LEXAM VG GOLD INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Three and nine months ended, September 30, 2014
(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 September 30, 2014 and December 31, 2013, the condensed interim consolidated statements of operations and comprehensive loss for the three and nine months ended September 30, 2014 and 2013, and the condensed interim consolidated statement of changes in shareholders’ equity and cash flows for the nine months ended September 30, 2014 and 2013 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 and nine months ended September 30, 2014 and 2013.

LEXAM VG GOLD INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in Canadian dollars)

	As at	
	September 30, 2014	**December 31, 2013**
	(unaudited)	
ASSETS		
Current		
Cash and cash equivalents	$ 153,036	$ 458,018
Short-term investments	2,658,982	3,130,887
Amounts receivable	38,243	37,903
Prepaid expenses and deposits	25,414	24,677
	2,875,675	3,651,485
Non-current		
Restricted cash	50,560	50,560
Exploration and evaluation assets (note 4)	38,449,737	38,140,614
Automobile and equipment	6,886	23,015
	$ 41,382,858	$ 41,865,674
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 65,172	$ 118,178
	65,172	118,178
Non-current		
Decommissioning liabilities	441,981	434,134
	$ 507,153	$ 552,312
SHAREHOLDERS' EQUITY		
Common stock (note 5)	70,105,954	70,105,954
Contributed surplus	4,705,661	4,705,661
Deficit	(33,935,910)	(33,498,253)
	40,875,705	41,313,362
	$ 41,382,858	$ 41,865,674

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,		Nine months ended September 30,	
	2014	2013	2014	2013
OPERATING EXPENSES:				
Office, general and administrative	$ 120,512	$ 146,697	$ 447,252	$ 567,085
Depreciation	4,965	5,582	16,129	16,746
Total costs and expenses	125,477	152,279	463,381	583,831
Operating loss	(125,477)	(152,279)	(463,381)	(583,831)
OTHER INCOME (EXPENSES):				
Interest and other income	9,152	12,836	30,068	40,446
Accretion	(2,615)	(2,554)	(7,847)	(7,662)
Foreign exchange gain (loss)	2,501	(2,722)	3,503	5,601
Loss from equity accounted investment (note 3)	-	-	-	(212,984)
Total other income (expenses)	9,038	7,560	25,724	(174,599)
Net loss and comprehensive loss	$ (116,439)	$ (144,719)	$ (437,657)	$ (758,430)
Basic and diluted per share data:				
Net loss - basic and diluted	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)
Weighted average common shares outstanding - basic and diluted	226,570,860	226,570,860	226,570,860	226,570,860

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, 2014 and 2013
(Unaudited - in Canadian dollars)

	Common Stock		Contributed	Accumulated	
	Shares	**Amount**	**Surplus**	**Deficit**	**Total**
Balance, December 31, 2012	226,570,860	$ 70,105,954	$ 4,705,661	$ (32,624,672)	$ 42,186,943
Net loss	-	-	-	(758,430)	(758,430)
Balance, September 30, 2013	226,570,860	$ 70,105,954	$ 4,705,661	$ (33,383,102)	$ 41,428,513

	Common Stock		Contributed	Accumulated	
	Shares	**Amount**	**Surplus**	**Deficit**	**Total**
Balance, December 31, 2013	226,570,860	$ 70,105,954	$ 4,705,661	$ (33,498,253)	$ 41,313,362
Net loss	-	-	-	(437,657)	(437,657)
Balance, September 30, 2014	226,570,860	$ 70,105,954	$ 4,705,661	$ (33,935,910)	$ 40,875,705

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 nine months ended September 30, 2014	For the nine months ended September 30, 2013
Cash (used in) provided by:		
Operating activities:		
Net loss for the period	$ (437,657)	$ (758,430)
Adjustments to reconcile net loss from operating activities:		
Depreciation	16,129	16,746
Accretion	7,847	7,662
Unrealized foreign exchange gain	-	(123)
Interest income from short-term investments	(28,095)	(31,649)
Loss from equity accounted investment	-	212,984
	(441,776)	(552,810)
Changes in non-cash working capital	(75,977)	(168,442)
	(517,753)	(721,252)
Investing activities:		
Proceeds from short-term investments	500,000	500,000
Expenditures on exploration and evaluation assets	(287,229)	(621,580)
Decrease in restricted cash	-	25,000
	212,771	(96,580)
Net decrease in cash and cash equivalents	(304,982)	(817,832)
Cash and cash equivalents, beginning of the period	458,018	1,532,091
Cash and cash equivalents, end of the period	$ 153,036	$ 714,259

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 September 30, 2014, 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, 60.85% 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, 2013.

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, 2013.

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.

2. BASIS OF PRESENTATION (Continued)

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 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.

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.

In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts; IAS 18 – Revenue; IFRIC 13 – Customer Loyalty Programmes; IFRIC 15 – Agreements for the Construction of Real Estate; IFRIC 18 – Transfers of Assets from Customers; and SIC 31 – Revenue – Barter Transactions involving Advertising Services. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. The Company is currently evaluating the impact the final standard is expected to have on its consolidated 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.

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. At September 30, 2014 the Company's carrying value of UVM was $nil, with total accumulated accounting losses of approximately $339,000.

(Unaudited - in Canadian dollars)

3. INVESTMENT IN URANIUM VALLEY MINES (Continued)

As at September 30, 2014, UVM had total assets approximating $326,000 and liabilities approximating $1,400, with a net loss approximating $67,000 for the nine months ended September 30, 2014. These figures are unaudited.

UVM trades on the TSX Venture under the symbol 'VZZ'. Based on UVM's closing share price of $0.085 per share on September 30, 2014, the market value of Lexam VG's 4,000,000 shares in UVM is $340,000.

4. EXPLORATION AND EVALUATION ASSETS

	December 31, 2013	Exploration	September 30, 2014
Fuller (a)	$ 14,657,313	$ 83,637	$ 14,740,950
Davidson Tisdale (b)	6,557,271	29,309	6,586,580
Buffalo Ankerite (c)	10,490,178	124,767	10,614,945
Paymaster (d)	6,435,852	46,646	6,482,498
Teefy (e)	-	24,764	24,764
	$ 38,140,614	$ 309,123	$ 38,449,737

	December 31, 2012	Exploration	December 31, 2013
Fuller (a)	$ 14,437,480	$ 219,833	$ 14,657,313
Davidson Tisdale (b)	6,482,093	75,178	6,557,271
Buffalo Ankerite (c)	10,123,884	366,294	10,490,178
Paymaster (d)	6,271,345	164,507	6,435,852
	$ 37,314,802	$ 825,812	$ 38,140,614

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.

(Unaudited - in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS (Continued)

d) Paymaster

The Company holds a 60.85% 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.

e) Teefy

On April 22, 2014, the Company acquired 100% mining rights to the claims forming the Teefy property, located in Teefy, Ontario, which is approximately 60 kilometers north east of Timmins.

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.

There were no options granted during the nine months ended September 30, 2014 and 2013. On May 11, 2014, 400,000 options expired unexercised, reducing total outstanding options from 1,010,000 to 610,000.

The following common share purchase options are outstanding at September 30, 2014:

	Date of Grant	Number of Shares		Exercise Price	Expiry Date
Directors	October 2, 2009	400,000	(i)	0.40	October 1, 2014
Service Providers	October 2, 2009	210,000	(i)	0.40	October 1, 2014
		610,000		$ 0.40	

(i) On October 1, 2014, these options expired unexercised.

(Unaudited - in Canadian dollars)

6. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Amounts receivable	$ (340)	$ 68,447
Prepaid expenses and deposits	(737)	(208)
Accounts payable and accrued liabilities	(74,900)	(236,681)
	$ (75,977)	$ (168,442)
Interest received	$ 30,068	$ 40,302

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 and nine month period ended September 30, 2014, the Company paid rent, personnel office expenses and other administrative services of $9,500 and $51,800, respectively, to McEwen Mining. During the comparable periods in 2013, the Company paid $27,400 and $89,100, 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.