Lexam VG Gold Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE SECOND QUARTER ENDED JUNE 30, 2014

This Management's Discussion and Analysis ("MD&A") is prepared as of August 8, 2014 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 and six months ended June 30, 2014 and 2013 and the audited annual consolidated financial statements for the year ended December 31, 2013, 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 60.7% interest in the claims forming Paymaster. On April 22, 2014, the Company acquired 100% of the mining rights of the claims forming the Teefy property, which is located in Teefy, Ontario, approximately 60 kilometers from Timmins. 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 150 King Street West, Suite 2800, Toronto, Ontario, Canada, M5H 1J9.

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.

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

Preliminary Economic Assessment

Based on positive results from the combined NI 43-101 resource estimate released on June 3, 2013, 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 mining the open pit resource 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 June 6, 2014. The assumptions in the base case model include gold price of US$1,300 and an exchange rate of C$: US$ 0.90. The PEA highlights are as follows:

- After-tax Net Present Value ("NPV") of $33 million (using a 7.5% discount rate), Internal Rate of Return ("IRR") of 32%, and 2.1 years payback.

- Average annual gold production of 45,000 oz Au over a life-of-mine ("LoM") of 6.5 years with a strip ratio of 9.6:1.
- Cash operating costs over LoM average US$865/oz Au.
- Initial capital cost to construct the mine is estimated at $58 million with potential to reduce initial costs through project optimization and more advanced studies.
- Base case assumes 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%.

Technical Information

The technical information presented in this management discussion and analysis 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" ("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.

Results of Operations

	Three months ended June 30,			Six months ended June 30,		
	2014	2013	2012	2014	2013	2012
Net Loss	$ (145,496)	$ (183,137)	$ (234,621)	$ (321,218)	$ (613,711)	$ (435,777)
Net Loss per share (basic and diluted)	$ -	$ -	$ -	$ -	$ -	$ -
Total Assets				41,526,570	42,128,553	43,028,610
Non-Current Liabilities				439,366	429,025	418,929

For the three months ended June 30, 2014, the Company had a net loss of $145,496 ($0.00 per share) compared to $183,137 ($0.00 per share) for the same period 2013. The reduction in net loss for the three months ended June 30, 2014 was due to lower office, general and administrative expenditures.

The Company recorded a net loss of $321,218 ($0.00 per share) for the six months ended June 30, 2014, compared to $613,711 ($0.00 per share) during the corresponding period in 2013. The decrease in the net loss during the second quarter of 2014 was primarily attributable to a reduction in office, general, and administrative expenses, and the loss on the Company's equity accounted investment in UVM.

Office, General and Administrative Expenses

	For the three months ended June 30,		For the six months ended June 30,	
	2014	2013	2014	2013
Salaries and benefits	$ 39,545	$ 60,186	$ 75,261	$ 116,230
Professional fees (accounting, audit and legal)	44,905	35,081	70,712	65,321
Public company fees and investor relations	27,895	51,163	84,836	125,410
Director's fees and expenses	17,500	17,500	35,000	35,000
Office and general	15,502	29,340	60,931	78,427
	$ 145,347	$193,270	$ 326,740	$ 420,388

Office, general and administrative expenses decreased by 25% or $47,923, and 22% or $93,648 for the three and six months ended June 30, 2014 respectively. The reduction from the three and six month period was primarily due to a decrease in salaries and benefits and investor relation initiatives.

Exploration and Development Expenditures

Three months ended June 30,

	Fuller		Davidson Tisdale		Buffalo Ankerite		Paymaster		Teefy		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Geological	$ 23,499	$ 44,751	$ 15,123	$ 26,232	$ 32,779	$ 74,892	$ 19,823	$ 42,773	$ 2,100	$-	$ 93,324	$ 188,648
Engineering	6,000	10,286	3,000	7,500	6,000	7,075	-	-	-	-	15,000	24,861
Drilling	-	7,000	-	3,012	600	3,400	-	2,100	-	-	600	15,512
Land & Holding	429	3,114	2,358	3,159	8,121	4,229	717	-	12,870	-	24,495	10,502
Recovery from joint venture partner	-	-	(7,688)	(14,098)	-	-	-	-	-	-	(7,688)	(14,098)
Other	6,281	2,601	1,707	785	4,056	1,747	-	-	-	-	12,044	5,133
June 30, 2014	$ 36,209	$ 67,752	$ 14,500	$ 26,590	$ 51,556	$ 91,343	$ 20,540	$ 44,873	$14,970	$-	$ 137,775	$ 230,558

Six months ended June 30,

	Fuller		Davidson Tisdale		Buffalo Ankerite		Paymaster		Teefy		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Geological	$ 42,629	$ 110,707	$ 21,923	$ 61,589	$ 54,697	$ 181,191	$ 36,105	$ 108,703	$ 2,100	$-	$ 157,454	$ 462,190
Engineering	21,952	18,110	14,452	12,000	15,000	20,539	-	-	-	-	51,404	50,649
Drilling	-	15,657	-	5,778	1,380	9,157	-	2,350	-	-	1,380	32,942
Land & Holding	1,377	4,062	3,917	3,159	18,072	10,192	717	-	12,870	-	36,953	17,413
Recovery from joint venture partner	-	-	(14,552)	(29,485)	-	-	-	-	-	-	(14,552)	(29,485)
Other	7,073	6,641	1,707	2,570	4,303	5,296	-	396	-	-	13,083	14,903
June 30, 2014	$ 73,031	$ 155,177	$ 27,447	$ 55,611	$ 93,452	$ 226,375	$ 36,822	$ 111,449	$14,970	$-	$ 245,722	$ 548,612

The Company's policy is to capitalize drilling and other exploration expenditures. Exploration expenditures, which were capitalized for the three and six months ended June 30, 2014, totaled $137,775 and $245,722 (2013 - $230,558 and $548,612), respectively. Expenditures for the first half of 2014 primarily relate to the preparation of the PEA. Expenditures incurred during the comparative period primarily relate to the preparation of the updated resource estimate.

Summary of Quarterly Results

Selected financial information for the eight previous fiscal quarters:

	2014		2013				2012	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Net Loss	(145,496)	(175,722)	(115,151)	(144,719)	(181,137)	(430,574)	(146,887)	(152,149)
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

At June 30, 2014, the Company's cash position decreased to $75,917 compared to $458,018. The cash decrease of $382,101 is made up of $411,222 used in operating activities, offset by $29,121 received from investing activities.

Cash generated from investing activities relates to $245,723 expenditures on exploration and evaluation assets offset by $250,000 proceeds from sale of short-term investments. The Company's short-term investment of $2,900,596 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.

	June 30, 2014	December 31, 2013
Common Shares	226,570,860	226,570,860
Stock Options	610,000	1,010,000

The total common shares outstanding as of August 8, 2014 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 and six months ended June 30, 2014, the Company paid rent, personnel, office expenses and other administrative services of $12,635 and $42,341 (2013 - $29,143 and $61,662) respectively, 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 June 30, 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 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, 2014. The Company adopted these standards effective January 1, 2014 and the adoption of these standards did not have a material impact on the Company's financial statements.

In May 2013, the IASB issued IFRIC 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 on financial statements of the Company.

The amendments to IAS 32, Financial Instruments: Presentation, clarify the criteria that should be considered in determining whether and 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 January 1, 2014, with retrospective application required. There was no material impact on the Company's financial statements upon adoption of these amendments.

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, 2018.

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 of the Company's disclosure controls and procedures as at June 30, 2014 and have concluded that these controls and procedures are appropriately designed and operated effectively.

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 as at June 30, 2014. There were no changes in our internal control during the period ended June 30, 2014 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 20, 2014, 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.