LEXAM VG GOLD INC.

CONDSENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2012
(Unaudited)

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Notice to Reader – From Lexam VG Gold Inc.

The condensed unaudited interim consolidated financial statements of Lexam VG Gold Inc. including the accompanying condensed interim consolidated statements of financial position as at September 30, 2012 and December 31, 2011, the condensed interim consolidated statements of operations and comprehensive loss for the three and nine months ended September 30, 2012 and 2011, and the condensed interim consolidated statement of changes in shareholders' equity and cash flows for the nine months ended September 30, 2012 and 2011 are the responsibility of the Company's management. The condensed interim unaudited consolidated financial statements have been prepared by management and include the selection of appropriate accounting principles, judgements and estimates necessary to prepare these financial statements in accordance with International Financial Reporting Standards for interim consolidated financial statements.

The independent auditor of the Company has not performed a review of these condensed unaudited interim consolidated financial statements for the three months and nine months ended September 30, 2012.

LEXAM VG GOLD INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in Canadian dollars)

	As at	
	September 30, 2012	**December 31, 2011**
	(unaudited)	
ASSETS		
Current		
Cash and cash equivalents	$ 2,044,475	$ 1,530,894
Short-term investments	3,576,015	7,000,000
Amounts receivable	46,947	184,348
Prepaid expenses and deposits	50,820	23,962
	5,718,257	8,739,204
Restricted cash	75,140	75,985
Investment in Uranium Valley Mines (note 3)	224,171	274,318
Exploration and evaluation assets (note 4)	36,793,465	34,568,488
Automobiles and equipment	50,925	68,971
	$ 42,861,958	$ 43,726,966
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 106,706	$ 616,370
	106,706	616,370
Decommissioning liabilities	421,423	413,941
	$ 528,129	$ 1,030,311
SHAREHOLDERS' EQUITY		
Capital stock (note 5)	69,973,454	69,764,104
Common share purchase warrants	3,666,667	3,666,667
Contributed surplus	1,171,493	1,155,743
Deficit	(32,477,785)	(31,889,859)
	42,333,829	42,696,655
	$ 42,861,958	$ 43,726,966

The accompanying notes are an integral part of these consolidated financial statements.

Approved on Behalf of the Board

'Richard Brissenden' Director

'Robin Dunbar' Director

LEXAM VG GOLD INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Unaudited - in Canadian dollars)

	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
COSTS AND EXPENSES:				
Office, general and administrative	$ 146,522	$ 372,617	$ 630,274	$ 2,215,662
Property holding	1,185	14,769	8,937	104,646
Share-based compensation	5,866	12,467	17,600	37,400
Depreciation	5,582	2,184	16,746	7,132
Impairment of automobile and equipment	-	3,012	-	3,012
Total costs and expenses	159,155	405,049	673,557	2,367,852
Operating loss	(159,155)	(405,049)	(673,557)	(2,367,852)
OTHER INCOME (EXPENSES):				
Interest and other income	24,610	12,282	148,223	51,811
Accretion	(2,494)	(2,435)	(7,482)	(7,306)
Foreign exchange (loss) gain	(3,099)	10,870	(3,964)	34,752
Loss on sale of automobiles and equipment	-	(9,886)	(999)	(5,456)
Loss from equity accounted investment (note 3)	(12,011)	(13,496)	(50,147)	(13,496)
Loss on sale of exploration and evaluation asset	-	-	-	(75,094)
Total other income (expense)	7,006	(2,665)	85,631	(14,789)
Loss before income taxes	(152,149)	(407,714)	(587,926)	(2,382,641)
Provision for income taxes	-	(12,557)	-	(12,557)
Net loss and comprehensive loss	$ (152,149)	$ (420,271)	$ (587,926)	$ (2,395,198)
Basic and diluted per share data:				
Net loss - basic and diluted	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.01)
Weighted average common shares outstanding:				
- basic and diluted	226,570,860	225,421,678	225,983,371	224,960,322

The accompanying notes are an integral part of these consolidated financial statements.

LEXAM VG GOLD INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the nine months ended September 30, 2012 and 2011

(Unaudited - in Canadian dollars)

	Common Stock		Common Share Purchase	Contributed	Accumulated	
	Shares	**Amount**	**Warrants**	**Surplus**	**Deficit**	**Total**
Balance, December 31, 2010	186,810,133	$ 59,481,623	$ 16,079	$ 905,874	$ (28,909,599)	$ 31,493,977
Shares issued upon amalgamation	112,265,004	90,601,188	-	-	-	90,601,188
Shares cancelled upon amalgamation	(75,000,000)	(81,169,386)	-	-	-	(81,169,386)
Warrants issued upon amalgamation	-	-	3,666,667	-	-	3,666,667
Fair value of Lexam options	-	-	-	540,750	-	540,750
Fair value of exercised Lexam options	-	216,300	-	(216,300)	-	-
Share-based compensation	-	-	-	37,400	-	37,400
Proceeds on exercise of options	827,500	280,200	-	-	-	280,200
Fair value of exercised options	-	124,448	-	(124,448)	-	-
Proceeds on exercise of warrants	424,344	63,652	-	-	-	63,652
Fair value of exercised warrants	-	16,079	(16,079)	-	-	-
Shares issued for property acquisition	218,284	150,000	-	-	-	150,000
Net loss	-	-	-	-	(2,395,198)	(2,395,198)
Balance, September 30, 2011	225,545,265	$ 69,764,104	$ 3,666,667	$ 1,143,276	$ (31,304,797)	$ 43,269,250

	Common Stock		Common Share Purchase	Contributed	Accumulated	
	Shares	**Amount**	**Warrants**	**Surplus**	**Deficit**	**Total**
Balance, December 31, 2011	225,545,265	$ 69,764,104	$ 3,666,667	$ 1,155,743	$ (31,889,859)	$ 42,696,655
Share-based compensation	-	-	-	17,600	-	17,600
Proceeds on exercise of options	50,000	7,500	-	-	-	7,500
Fair value of exercised options	-	1,850	-	(1,850)	-	-
Shares issued for property acquisition	975,595	200,000	-	-	-	200,000
Net loss	-	-	-	-	(587,926)	(587,926)
Balance, September 30, 2012	226,570,860	$ 69,973,454	$ 3,666,667	$ 1,171,493	$ (32,477,785)	$ 42,333,829

The accompanying notes are an integral part of these consolidated financial statements.

LEXAM VG GOLD INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASHFLOWS
(Unaudited - in Canadian dollars)

	For the nine months ended September 30, 2012	2011
Cash (used in) provided by:		
Operating activities:		
Net loss for the period	$ (587,926)	$ (2,395,198)
Adjustments to reconcile net loss from operating activities:		
Depreciation	16,746	7,132
Share-based compensation	17,600	37,400
Accretion	7,482	7,306
Unrealized foreign exchange loss (gain)	846	(838)
Amalgamation costs	-	377,700
Impairment of automobiles and equipment	-	3,012
Loss on sale of automobile and equipment	999	5,456
Loss on sale of exploration and evaluation asset	-	75,094
Loss from equity accounted investment	50,147	13,496
	(494,106)	(1,869,440)
Changes in non-cash working capital (note 6)	(399,121)	206,111
	(893,227)	(1,663,329)
Investing activities:		
Purchases of automobiles and equipment	-	(78,879)
Proceeds from sale of automobiles and equipment	300	6,000
Proceeds from sale of exploration and evaluation asset	-	50,000
Proceeds from sale of short-term investments	3,423,985	-
Investment in Uranium Valley Mines	-	(300,000)
Expenditures on exploration and evaluation assets (note 4)	(2,024,977)	(4,175,229)
Change in restricted cash	-	(21,297)
Proceeds from amalgamation	-	14,014,639
	1,399,308	9,495,234
Financing activities:		
Proceeds on exercise of options	7,500	343,852
	7,500	343,852
Net increase in cash and cash equivalents	513,581	8,175,757
Cash and cash equivalents, beginning of period	1,530,894	2,130,137
Cash and cash equivalents, end of period	$ 2,044,475	$ 10,305,894

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS

Lexam VG Gold Inc. (the "Company", or "LexamVG") was incorporated under the laws of Ontario through a Plan of Arrangement on January 1, 2011, amalgamating Lexam Explorations Inc. ("Lexam") and VG Gold Corp ("VG Gold"). The Company is principally engaged in the business of exploring precious metal mineral properties. Substantially all of the efforts of the Company are devoted to these business activities and to date it has generated minimal revenues. As a result, the Company has no regular source of cash flow and will need to raise additional funds in the future in order to advance its exploration efforts. 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, accounts payable and accrued liabilities, and reported expenses.

The Company's assets are comprised primarily of the Fuller property, the Buffalo Ankerite property and a 68.5% controlling interest in the Davidson Tisdale property. On June 13, 2012, the Company exercised its option to earn a 60% interest in the Paymaster property as all earn-in requirements were met.

2. BASIS OF PRESENTATION

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) - IAS 34, Interim Financial Reporting ("IAS 34") and do not include all of the information required for full annual financial statements and accordingly, they should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2011.

The policies applied in these condensed interim consolidated financial statements are consistent with the policies disclosed in Notes 2 and 3 of the annual consolidated financial statements for the year ended December 31, 2011.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 5, 2012.

Basis of Measurement and Principles of Consolidation

The condensed interim consolidated financial statements have been prepared on the historical cost basis.

The condensed interim consolidated financial statements include all the accounts of the Company and all of its subsidiaries and investments, including its principle subsidiaries, Lexam Explorations (USA) Inc. and VG Gold Holdings Inc., as well as other non-significant subsidiaries.

(Unaudited - in Canadian dollars)

2. BASIS OF PRESENTATION (Continued)

Use of Estimates and Judgement

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

In preparing these condensed interim consolidated financial statements, the significant judgements made by management in applying the Company's accounting policies and key sources of estimation uncertainty are expected to be the same as those applied in the first annual IFRS financial statements.

Significant estimates used in the preparation of these condensed interim consolidated financial statements include, but are not limited to, the recoverability of exploration and evaluation ("E&E") assets, investments, automobile and equipment, decommissioning liabilities, share-based compensation, income taxes, the recording of liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenditures during the reporting period. Actual results could differ from management's best estimates.

3. INVESTMENT IN URANIUM VALLEY MINES ("UVM")

Lexam VG holds 4,000,000 common shares of UVM, reflecting an approximate ownership of 36%. The Company's investment in UVM is accounted for using the equity method. The following is a schedule of the equity accounted investment:

	As at			
	September 30, 2012		December 31, 2011	
Beginning of period	$	274,318	$	300,000
Loss on equity investment		(50,147)		(25,682)
End of period	$	224,171	$	274,318

As at September 30, 2012, UVM had total assets approximating $1,884,000 and minimal liabilities, with a net loss approximating $139,300 for the period ended September 30, 2012.

UVM trades on the TSX Venture under the symbol VZZ. Based on UVM's closing share price of $0.13 per share on September 30, 2012, the market value of Lexam VG's 4,000,000 shares in UVM is $520,000.

(Unaudited - in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS

	December 31, 2011	Exploration	September 30, 2012
Fuller (a)	$ 13,520,229	$ 543,926	$ 14,064,155
Davidson-Tisdale (b)	6,462,587	14,059	6,476,646
Buffalo Ankerite (c)	8,900,711	1,109,429	10,010,140
Paymaster (d)	5,684,961	557,563	6,242,524
	$ 34,568,488	$ 2,224,977	$ 36,793,465

	December 31, 2010	Exploration	Disposal of Property	December 31, 2011
Fuller (a)	$ 12,942,004	$ 578,225	$ -	$ 13,520,229
Davidson-Tisdale (b)	6,438,449	24,138	-	6,462,587
Buffalo Ankerite (c)	5,568,457	3,332,254	-	8,900,711
Paymaster (d)	4,045,135	1,639,826	-	5,684,961
Augdome	126,276	1,590	(127,866)	-
Windsor	125,094	-	(125,094)	-
	$ 29,245,415	$ 5,576,033	$ (252,960)	$ 34,568,488

a) Fuller

The Company holds 100% of the surface and mining rights to the Fuller Property. The Company also owns the mineral rights to surrounding properties, a portion of which is subject to a 10% net profit interest (“NPI”) calculated after all capital and operating costs have been recovered, payable to The Summit Organization, Inc.

b) Davidson-Tisdale

The Company is the legal and beneficial owner of 68.5% and SGX Resources Inc. (formerly owned by San Gold) is the legal and beneficial owner of 31.5% of the Davidson Tisdale property. This is accounted for as a jointly controlled asset where the venturer bears the agreed percentage of expenses incurred on the property, corresponding to ownership.

In May 2011, the Company was transferred title of the restrictive time deposit of $50,560 held with the Northern Development and Mines for the Davidson-Tisdale Mine Closure Plan. Prior to the transfer, the title was held by the previous claim holder.

(Unaudited - in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS (Continued)

c) Buffalo Ankerite

The Company has a 100% interest in mining rights to the Buffalo Ankerite property and continued exploration activities during the year. The property is subject to a 10% NPI, except for the south pit area of the South Mine, where it is subject to a 20% NPI on ore mined by open pit, payable to The Summit Organization, Inc. During the second quarter of 2012, the Company acquired additional surface rights surrounding the Buffalo Ankerite property for a total of $207,780.

d) Paymaster

Under the terms of the agreement, the Company has the option to earn an undivided 60% interest in 17 claims by incurring exploration expenditures of $6,000,000 over 4 years, subject to a back-in-right. As of June 30, 2012, the Company has exercised its option, after meeting the year four spending requirement of $2,500,000 and issued 975,595 common shares with a fair value equivalent to $200,000. Goldcorp has a six month period, expiring on December 13, 2012, where it can exercise a back-in right to increase its interest from 40% to 70%, and become the operator, by making a payment of $710,000 to Lexam VG plus incurring exploration and development expenditures of $8,250,000 on the property within two years of the back-in right notice and by completing a feasibility study within three years of the back-in right notice. As at September 30, 2012, Goldcorp has not exercised its back-in-right.

5. CAPITAL STOCK

(a) Authorized

Authorized capital stock of the Company consists of an unlimited number of common shares.

(b) Common Share Purchase Options

The Company has a stock option plan available to its employees, officers, directors and service providers. The number of common shares reserved for the purpose of the plan is 22,400,000.

The following table summarizes options activity for the nine months ended September 30, 2012 and year ended December 31, 2011.

	Nine months ended September 30, 2012		Year ended December 31, 2011	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Opening Balances	1,980,000	$ 0.42	2,810,000	$ 0.42
Exercised	(50,000)	0.15	(827,500)	0.34
Expired or Cancelled	(920,000)	0.56	(527,500)	0.25
Granted	-	-	525,000	0.07
	1,010,000	$ 0.31	1,980,000	$ 0.42

There were no options granted during the nine months ended September 30, 2012 and 2011.

(Unaudited - in Canadian dollars)

5. CAPITAL STOCK (Continued)

The following common share purchase options are outstanding at September 30, 2012:

	Date of Grant	Number of Shares	Exercise Price	Expiry Date
Directors	May 28, 2009	200,000	0.15	May 11, 2014
	October 2, 2009	400,000	0.40	October 1, 2014
Service Providers	May 28, 2009	200,000	0.15	May 11, 2014
	October 2, 2009	210,000	0.40	October 1, 2014
		1,010,000	$ 0.30	

6. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital balances are as follows:

	Nine months ended September 30, 2012	2011
Amounts receivable	$ 137,401	$ 377,661
Prepaid expenses and deposits	(26,858)	(25,250)
Accounts payable and accrued liabilities	(509,664)	79,406
Income tax payable	-	(225,706)
	$ (399,121)	$ 206,111
Interest received	$ 142,165	$ 51,811
Taxes paid	$ -	$ 210,162
Equivalent dollar value of shares issued for property acquisition	$ 200,000	$ 150,000
Shares issued for property acquisition	975,595	218,284

7. RELATED PARTY TRANSACTIONS

In the prior year, the Company had a management services agreement ("services agreement") with 2083089 Ontario Inc. ("208") pursuant to which the Company agreed to reimburse 208 for rent, personnel, office expenses and other administrative services on a cost recovery basis. 208 is owned by Robert McEwen, the chairman of the Company and beneficial owner of more than 5% of its voting securities. Mr. McEwen is also the Chief Executive Officer and Director of 208. Effective January 2012, the Company no longer requires the services agreement with 208 as those costs are now paid directly to McEwen Mining Inc. ("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.

7. RELATED PARTY TRANSACTIONS (Continued)

For the three and nine month periods ended September 30, 2012, the Company paid rent, personnel and office expenses of $29,700 and $84,600, respectively, to McEwen Mining. During the comparable periods in 2011, the Company paid $55,800 and $162,300, respectively, to 208 under the services agreement.

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.