Lexam VG Gold Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FIRST QUARTER ENDED MARCH 31, 2013

This Management's Discussion and Analysis ("MD&A") is prepared as of May 9, 2013 and should be read in conjunction with the condensed unaudited interim consolidated financial statements of Lexam VG Gold Inc. (the "Company" or "Lexam VG") for the three months ended March 31, 2013 and 2012 and the audited annual consolidated financial statements for the year ended December 31, 2012, 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 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 and the Fuller property are 100% owned. The Company also holds a 68.5% interest in the Davidson Tisdale property as well as a 60% interest in the claims forming Paymaster. For more information see the Company's web site: www.lexamvggold.com.

Lexam VG 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". The corporate office is located at 181 Bay Street, Suite 4750, Toronto, Ontario, Canada, M5J 2T3.

On January 4, 2012, the Company announced that Tom Meredith 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.

On April 11, 2013, the Company announced that Andrew Iaboni, the Company's controller, was appointed Chief Financial Officer effective April 15, 2013, replacing Ha Tran who resigned as of March 31, 2013.

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

Fuller Property

On January 31, 2013, the Company announced further positive exploration results for the fourth quarter of 2012 which included 3.19 gpt gold over 19.1 m. Drilling has continued to encounter near surface mineralization in the quartz-feldspar porphyry and the surrounding volcanics. Fourteen (14) additional holes were completed following up on the results of July 11, 2012.

Based on the favourable drill results from the most recent drill program and review of historic results, an updated National Instrument 43-101 ("NI 43-101") resource is being prepared. It will incorporate the 2011-2012 drill program results that outlined near surface lower grade gold mineralization, along with the deeper mineralization outlined in the 2006 NI 43-101 resource estimate.

Preliminary Economic Assessment

Upon updating and preparing digital resource estimates for all the Company's projects, the results will be reviewed to determine whether to proceed with a preliminary economic assessment ("PEA"). The PEA will be designed to test the economics of mining each of our deposits and to examine the synergies that may exist between them.

Technical Information

The information presented has been reviewed and approved by appropriate Qualified Person(s), as defined by National Instruments 43-101 "Standards of Disclosure for Mineral Projects" ("NI 43-101"). Mineral resource estimates were estimated using the CIM, Metallurgy and Petroleum Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council December 11, 2005.

Investment in Uranium Valley Mines – Quebec, Canada

Lexam VG holds 4,000,000 common shares of UVM, representing an approximate ownership of 36%. The Company's investment in UVM is accounted for using the equity method. For the year ended December 31, 2012, UVM made the decision to write-off its Otish/Mistassini Prospect due to the moratorium imposed by the Quebec Government on the issuance of exploration and exploitation permits for uranium in the province of Quebec.

The moratorium was announced on March 28, 2013, subsequent to Lexam VG's annual 2012 filing, but prior to UVM's annual 2012 filing. As a result, UVM recognized and recorded an impairment of $1,574,322 for the year ended December 31, 2012. The Company's 36% equity pick-up on the loss would have been $566,756 which exceeded the carrying value of the investment. Thus, the carrying value of the investment was reduced to $nil as at March 31, 2013.

The following is a schedule of the equity accounted investment:

	As at	
	March 31, 2013	December 31, 2012
Beginning of period	$ 212,984	$ 274,318
Loss on equity investment	(212,984)	(61,334)
End of period	$ -	$ 212,984

As March 31, 2013, UVM had total assets approximating $433,000 and liabilities approximating $6,700, with a net loss approximating $21,910 for the three months ended March 31, 2013.

UVM trades on the TSX Venture under the symbol VZZ. Based on UVM's closing share price of $0.09 per share on March 31, 2013, the market value of Lexam VG's 4,000,000 shares in UVM is $360,000.

Results of Operations

	Three months ended March 31, 2013	2012	2011
Net Loss	$ (430,574)	$ (201,156)	$ (1,288,109)
Net Loss per share (basic and diluted)	$ (0.00)	$ (0.00)	$ (0.01)
Total Assets	42,293,919	43,210,205	44,964,285
Non-Current Liabilities	426,471	416,435	406,636

The Company recorded a net loss of $430,574 ($0.00 per share) for the three months ended March 31, 2013, compared to $201,156 ($0.00 per share) during the corresponding period in 2012. The increased net loss during the first quarter of 2013 was primarily attributable to the larger loss in the Company's equity investment in UVM and partially offset by a reduction in office, general and administrative expenses.

Office, General and Administrative Expenses

	Three months ended March 31, 2013	2012
Salaries and benefits	$ 56,044	$ 57,244
Professional fees (accounting, audit and legal)	30,240	16,545
Public company fees and investor relations	74,247	84,899
Director's fees and expenses	17,500	20,000
Office and general	49,087	82,548
	$ 227,118	$ 261,236

Office, general and administrative expenses decreased by 13% or $34,118 in the first quarter of 2013 compared to the first quarter of 2012. The reduction in 2013 was due to the decrease in office and general expenditures.

Exploration and Development Expenditures

Three months ended March 31, 2013

	Fuller	Davidson Tisdale	Buffalo Ankerite	Paymaster	Total
Geological	$ 65,956	$ 35,357	$ 106,299	$ 65,930	$ 273,542
Engineering	7,824	4,500	13,464	-	25,788
Drilling	8,657	2,766	5,757	250	17,430
Land & Holding	948	-	5,963	-	6,911
Recovery from joint venture partner	-	(15,387)	-	-	(15,387)
Other	4,040	1,785	3,549	396	9,770
March 31, 2013	$ 87,425	$ 29,021	$ 135,032	$ 66,576	$ 318,054

The Company's policy is to capitalize drilling and other exploration expenditures. Exploration expenditures, which were capitalized for the three months ended March 31, 2013, totaled $318,054 (December 31, 2012 - $2,746,314). Current period expenditures primarily relate to the preparation of updated resource estimates.

Summary of Quarterly Results

Selected financial information for the eight previous fiscal quarters:

		2013	2012				2011		
		Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Net Loss	$	(430,574)	(146,887)	(152,149)	(234,621)	(201,156)	(585,062)	(420,271)	(686,818)
Net Loss per share (basic and diluted)	$	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)

Liquidity and Capital Resources

At March 31, 2013, the Company's cash position decreased to $1,341,015 compared to $1,532,091. The cash decrease of $191,076 is made up of $387,664 used in operating activities, offset by $196,588 received from investing activities.

Cash generated from investing activities primarily relate to $318,054 expenditures on exploration and evaluation assets offset by $489,642 proceeds from redemption of short-term investments. The Company's short-term investment of $3,099,065 is a fixed income investment.

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, 2013	December 31, 2013
Common Shares	226,570,860	226,570,860
Stock Options	1,010,000	1,010,000

The total common shares outstanding as of May 9, 2013 are 226,570,860.

Transactions with Related Parties

In January 2012, the Company agreed to reimburse McEwen Mining Inc. ("McEwen Mining") for rent, personnel, office expenses and other administrative services as those costs are paid directly by 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.

For the three month period ended March 31, 2013, the Company paid rent, personnel, office expenses and other administrative services of $32,500 (2012 - $27,400) to McEwen Mining.

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, 2013, 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 Adopted Accounting Standards

The International Accounting Standards Board ("IASB") issued the following standards, which are effective for annual periods beginning on or after January 1, 2013. The Company adopted these standards effective January 1, 2013 and the adoption of these standards did not have a material impact on the Company's financial statements.

IFRS 10, "Consolidated Financial Statements" ("IFRS 10"), which replaces parts of International Accounting Standards ("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 proportionately 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.

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 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.

In October 2011, the IFRS Interpretations Committee issued its Interpretation on accounting for waste removal costs - IFRIC Interpretation 20 "Stripping Costs in the Production Phase of a Surface Mine" ("IFRIC 20"), which provides guidance on the accounting for costs related to stripping activity in the production phase of surface mining. When the stripping activity results in the benefit of useable ore that can be used to produce inventory, the related costs are to be accounted for in accordance with IAS 2 "Inventories". When the stripping activity results in the benefit of improved access to ore that will be mined in future periods, the related costs are to be accounted for as additions to non-current assets when specific criteria are met.

Recently Issued Accounting Pronouncements not yet Adopted

The IASB issued the following standard, which is not yet effective and has not been applied in the preparation of these financial statements. The Company is in the process of determining the extent of the impact on its financial statements.

The IASB has issued IFRS 9 "Financial Instruments" which proposes to replace IAS 39, Financial Instruments: Recognition and Measurement ("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. The section is effective for annual periods beginning on or after January 1, 2015.

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, 2013 and have concluded that these controls and procedures are appropriately designed.

Internal Control over Financial Reporting

Management, under the supervision of the Chief Executive Officer and the Chief Financial Officer, 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, management believes its internal controls and procedures are appropriately designed and operated effectively as March 31, 2013. There were no changes in our internal control during the first quarter ended March 31, 2013 that materially affected or are reasonably likely to materially affect, our internal controls over financial reporting.

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 dependent 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 21, 2013, 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.