Lexam VG Gold Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FIRST QUARTER ENDED MARCH 31, 2012

This Management's Discussion and Analysis ("MD&A) is prepared as of May 8, 2012 and should be read in conjunction with the audited annual consolidated financial statements of Lexam VG Gold Inc. (the "Company" or "Lexam VG") for the year ended December 31, 2011, 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

Lexam VG Gold Inc. ("the Company", or "Lexam VG") was incorporated under the laws of Ontario through a Plan of Arrangement on January 1, 2011, amalgamating Lexam Explorations Inc. and VG Gold Corp. The Company is 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, 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, refer to Paymaster discussion below for further details. 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.

On January 4, 2012 the Company announced that Tom Meredith has resigned as President and Chief Executive Officer. The Board is currently undertaking a search for his replacement. The Board and management oversee the day-to-day management of the Company until such time as a successor is named.

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

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

Exploration and Development Activities

Buffalo Ankerite Property

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.

On March 21, 2012, encouraging exploration results were announced from 13 new drill holes. The results included 4.24 gpt over 16.6 m. Drilling is ongoing and continues to intersect multiple quartz-tourmaline breccia zones with further results pending.

South Zone:

A resources estimate update, on both the Buffalo Ankerite North and South Zones is underway, and is expected to be completed during the second quarter of 2012. The estimate will include open pit and underground mining scenarios.

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

As at March 31, 2012, there remains approximately $283,000 of exploration expenditures required to be spent under the agreement as well as issuance of shares with a value of $200,000.

Fuller Property

On March 1, 2012, the Company announced further positive exploration results which include 2.53 gpt gold over 122.7 m, 1.26 gpt gold over 23.5 m, 0.87 gpt gold over 68.1 m and 5.76 gpt gold over 16.6 m. Drilling has continued to encounter near surface mineralization in the quartz-feldspar porphyry and the surrounding volcanics. Three additional holes were completed following up on the results of November 29, 2011. For the remainder of 2012, the Company plans to continue to drill the quartz-feldspar porphyry to expand the near surface mineralization.

Based on the favourable drill results from the most recent drill program and review of historic results, it has indicated the need for a re-assessment of the Fuller mineralization. The review and resource estimate would incorporate a lower cut-off grade and utilize an open pit mining scenario, including extraction of the larger porphyry intersects and higher grade mineralization.

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.

Investment in Uranium Valley Mines – Quebec, Canada

Lexam VG holds 4,000,000 common shares of UVM, reflecting an approximate ownership of 36%. The Company's investment in UVM is accounted for using the equity method. The following is a schedule of the equity accounted investment:

	March 31, 2012
Beginning of period	$ 274,318
Loss on equity investment	(17,528)
End of period	$ 256,790

As at March 31, 2012, UVM had total assets approximating $1,998,000 and liabilities approximating $24,000, with a net loss approximating $49,000 for the three months period ended March31, 2012.

UVM trades on the TSX Venture under the symbol VZZ. Based on UVM's closing share price of $0.185 per share on March 31, 2012, the market value of 4,000,000 shares was $740,000.

Results of Operations

	Three months ended March 31, 2012	Three months ended March 31, 2011
Net Loss	$ (201,156)	$ (1,288,109)
Net Loss per share (basic and diluted)	$ (0.00)	$ (0.01)

The Company recorded a net loss of $201,156 ($0.00 per share) for the three months ended March 31, 2012, compared to $1,288,109 ($0.01 per share) during the corresponding period in 2011. The decreased net loss during the 2012 period was primarily attributable to decreased office, general and administrative expenditures.

Office, General and Administrative Expenses

	Three months ended March 31, 2012	Three months ended March 31, 2011
Salaries and benefits	$ 57,244	$ 117,798
Professional fees (accounting, audit and legal)	16,545	95,704
Public company fees and investor relations	84,899	406,656
Director's fees and expenses	20,000	17,500
Office and general	82,548	559,627
Management fees (including related party transactions)	-	49,500
	$ 261,236	$ 1,246,785

Office, general and administrative expenses decreased by 79% or $985,549. The decrease in 2012 over 2011 was due to the decrease in marketing and investor relation initiatives, amalgamation costs, and professional fees.

Exploration and Development Expenditures for the first quarter ended March 31, 2012

	Fuller	Davidson Tisdale	Buffalo Ankerite	Paymaster	Total
Geological	$ -	$ -	$ 30,155	$ -	$ 30,155
Engineering	5,850	4,050	18,350	9,000	37,250
Drilling	73,727	2,543	525,737	5,632	607,639
Land & Holding	-	948	1,822	-	2,770
Recovery from joint venture partner	-	(2,922)	-	-	(2,922)
Other	2,566	893	46,902	1,630	51,991
December 31, 2011	$ 82,143	$ 5,512	$ 622,966	$ 16,262	$ 726,883

The Company's policy is to capitalize drilling and other exploration expenditures. Exploration expenditures, which were capitalized for the three months ended March 31, 2012, totaled $726,883 (March 31, 2011 - $928,698).

Summary of Quarterly Results

Selected financial information for the eight previous fiscal quarters:

		2012	2011				2010		
		Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Net Loss	$	(201,156)	(585,062)	(420,271)	(686,818)	(1,288,109)	(1,343,922)	(444,153)	(282,695)
Net Loss per share (basic and diluted)	$	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.01)	(0.00)	(0.00)

Liquidity and Capital Resources

At March 31, 2012, the Company's cash position decreased to $357,419 compared to $1,530,894. The cash decrease of $1,173,475 is made up of $454,392 used in operating activities, $726,583 used in investing activities, offset by $7,500 proceeds received on the exercise of options.

Cash used in investing activities primarily relate to $726,883 expenditures on exploration and evaluation assets. Cash from financing activities was generated from the exercise of 50,000 options.

Based on current spending projections, current cash on hand and short-term investments are 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.

	March 31, 2012	December 31, 2011
Common Shares	225,595,265	225,545,265
Stock Options	1,160,000	1,980,000
Warrants	5,208,334	5,208,334

The total common shares outstanding as of May 8, 2012 are 225,595,265.

Contractual Obligations

	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years	Total
Commitments & Permits	$ 343,000	160,000	160,000	480,000	$ 1,143,000
Decommissioning liabilities	-	-	455,312	-	455,312
Accounts payable and accrued liabilities	284,904	-	-	-	284,904
	$ 627,904	$ 160,000	$ 615,312	$ 480,000	$ 1,883,216

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. As at March 31, 2012, the Company already spent approximately $2,217,000 of the $2,500,000. 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

In the prior year, the Company had a management services agreement ("services agreement") with 2083089 Ontario Inc. ("208") pursuant to which the Company agreed to reimburse 208 for rent, personnel, office expenses and other administrative services on a cost recovery basis. 208 is owned by Robert McEwen, the chairman of the Company and beneficial owner of more than 5% of its voting securities. Mr. McEwen is also the Chief Executive Officer and Director of 208. Effective January 2012, the Company no longer requires the services agreement with 208 as those costs are now paid directly to McEwen Mining Inc. ("McEwen Mining"). Mr. McEwen is the Chief Executive Officer of McEwen Mining and holds a 25% ownership in McEwen Mining, which is a publicly listed company, trading on the New York Stock Exchange and the Toronto Stock Exchange.

During the first quarter of 2012, the Company paid rent and office expenses, totaling $27,400 to McEwen Mining. During the comparable period in 2011, the Company paid $49,500 to 208 under the services agreement.

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 and 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 March 31, 2012, 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 Company, 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

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, 2015. 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 March 31, 2012 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 IFRS. 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 March 31, 2012.

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 the Company's Annual Information Form, dated March 19, 2012, filed on www.sedar.com.

Reliability of Information

UVM is responsible for and has supplied to the Company all reported results from their operation. UVM is an entity in which the Company has a significant equity interest The Company does not accept responsibility for the use of any UVM's reported results from their operation provided in this MD&A. There can be no assurance that information reported to the Company by UVM is accurate, the Company 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.