

Lexam VG Gold Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE QUARTER ENDED MARCH 31, 2015

Lexam VG Gold Inc.

Management's Discussion and Analysis –March 31, 2015

This Management's Discussion and Analysis ("MD&A") is prepared as of May 5, 2015 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, 2015 and 2014 and the audited annual consolidated financial statements 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. The Buffalo Ankerite, Fuller and Davidson Tisdale properties are 100% owned. The Company also has a 60.9% interest in the claims forming the Paymaster property. For more information see the Company's web site: www.lexamvgold.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 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 on the Fuller property. The exploration program is scheduled for the second and third quarters of 2015 and the preliminary budget 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. During the first quarter care and maintenance expenditures incurred totaled \$19,400. The Company also continues to evaluate strategic acquisitions in the Timmins area and elsewhere that can increase overall resources holdings.

The Company incurred approximately \$295,500 in office, general and administrative expenditures which include salaries and benefits, audit fees, regulatory and stock exchange fees, rent, insurance and director fees, among other things. During 2015 the Company expects to incur a total of \$800,000 in office, general and administrative expenditures.

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Davidson Tisdale Property Acquisition

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 increased the Company's interest in Davidson Tisdale from 68.5% to 100%.

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. Since this time there has been no further notification that Goldcorp will resume participation. As such, the Company diluted Goldcorp's ownership in accordance with terms stipulated in the joint venture agreement.

Results of Operations

	Three months ended March 31,		
	2015	2014	2013
Net Loss	\$ (309,536)	\$ (175,722)	\$ (430,574)
Net Loss per share (basic and diluted)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Total Assets	40,946,790	41,711,627	42,293,919
Non-Current Liabilities	-	436,750	426,471

The Company recorded a net loss of \$309,536 (\$0.00 per share) for the three months ended March 31, 2015, compared to \$175,722 (\$0.00 per share) during the corresponding period in 2014. The increase in net loss in 2015 was attributable to an increase in office, general, and administrative expenses, and an increase in care and maintenance expenditures. The decreased net loss in 2014 compared to 2013 was primarily attributable to the loss on the Company's equity investment in UVM, partially offset by a reduction in office, general and administrative expenses.

Office, General, and Administrative Expenses

	For the three months ended March 31,	
	2015	2014
Salaries and benefits	\$ 68,792	\$ 35,716
Professional fees (accounting, audit and legal)	54,656	25,807
Public company fees and investor relations	66,683	56,941
Director fees	17,500	17,500
Office and general	87,873	45,429
	<u>\$ 295,504</u>	<u>\$ 181,393</u>

On an overall basis, office, general and administrative expenses increased by 63% or \$114,111 for the three months ended March 31, 2015 with the comparative period in 2014. This increase was primarily attributable to salaries, professional fees and office and general expenses. The increase in professional fees is the result of additional audit fees. Legal fees also increased pertaining to administrative costs to complete the Davidson Tisdale acquisition. The increase in office and general expenses were relate to consulting fees incurred for review of strategic acquisitions.

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Exploration Expenditures

	Fuller		Davidson Tisdale		Buffalo Ankerite		Paymaster		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Geological	\$ -	\$ 19,130	\$ -	\$ 6,800	\$ -	\$ 22,698	\$ -	\$ 16,282	\$ -	\$ 64,910
Engineering	-	15,952	-	11,452	-	9,000	-	-	-	36,404
Drilling	-	-	-	-	-	-	-	-	-	-
Land & Holding	-	948	157,630	1,559	-	9,951	-	-	157,630	12,458
Recovery from joint venture partner	-	-	-	(6,864)	-	-	-	-	-	(6,864)
Other	-	792	-	-	-	247	-	-	-	1,039
December 31	\$ -	\$ 36,822	\$ 157,630	\$ 12,947	\$ -	\$ 41,896	\$ -	\$ 16,282	\$ 157,630	\$ 107,947

The Company's policy is to capitalize drilling and other exploration expenditures. Exploration expenditures, which were capitalized for the three months ended March 31, 2015, totaled \$157,630 (March 31, 2014 - \$107,947). The decline in expenditures in 2015 compared to 2014 relates to management's decision in the fourth quarter of 2014 to curtail exploration and development activities and place its exploration and evaluation assets on care and maintenance. The only capitalized expenditures in 2015 pertain to the acquisition of the remaining 31.5% of the Davidson Tisdale property. The Company now holds 100% interest on this project.

Summary of Quarterly Results

Selected financial information for the eight previous fiscal quarters:

	2015	2014					2013		
	Q1	Q4	Q3	Q2	Q1		Q4	Q3	Q2
Net Loss	(309,536)	(205,766)	(116,439)	(145,496)	(175,722)		(115,151)	(144,719)	(183,137)
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

As at March 31, 2014, the Company had cash of \$442,156, compared to \$232,322 at December 31, 2014, representing an increase of \$209,834. The cash increase of \$209,834 is made up of \$490,775 generated from investing activities, offset by \$280,941 used in operating activities.

Cash from investing activities was primarily related to \$130,000 expenditures on exploration and evaluation assets offset by \$620,775 proceeds from the redemption of short-term investments. The Company's short-term investments of \$1,802,071 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.

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Outstanding Share Data

The following schedule outlines the number of shares and stock options outstanding.

	<u>2015</u>	<u>2014</u>
Common Shares	226,570,860	226,570,860
Stock Options	-	-

The total common shares outstanding as of May 5, 2015 are 226,570,860.

Transactions with Related Parties

The Company agreed to reimburse on an ongoing basis McEwen Mining Inc. ("McEwen Mining") for rent, personnel, office expenses and other administrative services, 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 three months ended March 31, 2015, the Company paid for net shared services, rent, personnel, office expenses and other administrative services of \$8,600, to McEwen Mining. During the comparable periods in 2014, the Company paid \$29,700, 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.

Off-Balance Sheet Arrangements

As at March 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.

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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 of IFRIC 21 had no impact to the Financial Statements of the Company.

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 (or Chairman of the Board of Directors, in absence of 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 March 31, 2015 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 March 31, 2015. There were no changes in the Company's internal controls during the first quarter ended March 31, 2015 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,

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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.