhancing opportunities that exist before the combined company,' stated Tom Meredith, President and CEO of VG Gold.

The share ratio under the proposed transaction represents an approximate share value equal to $1.01 per Lexam common share based on VG Gold's closing market price on September 28, 2010. This amount represents an approximate 10% premium over Lexam's Net Asset Value. The calculation of Lexam's Net Asset Value excludes the company's Baca Oil and Gas and Otish Uranium projects.

The transaction is subject to board approval of a definitive agreement between VG Gold and Lexam, the satisfactory completion of due diligence investigations and the receipt of an opinion by each company's financial advisors that the consideration offered under the offer is fair, from a financial point of view, to its shareholders. In addition, an independent valuation for the benefit of VG Gold shareholders will be

completed. VG Gold and Lexam have agreed to negotiate exclusively with each other for 21 days.

Under the terms of the agreement in principle, Rob McEwen will invest $5 million in the combined company by way of private placement of 10,416,667 common shares at $0.48 per share plus, for each common share purchased in the private placement, a two-year half-warrant, with each full warrant exercise price of $1.00. After completion of the Plan of Arrangement and private placement, Mr. McEwen will personally own approximately 28% of the combined company's outstanding shares and 30% on a partially diluted basis assuming exercise of the warrants.

The following table illustrates on a pro-forma basis, the share structure of the combined company after giving effect to the proposed transaction and Mr. McEwen's private placement:

VG Gold common shares outstanding	180,378,727
Shares issuable in exchange for Lexam common shares (+)	101,848,503
Shares of VG Gold owned by Lexam to be cancelled (-)	(75,000,000)
Shares issued to Rob McEwen in $5 million 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
VG Gold warrants to Rob McEwen in $5 million private placement	5,208,333
Lexam options converted into VG Gold options	525,000
Pro-Forma fully diluted shares	233,042,980

SHAREHOLDER AND REGULATORY APPROVALS

If a definitive agreement is reached, the transaction will be conditional on VG Gold obtaining majority of minority shareholder approval for VG Gold, meaning approval of more than 50% of the shares voted, excluding shares held by Lexam, its insiders and other parties related to Lexam. The transaction is also conditional upon Lexam obtaining 66-2/3% approval from shareholders and other customary conditions. In addition, both companies would be entitled to a termination fee of $1.25 million upon the occurrence of customary termination fee events, including the termination of the definitive agreement by either company in order to enter into a superior proposal with a third party.

The transaction is also subject to all applicable regulatory approvals, including stock exchange approval.

Boards of both companies have established committees of independent directors to evaluate the combination and make a recommendation to their respective full board of directors.

CAUTIONARY STATEMENT

Some of the statements contained in this release are 'forward-looking statements'. Such forward looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied by such forward looking statements. Factors that could cause actual results to differ materially from anticipated results include risks and uncertainties such as: ability to raise financing for further exploration and development activities; risks as to business integration; risks relating to estimates of reserves, deposits and production costs; extraction and development risks; the risk of commodity price fluctuations; political, regulatory and environmental risks; and other risks and uncertainties in the reports and disclosure documents filed by VG Gold and Lexam from time-to-time with Canadian securities regulatory authorities. The companies disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Neither the TSX nor the TSX-Venture has reviewed and does not accept responsibility for the adequacy or

accuracy of the contents of this news release, which has been prepared by management.

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