

VG GOLD CORP.

**VG GOLD ANNOUNCES STRATEGIC INVESTMENT
BY ROB MCEWEN'S LEXAM EXPLORATIONS**

BECOMES VG GOLD'S LARGEST STOCKHOLDER

Toronto, July 21, 2009, VG GOLD CORP., TSX:VG, FRANKFURT:VN3, is pleased to announce that LEXAM EXPLORATIONS INC. (TSX-V: LEX), which is 49.4% owned by its Chairman and CEO Rob McEwen, has agreed to make a strategic investment in VG Gold Corp. for an aggregate subscription of 37,500,000 units issued by way of a private placement. Each Unit is priced at \$0.08 and includes one common share and one common share purchase warrant exercisable at \$0.15 per share for a period of eighteen months. The private placement will be completed in two tranches, with the first tranche consisting of 12,594,814 units and having closed earlier today. Upon closing of both tranches, Lexam will own 27% of VG Gold's outstanding shares and 42% on a partially diluted basis. Lexam is now VG Gold's largest shareholder

"VG Gold's properties are situated in the heart of the Timmins gold camp where, 67 million ounces of gold have been produced. The company's drill results have encountered attractive grades and good widths. Companies such as West Timmins Mining and Lakeshore Gold are proving that there is much more gold to be found in this historic camp." stated Rob McEwen, Chairman and CEO of Lexam.

"The VG Gold board of directors and the management team are very pleased to have the opportunity to work with Rob McEwen and Lexam. We believe that the support they bring to the Company will be of tremendous benefit to our shareholders." said Tom Meredith, CEO of VG Gold.

Completion of the second tranche of 24,905,186 units is subject to approval of VG Gold shareholders. The board of directors of the Company unanimously approved the transaction and recommends that shareholders vote in favour of the second tranche at the upcoming shareholder meeting, on August 31, 2009. All the directors intend to vote their shares for approval of the transaction. A fee is to be paid for arranging the transaction in the amount of 6% in cash and 5% in compensation warrants exercisable for 18 months, at a price of \$0.15 per share from the date of closing. Securities issued will be subject to a hold period of four months and one day from the date of closing.

Under the terms of the arrangement Lexam will have the right to nominate a director and a right to participate pro-rata in future VG Gold financings, provided Lexam's aggregate interest remains above 10% of common shares outstanding.

Rob McEwen's past investments in northern Ontario have generated substantial value for shareholders. Rob is the founder and former CEO of Goldcorp Inc., a company he grew from a market capitalization of \$50 million to \$8.5 billion (1992-2005 share price appreciation 31.3% compounded annual growth rate) on the back of a significant gold discovery in Red Lake, Ontario,

that became the richest gold mine in the world. Rob is also the largest shareholder in Rubicon Minerals, which has made northern Ontario's newest high-grade gold discovery. VG Gold looks forward to working with Rob and his team at Lexam to help unlock the exploration potential in the Company's Timmins gold projects.

EXPLORATION DRILLING

The Company has commenced drilling on the Paymaster Property, located adjacent to the east boundary of VG Gold's Fuller and Buffalo Ankerite Properties. VG Gold has the option to earn a 60% interest in part of the Paymaster Property, which consists of 13 claims in Deloro township and 2 claims in Tisdale township. The property is owned by Goldcorp Canada Ltd. and Goldcorp Inc. as partners in the Porcupine Joint Venture.

The drilling program will focus on the Paymaster West Porphyry, where historic work identified the presence of gold mineralization. From the Ontario Geological Survey, Open File Report 6160 – 2005. "The porphyry intrusions of the central trend show a close spatial association with gold enrichment. The porphyry intrusions are spatially associated with the 2 largest gold deposits of the Timmins Camp, the Hollinger-McIntyre and Dome Mines."

See www.vggoldcorp.com/property/paymaster.cfm for historic drill data at the Paymaster West Porphyry.

The Paymaster Property, which produced 1.19 million gold oz from 1915 to 1966, is located on the east-west trending Porcupine Syncline geological structure that is host to several current and former producing gold mines in Timmins, Ontario Canada.

Davidson Tisdale is 68.5% owned by VG Gold and located approximately 3 km northeast along strike from other major mines in the Timmins camp. Between 2003 and 2006 VG Gold conducted an extensive drill program returning significant drill results. These drill results are very encouraging and possibly indicative of what could be found at depth. Lexam's management is excited about the future exploration potential of this property. Drilling is expected to commence once VG Gold has fulfilled its option on the Paymaster West property. For a list of previous holes completed by VG Gold, please click: www.vggoldcorp.com/property/tisdale.cfm

For further information contact David Black, Investor Relations, 416 368 0099 x 4050, or Tom Meredith, President of VG Gold, 416 368 0099 x 4100.

To learn more about VG Gold visit our website: www.vggoldcorp.com

The TSX Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of this release.

