LEXAM VG GOLD INC.

CONDSENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2013
(Unaudited)

INDEX

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 March 31, 2013 and December 31, 2012, the condensed interim consolidated statements of operations and comprehensive loss for the three months ended March 31, 2013 and 2012, and the condensed interim consolidated statement of changes in shareholders' equity and cash flows for the three months ended March 31, 2013 and 2012 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 ended March 31, 2013 and 2012.

LEXAM VG GOLD INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in Canadian dollars)

	As at	
	March 31, 2013	**December 31, 2012**
	(unaudited)	
ASSETS		
Current		
Cash and cash equivalents	$ 1,341,015	$ 1,532,091
Short-term investments	3,099,065	3,588,707
Amounts receivable	100,142	95,975
Prepaid expenses and deposits	30,519	23,786
	4,570,741	5,240,559
Restricted cash	50,560	75,435
Investment in Uranium Valley Mines (note 3)	-	212,984
Exploration and evaluation assets (note 4)	37,632,856	37,314,802
Automobile and equipment	39,762	45,344
	$ 42,293,919	$ 42,889,124
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 111,079	$ 278,264
	111,079	278,264
Decommissioning liabilities	426,471	423,917
	$ 537,550	$ 702,181
SHAREHOLDERS' EQUITY		
Common stock (note 5)	70,105,954	70,105,954
Contributed surplus	4,705,661	4,705,661
Deficit	(33,055,246)	(32,624,672)
	41,756,369	42,186,943
	$ 42,293,919	$ 42,889,124

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 March 31, 2013	Three months ended March 31, 2012
COSTS AND EXPENSES:		
Office, general and administrative	$ 227,118	$ 261,236
Property holding	-	6,025
Share-based compensation	-	5,867
Depreciation	5,582	5,582
Total costs and expenses	232,700	278,710
Operating loss	(232,700)	(278,710)
OTHER INCOME (EXPENSES):		
Interest and other income	13,881	101,012
Accretion	(2,554)	(2,494)
Foreign exchange gain (loss)	3,783	(2,437)
Loss from equity accounted investment (note 3)	(212,984)	(17,528)
Loss on sale of automobile and equipment	-	(999)
Total other (expense) income	(197,874)	77,554
Net loss and comprehensive loss	$ (430,574)	$ (201,156)
Basic and diluted per share data:		
Net loss - basic and diluted	$ (0.00)	$ (0.00)
Weighted average common shares outstanding - basic and diluted	226,570,860	225,573,836

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 three months ended March 31, 2013 and 2012
(Unaudited - in Canadian dollars)

	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	-	-	-	5,867	-	5,867
Proceeds on exercise of options (note 5)	50,000	7,500	-	-	-	7,500
Fair value of exercised options	-	1,850	-	(1,850)	-	-
Net loss	-	-	-	-	(201,156)	(201,156)
Balance, March 31, 2012	225,595,265	$ 69,773,454	$ 3,666,667	$ 1,159,760	$ (32,091,015)	$ 42,508,866

	Common Stock		Common Share Purchase	Contributed	Accumulated	
	Shares	Amount	Warrants	Surplus	Deficit	Total
Balance, December 31, 2012	226,570,860	$ 70,105,954	$ -	$ 4,705,661	$ (32,624,672)	42,186,943
Net loss	-	-	-	-	(430,574)	(430,574)
Balance, March 31, 2013	226,570,860	$ 70,105,954	$ -	$ 4,705,661	$ (33,055,246)	$ 41,756,369

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

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

	For the three months ended March 31, 2013	2012
Cash (used in) provided by:		
Operating activities:		
Net loss for the period	$ (430,574)	$ (201,156)
Adjustments to reconcile net loss from operating activities:		
Depreciation	5,582	5,582
Share-based compensation	-	5,867
Accretion	2,554	2,494
Unrealized foreign exchange (gain) loss	(125)	487
Loss on sale of automobile and equipment	-	999
Loss from equity accounted investment	212,984	17,528
	(209,579)	(168,199)
Changes in non-cash working capital (note 6)	(178,085)	(286,193)
	(387,664)	(454,392)
Investing activities:		
Proceeds from short-term investment	489,642	-
Expenditures on exploration and evaluation assets	(318,054)	(726,883)
Decrease in restricted cash	25,000	-
Proceeds from sale of automobile and equipment	-	300
	196,588	(726,583)
Financing activities:		
Proceeds on exercise of options	-	7,500
	-	7,500
Net decrease in cash and cash equivalents	(191,076)	(1,173,475)
Cash and cash equivalents, beginning of period	1,532,091	1,530,894
Cash and cash equivalents, end of period	$ 1,341,015	$ 357,419

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.

As at March 31, 2013, Robert R. McEwen ("Mr. McEwen"), the non-executive chairman owns 27% of the issued and outstanding common shares of Lexam VG.

The Company's assets are comprised primarily of 100% interest in the Fuller property, 100% interest in the Buffalo Ankerite property, 60% interest in the Paymaster property and a 68.5% controlling interest in the Davidson Tisdale property.

2. BASIS OF PRESENTATION

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). These interim financials 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 audited annual consolidated financial statements for the year ended December 31, 2012.

The policies applied in these condensed interim consolidated financial statements are consistent with the policies disclosed in Notes 2 and 3 of the audited annual consolidated financial statements for the year ended December 31, 2012.

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, 2013. The Company adopted these standards effective January 1, 2013 and the adoption of these standards did not have a material impact on the Company's financial statements.

2. BASIS OF PRESENTATION (Continued)

IFRS 10, "Consolidated Financial Statements" ("IFRS 10"), which replaces parts of International Accounting Standard ("IAS") 27, "Consolidated and Separate Financial Statements" ("IAS 27") and all of SIC-12, "Consolidation – Special Purpose Entities", changes the definition of control that is the determining factor in whether an entity should be consolidated. Under IFRS 10, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IAS 27, "Separate Financial Statements (2011)" ("IAS 27 (2011)") was reissued and now only contains accounting and disclosure requirements for when an entity prepares separate financial statements, as the consolidation guidance is now included in IFRS 10.

IFRS 11, "Joint Arrangements" ("IFRS 11"), which replaces IAS 31, "Interests in Joint Ventures" and SIC-13, "Jointly Controlled Entities – Non-monetary Contributions by Venturers", requires a venturer to classify its interest in a joint arrangement as either a joint operation or a joint venture. For a joint operation, the joint operator will recognize its assets, liabilities, revenue and expenses, and/or its relative share thereof. For a joint venture, the joint venturer will account for its interest in the venture's net assets using the equity method of accounting. The choice to proportionately consolidate joint ventures is prohibited. IAS 28, "Investments in Associates and Joint Ventures (2011)" was amended as a consequence of the issuance of IFRS 11. In addition to prescribing the accounting for investments in associates, it now includes joint ventures that are to be accounted for by the equity method.

IFRS 12 "Disclosure of Interests in Other Entities" is a comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, and structured entities. This standard carries forward the disclosures that existed under IAS 27, IAS 28 and IAS 31, and also introduces additional disclosure requirements that address the nature of, and risks associated with, and entity's interests in other entities.

IFRS 13, "Fair Value Measurement" ("IFRS 13") provides guidance on how fair value should be applied where its use is already required by other IFRS standards, and includes a definition of fair value and is a single source of guidance on fair value measurement and disclosure requirements for use across IFRS.

In October 2011, the IFRS Interpretations Committee issued its Interpretation on accounting for waste removal costs - IFRIC Interpretation 20 "Stripping Costs in the Production Phase of a Surface Mine" ("IFRIC 20"), which provides guidance on the accounting for costs related to stripping activity in the production phase of surface mining. When the stripping activity results in the benefit of useable ore that can be used to produce inventory, the related costs are to be accounted for in accordance with IAS 2 "Inventories". When the stripping activity results in the benefit of improved access to ore that will be mined in future periods, the related costs are to be accounted for as additions to non-current assets when specific criteria are met.

(Unaudited - in Canadian dollars)

2. BASIS OF PRESENTATION (Continued)

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, 2015.

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

Lexam VG holds 4,000,000 common shares of UVM, representing an approximate ownership of 36%. The Company's investment in UVM is accounted for using the equity method. For the year ended December 31, 2012, UVM made the decision to write-off its Otish/Mistassini Prospect due to the moratorium imposed by the Quebec Government on the issuance of exploration and exploitation permits for uranium in the province of Quebec.

The moratorium was announced on March 28, 2013, subsequent to Lexam VG's annual 2012 filing, but prior to UVM's annual 2012 filing. As a result, UVM recognized and recorded an impairment of $1,574,322 for the year ended December 31, 2012. The Company's 36% equity pick-up on the loss would have been $566,756 which exceeded the carrying value of the investment. Thus, the carrying value of the investment was reduced to $nil as at March 31, 2013.

The following is a schedule of the equity accounted investment:

	As at	
	March 31, 2013	December 31, 2012
Beginning of period	$ 212,984	$ 274,318
Loss on equity investment	(212,984)	(61,334)
End of period	$ -	$ 212,984

As at March 31, 2013, UVM had total assets approximating $433,000 and liabilities approximating $6,700, with a net loss approximating $21,910 for the three months ended March, 2013.

UVM trades on the TSX Venture under the symbol 'VZZ'. Based on UVM's closing share price of $0.09 per share on March 31, 2013, the market value of Lexam VG's 4,000,000 shares in UVM is $360,000.

(Unaudited - in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS

	December 31, 2012	Exploration	March 31, 2013
Fuller (a)	$ 14,437,480	$ 87,425	$ 14,524,905
Davidson-Tisdale (b)	6,482,093	29,021	6,511,114
Buffalo Ankerite (c)	10,123,884	135,032	10,258,916
Paymaster (d)	6,271,345	66,576	6,337,921
	$ 37,314,802	$ 318,054	$ 37,632,856

	December 31, 2011	Exploration	December 31, 2012
Fuller (a)	$ 13,520,229	$ 917,251	$ 14,437,480
Davidson-Tisdale (b)	6,462,587	19,506	6,482,093
Buffalo Ankerite (c)	8,900,711	1,223,173	10,123,884
Paymaster (d)	5,684,961	586,384	6,271,345
	$ 34,568,488	$ 2,746,314	$ 37,314,802

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. is the legal and beneficial owner of 31.5% of the Davidson Tisdale property. This is accounted for as a joint operation where each operator bears the agreed percentage of expenses incurred on the property, corresponding to ownership.

c) Buffalo Ankerite

The Company has a 100% interest in mining rights to the Buffalo Ankerite property. 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.

d) Paymaster

The Company holds a 60% interest in the claims forming Paymaster. This is accounted for as a joint operation where each operator bears the agreed percentage of expenses on the property, corresponding to ownership.

(Unaudited - in Canadian dollars)

5. CAPITAL STOCK

(a) Authorized

Authorized capital stock of the Company consists of an unlimited number of common shares, without par value.

(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 three months ended March 31, 2013 and year ended December 31, 2012.

	Three months ended March 31, 2013			Year ended December 31, 2012		
	Number of Shares	Weighted Average Exercise Price		Number of Shares	Weighted Average Exercise Price	
Opening Balances	1,010,000	$	0.31	1,980,000	$	0.42
Exercised (i)	-		-	(50,000)		0.15
Expired or Cancelled	-		-	(920,000)		0.56
	1,010,000	$	0.31	1,010,000	$	0.31

(i) The share price on the date of exercise was $0.40.

There were no options granted during the three months ended March 31, 2013 and 2012.

The following common share purchase options are outstanding at March 31, 2013:

	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	$	0.31	

(Unaudited - in Canadian dollars)

6. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three months ended March 31, 2013	2012
Amounts receivable	$ (4,167)	$ 66,129
Prepaid expenses and deposits	(6,733)	(20,856)
Accounts payable and accrued liabilities	(167,185)	(331,466)
	$ (178,085)	$ (286,193)
Interest received	$ 13,881	$ 101,012

7. RELATED PARTY TRANSACTIONS

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 month period ended March 31, 2013, the Company paid rent, personnel office expenses and other administrative services of $32,500 (2012 - $27,400) 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.