Lexam VG Gold Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FIRST QUARTER ENDED MARCH 31, 2016

This Management's Discussion and Analysis ("MD&A") is prepared as of May 6, 2016 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, 2016 and 2015 and the audited annual consolidated financial statements for the year ended December 31, 2015, 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 its gold properties in Timmins, Ontario, Canada and to acquire additional gold properties in Ontario and Quebec provinces. The Buffalo Ankerite, Fuller and Davidson Tisdale properties are 100% owned. The Company also has a 60.96% interest in the claims forming the Paymaster property. For more information see the Company's web site: www.lexamvggold.com.

Lexam VG is listed and trades 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 under "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, "Au" represents gold, "VG" represents visible gold, "m" represents metres and "km" represents kilometres.

Exploration and Development Activities

Operational Outlook

At this time the company has no planned exploration activities for 2016. However, the Company continues to evaluate strategic acquisitions in Timmins and other areas that can increase overall resource holdings.

For the three months ended March 31, 2016, care and maintenance expenditures incurred totaled $17,900. These costs include security, rent, and other property holding costs necessary to maintain the properties in good standing. The Company anticipates incurring care and maintenance expenditures on properties not actively explored during 2016 of approximately $50,000.

For the three months ended March 31, 2016, the Company incurred approximately $216,700 in office, general and administrative expenditures which include salaries and benefits, professional fees, regulatory and stock exchange fees, rent, insurance and director fees, among other things. During 2016 the Company expects to incur a total of $760,000 in office, general and administrative expenditures.

Results of Operations

	Three months ended March 31, 2016	2015	2014
Net Loss	$ (249,142)	$ (309,536)	$ (175,722)
Net Loss per share (basic and diluted)	(0.00)	(0.00)	(0.00)
Total Assets	40,730,311	40,946,790	41,711,627
Non-Current Liabilities	1,046,331	-	436,750

The Company recorded a net loss of $249,142 ($0.00 per share) for the three months ended March 31, 2016, compared to $309,536 ($0.00 per share) during the corresponding period in 2015. The decrease in net loss in 2016 was attributable to a decrease in office, general and administrative expenses. The increase in net loss in 2015 compared to 2014 was primarily due to an increase in office, general and administrative expenses, and an increase in care and maintenance expenditures.

Office, General and Administrative Expenses

	Three months ended March 31, 2016	2015
Salaries and benefits	$ 48,069	$ 68,792
Professional fees (accounting, audit and legal)	13,599	54,656
Public company fees and investor relations	53,422	66,683
Director fees	17,500	17,500
Office and general	84,151	87,873
	$216,741	$ 295,504

On an overall basis, office, general and administrative expenses decreased by 26% or $78,763, for the three months ended March 31, 2016 with comparative period in 2015. The reduction in 2016 was primarily attributable to the decrease in salaries, professional fees and public company fees.

Exploration and Evaluation Assets

	Fuller		Davidson Tisdale		Buffalo Ankerite		Paymaster		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Geological	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Engineering	-	-	-	-	-	-	-	-	-	-
Drilling	-	-	-	-	-	-	-	-	-	-
Land & Holding	-	-	-	157,630	-	-	-	-	-	157,630
Recovery from joint venture partner	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
December 31	$ -	$ -	$ -	$ 157,630	$ -	$ -	$ -	$ -	$ -	$ 157,630

The Company's policy is to capitalize drilling and other exploration expenditures. Exploration expenditures capitalized for the three months ended March 31, 2016, was $nil. There were no exploration expenditures during first quarter of 2016 due to the fact that the Company had no planned exploration activities and all expenditures associated with maintaining the properties were expensed to care and maintenance. For the three months ended March 31, 2015, the Company incurred $157,630 in exploration expenditures, all of which relate to the acquisition of the 31.5% minority interest in the Davidson Tisdale property plus adjacent claims.

Summary of Quarterly Results

Selected financial information for the eight previous fiscal quarters:

	2016	2015				2014		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Net Loss	$ (249,142)	$ (169,563)	$ (142,491)	$ (222,761)	$ (309,536)	$ (205,766)	$ (116,439)	$ (145,496)
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, 2016, the Company had cash and equivalents of $292,906, compared to $241,499 at December 31, 2015, representing an increase of $51,407. The cash increase of $51,407 is made up of $290,072 generated from investing activities, offset by $238,665 used in operating activities.

Cash from investing activities was primarily related to $290,072 proceeds from the redemption of short-term investments. The Company's short-term investments of $900,843 are a fixed income investment, registered with a Canadian Bank and can be liquidated as needed.

Based on current spending projections, primarily relating to exploration 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.

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 and prospects 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 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.

Outstanding Share Data

The following schedule outlines the number of shares outstanding.

	March 31, 2016	December 31, 2015
Common Shares	226,570,860	226,570,860
Stock Options	969,000	969,000

The total common shares outstanding as of May 6, 2016 are 226,570,860.

Transactions with Related Parties

The Company agreed to share services with McEwen Mining Inc. ("McEwen Mining") for rent, personnel, office expenses and other administrative services. 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 Lexam VG.

For the three months ended March 31, 2016 McEwen Mining reimbursed the Company $30,100 for net shared services, which include rent, personnel, office expenses and other administrative services. During the comparable period in 2015, the Company paid $5,600 to McEwen Mining.

These transactions are in the normal course of business.

Off-Balance Sheet Arrangements

As at March 31, 2016, the Company does not have off-balance sheet arrangements.

Recently Adopted Accounting Standards

The IASB issued the following accounting standards and amendments to accounting standards, which are effective January 1, 2016:

On May 6, 2014 the IASB issued Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11). The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business. The adoption of this standard had no impact on the Company's condensed interim consolidated financial statements.

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 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 adoption of this standard had no impact on the Company's condensed interim consolidated financial statements.

On December 18, 2014 the IASB issued amendments to IAS 1 Presentation of Financial Statements as part of its major initiative to improve presentation and disclosure in financial reports (the "Disclosure Initiative"). These amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures. The adoption of this standard had no impact on the Company's condensed interim consolidated financial statements.

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.

On July 24, 2014 the IASB issued the complete 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. IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment. IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. Special transitional requirements have been set for the application of the new general hedging model. The Company intends to adopt IFRS 9 (2014) in its consolidated financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

On May 28, 2014 the IASB issued IFRS 15 Revenue from Contracts with Customers. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 will replace IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. The Company intends to adopt IFRS 15 in its consolidated financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

On January 13, 2016 the IASB issued IFRS 16 Leases. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17 Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The Company intends to adopt IFRS 16 in its consolidated financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the amendments has not yet been determined.

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. Based on a review of its internal controls, management believes its internal controls and procedures are appropriately designed as at March 31, 2016. There were no changes in the Company's internal controls during the first quarter ended March 31, 2016 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 29, 2016, 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.