VG GOLD CORP.
(Formerly Vedron Gold Inc.)

FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

INDEX

SEGAL
Assurance.

SEGAL LLP
2005 Sheppard Ave E, No. 500
Toronto, Ontario M2J 5B4

Phone. 416 391 4499
Fax. 416 391 3280
Toll Free. 1 800 206 7307
info@segalllp.com

A MEMBER OF DFK INTERNATIONAL

AUDITORS' REPORT

To the Shareholders of
VG Gold Corp.

We have audited the balance sheets of VG Gold Corp. (Formerly Vedron Gold Inc.) as at December 31, 2007 and 2006 and the statements of income, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Segal LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Ontario
March 18, 2008

VG GOLD CORP.
(Formerly Vedron Gold Inc.)

BALANCE SHEET
AS AT DECEMBER 31, 2007 AND 2006

	2007	2006
ASSETS		
Current		
Cash	$ 2,980,412	$ 1,506,965
Accounts receivable	97,830	41,460
Prepaid expenses and deposits	92,900	44,359
	3,171,142	1,592,784
Loan receivable, note 3	385,703	349,721
Mineral resource properties and deferred exploration costs, note 4	20,928,012	17,833,602
Royalty interests, note 5	104,000	104,000
Property, plant and equipment, note 6	830,465	830,384
	$ 25,419,324	$ 20,710,491
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 301,778	$ 96,152
Promissory note payable, note 7	-	200,000
	301,778	296,152
Future tax liabilities	779,000	-
	1,080,778	296,152
Commitments and contingent liability, note 8		
SHAREHOLDERS' EQUITY		
Capital stock, note 9	44,512,213	42,058,624
Share purchase warrants, note 10	2,555,514	528,964
Contributed surplus, note 11	889,046	399,575
Deficit	(23,618,227)	(22,572,824)
	24,338,546	20,414,339
	$ 25,419,324	$ 20,710,491

Approved on behalf of the board:

"Thomas W. Meredith" Director

"Robin Dunbar" Director

See accompanying notes to the financial statements

VG GOLD CORP.
(Formerly Vedron Gold Inc.)

STATEMENT OF DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
Deficit, beginning of year	$ (22,572,824)	$ (21,310,496)
Net loss for the year	(1,045,403)	(1,262,328)
Deficit, end of year	$ (23,618,227)	$ (22,572,824)

See accompanying notes to the financial statements

VG GOLD CORP.
(Formerly Vedron Gold Inc.)

STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006

	2007	2006	Cumulative from the Date of Commencement of Development Stage January 1, 1995
Revenue			
Interest and other income	$ 173,819	$ 52,647	$ 279,881
Option payments	-	-	370,000
	173,819	52,647	649,881
Expenses			
General and administrative	1,047,210	1,056,603	5,242,867
Stock based compensation	507,141	216,665	1,008,316
Impairment of loan receivable	63,347	-	63,347
Loss (gain) on sale of marketable securities	-	(26,723)	10,170
Writedown of mineral resource property	-	-	1,234,492
Loss on disposal of royalty interest	-	-	45,000
Loss on settlement of notes payable	-	-	27,167
Amortization	5,524	68,430	285,528
	1,623,222	1,314,975	7,916,887
Loss before recovery of income taxes	(1,449,403)	(1,262,328)	(7,267,006)
Recovery of future income taxes	(404,000)	-	(344,000)
Net loss for the year	$ (1,045,403)	$ (1,262,328)	$ (6,923,006)
Loss per share			
Basic	$ (0.01)	$ (0.02)	
Weighted average number of shares	84,245,077	65,991,094	

See accompanying notes to the financial statements

VG GOLD CORP.
(Formerly Vedron Gold Inc.)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006

	2007	2006	Cumulative from the Date of Commencement of Development Stage January 1, 1995
Cash flows from operating activities			
Net loss for the year	$ (1,045,403)	$ (1,262,328)	$ (6,923,006)
Adjustments for:			
Amortization	5,524	68,430	285,528
Stock based compensation	507,141	216,665	1,008,316
Future income taxes	779,000	-	839,000
Impairment of loan receivable	63,347	-	63,347
Interest on note receivable	(5,010)	-	(5,010)
Loss (gain) on sale of marketable securities	-	(26,723)	10,170
Writedown of mineral resource properties	-	-	1,234,492
Loss on disposal of royalty interest	-	-	45,000
Write-off of loan payable	-	-	27,167
	304,599	(1,003,956)	(3,414,996)
Changes in non-cash working capital balances, note 12	100,710	6,081	(7,133,919)
Cash flows provided from (used in) operating activities	405,309	(997,875)	(10,548,915)
Cash flows from investing activities			
Purchase of property, plant and equipment	(5,605)	(867,694)	(892,177)
Increase in loan receivable	(94,319)	(49,721)	(456,540)
Expenditures on mineral resource properties	(3,094,410)	(1,637,585)	(13,380,832)
Net investment in marketable securities	-	126,723	(37,170)
Increase in royalty interests	-	-	(20,362)
	(3,194,334)	(2,428,277)	(14,787,081)
Cash flows from financing activities			
Issuance of capital stock, net of financing fees and provision for future income taxes	2,454,287	3,994,630	23,582,288
Repayment of notes payable	(200,000)	-	(306,977)
Issuance of share purchase warrants	2,008,185	528,964	2,537,149
Issue of warrants	-	-	2,521,450
Issue of convertible debenture	-	-	(32,141)
	4,262,472	4,523,594	28,301,769
Net increase in cash	1,473,447	1,097,442	2,965,773
Cash, beginning of year	1,506,965	409,523	14,639
Cash, end of year	$ 2,980,412	$ 1,506,965	$ 2,980,412

See accompanying notes to the financial statements

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

VG Gold Corp. (the "Company") was incorporated under the laws of Ontario on March 24, 1972 as Vedron Gold Inc. Articles of amendment changing the Company's name to VG Gold Corp, were filed on June 27, 2007. The Company is principally engaged in the business of exploring and developing precious metal mineral properties. Substantially all of the efforts of the Company are devoted to these business activities and to date has generated minimal revenues.

The Company is in the process of further exploring its mineral resource properties and expects to generate additional losses and require additional financial resources to reach commercialization. The continuation as a going concern is dependant on the continued support from the Company's investors and on the determination of economically viable reserves contained on its mineral resource properties. Failure to continue as a going concern would then require that stated amounts of assets and liabilities be reflected on a liquidation basis of valuation that could differ materially from the going concern basis of accounting.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Mineral resource properties and deferred exploration costs

Mineral resource properties are carried at cost. The Company considers exploration and development costs and expenditures to have the characteristics of capital assets such as property, plant and equipment, and as such, the Company capitalizes all exploration costs, including acquisition costs, field exploration and field supervisory costs relating to specific properties as incurred, until those properties are brought into production. After the commencement of production these deferred exploration costs will be amortized through charges against income derived from mining operations. Amortization charges will be calculated on a unit-of-production basis, using proven and probable reserves, or until the properties are abandoned, sold or considered to be impaired in value, at which time an appropriate charge will be made.

The actual recovery value of capitalized expenditures for mineral properties and deferred exploration costs, will be contingent upon the discovery of economically viable reserves, and the Company's financial ability at that time to fully exploit these properties or determine a suitable plan of disposition.

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and Guaranteed Investment Certificates balances with banks with less than 90 days to maturity on acquisition.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

(c) Stock based compensation

The Company has adopted CICA Handbook Section 3870 which require the company to follow the fair value method of accounting for all stock based compensation arrangements. The fair value of each option granted during the period is accounted for in operations over the vesting period of the option using the Black - Scholes options pricing model on the date of the grant, with the related increase to contributed surplus.

(d) Flow through shares

The Company has adopted the recommendations of the CICA with respect to the accounting for Flow Through Shares issued March 19, 2004. This results in the Company reducing the net proceeds of the flow through share issuance by the future tax liability of the Company resulting from the renunciation of the exploration and development expenditures in favour of the flow through share subscribers. This future income tax liability will be calculated net of any benefit resulting from unrecorded income tax loss carry forwards and income tax pools in excess of the accounting value available for deduction.

(e) Share purchase warrants and other shares reserved for issuance

The Company has reserved shares for issuance in accordance with applicable corporate and securities laws. Consideration received on the issuance of reserved shares will be credited to capital stock and will be valued at either the fair market value of the assets received or shares issued whichever is more readily determinable.

(f) Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

(g) Capital stock issuance costs

Costs incurred in respect of raising capital are charged to capital stock as a reduction of the equity proceeds realized.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

(h) Income taxes

The Company utilizes the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are computed based on differences between the carrying value of assets and liabilities on the balance sheet and their corresponding values for income tax purposes, using the effective income tax rates expected to apply when these differences reverse. Future income tax assets are recognized only to such extent that it is more likely than not that they will be realized in full.

(i) Amortization

The Company provides for amortization of its property, plant and equipment at the following annual rates:

Power lines and electrical equipment	- 10% declining balance basis
Office and computer equipment	- 20% declining balance basis
Mill equipment	- 20% declining balance basis

(j) Cumulative information for development stage companies

The Company has adopted CICA Handbook Accounting Guideline # 11 with respect to financial statement presentation for development stage companies. Accordingly the statements of income and cash flows have been altered to include a column outlining the cumulative revenues, expenses and cash flows from the date of commencement of development stage activities being January 1, 1995 to the fiscal year end date of the financial statements. As we were appointed auditors during the 2004 fiscal year, the revenue, expenses and cash flows amounts, which included the cumulative balances for the period from January 1, 1995 to December 31, 2003, were audited by other chartered accountants.

(k) Financial instruments

Effective January 1, 2007, the Company has adopted CICA Handbook Section 3855 Financial Instruments - Recognition and Measurement. Section 3855 prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet and at what amount. Under Section 3855, financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net earnings; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings. The Company has evaluated the impact of these new standards on its financial position and results of operations and determined that these new standards have no current year impact on the Company's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

(l) Comprehensive income

Effective January 1, 2007 the Company adopted CICA Handbook Section 1530 which establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with Canadian generally accepted accounting principles. The Company has evaluated the impact of these new standards on its financial position and results of operations and determined that these new standards have no current year impact on the Company's financial statements.

(m) Impairment test on long-lived assets

The Company reviews long-lived assets for impairment on a yearly basis, or whenever events or changes in circumstances occur. Impairment is recognized when the carrying value of a long-term asset exceeds the sum of future cash flows expected from its use.

3. LOAN RECEIVABLE

The Company, as partial consideration of a preferential milling and tailing agreement (note 8), had advanced the mill owner a total of $372,000, repayable on November 1, 2007. On maturity, this loan together with certain other advances made by the Company totalling approximately $444,000 including the original loan advance, was extended to be repayable in full on November 1, 2009. This loan is non-interest bearing and as such, the carrying value of the loan has been discounted to its estimated fair value, at an annual rate of 8% consistent with other borrowings available to the Company. The difference between the face value of the loan and the carrying value is being amortized to income using the effective interest rate method. The reduction in the loan receivable balance to fair value at the date of the extension has been recorded as an impairment of the loan receivable in these financial statements. The loan balance is secured by a first charge on the mill property.

4. MINERAL RESOURCE PROPERTIES AND DEFERRED EXPLORATION COSTS

December 31, 2007	Balance beginning of Year	Acquisition	Exploration	Balance End of Year
Fuller Property (a)	$ 12,308,875	$ 250,409	$ 123,461	$ 12,682,745
Davidson-Tisdale Property Note 8(b)	4,393,832	576,916	622,825	5,593,573
Buffalo Ankerite (b)	1,056,569	28,000	1,400,902	2,485,471
Windsor	54,326	32,500	9,397	96,223
Augdome Property	20,000	50,000	-	70,000
	-	-	-	-
	$ 17,833,602	$ 937,825	$ 2,156,585	$ 20,928,012

4. MINERAL RESOURCE PROPERTIES AND DEFERRED EXPLORATION COSTS (Continued...)

December 31, 2006	Balance beginning of Year	Acquisition	Exploration	Balance End of Year
Fuller Property (a)	$ 12,098,102	$ 3,000	$ 207,773	$ 12,308,875
Davidson-Tisdale Property Note 8(b)	3,953,372	194,130	246,330	4,393,832
Buffalo Ankerite (b)	96,385	-	960,184	1,056,569
Windsor	28,158	22,500	3,668	54,326
Augdome Property	20,000	-	-	20,000
	-	-	-	-
	$ 16,196,017	$ 219,630	$ 1,417,955	$ 17,833,602

a) Fuller Property

The Company has a 100% interest in the Fuller Property. A portion of the property is subject to a 20% net profits interest calculated after all capital and operating costs have been recovered. During the year the Company negotiated a reduction of this net profits interest to 10% for certain areas of the property for a payment of US $200,000.

b) Buffalo Ankerite

The Company commenced work on the Buffalo Ankerite property during the year. The Company has the option to purchase a 100% interest in the property, prior to November 4, 2007, for $25,000, subject to an existing net profits interest. This option was extended until November 1, 2010 for a payment of $25,000 with the exercise price of the option being reduced to $10,000..

5. ROYALTY INTERESTS

	2007	2006
Pipestone Bay Property - Red Lake	$ 51,000	$ 51,000
Augdome Property	53,000	53,000
	$ 104,000	$ 104,000

a) The Company has a 1.5% net smelter royalty interest on the Pipestone Bay Property in Red Lake, Ontario. Subsequent to the year end the Company disposed of this interest for gross proceeds of $50,000.

b) The Company has a 2% net smelter royalty interest on the Augdome Property in Timmins, Ontario.

6. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Amortization	2007 Net Book Value
Powerlines and electrical equipment	$ 141,921	$ 125,541	$ 16,380
Office and computer equipment	30,182	14,347	15,835
Mill equipment	862,000	63,750	798,250
	$ 1,034,103	$ 203,638	$ 830,465

	Cost	Accumulated Amortization	2006 Net Book Value
Powerlines and electrical equipment	$ 141,921	$ 123,721	$ 18,200
Office and computer equipment	28,577	10,643	17,934
Mill equipment	858,000	63,750	794,250
	$ 1,028,498	$ 198,114	$ 830,384

7. PROMISSORY NOTE PAYABLE

	2007	2006
Mill equipment	$ -	$ 200,000

A promissory note, due February 7, 2007, and repaid in full on maturity, for $200,000 bearing interest at 8%, was convertible, upon maturity in whole or in part into shares of the Company, at a rate of $0.60 per share. This resulted from the completion in February 2006 of an August 2005 agreement to purchase gold mining equipment with an estimated grinding capacity of up to 1,000 tons per day.

8. COMMITMENTS

(a) Minimum cash expenditures on Canadian exploration and development

The Company is committed to spend $1,438,609, being the remaining proceeds of flow through share issuances resulting from a private placement of 8,700,000 flow through units on February 14, 2007 (note 9). The stock qualified as flow through shares under the Income Tax Act (Canada) and the corresponding expenditures are to be made by the Company on or before December 31, 2008.

(b) The Company has the following contractual obligations with respect to mineral properties and deferred exploration expenditures:

Davidson Tisdale Property

The company has the option to earn a total of a 75% interest on the Davidson Tisdale Property, and as at December 31, 2005 the Company had earned a 51% interest in the property. The Company initially entered into an option agreement with Laurion Gold Inc. (Formerly Northcott Gold Inc.) dated March 14, 2003 and amended December 17, 2004, December 30, 2005 and September 2, 2006 (the "Laurion Agreement") regarding the exploration and development of certain mining claims situated in Tisdale Township, Ontario (the "Davidson Tisdale Property") as well as permitting the Company the option of earning an additional 50% interest in certain other claims owned by Laurion (the "Laurion Property").

The remaining 24% interest in the property is comprised of two distinct options at 15% and 9% respectively. The terms under which each interest is earned by the Company is described below.

The Company can earn an additional 9% undivided interest in the property by making a quarterly cash payment in the amount of $10,000 during the term of the option agreement ending September 14, 2008. Further the Company must incur minimum exploration expenditures on the property totaling $600,000 prior to September 14, 2007 (which were completed) and $1,000,000 in aggregate expenditures prior to September 14, 2008 of which $998,162 had been completed as at December 31, 2007. The Company's interest in these claims will vest an additional 1% for every $111,111 in exploration expenditures.

The 15% undivided interest will be earned by the Company by paying to Laurion $150,000 on April 30, 2006 and 2007 (which were completed) and reimbursing expenditures made by Laurion on the property totaling $1,125,000 prior to March 31, 2008. As at December 31, 2007 the Company had made the required reimbursements totalling $750,000 in accordance with the time requirements of the option agreement. The Company must reimburse Laurion a further $375,000 of which $368,510 in exploration expenditures has yet to be expended prior to March 31, 2008 under the terms of the options agreement. The Company's additional interest in the Davidson Tisdale Property will vest 1% for every $105,000 expended for both the exploration of, and the option payments on, the Davidson Tisdale Claims.

8. COMMITMENTS (Continued...)

Upon completion of the Company's obligations under these option agreements, the Company will have earned an undivided 75% interest in the Davidson Tisdale Property and a joint venture with Laurion will automatically be formed for the purposes of further exploration, development and commercial production on the properties. Under the terms of the joint venture agreement the Company will be the Operator for the purposes of conducting future mining operations until such time as the Company's interest in the joint venture is reduced below 10%.

Further, the Company has the back in right to acquire up to a 50% interest in the 19-claim Laurion Property situated adjacent to the Davidson Tisdale Property and owned by Laurion, by paying to Laurion, prior to December 31, 2008, 60% of all expenditures incurred by Laurion on the respective claims.

The minimum annual cash payments and expenditures required under the terms of the contractual obligations on mineral resource properties for the next year are as follows:

	Davidson Tisdale	Windsor	Total
2008	$ 392,348	$ 20,000	$ 412,348

(c) **Other commitments**

The Company is committed to minimum annual rental payments on its premises as follows:

2008	$ 30,615
2009	14,670

The Company is required to make minimum annual payments under the Mill & Tailings funding agreement of $80,000 annually from 2008 to 2022.

The Company has entered into exploratory drilling contracts to drill a minimum of 19,700 metres of exploratory holes at an average cost of $100 per metre drilled.

Contingent liability

On December 17, 2002 the Mining Lands Commissioner issued an Order with respect to the Buffalo Ankerite mine site formerly owned by the Company. The Order requires the Company to use its best efforts to remediate the open pit on the site and maintain site security. The estimated cost to perform this work is $284,000 of which no liability has been accrued in these financial statements as mining activities on the property have not been determined to be completed in their entirety.

9. CAPITAL STOCK

Authorized
Unlimited Common shares without par value

Common shares	Number of Shares	Amount
Balance, December 31, 1994	35,517,444	17,774,310
Issued to secured creditors	65,789,474	7,500,000
1 for 10 consolidation	(91,176,206)	-
Issued for cash	930,000	110,500
Issued for debt	4,831,416	487,105
Issued for services	370,000	37,000
Balance, December 31, 1995	16,262,128	25,908,915
Issued on exercise of employee options	1,475,000	290,000
Issued for cash	952,000	595,720
Issued for services	216,440	116,600
Issued special warrants and flow through shares	3,735,000	2,521,450
Financing fee	-	(261,745)
Balance, December 31, 1996	22,640,568	29,170,940
Issued on exercise of employee options	200,000	100,000
Issued for cash and flow through shares	1,010,000	202,000
Issued for services	80,800	16,160
Balance, December 31, 1997	23,931,368	29,489,100
Issued on exercise of employee options	20,000	4,000
Issued for cash	200,000	38,052
Balance, December 31, 1998	24,151,368	29,531,152
Increase due to rounding up	495	-
Balance, December 31, 1999, 2000, 2001	24,151,863	29,531,152

9. CAPITAL STOCK (Continued...)

Balance, December 31, 1999, 2000, 2001	24,151,863	29,531,152
Issued on exercise of employee options	600,000	99,500
Issued on settlement of debt	600,000	60,000
Issued for flow through shares	1,333,333	200,000
Issued for Private Placement	666,667	100,000
Issued for royalty interest	200,000	40,000
Issued for financing fees	100,000	-
Balance, December 31, 2002	27,651,863	30,030,652
Issued on exercise of employee options	700,000	140,000
Issued on settlement of debt	450,000	74,250
Issued for flow through shares	3,000,000	525,000
Issued for conversion of debentures payable	1,500,000	300,000
Issued for property	100,000	20,000
Issued for royalty interest	400,000	59,000
Issued for finders fees	100,000	20,000
Balance, December 31, 2003	33,901,863	31,168,902
Issued on exercise of employee options	200,000	40,000
Issued for cash on private placement February 23, 2004	3,000,000	1,500,000
Issued on marketable securities share swap	2,800,000	368,000
Issued as consideration for Maude Ramp property acquisition	600,000	318,000
Issued on warrant exercise	333,334	50,000
Issued flow through shares on private placement December 22, 2004	2,164,318	476,150
Agents compensation of February 23, 2004	116,000	58,000
Finders fees December 22, 2004 private placement	193,432	42,555
Less: Issuance costs related to common share offerings	-	(214,188)
Balance December 31, 2004	43,308,947	33,807,419
Issued on private placement August 15, 2005	5,064,000	759,600
Issued on private placement September 12, 2005	5,000,000	1,250,000
Issued flow through share on private placement October 31, 2005	724,250	289,700
Issued on warrant exercise	18,750	3,750
Issued for property acquisitions	6,581,035	1,870,031
Finders fees on August 25, 2005 private placement	722,750	-
Less: Issuance costs related to common shares offerings	-	(18,106)
Balance December 31, 2005	61,419,732	37,962,394

9. CAPITAL STOCK (Continued...)

Balance December 31, 2005	61,419,732	37,962,394
Issue of flow through shares on private placement January 9, 2006	275,750	110,300
Issued on private placement May 12, 2006	4,912,334	2,418,436
Issue of flow through shares on private placement May 12, 2006	1,100,000	660,080
Issued on exercise of options	1,080,000	370,350
Issued on warrant exercise	577,500	115,500
Issued as consideration for mill equipment acquisition	800,000	608,000
Finders fee, January 9 , 2006 private placement	6,948	2,780
Issued for property acquisitions	50,000	12,500
	70,222,264	42,260,340
Less issuance cost related to common share offerings	-	(201,716)
Balance December 31, 2006	70,222,264	42,058,624
Issued on private placement February 14, 2007	5,050,000	414,564
Issue of flow through shares on private placement February 14, 2007	8,700,000	2,529,922
Issued on exercise of options	100,000	47,670
Issued on exercise of warrants	2,153,750	430,750
Issued for property acquisitions	50,000	17,500
Fair value of expired warrants	-	528,964
	86,276,014	46,027,994
Less: Issuance costs related to common share offerings	-	(332,781)
Less: Provision for future income taxes resulting from the renunciation of Canadian exploration and development expenditures	-	(1,183,000)
Balance December 31, 2007	86,276,014	$ 44,512,213

9. CAPITAL STOCK (Continued...)

On February 14, 2007 the Company completed a $5,500,000 private placement offering of 13,750,000 units consisting of 8,700,000 flow-through units and 5,050,000 hard dollar units for aggregate proceeds of $2,944,486. Each Flow-Through Unit was issued at a price of $0.40 and is comprised of one flow-through common share and one-half of one common share purchase Warrant (each whole common share purchase warrant a "Warrant"). Each Hard Dollar Unit was issued at a price of $0.40 and is comprised of one common share and one common share purchase Warrant. Each Warrant entitles the holder to purchase one additional common share in the capital of the Company, which will not be a flow-through share, at a price of $0.60 until August 13, 2008 (the "Warrant Term"). If, after June 14, 2007, the common shares of the Company close at $0.90 or more for 20 consecutive trading days, then the Warrant Term shall be automatically reduced to 30 days from the date that the Company provides the holders of Warrants with written notice of the new expiry date.

An agency fee of 5% in cash and 7% in broker warrants, expiring 18 months from closing, was paid to Primary Capital.

On January 9, 2006, the Company completed a private placement of flow through common shares, issuing 275,750 shares. The shares were issued at $0.40 for proceeds of $110,300. The Company also paid finder's fees of 6,948 common shares.

On May 12, 2006, the Company issued 4,912,334 units at $0.60 per unit and 1.1 million flow through shares at $0.60 per share, for gross proceeds of $3,607,400. Each unit consists of one common share and one half of one common share purchase warrant. Each full warrant entitled the holder to purchase one common share of the Company at a price of $0.66 until June 29, 2007. An agency fee of 5% in cash and 10% in broker warrants, expiring 12 months from closing, was paid to Coniston Investment Corp.

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 5,375,000.

The exercise price of options granted in accordance with the plan must not be lower than the fair market value share price as quoted on the TSX Venture Exchange on the last business day prior to the date of the grant less any discounts permitted by the TSX Venture Exchange. The period for exercising an option shall not extend beyond a period of five years following the date the option is granted.

The total number of options held by insiders of the Company must not exceed 10% of the total number of shares issued and outstanding.

9. CAPITAL STOCK (Continued...)

The following table summarizes the options activity for the years ending December 31, 2006 and December 31, 2007:

	Number of Options	Weighted Average Exercise Price
Balance December 31, 2005	2,800,000	0.28
Granted	200,000	0.55
Granted	1,000,000	0.40
Exercised	(1,080,000)	0.25
Balance December 31, 2006	2,920,000	0.31
Granted	1,600,000	0.60
Exercised	(100,000)	0.30
Balance December 31, 2007	4,420,000	0.42

The following common share purchase options are outstanding at December 31, 2007:

	Date of Grant	Number of Shares	Exercise Price	Expiry Date
Directors	October 8, 2003	100,000	$ 0.20	October 8,2008
	December 19, 2003	25,000	$ 0.35	December 19, 2008
	September 29, 2004	50,000	$ 0.35	September 29,2009
	May 18, 2005	200,000	$0.20	May 18, 2010
	September 14, 2005	250,000	$ 0.25	September 14,2010
	July 24, 2006	300,000	$ 0.40	July 24, 2011
	January 18, 2007	700,000	$ 0.60	January 18, 2012
Officers	October 8, 2003	100,000	$ 0.20	October 8, 2008
	December 19, 2003	350,000	$ 0.35	December 19, 2008
	September 29, 2004	150,000	$ 0.35	September 29, 2009
	January 19, 2006	100,000	$ 0.55	January 19, 2011
	July 24, 2006	200,000	$ 0.40	July 24, 2011
	January 18, 2007	350,000	$ 0.60	January 18, 2012
Service Providers	October 8, 2003	25,000	$ 0.20	October 8, 2008
	December 19, 2003	125,000	$ 0.35	December 19, 2008
	September 29, 2004	200,000	$ 0.35	September 29, 2009
	September 14, 2005	45,000	$ 0.25	September 14, 2010
	January 19, 2006	100,000	$ 0.55	January 19, 2011
	July 24, 2006	500,000	$ 0.40	July 24, 2011
	January 18, 2007	50,000	$ 0.60	January 18, 2012
	January 18, 2007	500,000	$ 0.60	January 18, 2012
		4,420,000		

9. CAPITAL STOCK (Continued...)

The Company has adopted CICA Handbook Section 3870, which requires a fair value method of accounting to be applied to all stock-based compensation arrangements. The fair value of each option is accounted for in operations over the vesting period of the options, and the related credit is included in contributed surplus. The fair value of the options granted during the year ended December 31, 2007 were estimated using the Black-Scholes options pricing model with the following assumptions: (i) risk free rate of 4.04% (ii) expected life of 5 years (iii) and expected volatility of 70%.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

10. COMMON SHARE PURCHASE WARRANTS

The following table summarizes the warrants activity for the years ended December 31, 2007 and 2006:

	Number of Warrants	Weighted Average Exercise Price	Fair Value
Outstanding, December 31, 2005	5,263,250	$0.27	$ -
Issued	3,057,400	$0.65	528,964
Exercised	(609,500)	$0.20	-
Outstanding, December 31, 2006	7,711,150	$0.43	$ 528,964
Issued	11,325,000	$0.58	$ 2,555,514
Expired	(5,557,400)	$0.52	(528,964)
Exercised	(2,153,750)	$0.20	-
Balance, December 31, 2007	11,325,000	$0.58	$ 2,555,514

The following common share purchase warrants are outstanding at December 31, 2007:

	Number of Warrants	Exercise Price	Expiry
Common share purchase warrants Issued on private placement February 14, 2007	10,362,500	$0.60	August 13, 2008
Common share purchase warrants Issued on private placement February 14, 2007	962,500	$0.40	August 13, 2008
	11,325,000		

11. CONTRIBUTED SURPLUS

Balance, December 31, 2005	$ 284,510
Stock-based compensation, for the period	216,665
Fair value of options exercised during the year	(101,600)
Balance, December 31, 2006	399,575
Stock-based compensation, for the period	507,141
Fair value of options exercised during the year	(17,670)
Balance, December 31, 2007	$ 889,046

12. SUPPLEMENTAL CASH FLOW INFORMATION

	2007	2006
Changes in non-cash working capital balances		
Accounts receivable	$ (56,372)	$ (2,917)
Prepaid expenses and deposits	(48,541)	(36,778)
Accounts payable and accrued liabilities	205,623	45,776
	$ 100,710	$ 6,081
Interest paid (received)	$ (169,802)	$ (52,647)
Income taxes paid	$ -	$ -

13. RELATED PARTY TRANSACTIONS

Included in the accounts are payments made to companies under the control or significant influence of officers and directors as follows:

Management fees paid to directors and officers of the Company.	$ 302,000
The Company purchased mineral resource properties from a company in which senior officers are related to an officer and director of the Company.	$ 50,000
The Company paid legal fees to a firm in which an officer of the Company is also a partner of the law firm.	$ 98,560
Directors' fees paid	$ 31,500

Included in the year end accounts payable balances are payables in the amount of $102,870 due to directors and other officers.

All related party transactions entered into by the Company are recorded at fair market value as determined by the Company's directors with no beneficial interest in respect of a particular transaction.

14. LOSS PER SHARE

Basic loss per share has been calculated by dividing the net loss per the financial statements by the weighted average number of shares outstanding during the year. The fully diluted loss per share would be calculated using a common share balance increased by the number of common shares that could be issued under outstanding warrant and options of the Company. As the Company is in a loss position for the years ended December 31, 2007 and December 31, 2006, no dilutive effect would result from the potential increase in common shares.

15. INCOME TAXES

Current year income tax expense (recovery) differs from the amounts that would have been computed by applying the combined Federal and Ontario statutory income tax rates of approximately 35% to the loss before the recovery of future income taxes. This difference is the result of the following:

	2007	2006
Loss before recovery of future income taxes for accounting	$ (1,449,403)	$ (1,262,328)
Expected tax recovery at statutory rates	(542,610)	(493,299)
Stock based compensation not deductible for income taxes	177,500	75,833
Common share financing fees deducted for income tax	(53,200)	(30,179)
Other timing differences	14,310	23,951
Recovery of future income taxes	(404,000)	(423,694)
Non-capital losses not utilized in current year	404,000	423,694
Provision for current income taxes	$ -	$ -

The Company has non-capital loss carryforwards in the amount of $3,848,741 which may be used prior to 2027 to reduce future taxable income.

2008	$ 23,386
2009	80,623
2010	212,587
2014	508,495
2015	928,587
2026	1,077,707
2027	1,017,356
	$ 3,848,741

15. INCOME TAXES (Continued...)

In addition, the Company has the following resource deductions which may be applied against certain profits realized on its mining properties exclusive of amounts transferred to investors of flow through shares as follows:

Canadian Development Expenditures	$ 115,000
Foreign Exploration and Development Expenditures	$ 151,343

16. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, marketable securities and term deposits, accounts receivable, loan receivable, accounts payable and accrued liabilities and promissory note payable. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, except as noted below.

17. SUBSEQUENT EVENTS

Subsequent to year end the Company committed to drill a minimum of 10,000 meters at an average cost of $70 per meter.

18. NAME CHANGE

By articles of amendment, dated June 27, 2007 the Company changed its name from Vedron Gold Corp. to VG Gold Corp.

19. FUTURE ACCOUNTING CHANGES

Financial instrument disclosures

In March 2007, the CICA issued section 3862 Financial Instruments - Disclosures and Section 3863 Financial Instruments - Presentation, which together comprise a complete set of disclosure and presentation requirements that revise and enhance current disclosure requirements. Section 3862 requires disclosure of additional detail by financial asset and liability categories. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. the standard deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. These sections are effective January 1, 2008 but are not expected to have an impact on the Company's disclosure and presentation.

Capital disclosures

In December 2006, the CICA issued Section 1535 Capital Disclosures. This section establishes standards for disclosing information about an entity's objectives, policies and processes for managing capital. This section is effective January 1, 2008.