Lexam VG Gold Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2014

This Management's Discussion and Analysis ("MD&A") is prepared as of March 19, 2015 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, 2014, 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 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 and a 60.91% interest in the claims forming the Paymaster property. For more information see the Company's web site: www.lexamvggold.com.

Subsequently, on March 3, 2015, the Company announced the acquisition of SGX Resources' 31.5% minority interest of the Davidson Tisdale property, along with adjoining mineral claims to the north, west and south for $130,000, inclusive of $27,630 amount receivable. The acquisition increases the Company's interest in Davidson Tisdal from 68.5% to 100%.

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 150 King Street West, Suite 2800, Toronto, Ontario, Canada, M5H 1J9.

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

Exploration and Development Activities

Operational Outlook

The Company plans on conducting an exploration program on the newly acquired Davidson Tisdale properties and to the Fuller Property. The preliminary budget for these initiatives is approximately $320,000. Future exploration will be contingent upon the results from the exploration program.

The Company anticipates incurring care and maintenance expenditures on properties not actively explored during 2015 of approximately $40,000. These costs will include security, rent, and other property holding costs necessary to maintain the properties in good standing. The Company also continues to evaluate strategic acquisitions in the Timmins area and elsewhere that can increase overall resources holdings.

Additionally the Company expects to incurr approximately $800,000 in office, general and administrative expenditures which include salaries and benefits, audit fees, regulatory and stock exchange fees, rent, insurance, and director fees, among otther things.

Updated Resource Estimate

On June 3, 2013, the Company announced an updated resource estimate at the Buffalo Ankerite property, followed by an updated resource estimate on a company-wide basis on June 3, 2013. Based on the updated company-wide resource, the Company released a combined Canadian National Instrument 43-101 ("NI 43-101") compliant technical report on Buffalo Ankerite, Davidson Tisdale, Fuller, and Paymaster, on June 21, 2013. The complete technical report was filed on SEDAR at www.sedar.com and can also be found on the Company's web site www.lexamvggold.com, under the resource section.

The following table summarizes the updated Lexam VG attributable resources, as of December 31, 2014 disclosed in the technical report.

	Category		**Tonnes** (Mt)	**Grade Au** (gpt)	**Au** (oz)	**Category**		**Tonnes** (Mt)	**Grade Au** (gpt)	**Au** (oz)
Open Pit Resources	Measured	DTM	0.31	2.44	24,300					
	Indicated	BA	3.82	2.37	292,800					
		P	2.80	1.61	145,000		BA	2.74	2.31	203,400
		F	5.33	1.68	290,000	Inferred	P	0.84	1.61	43,000
		DTM	0.12	2.43	9,300		F	2.70	1.30	112,000
Totals Open Pit	**Measured + Indicated**		**12.38**	**1.90**	**761,400**	**Inferred**		**6.28**	**1.79**	**358,400**
Underground Resources	Measured	DTM	0.01	6.64	2,600					
		DTS	0.23	5.50	41,000		BA	2.81	4.05	367,100
	Indicated	BA	3.27	4.76	500,200		P	0.13	6.14	26,000
		F	0.33	5.76	61,000	Inferred	F	0.84	4.97	135,000
		DTM	0.03	4.91	4,400		DTM	0.05	4.20	6,600
		DTS	0.28	4.52	41,400		DTS	0.26	4.68	39,800
Totals Underground	**Measured + Indicated**		**4.15**	**4.87**	**650,600**	**Inferred**		**4.09**	**4.35**	**574,500**
Total Resources	**Measured + Indicated** (Open Pit + Underground)				**1,412,000**	**Inferred** (Open Pit + Underground)				**932,900**

BA - Buffalo Ankerite, DTM - Davidson Tisdale Main Zone, DTS – Davidson Tisdale S Zone, F - Fuller, P - Paymaster, Au – gold; gpt – grams per tonne; oz – ounces.
Cut-Offs: Open Pit - 0.51 gpt Au (BA, P, F), 0.5 gpt Au (DTM); Underground - 2.57 gpt Au (BA, P, F), 2.6 gpt Au (DTM), 2.0 gpt Au (DTS).
The resources above represent net Lexam resources as of June 2013, at US$1,600/oz gold price. The net Lexam ounces are calculated at the following property ownership interests: BA and F - 100%, P - 60%, DTM and DTS - 68.5%.

Preliminary Economic Assessment

Based on the positive results of the combined NI 43-101 resource estimate released on June 3, 2013, (under the title Technical Report and Updated Resources Estimate on the Buffalo Ankerite, Fuller, Paymaster and Davisdon Tisdale Gold Deposits Porcupine Mining Division North-Eastern Ontario Canada), the Company engaged Roscoe Postle Associates Inc. to prepare a preliminary economic assessment ("PEA") on Buffalo Ankerite, Fuller, Davidson Tisdale, and Paymaster. The PEA focuses on the economics of open pit mining from each property and examining synergies that may exist between them.

On April 23, 2014, the Company announced results from the PEA, which was later filed on SEDAR on June 6, 2014. The assumptions include a base case scenario with gold price of US$1,300 per ounce and a low gold price sensitivity scenario with gold price of US$1,250 per ounce, both cases at an exchange rate of C$: US$ 0.90.

Description	Units	Base Case Scenario	Low Gold Price Sensitivity Scenario
Gold Price	**US$/oz**	**1,300**	**1,250**
Exchange Rate	**C$:US$**	**0.90**	**0.90**
Production Profile:			
LoM	years	6.5	6.5
Mineralized Production Rate	tonnes per day ("tpd")	2,000	2,000
LoM Annual Production	oz	45,000	45,000
Strip Ratio	Waste:Ore	9.6	9.6
Cash Operating Cost	US$/oz	865	860
Processing:			
Grade	gpt Au	2.23	2.23
Recovered Au	oz Au	293,000	293,000
Capital Costs:			
Initial Capital	C$ (millions)	58	58
Pre-Tax Operating Performance:			
Net Pre-Tax Cashflow	C$ (millions)	73	58
IRR	**%**	**36%**	**30%**
NPV at a Discount Rate of 7.5%	**C$ (millions)**	**41**	**31**
Payback	years	1.9	2.1
Construction	years	1.0	1.0
After-Tax Economic Performance:			
Net After-Tax Cashflow	C$ (millions)	61	50
IRR	**%**	**32%**	**27%**
NPV at a Discount Rate of 7.5%	**C$ (millions)**	**33**	**26**
Payback	years	2.1	2.3

Other PEA assumptions are as follows:

- Open pit optimizations are based on US$1,200/oz Au.
- Initial capital cost to construct the mine is estimated with 25% contingency priced in, with potential to reduce initial cost through additional project optimization and more advanced studies.
- Toll milling for all mineralization and contract mining for a portion of the waste stripping
- Mining dilution of up to 27.5% is factored in depending on the mineralized zone and thickness, along with mining extraction of 95%.

Paymaster Property

On September 20, 2013 the Company received formal notification, from Goldcorp indicating that they will not be participating in the 2013 exploration budget. As such, the Company diluted Goldcorp's ownership in accordance with terms stipulated in the joint venture agreement. For the year ended December 31, 2014, the Company increased its interest from 60.7% to 60.91%.

Technical Information

The technical information presented in this MD&A has been reviewed and approved by Kenneth W. Guy, P.Geo, a consultant to Lexam VG, and a qualified person as defined by National Instrument 43-101 "Standards of Disclosure for Mineral Projects". 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.

Results of Operations

	2014	2013	2012
Net Loss	$ (643,423)	$ (873,581)	$ (734,813)
Net Loss per share (basic and diluted)	$ (0.00)	$ (0.00)	$ (0.00)
Total Assets	41,194,026	41,865,674	42,889,124
Non-Current Liabilities	-	434,134	423,917

The Company recorded a net loss of $643,423 ($0.00 per share) for the year ended December 31, 2014, compared to $873,581 ($0.00 per share) during the corresponding period in 2013. The decrease in net loss in 2014 was attributable to a reduction in office, general, and administrative expenses, and a reduction in the loss on the Company's equity investment in Uranium Valley Mines ("UVM"). The increased net loss in 2013 in comparison to 2012 was primarily attributable to the loss on the Company's equity investment in UVM, decrease in interest income, and partially offset by a reduction in office, general and administrative expenses.

Office, General, and Administrative Expenses

	For the three months ended December 31,		For the year ended December 31,	
	2014	2013	2014	2013
Salaries and benefits	$ 59,874	$ 38,807	$ 179,269	$ 193,320
Professional fees (accounting, audit and legal)	16,336	21,020	96,614	122,988
Public company fees and investor relations	11,699	17,068	129,129	169,448
Director fees	17,500	17,500	70,000	70,000
Office and general	72,588	27,053	150,237	132,777
	$ 177,997	$121,448	$ 625,249	$ 688,533

On an overall basis, office, general and administrative expenses increased by 47% or $56,549 for the three months ended December 31, 2014 with the comparative period in 2013. This increase in the fourth quarter of 2014 was attributable to salaries, office and general expenses. The increase in office and general expenses were primarily due to consulting fees incurred for review of strategic acquisitions.

Annually, office, general and administrative expenses decreased by 9% or $63,284 in comparison to 2013. The reduction for the year was attributed to lower professional fees, marketing and investor relation activities, and salaries.

Care and Maintenance

During the fourth quarter of 2014, the Company decided to temporarily cease all exploration activities on its exploration and evaluation assets and to place them on care and maintenance. Care and maintenance expenditures for the fourth quarter totaled $8,669 and include security, rent, and general property holding costs.

Exploration Expenditures

	Fuller		Davidson Tisdale		Buffalo Ankerite		Paymaster		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Geological	$ 48,230	$ 156,859	$ 21,923	$ 81,709	$ 63,329	$ 277,806	$ 45,929	$ 158,404	$ 179,411	$ 674,778
Engineering	25,102	30,860	17,052	21,000	27,750	45,604	-	1,500	69,904	98,964
Drilling	-	15,927	-	5,778	2,280	11,557	-	2,350	2,280	35,612
Land & Holding	1,939	7,409	3,917	3,327	25,257	21,685	717	1,634	31,830	34,055
Recovery from joint venture partner	-	-	(15,539)	(39,859)	-	-	-	-	(15,539)	(39,859)
Other	8,366	8,778	1,956	3,223	6,151	9,642	-	619	16,473	22,262
December 31	$ 83,637	$ 219,833	$ 29,309	$ 75,178	$ 124,767	$ 366,294	$ 46,646	$ 164,507	$ 284,359	$ 825,812

The Company's policy is to capitalize drilling and other exploration expenditures. Exploration expenditures, which were capitalized for the year ended December 31, 2014, totaled $284,359 (December 31, 2013 - $825,812). The decline in expenditures in 2014 compared to 2013 relates to a reduced drill program as the Company focused on advancing work related to the combined resource estimate and the PEA. Additionally, the decrease is also attributable to management's decision in the fourth quarter to curtail exploration and development activities and place its exploration and evaluation assets on care and maintenance.

The Company incurred expenditures of $83,637 (2013 - $219,833) on the Fuller Property, $29,309 (2013 - $75,178) on the Davidson Tisdale property, $124,767 (2013 - $366,294) on the Buffalo Ankerite property, and $46,646 (2013 - $164,507) on the Paymaster property. Expenditures primarily related to the preparation of updated resource estimates and the PEA.

During the year the Company also spent $24,764 on the Teefy property. During the fourth quarter of 2014 the Company conducted a strategic assessment of its operations and decided to discontinue all exploration activities on the Teefy property, with the intention of allowing the claim to lapse upon its renewal date. As a result, an impairment charge of $24,764 has been recognized with respect to this property.

Summary of Quarterly Results

Selected financial information for the eight previous fiscal quarters:

	2014				2013			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net Loss	(205,766)	(116,439)	(145,496)	(175,722)	(115,151)	(144,719)	(183,137)	(430,574)
Net Loss per share (basic and diluted)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)

Net loss has been consistent on a quarterly basis with the exception of the first quarter in 2013 where the Company recorded a significant loss from its equity accounted investment.

Liquidity and Capital Resources

As at December 31, 2014, the Company's cash position decreased to $232,322 compared to $458,018 on December 31, 2013. The cash decrease of $225,696 is made up of $666,573 used in operating activities, partially offset by $440,877 generated from investing activities.

Cash from investing activities was primarily related to $309,123 expenditures on exploration and evaluation assets offset by $750,000 proceeds from the redemption of short-term investments. The Company's short-term investment of $2,416,358, is a fixed income investment, and can be liquidated as needed.

Based on current spending projections, primarily relating to the PEA and general and administrative expenditures, 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 and stock options outstanding.

	2014	2013
Common Shares	226,570,860	226,570,860
Stock Options	-	1,010,000

The total common shares outstanding as of March 19, 2015 are 226,570,860.

Contractual Obligations

	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years	Total
Decommissioning liabilities	444,597	-	-	-	444,597
Accounts payable and accrued liabilities	79,490	-	-	-	79,490
	$ 524,087	$ -	$ -	$ -	$ 524,087

Transactions with Related Parties

The Company agreed to reimburse McEwen Mining Inc. ("McEwen Mining") for rent, personnel, office expenses and other administrative services, on an ongoing basis as those costs are paid directly by McEwen Mining. Robert McEwen ("Mr. McEwen") is the Chief Executive Officer of McEwen Mining and holds a 25% ownership in McEwen Mining, a publicly listed company, trading on the New York Stock Exchange and the Toronto Stock Exchange. Mr. McEwen also owns 27% of the Company.

For the year ended December 31, 2014, the Company paid rent, personnel, office expenses and other administrative services of $69,300, to McEwen Mining. During the comparable periods in 2013, the Company paid $118,400, to McEwen Mining.

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 December 31, 2014, 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 at 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

International Accounting Standard ("IAS") 32 – Offsetting of financial instruments ("IAS 32"). The amendments to IAS 32, Financial Instruments: Presentation, clarify the criteria that should be considered in determining whether an entity has a legally enforceable right of set off in respect of its financial instruments. Amendments to IAS 32 are applicable to annual periods beginning on or after January 1, 2014, with retrospective application required. There was no material impact on the Company's consolidated financial statements upon adoption of these amendments.

In May 2013, the International Accounting Standards Board ("IASB") issued International Financial Reporting Interpretations Committee 21 – Levies ("IFRIC 21"), an interpretation of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014. The adoption if IFRIC 21 had no impact to the Financial Statements of the Company.

Recently Issued Accounting Pronouncements not yet Adopted

The IASB issued the following standards, which are not yet effective and have 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.

On May 6, 2014 the IASB issued Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11). The amendments apply prospectively for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business. The impact of adoption of the amendment has not yet been determined.

On July 24 2014 the IASB issued the complete IFRS 9 (IFRS 9 (2014). The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight. The impact of adoption of the amendment has not yet been determined.

On May 12, 2014 the IASB issued amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. The amendments made to IAS 16 explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset. The impact of adoption of the amendment has not yet been determined.

The amendments in IAS 38 introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption could be overcome only when revenue and consumption of the economic benefits of the intangible asset are highly correlated or when the intangible asset is expressed as a measure of revenue. The impact of adoption of the amendment has not yet been determined.

Management's Evaluation of Disclosure Controls

Management is responsible for the design and operating 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 and operating effectiveness of the Company's disclosure controls and procedures as at December 31, 2014 and have concluded that these controls and procedures are appropriately designed and have operated effectively.

Internal Control over Financial Reporting

Management, under the supervision of the Chief Executive Officer (or Chairman of the Board of Directors, in absence of 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. Management follows the Committee of Sponsoring Organizations of the Treadway Commission 1992 framework ("COSO"). Based on a review of its internal control, management believes its internal controls and procedures are appropriately designed and operated effectively as at December 31, 2014. There were no changes in the Company's internal controls during the quarter ended December 31, 2014 that materially affected or are reasonably likely to materially affect, our internal controls over financial reporting.

Financial Instruments

The Company manages its exposure to a number of different financial risks arising from operations as well as from the use of financial instruments including market risks (commodity prices, foreign currency exchange rate and interest rate), credit risk and liquidity risk through its risk management strategy. The objective of the strategy is to support the delivery of the Company's financial targets while protecting its future financial security and flexibility.

Financial risks are primarily managed and monitored through operating and financing activities. The Company does not use derivative financial instruments. The financial risks are evaluated regularly with due consideration to changes in key economic indicators and to up-to-date market information.

(a) Market Risk

Market risk is the risk of uncertainty arising primarily from possible commodity market price movements and their impact on the future economic viability of the Company's projects and ability of the Company to raise capital. These market risks are evaluated by monitoring changes in key economic indicators and market information on an on-going basis and adjusting operating and exploration budgets accordingly.

(b) Liquidity Risk

Liquidity risk encompasses the risk that a company cannot meet its financial obligations in full. The Company's main sources of liquidity are its cash and cash equivalents and short-term investments. These funds are primarily used to finance working capital, exploration expenditures, capital expenditures, and acquisitions.

The Company manages its liquidity risk by regularly monitoring its cash flows required for operating activities, exploration and evaluation expenditures, and holding adequate amounts of cash and cash equivalents and short-term investments, which can readily be converted to cash. Accounts payable and accrued liabilities are current financial instruments expected to be settled in the normal course of operations.

As at December 31, 2014 the Company held cash and cash equivalents of $232,322 and short-term investments of $2,416,358.

(c) Interest Rate Risk

Interest rate risk is the risk associated with interest-bearing assets or liabilities as a result of fluctuations in interest rates.

Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company's cash and cash equivalents include highly liquid investments that earn interest at market rates. The Company does not have any interest bearing liabilities.

Although the Company endeavours to maximize the interest income earned on excess funds, the Company's policy focuses on cash preservation, while maintaining the liquidity necessary to conduct operations on a day-to-day basis. The Company's policy limits the investing of excess funds to liquid term deposits, treasury bills and banker's acceptances.

Fluctuations in market interest rates have not had a significant impact on the Company's results of operations due to the short term maturities of investments held.

(d) Foreign Exchange Risk

Foreign exchange risk arises from the Company's exposure to currency fluctuations relative to Canadian dollars on expenditures that are denominated in US dollars. The Company is also exposed to the impact of currency fluctuations on its monetary assets and liabilities. As at December 31, 2014, a 1% change in the value of the US dollar compared to the Canadian dollar could result in a foreign exchange gain or loss of approximately $324.

(e) Credit Risk

Credit risk arises from cash held with banks 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.

The Company's receivable balance includes a reimbursement of exploration expenditures spent on the Davidson Tisdale property. The Company is the operator of the Davidson Tisdale property, holding a 68.5% ownership, while SGX Resources Inc. ("SGX") is the beneficial owner of a 31.5% interest. The Company is exposed to credit risk in connection with the timing of processing of refund payments related to exploration expenditures. As at December 31, 2014, the Company recorded receivables of approximately $27,630 due from SGX.

(f) Fair Value

Cash and cash equivalents are accounted for at fair value through profit and loss. Amounts receivable are classified as loans and receivables, and measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, and measured at amortized cost, which approximate fair value due to their short term nature.

Cash and cash equivalents are classified as a level 1 item under the fair value hierarchy, and short-term investments are classified as a level 2 item under the fair value hierarchy.

Use of Estimates and Judgment

The preparation of annual consolidated financial statements in conformity with IFRS requires that management make estimates and assumptions about future events that affect the amounts reported in the annual consolidated financial statements and related notes to the financial statements. Actual results may differ from those estimates.

Significant estimates used in the preparation of the consolidated financial statements include:

(a) Mineral Resources

The estimates relating to mineral resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous estimates in determining the mineral resource estimate. Such estimation is a subjective process, and the accuracy of any mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions, such as metal prices and market conditions, could have a material effect in the future ability to develop such projects.

The recoverability of exploration and evaluation assets is assessed for impairment upon demonstrating the viability of a project. The application of the Company's accounting policy for exploration and evaluation assets

requires judgment in determining whether future economic benefits may be realized, which are based on assumptions about future events and circumstances as indicated above.

(b) Decommissioning Liabilities

The Company's decommissioning liabilities represent management's best estimate of the present value of the future cash outflows required to settle the liability which reflects estimates of future costs, inflation, and the applicable risk-free interest rates for discounting the future cash outflows. Changes to the above factors can result in a change to the provision recognized by the Company.

Management uses its judgment in determining if a present obligation exists at the reporting period by considering all evidence, including the opinion of independent experts. Management also uses its judgment in evaluating variables that are used in determining the present value of the liabilities.

(c) Income Taxes

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences, and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its judgments, management gives additional weight to positive and negative evidence that can be objectively verified. At the end of each reporting period, the Company reassesses unrecognized tax assets.

(d) Impairment of Exploration & Evaluation ("E&E") Assets

Events or changes in circumstances can give rise to significant impairment charges or reversals of impairment in a particular year. The Company assesses its E&E assets at each financial reporting period date to determine whether any indication of impairment exists. Where an indicator of impairment exists, an estimate of E&E assets recoverable amount is made, which is the higher of the fair value less costs of disposal and estimated value in use. The determination of the recoverable amount requires the use of estimates and assumptions such as long-term commodity prices, foreign exchange rates, discount rates, future capital requirements, exploration potential and future operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's-length transaction between knowledgeable and willing parties.

Fair value for an E&E asset is generally determined as the present value of estimated future cash flows arising from the development of the asset, using assumptions that an independent market participant would take into account. Cash flows are discounted by an appropriate discount rate to determine the net present value.

The decision to cease exploration expenditures during the fourth quarter was considered an indicator of impairment, and accordingly, an impairment assessment was performed. Based on the assessment, the carrying value of the E&E assets was considered recoverable at December 31, 2014 and no impairment was deemed necessary.

Given the combined preliminary economic assessment ("PEA") covering an open pit mining scenario from all four of the Company's projects, the fair value less costs of disposal was determined by calculating the net present value ("NPV") of the future cash flows expected to be generated. The estimates of future cash flows, including operating costs, initial, sustaining and non-sustaining capital expenditures, were derived from the Company's PEA published on June 5, 2014. The PEA considers production levels, sequence of extraction taking into account characteristics of the ore body, including waste to ore ratios, ore grades, haul distances, metallurgical recoveries, availability of processing plant and mine equipment, and other factors.

Based on observable market or publicly available data related to current prices, forward prices and forecast prices prepared by industry analysts, the Company made an assumption of future gold prices to estimate future revenues. The Company used a constant long-term gold price estimate of US$1,300 per ounce. The future cash flows were discounted using a discount rate of 10%. Certain costs in the model are incurred in Canadian dollars and were translated to U.S. dollar equivalents based on long-term forecasts of foreign exchange rates, obtained from independent sources of economic data. The model uses a constant exchange rate of $1.00 Canadian dollar to $0.90 US dollar.

The value attributable to the portion of the underground resource was derived from per ounce estimates consistent with North American observable market transactions.

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 19, 2015, filed on www.sedar.com.

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.