



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

**FOR THE SECOND QUARTER ENDED JUNE 30, 2009**

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

*This MD&A is prepared as of August 19, 2009 and should be read in conjunction with the audited financial statements of Lexam Explorations Inc. ("Lexam" or the "Company") for the year ended December 31, 2008 and the unaudited interim consolidated financial statements for the period ending June 30, 2009. This MD&A includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical fact, that address future exploration activities and events or developments that the Company expects, are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements.*

**FINANCIAL HIGHLIGHTS**

Lexam recorded income of \$59,416 (\$0.00 per share) during the three months ended June 30, 2009, compared to \$76,874 (\$0.00 per share) during the corresponding period in 2008. Income for the quarter was primarily a result of an \$818,379 realized gain on the sale of Rubicon shares which was partially offset by foreign exchange losses, administrative costs and exploration spending.

	Three months ended		Six months ended	
	June 30		June 30	
	2009	2008	2009	2008
Net (Loss) Income	\$ 59,416	\$ 76,874	\$ (70,809)	\$ 146,749
Net (Loss) Income per share				
-basic and diluted	\$ 0.00	\$ 0.00	\$ (0.00)	\$ 0.00

**BACA OIL & GAS PROJECT – COLORADO, USA**

The Baca Oil and Gas Project is located in south-central Colorado, USA. Lexam owns 75% of the oil and gas rights. The remaining 25% is owned by ConocoPhillips. Lexam is advancing the project and is planning to drill two natural gas wells that will reach depths of 4,265 m.

During the Fourth Quarter of 2008, Lexam announced that the United States Fish and Wildlife Service (USFWS) had issued a Finding of No Significant Impact (FONSI). The USFWS' decision was reached based on the results of an Environmental Assessment (EA) conducted by the Service under the National Environmental Policy Act (NEPA). The USFWS environmental review process lasted 15 months and involved extensive public meetings, participation, and comment by all interested parties. This decision by the USFWS was the final approval required before Lexam could move forward with its planned exploration for oil and gas.

The Baca Project has been consistently challenged by opposition groups and on November 3, 2008 the San Luis Valley Ecosystem Council (SLVEC) made a motion to reopen litigation against the

USFWS. The SLVEC maintains that USFWS decision to issue a FONSI based on the EA does not comply with NEPA.

During the First Quarter of 2009, the District Court of Colorado ordered that the motion to reopen litigation against the USFWS be allowed to proceed. A Preliminary Injunction Hearing was held on May 20, 2009 where the presiding judge indicated that he would try to rule by July 31, 2009 whether Lexam is allowed to proceed with its planned exploration or if injunctive relief should be provided to the SLVEC. To date, there has been no ruling on the matter.

In the Second Quarter Lexam's state permits to drill were renewed by the Colorado Oil and Gas Conservation Commission (COGCC). The permits are valid for one year.

## OTISH URANIUM PROJECT – QUEBEC, CANADA

The Otish Uranium Project is located in north-central Québec, Canada. Lexam owns 50% of the project with the remaining 50% owned by Golden Valley Mines Ltd. Lexam has no plans to explore the project in 2009.

At June 30, 2009, Lexam expects to receive a provincial rebate totaling approximately \$902,449 from the Québec government, in connection with prior exploration activities.

## FINANCIAL RESULTS

Overall, exploration and administrative expenses have generally decreased for the three and six month periods ended June 30, 2009 compared to the corresponding periods in 2008. The following tables provide details of exploration and administrative spending:

### *Exploration Expenses*

	Three months ended		Six months ended	
	June 30,		June 30,	
	2009	2008	2009	2008
<b>Colorado - Baca Oil and Gas Project</b>				
Technical and professional services	56,289	46,250	175,810	173,409
Permitting and environmental	10,592	18,460	16,970	64,073
Geophysical surveying and mapping	(600)	-	18,492	-
Land - property taxes and title work	16,690	-	16,690	-
Other	-	328	-	1,328
<b>Quebec - Otish Uranium Project</b>				
Drilling, prospecting and related	4,321	15,448	(41,830)	37,888
Land - surveying, staking and claim fees	6,430	850	47,040	850
<b>Total Exploration Expense</b>	<b>\$ 93,722</b>	<b>\$ 81,336</b>	<b>\$ 233,172</b>	<b>\$ 277,548</b>

Exploration costs increased approximately 15% in the second quarter of 2009 compared to the second quarter of 2008. The increase is due to the timing of property tax payments to the County of Sagauche for the Baca land holdings. Lexam continues to incur costs in Colorado in connection with the litigation process described previously. Spending at the Otish Uranium Project has decreased compared to the prior year as there is no drilling program planned for 2009 whereas in 2008 preparations were being made for summer drilling.

***Administrative Expenses***

	Three months ended		Six months ended	
	June 30,		June 30,	
	2009	2008	2009	2008
Management fees - related party	\$ 48,247	\$ 66,540	\$ 96,513	\$ 114,944
Professional fees (accounting, audit and legal)	52,575	72,800	80,853	112,967
Public company fees and investor relations	18,329	34,079	31,237	62,910
Director's fees and expenses	-	2,250	5,250	4,500
Office and general	8,262	5,881	19,458	7,162
<b>Total Administrative Expense</b>	<b>\$ 127,413</b>	<b>\$ 181,550</b>	<b>\$ 233,311</b>	<b>\$ 302,483</b>

Overall, administrative expenses have decreased by 30% to \$127,413 for the second quarter of 2009 compared to \$181,550 for the second quarter of 2008. This decrease was primarily due to decreases in management fees, professional fees and public company and investor relations costs as a result of a lower amount of corporate and exploration activity compared to 2008. As Lexam does not have any full-time employees, management and professional fees are generally proportional with the level of activity in the Company.

**LIQUIDITY AND CAPITAL RESOURCES**

At June 30, 2009, current assets totalled \$18,155,726 compared to current liabilities of \$227,071. Lexam's working capital at June 30, 2009 was approximately \$17.9 million compared to \$9.6 million at December 31, 2008. This significant increase was primarily attributable to the increase in the value of the Company's holdings in Rubicon Minerals Corporation ("Rubicon"). The Company has no significant contractual obligations. At June 30, 2009 and December 31, 2008, Lexam had 48,499,287 common shares outstanding. There were no changes to the share balance as at August 19, 2009.

As a result of payments made in the normal course of business to our vendors during the first quarter of 2009 the Company's cash balance has decreased to \$779,198 from \$2,038,499 at December 31, 2008. Lexam expects that a portion of the existing cash on hand will be utilized for administrative expenses and also for the investment disclosed in the Subsequent Events note below. Lexam may continue to utilize the remaining shares of Rubicon at its discretion and as at June 30, 2009, Lexam had 4.0 million shares. As of August 19, 2009, Lexam had 3.4 million Rubicon shares with a market value of approximately \$11.0 million. Lexam may also consider additional investments or exploration projects for the Company should attractive opportunities arise. There can be no assurance that the Company will be successful at raising such funds or whether funds raised will be at terms economically favourable to existing shareholders.

**SUBSEQUENT EVENTS**

On July 21, 2009 Lexam agreed to make a \$3,000,000 strategic investment in VG Gold Corp. ("VG Gold") for an aggregate subscription of 37,500,000 units issued by way of a private placement. Each unit is priced at \$0.08 and includes one common share and one common share purchase warrant exercisable at \$0.15 per share for a period of eighteen months. The private placement will be completed in two tranches, of which, only the second is subject to approval of VG Gold shareholders. Upon closing of both tranches Lexam will own approximately 27% of VG Gold's outstanding shares and 42% on a partially diluted basis.

The first tranche consisting of 12,594,814 units totalling \$1,007,585 was closed on July 21, 2009 and the Company is fully funded to complete the second tranche of 24,905,186 units totalling \$1,992,415 which is expected to take place during September, 2009 subject to VG Gold's shareholder meeting on August 31, 2009. The Company has been able to source these funds by selling a portion of its Rubicon holdings.

Under terms of the arrangement Lexam will have the right to nominate a director and a right to participate pro-rata in future VG Gold financings, provided Lexam's aggregate interest remains above 10% of common shares outstanding.

Lexam may increase or reduce its investment in VG Gold according to market conditions or other relevant factors.

## SUMMARY OF QUARTERLY RESULTS

	<u>Q2</u>	<u>2009</u> <u>Q1</u>	<u>Q4</u>	<u>Q3</u>	<u>2008</u> <u>Q2</u>	<u>Q1</u>	<u>Q4</u>	<u>2007</u> <u>Q3</u>
Net income (loss)	59,416	(130,225)	(3,440,742)	588,263	76,874	69,875	1,245,904	69,227
Per share								
– basic & diluted	0.00	(0.00)	(0.07)	0.01	0.00	0.00	0.03	0.00

## CONVERSION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

Effective February 13, 2008, the Accounting Standards Board announced that publicly accountable entities will be required to prepare financial statements in accordance with International Financial Reporting Standards (“IFRS”) for interim and annual financial statements for fiscal years beginning on or after January 1, 2011.

The Company has completed a preliminary IFRS diagnostic and has developed an IFRS project plan. The Company will develop a comprehensive conversion implementation plan, which will include a detailed assessment of the impact of the conversion on the consolidated financial statements and related disclosures. The plan will also consider the impact of the conversion of the Company's information technology systems, internal controls over financial reporting, performance measurement systems, disclosure controls and procedures and other business activities that may be influenced by GAAP measurements.

The Company is currently performing an analysis of the significant IFRS-GAAP differences with respect to the Company's financial statements and disclosures. The Company will quantify the potential effect of these differences as part of the conversion implementation plan. Certain key members of the finance department of the Company have or will be attending in-depth training sessions regarding significant IFRS-GAAP differences with a particular focus on how they apply to entities in the mining industry.

## FINANCIAL INFORMATION AND NOTICE TO READER

Attached are the Consolidated Financial Statements of Lexam Explorations Inc. for the three and six months ended June 30, 2009. These interim financial statements have not been subject to auditor review. Certain balances have been reclassified to conform to the current period's presentation.

**LEXAM EXPLORATIONS INC.**

June 30, 2009

(Unaudited – in Canadian dollars)

<b>INDEX</b>	Page 1
Notice to reader	Page 1
Interim Consolidated Financial Statements	Page 2
• Consolidated Balance Sheets	Page 2
• Consolidated Statements of Income (Loss) and Deficiency	Page 3
• Consolidated Statements of Other Comprehensive Income (Loss)	Page 3
• Consolidated Statements of Cash Flows	Page 4
• Notes to Interim Consolidated Financial Statements	Page 5

**NOTICE TO READER OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

The interim consolidated financial statements of Lexam Explorations Inc. (“the Company”) including the accompanying consolidated balance sheets as at June 30, 2009 and December 31, 2008 and the consolidated statements of income (loss) and deficiency, the consolidated statements of other comprehensive income (loss), and cash flows for the three and six-month periods ended June 30, 2009 and 2008 are the responsibility of the Company’s management. The interim consolidated financial statements have been prepared by management and include the selection of appropriate accounting principles, judgements and estimates necessary to prepare these financial statements in accordance with Canadian generally accepted accounting principles for interim financial statements.

**Consolidated Balance Sheets***(in Canadian dollars)*

	As at June 30, 2009 <i>(unaudited)</i>	As at December 31, 2008 <i>(audited)</i>
<b>Assets</b>		
<i>Current assets</i>		
Cash and cash equivalents	\$ 799,198	\$ 2,038,499
Amounts receivable	2,465,732	959,465
Income taxes recoverable	1,155,342	1,209,979
Prepaid expenses	11,484	2,970
Available-for-sale securities	13,723,970	6,224,202
	<u>18,155,726</u>	<u>10,435,115</u>
Restricted cash	81,410	85,260
Future tax asset	-	699,652
	<u>\$ 18,237,136</u>	<u>\$ 11,220,027</u>
<b>Liabilities and Shareholders' Equity</b>		
<b>Liabilities</b>		
<i>Current liabilities</i>		
Accounts payable and accrued liabilities	\$ 68,332	\$ 855,304
Due to related party <i>(note 5)</i>	39,390	25,253
Income taxes payable	119,349	-
	<u>227,071</u>	<u>880,557</u>
Future tax liability	1,523,961	-
	<u>1,751,032</u>	<u>880,557</u>
<b>Shareholders' equity</b>		
Common shares and warrants	21,163,402	21,163,402
Deficiency	(8,222,025)	(8,151,216)
Accumulated other comprehensive gain (loss) <i>(note 6)</i>	3,544,727	(2,672,716)
	<u>16,486,104</u>	<u>10,339,470</u>
	<u>\$ 18,237,136</u>	<u>\$ 11,220,027</u>

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2009	2008	2009	2008
<b>Expenses</b>				
Exploration	\$ 93,722	\$ 81,336	\$ 233,172	\$ 277,548
Administrative	127,413	181,550	233,311	302,483
	<u>221,135</u>	<u>262,886</u>	<u>466,483</u>	<u>580,031</u>
<b>Other Income (Expense)</b>				
Gain (loss) on sale of available-for-sale securities	818,379	(514,257)	818,379	(1,335,615)
Foreign exchange (loss) gain	(414,788)	846,470	(301,977)	2,035,308
Interest and other income	743	7,547	3,055	27,087
	<u>404,334</u>	<u>339,760</u>	<u>519,457</u>	<u>726,780</u>
<b>Earnings before taxes</b>	183,199	76,874	52,974	146,749
Provision for income taxes	(123,783)	-	(123,783)	-
<b>Net income (loss)</b>	<u>59,416</u>	<u>76,874</u>	<u>(70,809)</u>	<u>146,749</u>
<b>Net income (loss) per share</b>				
- basic and diluted	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ (0.00)</u>	<u>\$ 0.00</u>
Weighted average number of shares outstanding ('000s) - basic and diluted	<u>48,499</u>	<u>48,469</u>	<u>48,499</u>	<u>48,469</u>
Deficiency at beginning of period	(8,281,441)	(5,375,611)	(8,151,216)	(5,445,486)
Deficiency at end of period	<u>\$ (8,222,025)</u>	<u>\$ (5,298,737)</u>	<u>\$ (8,222,025)</u>	<u>\$ (5,298,737)</u>

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

<b>Net income (loss)</b>	\$ 59,416	\$ 76,874	\$ (70,809)	\$ 146,749
Unrealized gain on available-for-sale securities net of taxes of (\$2,248,486), (\$2,223,613) (2008 - (\$215,182), \$121,029)	3,804,287	454,458	6,217,443	333,271
<b>Comprehensive income</b>	<u>\$ 3,863,703</u>	<u>\$ 531,332</u>	<u>\$ 6,146,634</u>	<u>\$ 480,020</u>

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

**Consolidated Statements of Cash Flows (unaudited)***(in Canadian dollars)*

	Three months ended		Six months ended	
	June 30,		June 30,	
	2009	2008	2009	2008
Cash used in				
<b>Operating activities</b>				
Income (loss) for the period	\$ 59,416	\$ 76,874	\$ (70,809)	\$ 146,749
Adjustments:				
(Gain) loss on available-for-sale securities	(818,379)	514,257	(818,379)	1,335,615
Foreign exchange loss (gain)	414,788	(846,470)	301,977	(2,035,308)
Items not affecting cash:				
Change in other non-cash operating working capital	(35,668)	(56,020)	(652,090)	(3,025,222)
	<u>(379,843)</u>	<u>(311,359)</u>	<u>(1,239,301)</u>	<u>(3,578,166)</u>
<b>Investing activities</b>				
Proceeds on sale of available-for-sale securities	-	949,614	-	2,282,019
	<u>-</u>	<u>949,614</u>	<u>-</u>	<u>2,282,019</u>
(Decrease) increase in cash and cash equivalents	(379,843)	638,255	(1,239,301)	(1,296,147)
Cash and cash equivalents at beginning of period	1,179,041	977,808	2,038,499	2,912,210
	<u>1,179,041</u>	<u>977,808</u>	<u>2,038,499</u>	<u>2,912,210</u>
Cash and cash equivalents at end of period	<u>\$ 799,198</u>	<u>\$ 1,616,063</u>	<u>\$ 799,198</u>	<u>\$ 1,616,063</u>
<b>Supplemental Disclosure</b>				
Cash taxes paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,664,645</u>

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

**Notes to Consolidated Financial Statements** (*unaudited*)**1. Basis of Presentation**

The consolidated financial statements are prepared in accordance with generally accepted accounting principles in Canada and on the assumption that Lexam Explorations Inc. (the “Company” or “Lexam”) will be able to realize the carrying value of its assets and discharge its liabilities in the normal course of business.

The Company is a development stage enterprise with respect to CICA Accounting Guideline 11, “Enterprises in the development stage”. As a development stage resource company, the Company has no regular source of cash flow and will need to raise additional funds in the future in order to advance its exploration efforts. There can be no assurance that the Company will be successful at raising such funds or whether funds raised will be at terms economically favourable to existing shareholders. If in the future the going concern assumption is not appropriate, certain adjustments may be necessary to the financial statements. These adjustments could include the carrying value of assets, such as amounts receivable, available for sale securities, prepaid expenses, the accounts payable and accrued liabilities balance, and the reported expenses.

The unaudited interim period consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles. The preparation of financial data is based on accounting policies and practices consistent with those used in the preparation of the audited annual consolidated financial statements. The accompanying unaudited consolidated financial statements should be read in conjunction with the notes to the Company's audited consolidated financial statements for the year ended December 31, 2008.

These unaudited interim consolidated financial statements reflect all normal and recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of the respective interim periods presented. These interim financial statements have not been subject to auditor review.

**2. Changes in Accounting Policies and Presentation**

In January 2009, the CICA approved EIC 173, “Credit Risk and the Fair Value of Financial Assets and Financial Liabilities”. This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 12, 2009. The Company adopted the EIC in 2008 and the adoption had no impact on the classification or valuation of the Company's consolidated financial statements.

In January 2009, the CICA also issued three new accounting standards: Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interest. These new standards will be effective for fiscal years beginning on or after January 1, 2011. The Company is in the process of evaluating the requirements of the new standards.

Section 1582 replaces Section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3, Business Combinations. The section applies prospectively 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.

Section 1601 and 1602 together replace Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

**Notes to Consolidated Financial Statements (unaudited)**

Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IAS 27, Consolidated and Separate Financial Statements, and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

**3. Capital Stock**

There were no changes to capital stock for the first six months of 2009 or 2008.

**4. Financial Instruments, Risk Management and Capital Management***Financial Instruments*

The following is a summary of the accounting model the Company has elected to apply to each of its significant categories of financial instruments outstanding:

Cash and cash equivalent	Held-for-trading
Restricted cash	Held-for-trading
Amounts receivable	Loans and receivables
Available-for-sale securities	Available-for-sale
Amounts payable and accrued liabilities	Other financial liabilities
Due to related party	Other financial liabilities

*Risk Management*

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

*Foreign Exchange Risk*

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

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

*Credit risk*

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

**Notes to Consolidated Financial Statements** (*unaudited*)

A portion of the Company's receivable balance consists of exploration rebate claims due from the Province of Quebec in connection with spending at the Otish Uranium Project. This project is located at a latitude defined by the Province as "near north" where eligible exploration expenditures are subject to a 38.75% refund. The Company is exposed to credit risk in connection with the timing of processing of refund payments and their determination of whether all of our spending qualifies as eligible exploration expenditures which would affect the amount of the refund. As at June 30, 2009, the Company recorded a receivable of approximately \$902,449 from the Province of Quebec in connection with the rebate, a receivable of \$1,542,677 from GMP Securities for the sale of 432,100 Rubicon shares and an income tax recoverable of \$1,155,342.

***Liquidity risk***

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maximize available cash reserves to meet its liquidity requirements in order to meet obligations as they come due and execute our exploration programs. The Company achieves this by maintaining our funds predominantly in cash. Any cash equivalents are limited to Government of Canada treasury bills with original maturities of less than 90 days.

As at June 30, 2009 the Company had cash and cash equivalents of \$799,198. The Company's requirements for capital in the foreseeable future may include the continued conversion of available-for-sale securities into cash as market conditions allow. At June 30, 2009, these securities had a market value of \$13,723,970.

***Capital Management***

As a development stage exploration company, Lexam's objective in managing capital is to safeguard the entity's ability to continue as a going concern so that it can continue to its exploration efforts. As at June 30, 2009 the Company had a deficit of \$8,222,025 and since it has no regular source of income or cash flow, this deficit is expected to increase.

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

**5. Related Party Transactions**

Management fees for Lexam were paid to a private company wholly owned by Robert McEwen, Lexam's Chairman and CEO which received management fees of \$28,561 for the second quarter (2008 – \$57,851) and \$57,123 for the first half of 2009 (2008 – \$114,944). These fees represent reimbursement of office operating costs.

Management fees were also paid to US Gold Corporation ("US Gold") as per the management services agreement entered into during the fourth quarter of 2008 to reflect the compensation costs paid by US Gold for management and administrative services provided to Lexam. Management fees charged from US Gold are recorded at the exchange amount and are determined as a percentage of employee compensation costs for US Gold based on the time spent on Lexam. This amount is expected to be approximately \$20,000 per quarter. During the second quarter of 2009 Lexam incurred management fees from US Gold of \$19,695 (2008 \$nil) and \$39,390 for the first half of the year (2008 \$nil). As at June 30, 2009 \$39,390 (December 31, 2008 - \$25,253) was owed to US Gold.

**Notes to Consolidated Financial Statements (unaudited)****6. Accumulated Other Comprehensive Gain (Loss)**

	<u>2009</u>	<u>2008</u>
Balance at beginning of period - Jan 1	\$(2,672,716)	\$(3,867,978)
Other comprehensive gain (loss)		
Change in fair value of investments	7,622,677	1,547,857
Other comprehensive gain (loss) on realized sales	818,379	(1,335,615)
Other comprehensive gain (loss) before taxes	\$ 5,768,340	\$(3,655,736)
Tax provision change during the period	(2,223,613)	121,029
Balance at end of period - June 30	<u>\$ 3,544,727</u>	<u>\$(3,534,707)</u>
Accumulated other comprehensive gain (loss) balance before taxes	\$ 5,068,688	\$ (4,904,181)
Less: tax effect on unrealized loss	(1,523,961)	1,369,474
Ending accumulated other comprehensive gain (loss)	<u>\$ 3,544,727</u>	<u>\$(3,534,707)</u>

**7. Subsequent Events**

On July 21, 2009 Lexam agreed to make a \$3,000,000 strategic investment in VG Gold Corp. (“VG Gold”) for an aggregate subscription of 37,500,000 units issued by way of a private placement. Each unit is priced at \$0.08 and includes one common share and one common share purchase warrant exercisable at \$0.15 per share for a period of eighteen months. The private placement will be completed in two tranches, of which, only the second is subject to approval of VG Gold shareholders. Upon closing of both tranches Lexam will own approximately 27% of VG Gold’s outstanding shares and 42% on a partially diluted basis.

The first tranche consisting of 12,594,814 units totalling \$1,007,585 was closed on July 21, 2009 and the Company is fully funded to complete the second tranche of 24,905,186 units totalling \$1,992,415 which is expected to take place during September, 2009 subject to VG Gold’s shareholder meeting on August 31, 2009. The Company has been able to source these funds by selling a portion of the available-for-sale securities and as at August 19, 2009, these securities had a market value of \$11.0 million.

Under terms of the arrangement Lexam will have the right to nominate a director and a right to participate pro-rata in future VG Gold financings, provided Lexam’s aggregate interest remains above 10% of common shares outstanding.

Lexam may increase or reduce its investment in VG Gold according to market conditions or other relevant factors.

**8. Comparative Figures**

Certain comparative amounts have been reclassified to conform to the presentation adopted in 2009.