

LEXAM VG GOLD INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2015

(Unaudited)

INDEX

	Page
Condensed Interim Consolidated Statements of Financial Position	3
Condensed Interim Consolidated Statements of Operations and Comprehensive Loss	4
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity	5
Condensed Interim Consolidated Statements of Cash Flows	6
Notes to Condensed Interim Consolidated Financial Statements	7 - 10

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, 2015 and December 31, 2014, the condensed interim consolidated statements of operations and comprehensive loss for the three months ended March 31, 2015 and 2014, and the condensed interim consolidated statement of changes in shareholders' equity and cash flows for the three months ended March 31, 2015 and 2014 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, 2015 and 2014.

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

	As At	
	March 31, 2015	December 31, 2014
	<i>(unaudited)</i>	
ASSETS		
Current		
Cash and cash equivalents	\$ 442,156	\$ 232,322
Short-term investments	1,802,071	2,416,358
Amounts receivable	12,980	37,959
Prepaid expenses and deposits	53,290	26,846
	<u>2,310,497</u>	<u>2,713,485</u>
Non-current		
Restricted cash	50,560	50,560
Exploration and evaluation assets (note 4)	38,582,603	38,424,973
Automobile and equipment	3,130	5,008
	<u>\$ 40,946,790</u>	<u>\$ 41,194,026</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 139,111	\$ 79,490
Decommissioning liabilities	447,276	444,597
	<u>\$ 586,387</u>	<u>\$ 524,087</u>
SHAREHOLDERS' EQUITY		
Common stock (note 5)	70,105,954	70,105,954
Contributed surplus	4,705,661	4,705,661
Deficit	(34,451,212)	(34,141,676)
	<u>40,360,403</u>	<u>40,669,939</u>
	<u>\$ 40,946,790</u>	<u>\$ 41,194,026</u>

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

Approved on behalf of the Board

<u>Richard Brissenden'</u>	Director
<u>Robin Dunbar'</u>	Director

LEXAM VG GOLD INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE LOSS
(Unaudited - in Canadian dollars)

	Three months ended	
	2015	2014
OPERATING EXPENSES:		
Office, general and administrative	\$ 295,504	\$ 181,393
Care and maintenance	19,418	-
Depreciation	1,878	5,582
Total costs and expenses	<u>316,800</u>	<u>186,975</u>
OTHER INCOME (EXPENSES):		
Interest income	6,773	10,880
Accretion	(2,679)	(2,616)
Foreign exchange gain	3,170	2,989
Total other income	<u>7,264</u>	<u>11,253</u>
Net loss and comprehensive loss	\$ <u>(309,536)</u>	\$ <u>(175,722)</u>
Basic and diluted per share data:		
Net loss - basic and diluted	\$ <u>(0.00)</u>	\$ <u>(0.00)</u>
Weighted average common shares outstanding		
- basic and diluted	<u>226,570,860</u>	<u>226,570,860</u>

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

LEXAM VG GOLD INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014
(Unaudited - in Canadian dollars)

	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	-	-	-	(175,722)	(175,722)
Balance, March 31, 2014	<u>226,570,860</u>	<u>\$ 70,105,954</u>	<u>\$ 4,705,661</u>	<u>\$(33,673,975)</u>	<u>\$ 41,137,640</u>

	Common Stock		Contributed	Accumulated	
	Shares	Amount	Surplus	Deficit	Total
Balance, December 31, 2014	226,570,860	\$ 70,105,954	\$ 4,705,661	\$(34,141,676)	\$ 40,669,939
Net loss	-	-	-	(309,536)	(309,536)
Balance, March 31, 2015	<u>226,570,860</u>	<u>\$ 70,105,954</u>	<u>\$ 4,705,661</u>	<u>\$(34,451,212)</u>	<u>\$ 40,360,403</u>

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

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

	For the three months ended March 31,	
	2015	2014
Cash (used in) provided by:		
Operating activities:		
Net loss for the period	\$ (309,536)	\$ (175,722)
Adjustments to reconcile net loss from operating activities:		
Depreciation	1,878	5,582
Accretion	2,679	2,616
Interest income from short-term investments	(6,488)	(10,363)
	<u>(311,467)</u>	<u>(177,887)</u>
Changes in non-cash working capital (note 6)	<u>30,526</u>	<u>(55,140)</u>
	<u>(280,941)</u>	<u>(233,027)</u>
Investing activities:		
Proceeds from short-term investments	620,775	-
Expenditures on exploration and evaluation assets (note 4)	<u>(130,000)</u>	<u>(65,990)</u>
	<u>490,775</u>	<u>(65,990)</u>
Net increase (decrease) in cash and cash equivalents	<u>209,834</u>	<u>(299,017)</u>
Cash and cash equivalents, beginning of the period	<u>232,322</u>	<u>458,018</u>
Cash and cash equivalents, end of the period	<u><u>\$ 442,156</u></u>	<u><u>\$ 159,001</u></u>

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

LEXAM VG GOLD INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015 AND 2014
(Unaudited - in Canadian dollars)

1. NATURE OF OPERATIONS

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 Company is principally engaged in the business of exploring precious metal mineral properties in Timmins, Ontario, Canada. 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 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.

As at March 31, 2015, Robert R. McEwen (“Mr. McEwen”), the non-executive chairman of Lexam VG owned 27% of the Company’s issued and outstanding common shares.

The Company’s assets are comprised primarily of 100% interest in the Fuller property, the Buffalo Ankerite property and the Davidson Tisdale property and a 60.9% interest in the Paymaster property as at March 31, 2015.

2. BASIS OF PRESENTATION

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standard (“IFRS”) 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, 2014.

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, 2014.

These condensed interim consolidated financial statements have been authorized for issue by the Company’s Board of Directors on May 5, 2015.

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. The Company is in the process of determining the extent of the impact on its financial statements.

On May 6, 2014 the IASB issued Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11). The amendments apply prospectively for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendments require business

LEXAM VG GOLD INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015 AND 2014

(Unaudited - in Canadian dollars)

2. BASIS OF PRESENTATION (Continued)

combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business. The impact of adoption of the amendment has not yet been determined.

On July 24, 2014 the IASB issued the complete IFRS 9. 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. The impact of adoption of the amendment has not yet been determined.

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 impact of adoption of the amendment has not yet been determined.

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 impact of adoption of the amendment has not yet been determined.

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 March 31, 2015, the Company’s carrying value of UVM was \$nil, with total accumulated accounting losses of approximately \$348,000.

As at March 31, 2015, UVM had total assets approximating \$302,000 and liabilities approximating \$400, with an approximate net loss of \$18,000 for the three months ended March 31, 2015.

UVM trades on the TSX Venture under the symbol ‘VZZ’. Based on UVM’s closing share price of \$0.07 per share on March 31, 2015, the market value of Lexam VG’s investment in UVM is \$280,000.

LEXAM VG GOLD INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****MARCH 31, 2015 AND 2014***(Unaudited - in Canadian dollars)***4. EXPLORATION AND EVALUATION ASSETS**

	December 31, 2014	Exploration	Impairment Charges	March 31, 2015
Fuller	\$ 14,740,950	\$ -	\$ -	\$ 14,740,950
Davidson Tisdale (a)	6,586,580	157,630	-	6,744,210
Buffalo Ankerite	10,614,945	-	-	10,614,945
Paymaster	6,482,498	-	-	6,482,498
	<u>\$ 38,424,973</u>	<u>\$ 157,630</u>	<u>\$ -</u>	<u>\$ 38,582,603</u>

	December 31, 2013	Exploration	Impairment Charges	December 31, 2014
Fuller	\$ 14,657,313	\$ 83,637	\$ -	\$ 14,740,950
Davidson Tisdale (a)	6,557,271	29,309	-	6,586,580
Buffalo Ankerite	10,490,178	124,767	-	10,614,945
Paymaster	6,435,852	46,646	-	6,482,498
Teefy	-	24,764	(24,764)	-
	<u>\$ 38,140,614</u>	<u>\$ 309,123</u>	<u>\$ (24,764)</u>	<u>\$ 38,424,973</u>

(a) Davidson Tisdale

On March 3, 2015, the Company announced the acquisition of SGX Resources' 31.5% minority interest in the Davidson Tisdale property, along with adjoining mineral claims to the north, west and south for \$157,630. This amount included \$130,000 in cash and \$27,630 from amounts receivable.

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 three months ended March 31, 2015 and 2014. In addition, during the same periods no options were exercised, cancelled or expired.

LEXAM VG GOLD INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****MARCH 31, 2015 AND 2014***(Unaudited - in Canadian dollars)***6. SUPPLEMENTAL CASH FLOW INFORMATION**

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

	Three months ended March 31,	
	2015	2014
Amounts receivable	\$ (2,651)	\$ (875)
Prepaid expenses and deposits	(26,444)	(31,367)
Accounts payable and accrued liabilities	59,621	(22,898)
	<u>\$ 30,526</u>	<u>\$ (55,140)</u>
Interest received	<u>\$ 6,773</u>	<u>\$ 10,880</u>

7. RELATED PARTY TRANSACTIONS

The Company agreed to reimburse on an ongoing basis 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, a publicly listed company, trading on the New York Stock Exchange and the Toronto Stock Exchange. Mr. McEwen also owns 27% of the Company.

For the three month period ended March 31, 2015, the Company paid for net shared services, including rent, personnel office expenses and other administrative services of \$8,600 (2014 - \$29,700) to McEwen Mining.

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.