

VG GOLD CORP.
(an exploration stage company)
FINANCIAL STATEMENTS (PREPARED BY MANAGEMENT)
For the three month period ended
MARCH 31, 2008
(Unaudited)

Responsibility for Financial Statements

The accompanying financial statements for VG GOLD CORP. have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. The most significant of these policies have been set out in the December 31, 2007 audited financial statements. These statements are presented on an accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment.

Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly stated.

Disclosure Required Under National Instrument 51-102 - Continuous Disclosure Obligations - Part 4.3(3)(a)

The auditor of VG GOLD CORP. has not performed a review of the unaudited comparative financial statements for the three month period ended March 31, 2008.

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VG GOLD CORP.
(an exploration stage company)
BALANCE SHEETS (PREPARED BY MANAGEMENT)
AS AT
(Unaudited)

	March 31, 2008	March 31, 2007	December 31, 2007
	(unaudited)	(audited)	(unaudited)
ASSETS			
Current			
Cash and cash equivalents	\$ 1,926,514	\$ 5,883,957	\$ 2,980,412
Accounts receivable	88,569	80,678	97,832
Prepaid expenses and deposits	<u>31,123</u>	<u>134,957</u>	<u>92,900</u>
	<u>2,046,206</u>	<u>6,099,592</u>	<u>3,171,144</u>
Loan receivable	393,417	378,281	385,703
Royalty interests	53,000	104,000	104,000
Property, plant and equipment	830,232	789,321	830,465
MINING INTERESTS note 3	<u>21,652,031</u>	<u>18,529,956</u>	<u>20,928,012</u>
	<u>\$ 24,974,886</u>	<u>\$ 25,901,150</u>	<u>25,419,324</u>
LIABILITIES			
Current			
Accounts payable and accrued liabilities	\$ 172,512	\$ 340,671	\$ 301,778
FUTURE TAX LIABILITIES	<u>779,000</u>	<u>1,009,000</u>	<u>779,000</u>
	<u>951,512</u>	<u>1,349,671</u>	<u>1,080,778</u>
SHAREHOLDERS' EQUITY			
Share capital	44,512,213	47,038,742	44,512,213
Warrants	2,555,514	-	2,555,514
Contributed surplus	889,046	891,781	889,046
Deficit	<u>(23,933,399)</u>	<u>(23,379,044)</u>	<u>(23,618,227)</u>
	<u>24,023,374</u>	<u>24,551,479</u>	<u>24,338,546</u>
	<u>\$ 24,974,886</u>	<u>\$ 25,901,150</u>	<u>25,419,324</u>

Approved on behalf of the board:

"Thomas W. Meredith" Director

"Robin Dunbar" Director

VG GOLD CORP.
(an exploration stage company)
STATEMENT OF LOSS (PREPARED BY MANAGEMENT)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2008
(Unaudited)

	March 31, 2008	March 31, 2007	Cumulative from the Date of Commencement of Development Stage January 1, 2005
Interest	\$ 25,360	\$ 38,058	\$ 305,241
Option payments	<u>-</u>	<u>-</u>	<u>370,000</u>
	<u>(25,360)</u>	<u>(38,058)</u>	<u>675,241</u>
Expenses			
Office, general and administrative	\$ 338,306	\$ 470,074	\$ 5,581,173
Impairment of loan receivable	-	-	63,347
Depreciation	1,226	41,063	286,754
Loss on disposal of royalty interest	-	-	45,000
Write-down of mining interests	-	-	1,234,492
Loss on sale of marketable securities	1,000	-	11,170
Loss on settlement of note payable	-	-	27,167
Stock-based compensation	<u>-</u>	<u>507,141</u>	<u>1,008,316</u>
	<u>340,532</u>	<u>1,018,278</u>	<u>8,257,419</u>
Loss before income taxes	(315,172)	(980,220)	(8,257,419)
Future income tax recovery	<u>-</u>	<u>(174,000)</u>	<u>(344,000)</u>
Loss for the three month period	(315,172)	(806,220)	<u>\$ (7,238,178)</u>
Deficit, beginning of period	<u>(23,618,227)</u>	<u>(22,572,824)</u>	
Deficit, ended of period	<u>\$ (23,933,399)</u>	<u>\$ (23,379,044)</u>	
Loss per share			
Basic and fully diluted	<u>\$ 0.004</u>	<u>\$ 0.010</u>	
Weighted average number of shares	<u>86,276,014</u>	<u>78,467,889</u>	

See accompanying notes to the financial statements

VG GOLD CORP.
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STATEMENT OF CASH FLOWS (PREPARED BY MANAGEMENT)
FOR THE PERIOD ENDED MARCH 31, 2008
(Unaudited)

	March 31, 2008	March 31, 2007	Cumulative from the Date of Commencement of Development Stage January 1, 2005
Cash flows from operating activities			
Net loss for the three month period	\$ (315,172)	\$ (806,220)	\$ (7,238,178)
Amortization	1,226	41,063	286,754
Stock based compensation	-	507,141	1,008,316
Future income taxes	-	(174,000)	839,000
Writedown of mineral resource properties	-	-	1,234,492
Impairment of loan receivable	-	-	63,347
Interest on note receivable	-	-	(5,010)
Loss on sale of marketable securities	1,000	-	11,170
Loss on disposal of royalty interest	-	-	45,000
Write-off of loan payable	-	-	27,167
	<u>(312,946)</u>	<u>(432,016)</u>	<u>(3,727,942)</u>
Changes in non-cash working capital balances, Note 6	<u>(58,226)</u>	<u>114,703</u>	<u>(7,192,145)</u>
Cash flows provided from operating activities	<u>(371,172)</u>	<u>(317,313)</u>	<u>(10,920,087)</u>
Cash flows from investing activities			
Purchase of capital assets	(993)	-	(893,170)
Increase in mineral resource properties	(724,019)	(696,354)	(14,104,851)
Increase in loan receivable	(7,714)	(28,560)	(464,254)
Increase in marketable securities	(1,000)	-	(38,170)
Increase in royalty interests	51,000	-	30,638
	<u>(682,726)</u>	<u>(724,914)</u>	<u>(15,469,807)</u>
Cash flows from financing activities			
Increase in capital stock,	-	5,619,219	23,582,288
Issuance of share purchase warrants	-	-	2,537,149
Issue of warrants	-	-	2,521,450
Repayment in notes payable	-	-	(306,977)
Issue of convertible debt	-	-	(32,141)
	<u>-</u>	<u>5,619,219</u>	<u>28,301,769</u>
Net (decrease) increase in cash	(1,053,898)	4,576,992	1,911,875
Cash - beginning of period	<u>2,980,412</u>	<u>1,506,965</u>	<u>14,639</u>
Cash - end of period	<u>\$ 1,926,514</u>	<u>\$ 6,083,957</u>	<u>\$ 1,926,514</u>

See accompanying notes to the financial statements

VG GOLD CORP.
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NOTES TO THE FINANCIAL STATEMENTS

(Unaudited)

1. NATURE OF OPERATIONS

VG Gold Corp. (the "Company") was incorporated under the laws of Ontario on March 24, 1972 and 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 which to date have 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 commercialisation. 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 which could differ materially from the going concern basis of accounting.

2. CHANGES IN ACCOUNTING POLICIES

Financial instruments

Effective January 1, 2008, VG Gold Corp. prospectively adopted the new CICA Handbook Sections 3862, Financial Instruments – Disclosures and 3863, Financial Instruments – Presentation. The purpose of these sections is to enhance the financial statement users' ability to evaluate:

- The significance of financial instruments over an entity's financial position, performance and cash flows;
- The nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date; and
- How the entity manages those risks.

The new standards required additional disclosure with no effect on the financial statements.

Capital management

Effective January 1, 2008, VG Gold Corp. adopted the new CICA Handbook Section 1535, Capital Disclosures for disclosure of a company's objectives, policies and processes for managing capital.

Effect of Future Changes in Accounting Policies

The CICA Accounting Standards Board has adopted the following new or amended Handbook Sections:

In February 2008, the CICA issued Section 3064, Goodwill and intangible assets, ("Section 3064") replacing Section 3062, Goodwill and other intangible assets ("Sections 3062") and Section 3450, Research and development costs. Various changes have been made other standards to be consistent with the new Section 3064. Section 3064 will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, VG Gold Corp. will adopt the new standards for its fiscal year beginning January 1, 2009. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill and of intangible assets. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. VG Gold Corp. is currently evaluating the impact of the adoption of this new Section on its consolidated financial statements; however, we do not expect that the adoption of this new Section will have a material impact on the consolidated financial statements.

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In January 2006, the Accounting Standards Board adopted a strategic plan for the direction of accounting standards in Canada. Public companies in Canada are required to adopt International Financial Reporting Standards effective January 1, 2011.

3. MINERAL RESOURCE PROPERTIES AND DEFERRED EXPLORATION COSTS

March 31, 2008	Balance beginning of period	Acquisition	Exploration	Recoveries	Writedowns	Balance End of Period
Fuller Property (a)	\$ 12,682,745	\$ -	\$ 29,206	\$ -	\$ -	\$ 12,711,951
Davidson-Tisdale						-
Property (note b)	5,593,573	13,265	32,348	(600)	-	5,638,586
Buffalo Ankerite (b)	2,485,471	-	649,800	-	-	3,135,271
Windsor	96,223	-	-	-	-	96,223
Augdome Property	<u>70,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,000</u>
	<u>\$ 20,928,012</u>	<u>\$ 13,265</u>	<u>\$ 711,354</u>	<u>\$ (600)</u>	<u>\$ -</u>	<u>\$ 21,652,031</u>
December 31, 2007	Balance beginning of year	Acquisition	Exploration	Recoveries	Writedowns	Balance End of Year
Fuller Property (a)	\$ 12,308,875	\$ 250,409	\$ 123,461	\$ -	\$ -	\$ 12,682,745
Davidson-Tisdale	4,393,832	576,916	622,825			5,593,573
Property (note b)	-	-	-	-	-	-
Maude Ramp	-	-	-	-	-	-
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	<u>20,000</u>	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,000</u>
	<u>\$ 17,833,602</u>	<u>\$ 937,825</u>	<u>\$ 2,156,585</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,928,012</u>

4. ROYALTY INTERESTS

	March 31, 2008	2007
Pipestone Bay Property - Red Lake	\$ -	\$ 51,000
Augdome Property	<u>53,000</u>	<u>53,000</u>
	<u>\$ 53,000</u>	<u>\$ 53,000</u>

a) During the quarter the Company sold its interest in the Pipestone Bay Property - Red Lake.

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5. COMMITMENTS

(a) Minimum cash expenditures on Canadian exploration and development

The Company is committed to spend \$587,718, 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. The stock qualified as flow through shares under the Income Tax Act (Canada) on qualifying Canadian Exploration and / or development expenditures (as defined in 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 75% interest on the Davidson Tisdale Property, and as at quarter end has earned a 71% interest.

6. CAPITAL STOCK

Authorized
 Unlimited Common shares without par value

Common Shares	Number of Shares	Amount
Balance December 31, 2005	61,419,732	\$ 37,962,394
Issued on 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
Issued on 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
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 (i)	5,050,000	414,564
Issued on flow through shares on private placement February 14, 2007	8,700,000	2,529,922
Issued on exercise of options	100,000	30,000
Issued on warrant exercise	2,153,750	430,750
Issued for property acquisition	50,000	17,500
Reallocation from Contributed Surplus relating to the options exercised	-	17,670
Less: Provision for future income taxes resulting from the renunciation of CEDE	-	(1,183,000)
Less: Issuance cost related to common share offerings	-	(332,781)
Balance December 31, 2007 and March 31, 2008	86,276,014	\$ 43,983,249

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Common Share Purchase Warrants

A summary of warrants outstanding for the quarter is presented below:

	Number of Warrants	Exercise Price	Expiry
Common share purchase warrants Issued on private placement dated February 14, 2007	10,362,500	\$0.60	August 13, 2008
Common share purchase warrants Issued on private placement dated February 14, 2007	<u>962,500</u>	\$0.40	August 28, 2008
	<u><u>11,325,000</u></u>		

Common Share Purchase Options

The following table summarizes the options activity for the periods ending December 31, 2007 and March 31, 2008

	Number of Options	Weighted Average Exercise Price
Balance - January 1, 2006	2,800,000	\$ 0.28
Granted	200,000	0.55
Granted	1,000,000	0.40
Exercised	<u>(1,080,000)</u>	<u>0.25</u>
Balance - December 31, 2006	2,920,000	0.31
Granted	1,600,000	0.60
Exercised	<u>(100,000)</u>	<u>0.30</u>
Balance - December 31, 2007 and March 31, 2008	<u><u>4,420,000</u></u>	<u><u>\$ 0.44</u></u>

7. CONTRIBUTED SURPLUS

Balance, January 1, 2006	\$ 284,510
Stock-based compensation for the period	216,665
Value of options exercised transferred to share capital	<u>(101,600)</u>
Balance, December 31, 2006	\$ 399,575
Balance, December 31, 2006	507,141
Stock-based compensation, for the options granted January 18, 2007	507,141
Value of options exercised transferred to share capital	<u>(17,670)</u>
Balance, December 31, 2007 and March 31, 2008	<u><u>\$ 889,046</u></u>

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(Unaudited)

8. CAPITAL MANAGEMENT

VG Gold Corp.'s objectives when managing capital are:

- a) To safeguard VG Gold Corp.'s financial capacity and liquidity for future earning in order to continue to provide an appropriate return to shareholders and other stakeholders;
- b) To maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk; and
- c) To enable VG Gold Corp. to maximize growth by meeting its capital expenditure budget and to expand its budget to accelerate projects, and take advantage of acquisition opportunities.

VG Gold Corp.'s capital structure includes shareholders' equity, and cash and cash equivalents.

	March 31 2008	December 31, 2007
Shareholders' equity	24,023,374	24,338,546
Cash and cash equivalents	<u>1,926,514</u>	<u>2,980,412</u>
Capital	<u><u>25,949,888</u></u>	<u><u>27,318,958</u></u>

VG Gold Corp. regularly monitors and reviews the amount of capital in proportion to risk and future development and exploration opportunities. VG Gold Corp. manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, VG Gold Corp. may issue new debts or equity or similar instruments, reduce debt levels, adjust the amount of dividends paid to shareholders, or make adjustments to its capital expenditure program.

VG Gold Corp.'s objectives with regard to capital managements remain unchanged from 2007.

9. FINANCIAL INSTRUMENTS

VG Gold Corp. manages its exposure to a number of different financial risks arising from its operations as well as its use of financial instruments including market risks (commodity prices, foreign currency exchange rate and interest rate), credit risk and liquidity risk through its risk management strategy. The objective of the strategy is to support the delivery of VG Gold Corp. financial targets while protecting its future financial security and flexibility.

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Financial risks are primarily managed and monitored through operating and financing activities and, if required, through the use of derivative financial instruments. VG Gold Corp. does not use derivative financial instruments for purposes other than risk management. The financial risks are evaluated regularly with due consideration to changes in the key economic indicators and up-to-date market information.

VG Gold Corp.'s risk exposure and risk management policies and procedures have not changed from 2007.

Market risk

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of the business. VG Gold Corp. may use derivative, financial instruments such as foreign exchange contracts and interest rate swaps to manage certain exposures. These market risks are evaluated by monitoring changes in key economic indicators and market information on an on-going basis.

The maximum exposure to credit risk is equal to the carrying amount of financial instruments classified as loans and receivables.

Liquidity risk

Liquidity risk encompasses the risk that a company cannot meet its financial obligations in full. VG Gold Corp.'s main sources of liquidity are its cash and cash equivalents, these fund are primarily used to finance working capital, operating expenses, capital expenditures, dividends and acquisitions.

VG Gold Corp. manages its liquidity risk by regularly monitoring its cash flows from operating activities, holding adequate amounts of cash and cash equivalents. The current year's budget is planned to be funded and cash and cash equivalents provides additional flexibility for short-term timing fluctuations.

Accounts payable and accrued liabilities are current financial instruments expected to be settled in the normal course of operations.

Fair value

The estimated fair values of purchased derivative financial instruments are recognized in the consolidated balance sheet in accounts receivable and accounts payable with resulting gains and losses being recognized in foreign exchange gain/(loss) in the statement of operations. These contracts have not been designated as hedges for accounting purposes.

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The carrying value and fair value of these financial instruments at March 31, 2008 is disclosed below by financial instrument category as well as any related interest expense for the three month period ended March 31, 2008:

Financial Instrument	Period ended March 31, 2008			Year ended December 31, 2007		
	Carrying Value	Fair Value	Interest Expense	Carrying Value	Fair Value	Interst Expense
<i>Held for trading</i>						
Cash and cash equivalents	1,926,514	1,926,514	-	2,980,412	2,980,412	-
Loan and receivable						
Accounts receivable	393,417	393,417	-	97,832	98,832	-
Financial Liabilities						
Other liabilities						
Accounts payable and accrued liabilities	172,512	172,512	-	301,778	301,778	-

There has been no changes to the classification on financial instruments since inception on January 1, 2008.

a) Cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities

Due to the short term nature of these financial instruments, fair value approximates carrying value.

10. SUPPLEMENTAL CASH FLOW INFORMATION

	March 31, 2008	March31, 2007
Changes in non-cash working capital balances		
Accounts receivable	\$ 9,263	\$ (39,218)
Prepaid expenses and deposits	61,777	(90,596)
Accounts payable and accrued liabilities	(129,266)	244,519
	<u>\$ (58,226)</u>	<u>\$ 114,705</u>
Interest (received) paid	<u>\$ (25,360)</u>	<u>\$ (38,058)</u>
Income tax paid	<u>\$ -</u>	<u>\$ -</u>

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11. RELATED PARTY TRANSACTIONS

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

	March 31 2008	December 31, 2007
Management fees paid to directors and officers of the Company	\$ 48,000	\$ 302,000
The Company paid legal fees to a firm in which an officer of the Company is also a partner of the law firm.	\$ 18,277	\$ 98,560
Director's fees paid	\$ 7,500	\$ 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 Issuer's directors with no beneficial interest in respect of a particular transaction.

12. 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 period ended March 31, 2008 and December 31, 2007, no dilutive effect would result from the potential increase in common shares.