Lexam VG Gold Inc.

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2016

This Management's Discussion and Analysis ("MD&A") is prepared as of November 3, 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 and nine months ended September 30, 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. 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.

Exploration and Development Activities

Operational Outlook

Presently the Company has no planned exploration activities for 2016. However, the Company continues to evaluate alternatives to advance its projects and strategic acquisitions in Timmins and other areas that can increase overall mineral resource holdings.

For the three and nine months ended September 30, 2016, care and maintenance expenditures incurred totaled $14,300 and $51,900, respectively. 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 $60,000.

For the three and nine months ended September 30, 2016, the Company incurred approximately $148,700 and $513,500 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 $700,000 in office, general and administrative expenditures.

Results of Operations

	Three months ended September 30, 2016	2015	2014	Nine months ended September 30, 2016	2015	2014
Net Loss	$ (178,269)	$ (142,491)	$ (116,439)	$ (610,266)	$ (674,788)	$ (437,657)
Net Loss per share (basic and diluted)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Total Assets				40,359,123	40,592,826	41,382,858
Non-Current Liabilities				1,066,055	-	441,981

The Company recorded a net loss of $178,269 ($0.00 per share) for the three months ended September 30, 2016, compared to $142,491 ($0.00 per share) during the corresponding period in 2015. The increase in net loss in 2016 was attributable to an increase in office, general and administrative expenses and care and maintenance expenditures. In prior years, when the Company had active exploration programs, certain property holding costs were capitalized, whereas in the current year there are no active exploration programs, as a result these costs have been expensed as care and maintenance. The increase in net loss in 2015 compared to 2014 was attributable to an increase in office, general and administrative expenses, and an increase in care and maintenance expenditures.

For the nine months ended September 30, 2016, the Company had a net loss of $610,266 ($0.00 per share) compared to $674,788 ($0.00 per share) for the same period in 2015. The decreased loss is the result of a decrease to office, general and administrative expenses.

Office, General and Administrative Expenses

	Three months ended September 30, 2016	2015	Nine months ended September 30, 2016	2015
Salaries and benefits	$ 40,580	$ 46,433	$ 120,764	$ 169,403
Professional fees (accounting, audit and legal)	17,986	17,187	46,451	111,754
Public company fees and investor relations	24,847	14,290	93,992	117,575
Director fees	17,500	17,500	52,500	52,500
Office and general	47,758	49,158	199,814	201,709
	$ 148,671	$ 144,568	$ 513,521	$ 652,941

For the three months ended September 30, 2016, office, general and administrative expenses increased by 2% or $4,103. The quarter on quarter increase pertains to an increased in public company fees. For the nine months ended September 30, 2016, office, general and administrative expenses decreased by 21% or $139,420. This decrease was primarily attributable to salaries, professional and public company fees.

Exploration and Evaluation Assets

Three months ended September 30,

	Fuller		Davidson Tisdale		Buffalo Ankerite		Paymaster		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Geological	$ -	$ 1,400	$ -	$ 50,085	$ -	$ -	$ -	$ -	$ -	$ 51,485
Drilling	-	-	-	165,698	-	-	-	-	-	165,698
Land & Holding	-	-	-	-	-	-	-	-	-	-
Other	-	655	-	3,640	-	-	-	-	-	4,295
	$ -	$ 2,055	$ -	$ 219,423	$ -	$ -	$ -	$ -	$ -	$ 221,478

Nine months ended September 30,

	Fuller		Davidson Tisdale		Buffalo Ankerite		Paymaster		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Geological	$ -	$ 15,902	$ -	$ 67,063	$ -	$ -	$ -	$ -	$ -	$ 82,965
Drilling	-	-	-	168,984	-	-	-	-	-	168,984
Land & Holding	-	-	-	161,770	-	-	-	-	-	161,770
Other	-	1,518	-	9,685	-	-	-	-	-	11,203
	$ -	$ 17,420	$ -	$ 407,502	$ -	$ -	$ -	$ -	$ -	$ 424,922

The Company's policy is to capitalize drilling and other exploration expenditures. Exploration expenditures capitalized for the three and nine months ended September 30, 2016, totaled $nil. There were no exploration expenditures for the nine months ended September 30, 2016 due to the fact that the Company did not conduct an exploration program, as a result all expenditures associated with maintaining the properties were expensed to care and maintenance. For the three and nine months ended September 30, 2015, the Company incurred $221,478 and $424,922 in exploration expenditures. During the second and third quarters of 2015, the Company completed an exploration program on the acquired claims of the Davidson Tisdale property and on the Fuller property.

Summary of Quarterly Results

Selected financial information for the eight previous fiscal quarters:

	2016			2015				2014
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Net Loss	$ (178,269)	$ (182,855)	$ (249,142)	$ (169,563)	$ (142,491)	$ (222,761)	$ (309,536)	$ (205,766)
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 September 30, 2016, the Company had cash and equivalents of $101,045, compared to $241,499 at December 31, 2015, representing a decrease of $140,454. The cash decrease of $140,454 is made up of $438,963 generated from investing activities, offset by $579,417 used in operating activities.

Cash from investing activities relate to $438,963 of proceeds from the redemption of short-term investments. As at September 30, 2016 the Company holds short-term investments of $754,087, which consist of thirty day Guaranteed Investment Certificates registered with a Canadian Bank, and can be liquidated as needed.

Substantially all efforts of the Company are devoted to exploration activities and to date it has generated minimal revenues. As at September 30, 2016 the Company has an accumulated deficit of $35,596,293, and a working capital balance of $824,188. The Company expects to continue to incur further losses in the exploration of its projects, and has no regular source of cash flow. These factors may cast doubt over the Company's ability to continue as a going concern.

The Company will need to raise additional funds in the future in order to advance its exploration activities. There can be no assurance that the Company will be successful at raising such funds or whether funds raised will be at terms economically favourable to existing shareholders. If in the future the going concern assumption is not appropriate, certain adjustments may be necessary to the financial statements. These adjustments could impact the carrying value of assets or liabilities, such as amounts receivable, prepaid expenses and deposits, exploration and evaluation assets, accounts payable and accrued liabilities and reported expenses.

Outstanding Share Data

The following schedule outlines the number of shares outstanding.

	September 30, 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 November 3, 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 and nine months ended September 30, 2016, McEwen Mining reimbursed the Company $22,600 and $76,000, respectively, for net shared services, which include rent, personnel, office expenses and other administrative services. For the three months ended September 30, 2015 McEwen Mining reimbursed the Company $9,600 for net shared services. For the nine months ended September 30, 2015 the Company paid $1,300 to McEwen Mining for net shared services.

These transactions are in the normal course of business.

Off-Balance Sheet Arrangements

As at September 30, 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

On June 20, 2016 the IASB issued Amendments to IFRS 2 Share-based payments. These amendments provide requirements on the accounting for: the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to terms and conditions of a share based payment that changes the classification of the transaction from cash-settled. These amendments are effective for the annual period beginning on January 1, 2018. The extent of the impact of adoption of this standard 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 September 30, 2016. There were no changes in the Company's internal controls during the third quarter ended September 30, 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 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 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, among other things, 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 the Company's profile at 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.