ADVANCE GOLD CORP.
(Formerly Africa West Minerals Corp.)

CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2010

HAY & WATSON | Chartered Accountants
1822 West 2nd Avenue, Vancouver, BC, Canada V6J 1H9
P 604 732 1466 F 604 732 3133 E info@hay-watson.bc.ca

AUDITORS' REPORT

To the Shareholders of
Advance Gold Corp.

We have audited the consolidated balance sheets of Advance Gold Corp. (formerly Africa West Minerals Corp.) as at May 31, 2010 and 2009 and the consolidated statements of operations and comprehensive loss, of deficit and accumulated other comprehensive income, of cash flows, of mineral property interests, and of deferred exploration expenditures for the periods 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 audits.

We conducted our audits 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2010 and 2009 and the results of its operations and its cash flows for the periods then ended in accordance with Canadian generally accepted accounting principles.

Hay + Watson

Chartered Accountants
Vancouver, British Columbia
September 24, 2010

ADVANCE GOLD CORP.
(Formerly Africa West Minerals Corp.)
CONSOLIDATED BALANCE SHEETS

	May 31, 2010	May 31, 2009
ASSETS		
Current Assets		
Cash and cash equivalents (Note 2)	$ 27,298	$ 36,490
Investment	12,500	-
Accounts receivable	21,866	5,790
Prepaid expenses	2,769	3,960
	64,433	46,240
Equipment (Note 4)	138	68,466
Mineral Property Advances	-	99,673
Mineral Property Interests (Statement) (Note 5)	1,986,586	1,975,819
Deferred Exploration Expenditures (Statement)	743,975	881,013
	$ 2,795,132	$ 3,071,211
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities (Note 7)	$ 68,831	$ 61,088
Loan payable (Note 7)	10,000	-
	78,831	61,088
FUTURE INCOME TAXES	334,302	368,000
	413,133	429,088
SHAREHOLDERS' EQUITY		
Share capital (Note 6(c))	4,205,704	4,132,753
Contributed Surplus (Note 6(c))	647,086	359,402
Deficit	(2,475,791)	(1,850,032)
Accumulated Other Comprehensive Income	5,000	-
	2,381,999	2,642,123
	$ 2,795,132	$ 3,071,211

Approved By The Directors:

"James T Gillis" **Director**

"Christopher J Wild" **Director**

ADVANCE GOLD CORP.
(formerly Africa West Minerals Corp.)
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
Years ended May 31

	2010	2009
Administrative Expenses		
Advertising and promotion	$ 2,265	$ 3,170
Amortization of equipment	74	53
Consulting fees	11,736	28,970
Corporate development		
– cash	10,000	1,064
– stock-based compensation	11,418	8,926
Due, conferences and subscriptions	2,190	1,579
Interest, bank charges and foreign exchange loss	3,700	1,532
Management fees (Note 7)	60,000	55,500
Office, clerical and sundry	4,924	4,484
Professional fees	43,720	58,465
Rent and telephone (Note 7)	11,832	10,316
Stock based compensation	88,834	46,899
Wages and benefits	31,071	31,283
Transfer agent and filing fees	17,774	32,638
Travel	-	263
Net loss before other items	(299,538)	(285,142)
Other items		
Interest	-	3,877
Write down of mineral properties (Note 5)	(359,919)	(1,113,826)
Net loss before income taxes	(659,457)	(1,395,091)
Future income tax recovery	33,698	-
Net loss for the year	(625,759)	(1,395,091)
Other comprehensive income		
Unrealized increase in fair value of investments	5,000	-
Comprehensive loss for the year	$ (620,759)	$ (1,395,091)
Basic and diluted loss per share	$ (0.03)	$ (0.08)
Weighted average number of common shares outstanding	21,226,854	17,637,942

ADVANCE GOLD CORP.
(formerly Africa West Minerals Ltd.)
CONSOLIDATED STATEMENTS OF DEFICIT AND ACCUMULATED OTHER COMPREHENSIVE INCOME
Years ended May 31

	2010	2009
Deficit, beginning of year	$ (1,850,032)	$ (454,941)
Net loss	(625,759)	(1,395,091)
Deficit, end of year	$ (2,475,791)	$ (1,850,032)
Accumulated Other Comprehensive Income, beginning of year	$ -	$ -
Unrealized increase in fair value of investment, net of tax of $nil	5,000	-
Accumulated Other Comprehensive Income, end of year	$ 5,000	$ -

ADVANCE GOLD CORP.
(formerly Africa West Minerals Corp.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended May 31

	2010	2009
Cash Provided By (Used For):		
Operating Activities		
Net loss	$ (625,759)	$ (1,395,091)
Items not requiring cash:		
Amortization	74	53
Future income tax recovery	(33,698)	-
Stock-based compensation	100,252	1,113,826
Write down of mineral properties	359,919	1,113,826
Net change in non-cash working capital items:	(7,142)	(21,039)
Cash used for operating activities	(206,354)	(246,426)
Investing Activities		
Advances for mineral properties	99,673	(99,673)
Acquisition of mineral property interests	(111,604)	(399,611)
Deferred exploration expenditures paid	(43,915)	(615,222)
Sale of property interest	37,516	-
Sale of equipment	64,040	-
Cash provided by (used for) investing activities	45,710	(1,114,506)
Financing Activities		
Proceeds of loan payable	10,000	-
Repayment of loan payable	-	(2,000)
Shares issued	168,900	667,513
Share issue and other costs	(27,448)	-
Cash provided by financing activities	151,452	665,513
Decrease in cash	(9,192)	(695,419)
Cash and cash equivalents, beginning of year	36,490	731,909
Cash and cash equivalents, end of year	$ 27,298	$ 36,490

Supplemental cash flow information		
Cash paid for:		
Interest	$ -	$ 77
Non-cash transactions:		
Share issue costs	68,501	228,956
Shares received for mineral property	7,500	-
Shares issued for acquisition of Gold Rim Exploration Inc.	-	840,000

ADVANCE GOLD CORP.
(formerly Africa West Minerals Ltd.)
CONSOLIDATED STATEMENTS OF MINERAL PROPERTY INTERESTS

	May 31, 2009	Additions	Sale of property interests (Note 5)	Write Down (Note 5)	May 31, 2010
Nyakaqwe Property, Tanzania	$ 1,258,446	$ 121,703	$ -	$ -	$ 1,380,149
Kakamega Property, Kenya	599,200	1,228	-	-	600,428
Ngira Migori Property, Kenya	2,281	6,239	(2,516)	-	6,004
Sotik Property, Kenya	-	5	-	-	5
Kanweaken Property, Liberia	106,526	(17,570)	(42,500)	(46,456)	-
Ugunja Property, Kenya	9,366	-	-	(9,366)	-
	$ 1,975,819	$ 111,605	$(45,016)	$ (55,822)	$ 1,986,586

	May 31, 2008	Additions	Write Down (Note 5)	May 31, 2009
Nyakaqwe Propery, Tanzania	$ -	$1,258,446	$ -	$1,258,446
Kakamega Propery, Kenya	-	599,200	-	599,200
Ngira Migori Propery, Kenya	-	2,281	-	2,281
Gedabo Property, Liberia	174,007	-	(174,007)	-
Kanweaken Property, Liberia	177,913	-	(71,387)	106,526
Ugunja Propery, Kenya	-	9,366	-	9,366
	$ 351,920	$1,869,293	$ (245,394)	$ 1,975,819

ADVANCE GOLD CORP.
(Formerly Africa West Minerals Corp.)
CONSOLIDATED STATEMENTS OF DEFERRED EXPLORATION EXPENDITURES
Years ended May 31

	2010	2009
Gedabo Property		
Opening balance	$ -	$ 479,027
Administration	-	7,551
Camp	-	(1,092)
Communication	-	5,453
Field supplies	-	534
Geochemical	-	19,116
Rent	-	3,085
Travel	-	20,781
Wages and consultants	-	72,823
Recovered costs	-	(39,450)
Write down (Note 5)	-	(567,828)
Ending balance	-	-
Kanweaken Property		
Opening balance	283,034	476,572
Administration	4,213	5,273
Camp	-	1,185
Communication	518	3,586
Field supplies	-	534
Geochemical	-	19,116
Rent	609	3,085
Travel	16,699	20,780
Wages and consultants	40,062	74,800
Recovered costs	(45,546)	(38,863)
Write down (Note 5)	(299,589)	(283,034)
Ending balance	-	283,034
Nyakagwe Property		
Opening balance	543,965	103,285
Administration	-	7,688
Camp	3,896	59,204
Communication	993	3,633
Drilling	-	58,019
Field supplies	-	12,909
Geochemical	10,708	45,331
Rent	439	14,774
Travel	2,930	33,277
Wages and consultants	109,319	205,845
Ending balance	672,250	543,965

ADVANCE GOLD CORP.
(Formerly Africa West Minerals Corp.)
CONSOLIDATED STATEMENTS OF DEFERRED EXPLORATION EXPENDITURES
Years ended May 31

	2010	2009
Kakamega Property		
Opening balance	34,262	-
Administration	1,980	7,410
Camp	-	3,591
Communication	145	1,301
Field supplies	-	1,221
Geochemical	-	1,185
Travel	1,930	14,668
Wages and consultants	7,651	4,886
Ending balance	45,968	34,262
Ngira Migori Property		
Opening balance	19,627	-
Administration	661	50
Camp	1,098	3,742
Communication	45	395
Field supplies	2,865	3,647
Geochemical	1,181	-
Travel	1,667	8,533
Wages and consultants	10,966	3,260
Recovered costs	(19,627)	-
Ending balance	18,483	19,627
Ugunja Property		
Opening balance	48	-
Administration	613	48
Camp	174	-
Communication	74	-
Travel	66	-
Wages and consultants	3,534	-
Write down (Note 5)	(4,509)	-
Ending balance	-	48
Sotik Property		
Opening balance	77	-
Administration	1,761	77
Wages and consultants	5,436	-
Ending balance	7,274	77
	$ 743,975	$ 881,013

1. **Nature of Operations**

Advance Gold Corp. (the "Company") was incorporated in the Province of British Columbia on September 28, 2004 as Liberian Gold Corporation and changed its name to Africa West Minerals Corp. ("AWMC (Old)") on June 28, 2006. The Company changed its name to Advance Gold Corp. on May 3, 2010.

The Company consolidated its authorized and issued common shares on the bais of one new commn share for every two existing common shares on May 3, 2010 and has reflected this retroactively in these consolidated financial statements. (Note 6(a)).

A brief description of the Company's corporate history is:

- **(a)** AWMC (Old) incorporated two subsidiary companies, Liberian Gold Corporation Ltd (a British Virgin Islands corporation) ("LGC-BVI") and Liberian Gold Corporation Inc. (a Liberian corporation 100% owned by LGC-BVI). Liberian Gold Corporation Inc. held the rights to the Company's interest in the Gedabo and Kanweaken exploration permits. AWMC (Old) entered into an agreement with Villanova Capital Corp. ("Villanova") dated October 5, 2007 and completed on January 28, 2008 pursuant to which the shareholders of AWMC (Old) acquired control of Villanova, a company listed on the TSX Venture Exchange, through a reverse takeover ("RTO") pursuant to which: Each issued and then outstanding common share of AWMC (Old) was exchanged for one common share of Villanova, resulting in the issue of 5,641,034 common shares of Villanova to the shareholders of AWMC (Old)
- **(b)** Villanova was renamed Africa West Minerals Corp. (AWMC (New)) and the original Africa West Minerals Corp. was renamed Liberian Gold Corporation.
- **(c)** The outstanding 5,125,000 common shares of Villanova and options to acquire up to 600,000 common shares remained unchanged.
- **(d)** A finder's fee of 50,000 common shares at a deemed value of $24,884 was issued to an arms' length party for introducing Villanova to AWMC (Old).
- **(e)** AWMC (Old) and Villanova obtained the approval of the transactions described in (a) through (c) above from its shareholders and the appropriate regulatory authorities, including approval of the transaction as a "qualifying transaction" of Villanova by the TSX Venture Exchange.

On completion of the RTO, AWMC (New) had a total of 10,816,034 common shares issued and outstanding, of which 50.1% of the common shares were held by previous holders of AWMC's (Old) shares and Subscription Receipts and 49.9% were held by previous Villanova shareholders. AWMC (Old) also had options to purchase 500,000 common shares outstanding, all of which were held by the previous holders of Villanova options.

In accordance with Canadian generally accepted accounting principles, AWMC (Old) was identified as the acquirer at the completion of the RTO since the previous shareholders of AWMC (Old) effectively acquired control of AWMC (New), the legal parent company. Accordingly, the authorized share capital and capital structure presented in these consolidated financial statements is that of AWMC (New), the legal parent, the issued share capital is that of AWMC (Old), the legal subsidiary, and the comparative figures include the operations of AWMC (Old) to the date of completion of the RTO as that company is considered to be the continuing company.

The fair values of the net assets of Villanova deemed to have been acquired by AWMC (Old) on the RTO were:

Cash	$ 791,330
Accounts receivable	8,099
Accounts payable	(44,575)
	$ 754,854

The company entered into an agreement on February 21, 2008 with Gold Rim Exploration Inc. ("Gold Rim"), a company with mineral properties in Kenya and Tanzania, to acquire all the outstanding shares of Gold Rim in exchange for 2,100,000 common shares of the Company. On that date the Company also advanced Gold Rim $250,000 to enable it to satisfy its mineral property obligations. The Company incurred geological consulting and other costs of $103,285 on Gold Rim's mineral properties between February 21 and May 31, 2008, which have been recorded at May 31, 2008 as deferred exploration expenditures.

The purchase of Gold Rim was completed on June 9, 2008 and the common shares of the Company issued for the purchase were assigned a fair value of $840,000, based on the average trading price of the shares for the period covering four days before and after the announcement of the acquisition. The fair values of the assets and liabilities acquired on the purchase were:

Cash	$	-
Mineral properties		1,458,000
		1,458,000
Liabilities		(250,000)
Future income tax liability		(368,000)
	$	840,000

The initial purchase price allocation reported in the notes to the May 31, 2008 consolidated financial statements differ from these amounts for a reduction of liabilities assumed and of cash acquired, a reduction in the future income tax liability and, consequently, a reduction of the portion of the purchase price allocated to mineral properties.

These consolidated financial statements have been prepared on the going concerns basis, which presumes that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company has a net loss of $625,759 for the year ended May 31, 2010 and working capital deficiency of $14,398 at May 31, 2010. The ability of the Company to continue as going concern is in doubt and is dependent upon the continued support from its directors and its ability to continue to raise sufficient financing. Management is seeking equity financing and joint venture opportunities, the outcome of which cannot be predicted at this time. These financial statements do not reflect the adjustments or reclassifications which would be necessary if the Company were unable to continue.

2. Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and reflect the following significant accounting policies:

Basis of Consolidation

These financial statement include the accounts of Advance Gold Corp. and its wholly-owned subsidiaries, Liberian Gold Corporation, Liberian Gold Corporation Ltd., Liberian Gold Corporation Inc., Gold Rim Exploration Inc., and Gold Rim Exploration Kenya Ltd., (individually and collectively referred to as the "Company").

Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of any contingent assets and liabilities as at the date of the consolidated financial statements, as well as the reported amounts of revenues earned and expenses incurred during the reporting period. Actual results could differ from those estimates.

Items involving substantial measurement uncertainty are the estimated fair values of accounts receivable and accrued liabilities, the loan payable, the recoverability of mineral property interests and their related deferred exploration expenditures, the provision for future site restoration and abandonment costs, the provision for future income taxes, the determination of stock-based compensation and the valuation of warrants. By their nature, these estimates are subject to possible changes and the impact of those changes on the consolidated financial statements could be material.

Cash and Cash Equivalents

Cash equivalents consist of temporary investments that are highly liquid and are readily convertible to known amounts of cash and have maturities of ninety days or less at the time of acquisition. Cash equivalents are carried at their carrying amounts, which estimate their fair values. As at May 31, 2010 cash and cash equivalents of $8,165 (May 31, 2009 - $6,063) are held in US dollars and Kenya Shilling and are reported in these consolidated financial statements at their Canadian dollar equivalent.

Financial Assets and Financial Liabilities

During the year the Company adopted the amendments made by the Canadian Institute of Chartered Accountants (the "CICA") to Handbook Sections 3862 Financial Instruments – Disclosures and 3855 Financial Instruments — Recognition and Measurement and EIC 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, none of which had a significant effect on the Company's disclosure on financial assets and liabilities.

2. Significant Accounting Policies (continued)

Financial Assets and Financial Liabilities (continued)

The Company's financial assets and financial liabilities are classified as follows:

- Cash equivalents are classified as "held to maturity". They are measured at amortized cost. At May 31, 2010 and 2009 the recorded amounts approximates fair value.
- Investment is classified as available-for-sale. It is measured at fair value, determined on the basis of quoted market prices at May 31, 2010 and 2009.
- Accounts receivable are classified as "loans and receivables". They are measured at amortized cost. At May 31, 2010 and 2009 the recorded amounts approximates fair value.
- Accounts payable and accrued liabilities and loan payable to a director are classified as "other financial liabilities" and are measured at amortized cost. At May 31, 2010 and 2009 the recorded amounts approximate fair value.

The Company classifies and discloses fair value measurements based on a three-level hierarchy:

- Level 1 – inputs are unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – inputs for the asset or liability that are not based on observable market data.

Transaction costs directly attributable to the acquisition or issue of a financial asset or financial liability are added to the carrying amount of the financial asset or financial liability, and are amortized to operations using the effective interest rate method.

Mineral Property Interests and Deferred Exploration Expenditures

The cost of mineral property interests and their related direct exploration expenditures are capitalized until the properties are placed into production, sold or abandoned. These deferred expenditures will be amortized on a unit-of-production basis over the estimated recoverable reserves from the properties following the commencement of production, or written-off if the properties are allowed to lapse or abandoned. Mineral property interest sale and option proceeds received are first credited against the costs of the related property, with any excess credited to operations. No gains or losses are recognized on the partial sale or dispositions of properties except in circumstances which result in significant dispositions of reserves.

Cost includes the cash consideration paid and the fair value of common shares issued on the acquisition of mineral property interests. The recorded costs of mineral property interests and their related deferred exploration expenditures represent costs incurred, and are not intended to reflect present or future values. The Company does not accrue the estimated future costs of maintaining its mineral property interests in good standing.

2. Significant Accounting Policies (continued)

Mineral Property Interests and Deferred Exploration Expenditures (continued)

The Company reviews the capitalized costs of its mineral property interests and related deferred exploration expenditures on a periodic basis and will recognize an impairment in value based upon current exploration or production results, if any, and upon management's assessment of the probability of future net cash flow from the interests or from sale of the interests. Management's assessment of the interests' estimated current fair value is also based upon its review of other property transactions in the same geographic area.

Environmental Expenditures

The Company applies the standard of accounting for asset retirement obligations whereby the Company estimates, when a reasonable estimate can be made, the fair value of site restoration and clean-up costs for mineral property interests and reflects this amount in the cost of the mineral property interest acquired. The liability accretes over time through periodic charges to operations or mineral property interest costs. After the first year, the Company adjusts the carrying amounts of the assets and the liability for changes in estimates of the amount or timing of underlying future cash flows. It is possible that the Company's estimates of its ultimate reclamation and site restoration liability could change as a result of changes in regulations or cost estimates. The effect of changes in estimated costs is recognized on a prospective basis. There were no accrued reclamation costs as at May 31, 2010 and 2009.

Equipment

Equipment is recorded at cost and is amortized using the declining balance method at the rates disclosed in Note 4. In the period of acquisition, one half of the normal rate is applied, and in the period of disposal no amortization is provided.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method of tax allocation, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary differences) and for the future tax benefit of loss carry forwards. Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse and when the benefit of loss carry forwards are expected to be realized. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is enacted or substantially enacted. The amount of future income tax assets recognized is limited to the amount of the benefit that is more likely than not to be realized.

Foreign Currency Translation

Monetary assets and liabilities denominated in a foreign currency are translated at the period end rates of exchange. All other foreign currency assets and liabilities are translated at the rate prevailing on the dates the assets were acquired, or the liabilities were incurred. Revenues and expenses are translated at the exchange rate in effect on the dates they occur. Translation gains and losses for the period are included in operations.

2. Significant Accounting Policies (continued)

Stock-Based Compensation

The Company used the fair value method of accounting for stock-based compensation awards made to directors, officers, employees and consultants. Under the fair value method, compensation costs, equal to the fair value of share purchase options on the date of grant, are recorded in operations, at the date of grant for options granted to consultants and over the vesting periods for all other options, with an offsetting credit to contributed surplus. Consideration received upon exercise of the options is recorded as share capital and the contributed surplus related to the recognized fair value of the options which have been exercised is transferred to share capital.

Earning or Loss Per Share

Basic earnings or loss per share are calculated using the weighted average number of common shares of the Company that were outstanding in each reporting period. The diluted earnings per share, which is disclosed only if dilutive, includes the potential dilution from outstanding options and share purchase warrants and is calculated using the treasury stock method and the weighted average number of shares outstanding. The diluted loss per shares is the same as the basic loss per share.

Comparative Figures

Certain comparative figures have been reclassified to conform to the presentation used in the current year.

3. New Accounting Pronouncements

New accounting pronouncements issued by CICA and which the Company intends to evaluate and, when applicable, adopt in the preparation of its future financial statements are:

Business combinations

In January 2009 the CICA issued Section 1582 Business Combinations, Section 1601 Consolidated Financial Statements and Section 1602 Non-Controlling Interests replacing Section 1581 Business Combinations and Section 1600 Consolidated Financial Statements. The new standards, equivalent to the standards under International Financial Reporting Standards, have shifted from a parent company conceptual view of consolidation theory (which results in the parent company recording the book values attributable to non-controlling interests) to an entity conceptual view (which results in the parent company recording the fair values attributable to non-controlling interests).

These sections are applicable to business combinations with acquisition dates on or after January 1, 2011 and for the Company’s consolidated financial statements for its fiscal year beginning June 1, 2011. Adoption of these sections is not expected to affect the Company.

3. New Accounting Pronouncements (continued)

Convergence with International Financial Reporting Standards

In 2006, the Accounting Standards Board of the CICA ratified a strategic plan that will result in Canadian GAAP, as used by public companies, evolving and being converged with IFRS over a transitional period currently expected to be completed by 2011. The International Accounting Standards Board currently has projects underway that should result in new pronouncements which will be included in the convergence process.

The Company is in the process of completing a detailed assessment of the requirements of the transition to IFRS, with the intention of identifying: (i) the timing of the implementation of the transition, (ii) major differences from existing accounting policies, (iii) new accounting policies which are appropriate for the Company, (iv) the appropriate disclosures in financial statements prepared under IFRS, and (v) refinement of the implementation plan.

4. Equipment

	May 31, 2010			
	Rate	Cost	Accumulated Amortization	Net Book Value
Furniture and equipment	20%	$ 501	$ 363	$ 138

	May 31, 2009			
	Rate	Cost	Accumulated Amortization	Net Book Value
Automotive equipment	30%	$ 138,183	$ 69,929	$ 68,254
Furniture and equipment	20%	501	289	212
		$ 138,684	$ 70,218	$ 68,466

5. Mineral Property Interests

(a) Nyakagwe Property, Tanzania:
The Company, through its wholly owned subsidiary Gold Rim Exploration Inc. (“Gold Rim”) acquired, through a contract with Thamani Mines Ltd. (“TML”), 46 Primary Mining Licenses (“PML”) from a group of local land owners in an area located about six kilometers from Barrick’s Bulyanhulu Mine, which is in the heart of Victoria Gold Fields District. TML also obtained one prospecting license on Gold Rim’s behalf in November 2009. The prospecting license and the group of 46 PMLs form 3 blocks of contiguous claims, now named the Nyakagwe Project.

Under the agreement with TML, TML would explore the property under Gold Rim’s management and funding. TML will amalgamate the PMLs into one or more mining licenses and upon doing so, will transfer the licenses to Gold Rim. The Company confirmed the existence of gold mineralized quartz reefs from drilling programs completed in 2008 and will continue evaluating this property through trenching and geophysics programs.

5. Mineral Property Interests (continued)

(b) Kakamega Properties, Kenya:

In Kenya, Gold Rim has applied for a 16 square kilometer ("$km^{2)}$ Exclusive Prospecting License ("EPL") to cover the former Rosterman Mine and surrounding areas. The Company has two other licenses in the immediate area for an additional $50km^2$.

In order to maintain the licences the Company is required to incur a minimum of Kenya Shillings ("KES") 5,000,000 (Canadian $71,350) in exploration expenditures per year for each license. A bond in favour of the Commissioner of Mines & Geology of the Government of Kenya (the "Commissioner") is to be executed, with 10% of the value of work to be undertaken during each year deposited with the Commissioner in cash while the remaining 90% is to be guaranteed by the financial institution. The Company is also obligated to pay KES 10,000 (Canadian $143) for all areas operated under pilot mining.

On August 17, 2009 the Company signed a Memorandum of Understanding ("MOU") with Equatorial Mining Ltd. ("Equatorial") to develop the extensive surface tailings from the former Rosterman Gold Mine. Under the terms of the agreement, Equatorial has until February 2010 to evaluate the tailings and design a procedure to exploit the contained gold. The August 17, 2009 MOU has expired and the Company is currently negotiating another MOU that allows Equatorial to conduct more detailed evaluations of the tailings.

(c) Ngira Migori Property, Kenya:

The Company has entered into the Ngira Migori Joint Venture, which encompasses 320 km^2 area in the Migori area of Kenya. This area has had some previous gold and copper production from the nearby McAlder Mine. The Ngira property has seen small scale gold reef exploration in the past.

The Company has entered into an option agreement dated August 13, 2009 with Red Rock Resources PLC ("Red Rock") for Red Rock to acquire a 70% interest in the Ngira Migori Property. Red Rock paid the Company US$20,000 (Canadian $22,144) upon signing the agreement and must incur minimum expenditures of US$180,000 and drill 1,200m before August 13, 2011 and a minimum of 2,400m before August 13, 2012. Red Rock must maintain the property in good standing during the option period.

(d) Sotik Property, Kenya:

The Company is applying for a mining exploration license for the Sotik property, which is located on the eastern edge of the Nyanzan Greenstone belt in southern Kenya and is comprised of 483 km^2 of gold prospective ground. This project area has not seen any modern exploration and requires a first phase regional mapping and sampling program to prioritize any follow-up work.

(e) Gedabo Property, Liberia:

The Government of the Republic of Liberia had granted to the Company's indirectly owned subsidiary, Liberian Gold Corporation Inc., mineral exploration rights over approximately 960 square kilometers on the eastern side of the Gedabo area, situated in the Maryland and River Gee Counties, Republic of Liberia. The Company surrendered these mineral exploration rights on June 2, 2009.

5. Mineral Property Interests (continued)

(f) Kanweaken Property, Liberia:

The Government of the Republic of Liberia had granted to the Company's indirectly owned subsidiary, Liberian Gold Corporation Inc., mineral exploration rights over approximately 1,000 square kilometers in the Grand Kru, Maryland and River Gee Counties, Republic of Liberia.

The Company entered into an option agreement dated July 13, 2009 with Providence Capital Corp. ("Providence"), a company with a director in common, for the acquisition of a 60% interest (the "Option") in the Kanweaken Property. Providence paid the Company $25,000 and 100,000 shares of Providence upon acceptance by the TSX Venture Exchange (the "Exchange") of the Option. Providence terminated the agreement in May 2010 and paid the company a termination fee of $20,000.

The Company surrendered these mineral exploration rights on May 10, 2010.

(g) Ugunja Property, Kenya:

The Company controlled the Ugunja Joint Venture which includes a 650km^2EPL situated at the west end of the Kakamega greenstone belt, the same belt that hosts the Rosterman Mine.

The Joint Venture agreement with Kenya Discovery Ltd. ("KDL") entered into on December 18, 2007 granted the Company a 15% interest in the property if exploration expenditures of US $125,000 were incurred and if the Company maintained the license in good standing. The Company could have earned an additional 35% interest by incurring an additional US $125,000 in exploration expenditures.

The Company surrendered this property in September 2010.

6. Share Capital

(a) Consolidation of share capital

Effective May 3, 2010, the Company consolidated its common shares on the basis of one new common share for every two existing common shares. The consolidation of the authorized and issued shares and outstanding options and warrants and their respective exercise prices have been presented retroactively, as though the consolidation had occurred on June 1, 2008, in these consolidated financial statements and the accompanying notes.

(b) Authorized:

Unlimited number of common shares at no par value
Unlimited number of preferred shares at no par value

(c) The Company's issued and outstanding share capital and contributed surplus is:

Common Shares	**Issued**		**Share**	
	Quantity	**Amount**	**Subscriptions**	**Total**
Balance, May 31, 2008	11,319,534	$2,145,448	$ 337,043	$2,819,533
Private placement net of $194,293 allocated to the issue of warrants and $91,794 of issue costs	7,289,368	1,152,383	(337,043)	478,298
Shares issued for the acquisition of Gold Rim (Note 1), net of issue costs of $5,078	2,100,000	834,922	-	834,922
Balance, May 31, 2009	20,708,902	4,132,753	-	4,132,753
Private placement net of $27,928 allocated to the issue of warrants and $11,876 of issue cost	832,500	60,096	-	60,096
Private placement net of $40,573 allocated to the issue of warrants	575,000	28,427	-	28,427
Share consolidation costs		(15,572)	-	(15,572)
Balance, May 31, 2010	22,116,402	$4,205,704	$ -	$4,205,704

On July 19, 2010 the Company completed a non-brokered private placement amounting to 2,000,000 units at a price of $0.06 per unit for gross proceeds of $120,000. Each unit is comprised of one common share of the Company and one-half of one non-transferable share purchase warrant with each whole warrant entitling the holder to purchase an additional common share at a price of $0.10 per share until July 19, 2011 subject to accelerated expiry in certain circumstances.

6. Share Capital (continued)

Contributed Surplus		
Balance, May 31, 2008	$	51,515
Allocated to warrants on the issue of shares for cash		194,293
Stock based compensation		113,594
Balance, May 31, 2009		359,402
Allocated to warrants on the issue of shares for cash		68,501
Stock-based compensation		219,183
Balance, May 31, 2010	$	647,086

(d) Stock Options

Under the Company's stock option plan, the Company may grant options to directors, officers, employees and consultants to purchase common shares up to a maximum of approximately 3.3 million common shares. Options will be granted at the market price on the date of the grant, less permitted discounts, will vest according to the timetable set at the time of the grant and will expire no later than five years from the date of grant.

A summary of stock option activity and information concerning outstanding exercisable options at May 31, 2010 is:

	Number of Options	**Weighted Average Exercise Price**
Options outstanding and exercisable		
May 31, 2008	500,000	$0.20
Granted	1,972,500	$0.26
Expired	(500,000)	$0.20
May 31, 2009	1,972,500	$0.26
Granted	-	-
Expired/cancelled	(165,000)	$0.10
Options outstanding, May 31, 2010	1,807,500	$0.27
Options exercisable, May 31, 2010	1,788,750	$ 0.27

As at May 31, 2010, the following stock options are outstanding:

Options Outstanding	**Options Exercisable**	**Exercise Price**	**Grant Date**	**Expiry Date**	**Weighted Average Remaining Life (Years)**
50,000	31,250	0.30	January 9, 2009	January 8, 2011	0.60
1,495,000	1,495,000	0.30	June 9, 2008	June 9, 2013	3.02
12,500	12,500	0.30	October 1, 2008	October 1, 2013	3.33
250,000	250,000	0.10	January 12, 2009	January 12, 2014	3.61
1,807,500	1,788,750	0.27			3.04

6. Share Capital (continued)

(d) Stock Options (continued)

There were no options granted during the year. The weighted average grant date fair value of options granted during the year was nil (2009 - $0.05). During the year, $100,252 was recorded as stock-based compensation expense for options that had vested. The Company determined the fair value of the options granted and warrants issued using the Black-Scholes option pricing model, recognizing forfeitures as they occur, using the following weighted average assumptions:

	2010	2009
Risk-free interest rate	1.2%	2.5%
Expected life (years)	1.6	2.7
Expected volatility	180%	79%
Expected dividend yield	Nil	Nil

(e) Share Purchase Warrants

As at May 31, 2010, the following warrants to purchase shares are outstanding:

Exercise Price Per Share	Expiry Date	Balance, May 31, 2009	Granted	Expired	Balance, May 31, 2010
$0.20	September 25,2009	100,000	-	(100,000)	-
$0.20	November 24,2009	825,000	-	(825,000)	-
$1.10	January 28, 2010	251,750	-	(251,750)	-
$0.20	February 16, 2010	935,500	-	(935,500)	-
$0.50	June 9, 2010	1,634,184	-	-	1,634,184
$0.30	June 9, 2010	24,500	-	-	24,500
$0.20	December 14, 2010	-	416,250	-	416,250
$0.20	March 5, 2012	-	575,000	-	575,000
		3,770,934	991,250	(2,112,250)	2,649,934

On December 14, 2009 the Company closed a non-brokered private placement, amounting to 832,500 units at a price of $0.12 per unit for gross proceeds of $99,900. Each unit is comprised of one common share of the Company and one-half of one non-transferable share purchase warrant with each whole warrant entitling the holder to purchase an additional common share at a price of $0.20 per share until December 14, 2010, subject to accelerated expiry in certain circumstances.

On March 5, 2010 the Company closed a non-brokered private placement, amounting to 575,000 units at a price of $0.12 per unit for gross proceeds of $69,000. Each unit is comprised of one common share of the Company and one non-transferable share purchase warrant with each whole warrant entitling the holder to purchase an additional common share at a price of $0.20 per share until March 5, 2012, subject to accelerated expiry in certain circumstances. The president of the Company participated in the private placement purchasing 200,000 units.

On June 9, 2010, 1,658,684 share purchase warrants expired unexercised.

7. Related Party Transactions

Related party transactions not otherwise separately disclosed in these financial statements are:

	May 31, 2010	May 31, 2009
Management fees paid to a company controlled by a director of the Company	$ 60,000	$ 55,500
Rent paid to a company with common management	$ 9,413	$ 8,300
Professional services paid to a company controlled by a director of the Company	$ -	$ 4,189
Interest paid to a company controlled by a director of the Company	$ -	$ 77

Accounts payable at May 31, 2010 includes $24,385 (May 31, 2009 - $3,210) payable to companies controlled by a director of the Company.

The loan of $10,000 payable at May 31, 2010 is payable to a private company controlled by a director of the Company and is unsecured.

During the year ended May 31, 2010, 100,000 common shares were issued to a director of the Company in connection with a private placement at $0.12 per share.

8. Commitments

(a) The Company has a management services agreement with a company controlled by a director of the Company requiring payments of $5,000 per month plus taxes (prior to March 1, 2009 - $4,500 per month plus taxes). The agreement is in effect until February 28, 2014 unless terminated earlier in accordance with the provisions of the agreement.

(b) The Company shares its premises with other companies controlled by a director of the Company. It is allocated its proportion of the annual rent, which is approximately $9,400.

9. Segmented Information

The Company's worldwide operations are all conducted in one industry segment, the exploration and development of mineral property interests.

The Company's assets by geographic segment are:

May 31, 2010

	Canada	Liberia, West Africa	Tanzania, East Africa	Kenya, East Africa
Assets by geographic segment:				
Cash and cash equivalents	$ 19,134	$ 6,841	$ -	$ 1,323
Other current assets	37,135	-	-	-
Equipment	138	-	-	-
Mineral property assets	-	-	2,052,399	678,162
	$ 56,407	$ 6,841	$ 2,052,399	$ 679,485

May 31, 2009

	Canada	Liberia, West Africa	Tanzania, East Africa	Kenya, East Africa
Assets by geographic segment:				
Cash and cash equivalents	$ 30,427	$ 5,655	$ -	$ 408
Other current assets	9,750		-	-
Equipment	212	68,254	-	-
Mineral property assets	-	389,560	1,887,669	679,276
	$ 40,389	$ 463,469	$ 1,887,669	$ 679,684

10. Income Taxes

Future income tax assets and liabilities are recognized for temporary differences between the carrying amount of the balance sheet items and their corresponding tax values as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized.
No provision for recovery of future income taxes was made in these financial statements because of the uncertainty as to the utilization of the losses for income tax purposes. The Company has accumulated losses for tax purposes of $2,603,501 (May 31, 2009 - $2,281,419) which expire as follows:

2014	$ 3,476
2015	46,606
2026	61,087
2027	170,591
2028	146,706
2029	301,372
2030	289,713
Indefinite	1,583,950

10. Income Taxes (continued)

As at May 31, 2010, the Company has undeducted resource related expenses of approximately $1,431,000 (May 31, 2009 - $1,181,000) available for deduction against future Canadian taxable income. These expenses have no expiration date. In addition, the Company has undeducted share issue costs of $136,948 (May 31, 2009 - $102,748) which are also available for deduction against future Canadian taxable incomes.

	May 31, 2010	May 31, 2009
Net loss before income taxes	$ (659,457)	$ (1,395,091)
Statutory income tax rates	29.38%	30.58%
Calculated income tax recovery	(193,715)	(426,665)
Net adjustment for deductible and non-deductible amounts		
Write down of mineral properties	105,726	340,645
Foreign mineral property expenditures	(30,173)	(83,458)
Other	2,886	(4,799)
Unrecognized benefit of non-capital losses	115,276	174,277
Income tax expense	$ -	$ -

Significant components of the Company's future tax assets and liabilities, after applying enacted or substantially enacted corporate income tax rates, are:

	May 31, 2010	May 31, 2009
Future income tax assets		
Other assets	$ 46	$ 8,600
Undeducted share issue costs for tax purposes	34,237	30,824
Non-capital loss carry forwards	780,051	601,317
	814,334	640,741
Valuation allowance for future income tax assets	(814,334)	(640,741)
	$ -	$ -
Future income tax liabilities		
Mineral properties	$ 334,302	$ 368,000

11. Management of Financial Risk

The Company's financial instruments are exposed to certain risks, which include currency risk, credit risk, interest rate risk, and liquidity risk.

Currency Risk

Currency risk is the risk of a loss due to the fluctuation of foreign exchange rates and the effects of these fluctuations on foreign currency denominated monetary assets and liabilities. The Company currently operates in Canada, Liberia, Kenya and Tanzania. The Company manages its currency risk through the preparation of short and long term expenditure budgets in different currencies and converting Canadian dollars to foreign currencies whenever exchange rates are favourable.

11. Management of Financial Risk (continued)

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash and short term investments are on deposit at major financial institutions. Accounts receivable consist primarily of goods and services tax refunds due from the Government of Canada. As such, the Company considers this risk to be minimal.

Interest rate risk

Interest rate risk is the risk that the fair value of or future cash flows from a financial instrument will fluctuate because of changes to market interest rates. The Company is exposed from time to time to interest rate risk as a result of holding fixed rate cash equivalent investments of varying maturities. The risk that the Company will realize a loss as a result of a decline in the fair value of these investments is limited as the Company only invests in highly liquid securities with short-term maturities.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure (Note 12).

12. Management of Capital

The Company's objectives when managing capital, which are unchanged from prior periods, are to safeguard its ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Company considers its capital to be its shareholders' equity. The Company manages its capital and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets. To maintain or adjust its capital, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and short-term investments. In order to maximize ongoing development efforts, the Company does not pay out dividends.

The Company will have to raise additional capital resources to meet its planned operations and administrative overhead expenses. The future exploration and development of the Company's mineral properties in the near and long term will depend on the Company's ability to obtain additional funding through equity or debt financing or through the joint venture of projects. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration and development activities. The Company believes it will be able to raise capital as required in the long term, but recognizes there will be risks involved that may be beyond its control.

ADVANCE GOLD CORP.

(formerly "Africa West Minerals Corp.")
("Advance Gold")

Management's Discussion and Analysis
For the Year Ended May 31, 2010

The following discussion and analysis, prepared as of September 24, 2010, should be read together with the audited consolidated financial statements of Advance Gold for the year ended May 31, 2010, as well as the audited consolidated financial statements for the year ended May 31, 2009 and the period ended May 31, 2008 and related notes attached thereto, which are prepared in accordance with Canadian generally accepted accounting principles. All amounts are stated in Canadian dollars unless otherwise indicated.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements. Additional information related to Advance Gold is available for view on SEDAR at www.sedar.com.

Description of Business

Advance Gold is an exploration stage company engaged in the evaluation and exploration of mineral property interests. It currently has interests in Tanzania and Kenya, East Africa. On April 15, 2010 Advance Gold held a special shareholders meeting and obtained shareholder approval for the consolidation of its issued common shares on the basis of two old shares for one new share. Upon receipt of TSX Venture Exchange approval on April 30, Advance Gold Corp.'s name was changed from Africa West Minerals Corp. and commenced trading under the symbol "AAX" on May 3, 2010.

Management & Directors

<u>James T. Gillis, President & Chief Executive Officer</u> – Since 1985 Mr. Gillis has been the President of James T. Gillis Management Co. Inc., a private company which provides management services to public companies. He is the President and Chief Executive Officer of Cassidy Gold Corp., Anglo Aluminum Ltd. and Island Arc Exploration Corp., and a director of Metrobridge Networks International Inc. and Audiotech Healthcare Corp.

<u>Mr. Jeffrey Scott Ackert, Director and Vice-President, Exploration and Business Development</u> – Mr. Ackert, a geologist, has been involved in gold exploration in Africa for over 10 years. Mr. Ackert has worked in Burkina Faso, Mali, Niger and Ghana in West Africa, and Tanzania and Kenya in East Africa. He has worked for several majors, including six years as a mine geologist at Barrick's Golden Patricia mine in Northern Ontario. Most recently Mr. Ackert held the positions of Vice-President of Exploration and Vice-President Technical Services for Orezone Resources Inc.

<u>Christopher J. Wild, P.Eng, Director</u> – Mr. Wild is currently a director and Vice President Exploration of Cassidy Gold Corp. and Island Arc Exploration Corp., a director, Vice President Exploration and Chief Operating Officer of Anglo Aluminum Ltd., and a director of Rockgate Capital Corp. Mr. Wild served as chief mine geologist at the Mount Polley Mine, east of Williams Lake, BC, and the Goldstream Mine, north of Revelstoke, BC, prior to opening his own geological consulting business.

<u>Guido E.M. Pas, Non Executive Director on the Board of Directors</u> – Mr. Pas is the founder and former Chairman of Mano River. He is a financier based in Geneva who has been involved in numerous start-up and early-stage resource ventures through Eastbound Resources and AddVenture Capital Partners. He was co-founder of The Addax & Oryx Group, an integrated African oil group in 1987 (its upstream affiliate Addax Petroleum was sold to Sinopec for US$7.2bn in 2009), and in 2004 of Afren. Guy co-founded and was the chairman of Samax Resources, in 1989, which listed as Samax Gold on the TSX in 1996. In 1995, he founded Mano River Resources. Prior to Addax & Oryx, he was a Vice President of Chase Manhattan Bank in structured and commodity finance, from 1973 to 1983 and was CFO of Africa-focused oil trading companies from 1984 to 1987.

Basha Hifato, Manager of East Africa Operations – Mr. Basha Hifato is a director of Gold Rim Exploration as well as the President and CEO of Hifato Enterprises Inc., a company devoted to the expansion of knowledge, trade and investment between Canada and Sub-Saharan Africa. A graduate of Ottawa's Algonquin College Business Administration program, Mr. Hifato has been a liaison between the Kenyan and Tanzanian High Commissions and prospective investors. He was recently instrumental in bringing the Karen Heart Institute from Kenya together with the University of Ottawa Heart Institute to facilitate the sharing of information and equipment. Mr. Hifato has built a strong network of contacts within the East African community including current and former government ministers. In Canada Mr. Hifato has been a charter member of the Nepean South Rotary Club and past Vice President of the Secretariat for African Trade Development and Information Services (SATDIS).

Debbie M. Silver, Corporate Secretary & Chief Financial Officer - Ms. Silver was a legal assistant from 1979 until 2002, involved in corporate, mining and securities law, and has been a public company administrator since 1997. She is currently the Corporate Secretary and Chief Financial Officer of Cassidy Gold Corp. and Anglo Aluminum Ltd., and is a director and Corporate Secretary and Chief Financial Officer of Island Arc Exploration Corp.

Performance Summary

Kanweaken Project, Liberia West Africa

On May 10, 2010, Advance Gold terminated the Kanweaken mineral exploration license, which has now been written off.

Ngira Migori Gold Project, Kenya East Africa

Red Rock Resources, PLC has agreed to earn in to 70% of the Ngira Migori gold project.

The 320 square kilometre Ngira-Migori property is located in the Migori Archean greenstone belt in southern Kenya, within 25 kilometres of the Tanzanian border. The project is adjacent to the former gold, silver and copper producing Macalder Mine, which operated between 1941 and 1963. Previous exploration work at Ngira-Migori has included reconnaissance geological mapping and soil sampling over the central portion of the property where current artisanal mining is taking place. The soil sampling has indicated several areas of gold in soil anomalies. Mineralization in this area is characterized by gold in quartz reefs as well as gold associated with massive to disseminated sulphides. The lithology of the area includes greywacke, tuffaceous volcanics and Banded Iron Formation. Surface grab sampling at two of the mineralized reefs returned from 30ppb to 16.7 gAu/t (grams of gold per tonne).

Kakamega Properties
Rosterman Gold Mine, Kenya East Africa

Under a recent MOU signed with Equatorial Mining Ltd, owned by Maris Africa, a UK managed African investment fund. (http://www.mariscapital.co.uk/maris-africa-fund), Equatorial will evaluate the extensive surface tailings left from the former producing Rosterman Gold Mine. Advance Gold owns 100% of the Rosterman Mine which was acquired from the Government of Kenya in 2008.

The Rosterman Mine operated between 1935 and 1953 and recovered over 250,000 ounces of gold at an average grade of 13.6 gAu/t. It is believed that close to 600,000 tonnes of tailings material resides on surface. Equatorial is currently drilling the tailings area in a systematic manner to better evaluate the contained tonnage and grade. Equatorial will have three years to develop and rehabilitate the Rosterman Mine tailings. If Equatorial proceeds with the program to recover the gold in the tailings, Advance Gold will receive a 5% Net Smelter Royalty.

Bukura and Sigalagala Gold Properties, Kenya East Africa

These two 100% owned properties have a combined size of 48 square kilometres and are in close proximity to the Rosterman Gold Mine property. The 2 areas contain over ten colonial mine sites that exploited gold between 1930 and 1950. Most of these sites had developed shafts and extensive underground workings. The geology in this Kakamega greenstone region of Kenya is Archean aged with a structural setting similar to the Abitibi in Canada. Advance Gold is in the process of documenting the historical data associated with the colonial aged mines. The Bukura and Sigalagala licences represent excellent prospects for a potential earn-in partner.

Sotik Application, Kenya East Africa

The Sotik project is a 483 square kilometre property in application with the Kenya Government. The project area lies on the eastern edge of the Nyanzan Greenstone belt in Southern Kenya and has not seen any modern exploration work.

Nyakagwe Project, Tanzania East Africa

The Nyakagwe Gold Project is located 6km north west of **Barrick's Bulyankhulu Gold Mine** and contiguous with Lakota Resources' Tembo Project. Advance Gold, through its wholly owned subsidiary Gold Rim Exploration Inc. is earning 100% of the Nyakagwe project by bringing the property to the Mining Licence category. The project consists of 46 Primary Mining Licences that have been put together by a local artisanal mining cooperative. A prospecting licence has recently been granted adjacent to and surrounding the Nyakagwe group which will increase the landholdings in a strategic area. A 1400m Aircore and RC drilling program was completed in 2008 that confirmed gold mineralized quartz reefs at depth. Hole NY012 intersected quartz reef from 22m to 26m down the hole and returned **7.03 gAu/t over 4 meters including 17.75 gAu/t over 1 meter.**

Qualified Person

Jeffrey Scott Ackert, a director of the Company and its Vice President Exploration and Business Development, is a Qualified Person as defined by National Instrument 43-101 and has reviewed and approved the exploration information and technical disclosure in this MD&A.

Selected Annual Information

The financial information reported here in has been prepared in accordance with Canadian GAAP. Advance Gold uses the Canadian dollar ("CDN") as its reporting currency. The following table represents selected financial information for Advance Gold's 2010, 2009 and 2008 fiscal years:

Selected Statement of Operations Data

	Year ended May 31,		
	2010	**2009**	**2008**
Loss for the year (2008- 5 months ended)	$ (625,759)	$ (1,395,091)	$ (137,717)
Weighted average number of shares outstanding, basic and diluted	21,226,854	17,637,942	10,273,494
Loss per share, basic and diluted	$ (0.03)	$ (0.08)	$ (0.01)

The loss for the year decreases in 2010 mainly as a result of a signifigant drop in the write down of mineral properties.

Selected Balance Sheet Data

	Year ended May 31,		
	2010	**2009**	**2008**
Cash and cash equivalents and short term investments	$ 39,798	$ 36,490	$ 731,909
Net working capital	$ (14,398)	$ (14,848)	$ 657,532
Total assets	$ 2,795,132	$ 3,071,211	$ 2,539,442
Long term liabilities	-	-	-
Total shareholders' equity	$ 2,381,999	$ 2,642,123	$ 2,416,107

Cash and cash equivalents and short term investments decreased from $731,909 in 2008 to $36,490 in 2009 and $39,798 in 2010 due to a decrease in the funds raised through private placements in 2009 and 2010.

Results of Operations

Advance Gold has incurred a loss of $444,576 during the quarter ended May 31, 2010 compared to a loss of $767,810 for the quarter ended May 31, 2009. Most expenditures have decreased when compared to the same period in the prior year due to a decrease in activity during the current period. The decrease in loss is mainly due to drop in the amount of mineral property writeoffs. The decrease in activity is expected to continue into future periods until such time as the availability of capital from private placements improves.

Summary of Results

	Three Months Ended May 31/10	Three Months Ended Feb 28/10	Three Months Ended Nov 30/09	Three Months Ended Aug 31/09	Three Months Ended May 31/09	Three Months Ended Feb 28/09	Three Months Ended Nov 30/08	Three Months Ended Aug 31/08
Total assets	$2,795,132	$3,063,086	$3,073,386	$3,026,801	$3,071,211	$4,229,255	$4,093,195	$3,891,821
Exploration properties and deferred costs	$2,730,561	$2,891,527	$2,849,239	$2,050,911	$2,856,832	$3,969,087	$3,844,895	$3,437,802
Working capital (deficiency)	$(14,398)	$(8,897)	$31,650	$(914)	$(14,848)	$81,376	$(9,162)	$297,762
Deficit	$2,475,791	$2,031,215	$1,978,709	$1,914,260	$1,850,032	$1,082,222	$921,890	$719,241
Revenues	$-	$-	$-	$235	$188	$76	$653	$2,960
Net loss	$ 444,576	$52,506	$64,449	$64,228	$767,810	$169,208	$202,649	$264,300
Earnings (loss) per share	$(0.02)	$(0.01)	$(0.01)	$(0.01)	$(0.02)	$(0.01)	$(0.01)	$(0.01)

The significant changes in key financial data from June 1, 2008 to May 31, 2010 can be attributed to the closing of private placements and to increased exploration activity during the first part of the two year period and then the write down of mineral properties during later part of the two year period. The increase has slowed in the past four quarters and is expected to continue to be slower in the immediate quarters due to changes in the capital market making it more difficult to raise exploration funding through private placements. The Company closed a private placement on December 14, 2009 for gross proceeds of $99,900 and on March 5, 2010 for gross proceeds of $69,000 and on July 19, 2010 for gross proceeds of $120,000.

Liquidity

Advance Gold does not currently own or have an interest in any producing resource properties and has not yet derived any revenues from the sale of resource products. Advance Gold's exploration activities have been funded through the issuance of common shares pursuant to private placements and the exercise of stock options and warrants, and Advance Gold expects that it will continue to be able to utilize this source of financing until it develops cash flow from its operations. There can be no assurance, however, that Advance Gold will be able to obtain required financing in the future on acceptable terms, or at all. In the near term, Advance Gold plans to attract suitable partners in order to advance its currently held properties.

	May 31, 2010	May 31, 2009
Working capital (deficiency)	$ (14,398)	$ (14,848)
Deficit	$2,475,791	$1,850,032

Capital Resources

During the quarter ended May 31, 2010 Advance Gold issued 1,150,000 shares in connection wtih the closing of a private placement. Advance Gold does not have sufficient funds to meet its anticipated general and administrative expenses for the balance of this fiscal year. Advance Gold may from time to time choose to raise money in the capital markets if favourable conditions are present. Additional financing will be required for further exploration programs on Advance Gold's properties during the next fiscal year.

Off-Balance Sheet Arrangements

Advance Gold does not have any off-balance sheet arrangements which may affect its current or future operations or conditions.

Related Party Transactions

Related parties are directors and officers, and companies controlled by directors and officers of Advance Gold. The following summarizes Advance Gold's related party transactions for the periods ended May 31, 2010 and May 31, 2009:

	Three months Ended May 31, 2010	Three months Ended May 31, 2009
Consulting services	$ -	$ -
Management Fees	$15,000	$15,000
Reimbursement of expenses	$ 498	$ 4,580
Rent	$ 2,301	$ 2,581

Management fees and consulting and exploration fees were paid to a company controlled by a director of Advance Gold. Rent was paid to a company with common management.

Fourth Quarter Results

Advance Gold had a net loss of $444,576 (2009 - $767,810) and general and administrative expenses of $118,355 (2009- $(345,828)) during the quarter ended May 31, 2010. Such expenses included:

	Q4 2010	Q4 2009
Advertising	$ 381	$ (864)
Corporate Development	21,418	(1,624)
Amortization Expense	9	(21,925)
Conferences	309	-
Bank Charges	346	369
Investor Relations	-	-
Professional fees	13	(1,667)
Management Fees	15,000	15,000
Office Expenses	2,211	395
Insurance	-	-
Consulting Fees	(10,620)	26,990
Transfer Agent & Filing Fees	356	1,465
Office Rent & Telephone	3,012	2,906
Stock Based Compensation	78,065	(374,703)
Wages	7,855	7,830
Writedown of mineral properties	359,919	1,113,826
Interest income	-	(188)
Future income tax recovery	(33,698)	-
	$ 444,576	$ 767,810

Administrative expenses have increased from the prior year due to a increase in stock based compensation. All other administration expenses have remained relatively the same. Advance Gold Corp. had a working capital deficiency of $14,398 for the quarter ended May 31, 2010.

Critical Accounting Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions about future events that affect amounts reported in the financial statements. Actual results could differ from these estimates. Significant accounting estimates used in the preparation of Advance Gold's financial statements are:

(a) **Carrying value of mineral property interests**

The amounts shown for mineral property interests represent acquisition holding and exploration costs, and do not necessarily represent present or future recoverable values. The recoverability of these amounts is dependent upon the confirmation of economically recoverable reserves, the ability of Advance Gold to obtain the necessary financing to successfully complete their development and to meet the requirements from time to time, of lenders, including shareholders, who are providing this financing and upon future profitable production.

Advance Gold reviews the carrying values of its mineral property interests whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts determined by reference to estimated future operating results and undiscounted net cash flows. An impairment loss is recognized when the carrying value of those assets exceeds their fair value. During the year ended May 31, 2010, an impairment loss of $359,919 was recognized for the Kanweaken and Ugunja mineral property interests located in Liberia and Kenya.

(b) **Carrying value of other capital assets**

Advance Gold reviews the carrying values of its other capital assets whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts determined by reference to estimated future operating results and undiscounted net cash flows. An impairment loss is recognized when the carry value of those assets exceeds their fair value.

(c) **Asset retirement obligations**

Advance Gold recognized the fair value of liabilities for asset retirement obligations in the period in which they occur and/or in which a reasonable estimate of such costs can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is allocated to expenditures using a systematic and rational method and is also adjusted to reflect year-to-year changes in the liability resulting from passage of time and revisions to either timing or the amount of the original estimate of the undiscounted cash flow.

(d) **Share based compensations and warrants**

Advance Gold accounts for warrants issued and stock options granted to directors, officers and employees using the fair value method of accounting. Accordingly, the fair value of the options at the date of the grant is determined using the Black-Scholes option pricing model, as required by generally accepted accounting principles, and stock-based compensation is accrued and charged to operations, with an offsetting credit to contributed surplus, on the basis of the vesting of the related option. Option pricing models require the input of highly subjective assumptions regarding the expected volatility and option term. Changes in assumptions can materially affect the fair value estimate, and therefore, the existing models may not necessarily provide a realistic measure of the fair value of the Company's stock options at the date of the grant or thereafter

(e) **Future income taxes and allowance**

Future income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the balance sheet and their corresponding tax values, using the enacted or substantively enacted, as applicable, income tax rates at each balance sheet date. Future income tax assets also result from unused loss carry-forwards and other deductions. The valuation of future income tax assets is reviewed quarterly and adjusted, if necessary, by use of a valuation allowance to reflect the estimated realizable amount

Changes in Accounting Policies

On June 1, 2009, the Company adopted three new accounting standards described in Section 3862 Financial Instruments – Disclosures, Section 3855 Financial Instruments – Recognition and Measurement and EIC 173 – Credit Risk and Fair Value of Financial Assets and Financial Liabilities of the Canadian Institute of Chartered Accountants ("CICA") Handbook. The requirements of these new standards applicable to the Company are:

(a) **Financial Instruments - Disclosures**

Section 3862 requires enhanced disclosure requirements, which include:

- reconciling beginning balances to ending balances for Level 3 measurements
- identifying and explaining movements between levels of the fair value hierarchy
- providing a maturity analysis for derivative financial liabilities based on how the entity manages liquidity risk, and
- disclosing the remaining expected maturities of non-derivative financial liabilities if liquidity risk is managed on that basis.

(b) **Financial Instruments – Recognition and Measurement**

Companies that have classified financial assets as held-to-maturity investments are now required to assess those financial assets using the impairment requirements of Handbook Section 3025 Impaired Loans. Section 3025 was consequentially amended to accommodate the changes to Section 3855. The amendments allow more debt instruments to be classified as loans and receivables. This allows those instruments to be evaluated for impairment using Section 3025. In addition, the amendments require reversal of previously recognized impairment losses on available-for-sale financial assets in specified circumstances and require that loans and receivables that an entity intends to sell immediately or in the near term be classified as held for trading.

(c) **Credit Risk and Fair Value of Financial Assets and Financial Liabilities**

EIC 173 provides guidance on the implications of credit risk in determining the fair value of an entity's financial assets and financial liabilities. The guidance clarifies that an entity's own credit risk and the credit risk of counterparties should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments, for presentation and disclosure purposes. The Company's fair value disclosures incorporate this new guidance.

There were no material changes to these financial statements as a result of the adoption of these standards.

New accounting pronouncements issued by the CICA and which the Company intends to evaluate and, when applicable, adopt in the preparation of its future financial statements are:

(d) **Business combinations**

In January 2009 the CICA issued Section 1582 Business Combinations, Section 1601 Consolidated Financial Statements and Section 1602 Non-Controlling Interests replacing Section 1581 Business Combinations and Section 1600 Consolidated Financial Statements. The new standards, equivalent to the standards under International Financial Reporting Standards, have shifted from a parent company conceptual view of consolidation theory (which results in the parent company recording the book values attributable to non-controlling interests) to an entity conceptual view (which results in the parent company recording the fair values attributable to non-controlling interests).

These sections are applicable to business combinations with acquisition dates on or after January 1, 2011 and for the Company's consolidated financial statements for its fiscal year beginning June 1, 2011. Adoption of these sections is not expected to affect the Company.

(e) **Convergence with International Financial Reporting Standards**

In 2006, the Accounting Standards Board of the Canadian Institute of Chartered Accountants (CICA) ratified a strategic plan that will result in Canadian GAAP, as used by public companies, evolving and being converged with IFRS over a transitional period currently expected to be completed by 2011. The International Accounting Standards Board currently has projects underway that should result in new pronouncements which will be included in the convergence process.

The Company is in the process of completing a detailed assessment of the requirements of the transition to IFRS, with the intention of identifying: (i) the timing of the implementation of the transition, (ii) major differences from existing accounting policies, (iii) new accounting policies which are appropriate for the Company, (iv) the appropriate disclosures in financial statements prepared under IFRS, and (v) refinement of the implementation plan.

Financial Instruments

Advance Gold's financial instruments consist of cash, investments, accounts receivable and accounts payable. The fair value of these financial instruments is approximately equal to their carrying values, unless otherwise noted. Unless otherwise noted, it is management's opinion that Advance Gold is not exposed to significant interest, currency or credit risks arising from these financial instruments. Interest rate risk is limited as the Company only invests in highly liquid securities with short-term maturities. The Company manages its currency risk through the preparation of short and long term expenditure budgets in different currencies and converting Canadian dollars to foreign currencies whenever exchange rates are favourable. Credit risk is minimal as accounts receivable consists primarily of goods and services tax refunds due from the Government of Canada.

As at May 31, 2010 $19,133 cash and cash equivalents are held in Canadian dollars, $8,165 cash and cash equivalents are held in US dollars and Kenya Schilling. Advance Gold does not use derivative instruments or foreign exchange contracts to hedge against gains or losses arising from foreign exchange fluctuations.

Financing

On December 14, 2009 Advance Gold closed a non-brokered private placement amounting to 1,665,000 units (the "Units") at a price of $0.06 per Unit for gross proceeds of $99,900. Each Unit was comprised of one common share of the Company and one-half of one non-transferable share purchase warrant. A whole warrant entitles the holder to purchase an additional common share at a price of $0.10 per share until December 14, 2010, subject to accelerated expiry in certain circumstances.

On March 5, 2010 Advance Gold closed a non-brokered private placement of 1,150,000 Units at a per Unit price of $0.06 for gross proceeds of $69,000. Each Unit was comprised of one common share of the Company and one non-transferable share purchase warrant. A warrant entitles the holder to purchase an additional common share at a price of $0.10 per share until March 5, 2012, subject to accelerated expiry in certain circumstances.

On July 19, 2010 Advance Gold closed a non-brokered private placement of 2,000,000 units (the "Units") at a per Unit price of $0.06 for gross proceeds of $120,000. Each Unit is comprised of one common share of the Company and one-half of one non-transferable share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share at a price of $0.10 per share until July 19, 2011, subject to accelerated expiry in certain circumstances.

Outstanding Share Data

The authorized capital of Advance Gold consists of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series with special rights and restrictions attached. As of September 24, 2010 there were 24,116,402 common shares issued and outstanding, of which 1,358,000 were held in escrow, 1,807,500 stock options outstanding, and the following warrants and broker's options outstanding:

Grant Expiry Date	Grant Price	Warrants Outstanding
December 14, 2010	$0.20	416,250
March 5, 2012	$0.20	575,000
July 19, 2010	$0.10	1,000,000

Disclosure of Controls and Internal Controls over Financial Reporting

The Company's Chief Financial Officer and Chief Executive Officer (the "Certifying Officers") are responsible for establishing and maintaining disclosure controls and procedures ("the Procedures") which provide reasonable assurance that information required to be disclosed by the Company under provincial or territorial securities legislation (the "Required Filings") is reported within the time periods specified. Without limitation, the Procedures are designed to ensure that material information relating to the Company is accumulated and communicated to management, including its Certifying Officers, as appropriate to allow for timely decisions regarding the Required Filings.

The Company's Certifying Officers are also responsible for establishing and maintaining internal controls over financial reporting ("Internal Controls") and have designed such Internal Controls, or caused it to be designed under their supervision, which provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's GAAP.

During the year ended May 31, 2010 there were inherent weaknesses in the Company's internal controls which are typical of small companies, which have a limited ability to segregate incompatible functions. The Company expects to remedy these weaknesses by expanding the number of individuals involved in the accounting function as it grows. Effective disclosure controls were achieved, despite the inherent weaknesses in internal control over financial reporting, because of the President and Chief Executive Officer's direct involvement in the disclosure controls and procedures process.

The Certifying Officers evaluate the Company's Internal Controls on a regular basis throughout the year and have certified that there were no changes in the Company's Internal Controls during the Company's most recent fiscal period that materially affected, or is reasonably likely to materially affect, the Company's Internal Controls.

Investor Relations

Investor relations activities are currently being performed by directors, officers and key personnel.

Risk Factors

Exploration-stage mineral exploration companies face a variety of risks and, while unable to eliminate all of them, Advance Gold aims at managing and reducing such risks as much as possible. Few exploration projects successfully achieve development stage, due to factors that cannot be predicted or anticipated, and even one such factor may result in the economic viability of a project being detrimentally impacted such that it is neither feasible nor practical to proceed. Advance Gold closely monitors its activities and those factors that could impact them, and employs experienced consultants to assist in its risk management and to make timely adequate decisions.

Environmental laws and regulations could also impact the viability of a project. Advance Gold has ensured that it has complied with these regulations, but there can be changes in legislation outside Advance Gold's control that could also add a risk factor to a project. Operating in a specific country has legal, political and a currency risk that must be carefully considered to ensure their level is commensurate to Advance Gold's assessment of the project.

Approval

The Board of Directors of the Company has approved the disclosure contained in this MD&A.