



ADVANCE GOLD CORP.

CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2020

(Expressed in Canadian dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Advance Gold Corp.

Opinion

We have audited the consolidated financial statements of Advance Gold Corp. (the "Company"), which comprise the consolidated statements of financial position as at May 31, 2020 and 2019, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Cherry Ho.

DMCL

**DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS**

Vancouver, BC

September 28, 2020

ADVANCE GOLD CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT MAY 31, 2020 AND 2019
(Expressed in Canadian Dollars)

	May 31, 2020	May 31, 2019
ASSETS		
Current Assets		
Cash	\$ 2,461	\$ 17,407
Taxes recoverable	3,269	470
Prepaid expenses	4,043	3,467
	9,773	21,344
Non-Current Assets		
Taxes recoverable	115,993	86,940
Equipment (Note 5)	54,570	74,824
Exploration and evaluation assets (Statements) (Note 6 and 8)	1,774,981	1,334,120
	\$ 1,955,317	\$ 1,517,228
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities (Note 7 and 10)	\$ 165,615	\$ 389,378
Debentures (Note 9 and 10)	107,726	102,712
	273,341	492,090
EQUITY		
Share capital (Note 8)	7,067,202	6,104,949
Obligations to issue shares (Note 6)	-	63,000
Reserves (Note 8)	1,175,568	1,181,113
Deficit	(6,559,022)	(6,322,140)
Equity attributable to owners of parent	1,683,748	1,026,922
Equity attributable to non-controlling interests (Note 11)	(1,772)	(1,784)
Total equity	1,681,976	1,025,138
	\$ 1,955,317	\$ 1,517,228
Nature and Continuance of Operations (Note 1)		
Commitments (Note 12)		
Subsequent events (Note 16)		

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

ADVANCE GOLD CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED MAY 31, 2020 AND 2019
(Expressed in Canadian Dollars)

	May 31, 2020	May 31, 2019
Operating expenses		
Advertising and promotion	\$ 7,838	\$ 24,517
Consulting fees	25,125	24,741
Interest, bank charges and foreign exchange (Note 9)	9,066	29,656
Management fees (Note 10)	72,500	60,000
Office and sundry	18,616	11,309
Professional fees (Note 10)	68,482	90,762
Rent and telephone	13,600	522
Stock-based compensation (Note 8 and 10)	-	133,726
Transfer agent and filing fees	23,312	14,655
Travel	2,494	-
	(241,033)	(389,888)
Other items		
Foreign exchange gain (loss)	(37,372)	4,073
Gain on settlement of debt (Note 7)	41,535	-
	4,163	4,073
Loss and Comprehensive loss for the year	\$ (236,870)	\$ (385,815)
Loss and Comprehensive loss for the year attributable to:		
Owners of the parent	\$ (236,882)	\$ (384,879)
Non-controlling interests	12	(936)
	\$ (236,870)	\$ (385,815)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.02)
Weighted average number of common shares outstanding - basic and diluted	33,402,155	20,249,815

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

ADVANCE GOLD CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED MAY 31, 2020 AND 2019
(Expressed in Canadian Dollars)

	Number of Common Shares	Share Capital	Stock Option Reserve	Warrant Reserve	Obligation to issue shares	Deficit	Total	Non- controlling interests	Total Equity
Balance at May 31, 2019	26,016,124	\$ 6,104,949	\$ 661,980	\$ 519,133	\$ 63,000	\$ (6,322,140)	\$ 1,026,922	\$ (1,784)	\$ 1,025,138
Net and comprehensive loss	-	-	-	-	-	(236,882)	(236,882)	12	(236,870)
Shares issued for equipment acquisition (Note 6 and 8)	450,000	63,000	-	-	(63,000)	-	-	-	-
Warrants exercised (Note 8)	3,163,410	255,307	-	-	-	-	255,307	-	255,307
Stock options exercised (Note 8)	150,000	27,330	(9,330)	-	-	-	18,000	-	18,000
Share issuance costs (Note 8)	-	(22,484)	-	3,785	-	-	(18,699)	-	(18,699)
Private placement (Note 8)	9,119,500	639,100	-	-	-	-	639,100	-	639,100
Balance at May 31, 2020	38,899,034	\$ 7,067,202	\$ 652,650	\$ 522,918	\$ -	\$ (6,559,022)	\$ 1,683,748	\$ (1,772)	\$ 1,681,976
Balance at May 31, 2018	14,656,338	\$ 5,226,244	\$ 528,254	\$ 519,133	\$ -	\$ (5,937,261)	\$ 336,370	\$ (848)	\$ 335,522
Net and comprehensive loss	-	-	-	-	-	(384,879)	(384,879)	(936)	(385,815)
Warrants exercised (Note 8)	1,666,667	133,333	-	-	-	-	133,333	-	133,333
Shares issued for purchase of Venaditas Property (Note 6)	1,000,000	130,000	-	-	-	-	130,000	-	130,000
Shares issued for purchase of Tabasquena Equipment (Note 6)	150,000	21,000	-	-	-	-	21,000	-	21,000
Shares owing for equipment acquisition (Note 6)	-	-	-	-	63,000	-	63,000	-	63,000
Cancellation of Escrow shares (Note 8)	(34,300)	-	-	-	-	-	-	-	-
Stock options granted (Note 8)	-	-	133,726	-	-	-	133,726	-	133,726
Share issuance costs (Note 8)	-	(20,878)	-	-	-	-	(20,878)	-	(20,878)
Private placement (Note 8)	8,577,419	615,250	-	-	-	-	615,250	-	615,250
Balance at May 31, 2019	26,016,124	\$ 6,104,949	\$ 661,980	\$ 519,133	\$ 63,000	\$ (6,322,140)	\$ 1,026,922	\$ (1,784)	\$ 1,025,138

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

ADVANCE GOLD CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2020 AND 2019
(Expressed in Canadian Dollars)

	May 31, 2020	May 31, 2019
Cash Used For:		
Operating Activities		
Net loss	\$ (236,870)	\$ (385,815)
Items not requiring cash:		
Interest on debentures	5,014	3,770
Gain on debt settlement	(41,535)	-
Stock-based compensation	-	133,726
Change in non-cash working capital items:		
Taxes recoverable	(31,852)	(86,968)
Prepaid expenses	(576)	3,789
Accounts payable and accrued liabilities	(32,228)	105,824
Cash used in operating activities	(338,047)	(225,674)
Investing Activities		
Deferred exploration expenditures paid	(420,095)	(569,639)
Purchase of equipment	(512)	-
Cash used in investing activities	(420,607)	(569,639)
Financing Activities		
Issuance of common shares for cash	762,407	681,754
Payment of share issuance costs	(18,699)	(20,878)
Issuance of convertible debenture	-	100,000
Cash provided by financing activities	743,708	760,876
Decrease in cash	(14,946)	(34,437)
Cash, beginning of year	17,407	51,844
Cash, end of year	\$ 2,461	\$ 17,407
Supplemental information:		
Non-cash Financing Activities:		
Conversion of debenture into common Shares (Note 9)	-	38,825
Conversion of accounts payable into common shares (Note 8)	150,000	28,004
Issuance of common shares for purchase of Tabasquena assets (Note 6)	63,000	21,000
Issuance of common shares for purchase of Venaditas property (Note 6)	-	130,000

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

ADVANCE GOLD CORP.
CONSOLIDATED STATEMENTS OF EXPLORATION AND EVALUATION ASSETS
FOR THE YEARS ENDED MAY 31, 2020 AND 2019
(Expressed in Canadian Dollars)

	May 31, 2019	Acquisition Costs	Exploration and evaluation expenditures	May 31, 2020
Kakamega property, Kenya	\$ 416,312	\$ -	\$ 5,150	\$ 421,462
Tabasquena property, Mexico	758,784	-	422,071	1,180,855
Venaditas property, Mexico	159,024	-	13,640	172,664
Balance, end of year	\$ 1,334,120	\$ -	\$ 440,861	\$ 1,774,981

	May 31, 2018	Acquisition Costs	Exploration and evaluation expenditures	May 31, 2019
Kakamega property, Kenya	\$ 413,270	\$ 145	\$ 2,897	\$ 416,312
Tabasquena property, Mexico	212,035	900	545,849	758,784
Venaditas property, Mexico	-	130,000	29,024	159,024
Balance, end of year	\$ 625,305	\$ 131,045	\$ 577,770	\$ 1,334,120

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

ADVANCE GOLD CORP.
CONSOLIDATED STATEMENTS OF EXPLORATION AND EVALUATION ASSETS
- EXPLORATION EXPENDITURES -
FOR THE YEARS ENDED MAY 31, 2020 AND 2019
(Expressed in Canadian Dollars)

	May 31, 2020	May 31, 2019
Kakamega Property		
Opening balance	\$ 12,233	\$ 9,336
Administration	5,150	2,897
Ending balance	\$ 17,383	\$ 12,233

	May 31, 2020	May 31, 2019
Tabasquena Property		
Opening balance	\$ 697,884	\$ 152,035
Camp	13,394	25,695
Geological and other consulting	182,966	116,324
Drilling	182,767	352,437
Supplies and maintenance	9,976	2,602
Fuel & transport	1,358	16,659
Geochemical	8,360	10,394
Administration	20,523	15,052
Explosives	1,198	4,621
Community development	1,530	2,065
Ending balance	\$ 1,119,955	\$ 697,884

	May 31, 2020	May 31, 2019
Venaditas Property		
Opening balance	\$ 29,024	\$ -
Geological and other consulting	13,640	27,729
Administration	-	1,295
Ending balance	\$ 42,664	\$ 29,024

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

ADVANCE GOLD CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2020
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Advance Gold Corp. (the “Company”) was incorporated in the Province of British Columbia on September 28, 2004. The Company’s shares are listed on the TSX-Venture Exchange (the “Exchange”). The Company is an exploration stage company engaged in the exploration and evaluation of mineral property interests. The Company’s registered office is located at 1400 – 1040 West Georgia Street, Vancouver, British Columbia V6E 4H1 and its head office is located at Box 25056 RPO Brocklehurst, Kamloops, British Columbia V2B 8R6.

These consolidated financial statements have been prepared on the going concern basis, which contemplates 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 incurred significant losses from inception and as at May 31, 2020 the Company had a deficit of \$6,559,022 (May 31, 2019 - \$6,322,140) and has a working capital deficiency of \$263,568 as at May 31, 2020 (2019 – \$470,746).

The ability of the Company to continue as a going concern is in doubt and is dependent upon the continued financial 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 conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. These consolidated financial statements do not reflect the adjustments or reclassifications which would be necessary if the Company were unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements for the year ended May 31, 2020 were authorized for issue by the Board of Directors of the Company on September 28, 2020.

Statement of compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its controlled entities and have been prepared on a historical cost basis, with the exception of certain financial instruments measured at fair value. All inter-company transactions and balances have been eliminated on consolidation.

The net interests of the Company’s subsidiaries are presented below:

	Country of incorporation	Ownership May 31, 2020	Ownership May 31, 2019
Gold Rim Exploration Inc.	Kenya	100%	100%
Advance Gold S.A. de C.V. (“Advance Mexico”)	Mexico	98%	98%

ADVANCE GOLD CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2020
(Expressed in Canadian Dollars)

Financial Instruments:

The following is the Company's accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

Financial assets/liabilities	Classification
Cash	FVTPL
Accounts payable	Amortized cost
Due to related party	Amortized cost
Debentures	Amortized cost

(ii) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of comprehensive loss in the period in which they arise.

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

ADVANCE GOLD CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2020
(Expressed in Canadian Dollars)

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

Foreign Currency Translation

(i) Presentation and functional currency

The Company's functional and presentation currency is the Canadian dollar. Functional currency is also determined for each of the Company's subsidiaries, and items included in the financial statements of the subsidiary are measured using that functional currency. The Canadian dollar is the functional currency of both the Company's Kenyan subsidiary and Mexican subsidiary.

(ii) Foreign currency transactions

Transactions in currencies other than the functional currencies are recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the consolidated statement of financial position.

Gain and losses arising on foreign currency translations are included in the Company's statement of comprehensive loss.

Exploration and evaluation assets

Acquired properties are recognized at cost, or if acquired as part of a business combination, at fair value at the date of acquisition. All costs directly related to exploration activities are capitalized once the Company has obtained the legal right to explore. Acquisition costs include cash consideration and the fair value of common shares, issued for exploration and evaluation assets. Exploration expenditures, net of recoveries, are capitalized as incurred. After a property is determined by management to be commercially feasible, acquisition costs and their related deferred exploration expenditures on the property will be transferred to mineral properties under development. Prior to transfer the assets will be tested for impairment.

Exploration and evaluation assets acquired under an option agreement where payments are made at the sole discretion of the Company, are capitalized at the time of payment. Option payments received are treated as a reduction of the carrying value of the related acquisition cost for the exploration and evaluation assets until the payments are in excess of acquisition costs, at which time they are then recognized in profit or loss in the Company's consolidated statements of comprehensive income or loss. Option payments are at the discretion of the optionor and, accordingly, are accounted for when receipt is reasonably assured.

The Company has farm-out arrangements with a third party on its exploration property. The Company does not record any expenditure made by the farmee on its account. It also does not recognize any gain or loss on its exploration and evaluation farm-out arrangement but predesignates any costs previously capitalized in relation to the whole interest as relating to the partial interest retained. Any cash consideration received directly from the farmee is credited against costs previously capitalized in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal.

The recoverability of the carrying amount of exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, the sale of the respective areas of interest.

ADVANCE GOLD CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2020
(Expressed in Canadian Dollars)

Decommissioning liability

The Company is required to recognize a liability when a legal or constructive obligation exists to dismantle, remove or restore its assets, including any obligation to rehabilitate environmental damage on its exploration and evaluation assets. As of May 31, 2020, and 2019, the Company has not incurred any such obligations.

Impairment of long-lived assets

At each reporting date, the carrying amounts of the Company's assets, including exploration and evaluation assets are reviewed to determine whether there is an indication that those assets are impaired. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted at a rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the consolidated statement of comprehensive loss. For the purposes of assessing for indications of impairment and impairment testing, assets that do not have largely independent cash inflows are grouped into cash generating units. Cash generating units are the smallest identifiable groups of assets having independent cash inflows.

An impairment loss, excluding those recognized on goodwill, is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had previously been recognized.

Income or Loss per share

The Company presents basic and diluted income or loss per share data for its common shares, calculated by dividing the income or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted income or loss per share is determined by adjusting the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. All the share options and warrants were anti-dilutive as of May 31, 2020 and May 31, 2019.

Income taxes

Current income tax:

Current income tax assets and liabilities for the current year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is recognized, using the asset and liability method, on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

ADVANCE GOLD CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2020
(Expressed in Canadian Dollars)

Critical accounting estimates and judgments

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. The preparation of financial statements also requires management to make judgments aside from those that involve estimates, in the process of applying the accounting policies. These judgments can have an effect on the amounts recognized in the financial statements.

Critical accounting estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. The following are the key uncertainties related to estimates that have a significant risk of resulting in a material adjustment within the next financial year and to judgments that have the most significant effect on the amounts recognized and disclosed in the financial statements.

Impairment of non-financial assets

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value.

Calculation of stock-based compensation

The Black-Scholes Option Pricing Model is used to determine the fair value for the stock options and utilizes subjective assumptions such as expected price volatility and expected life of the options. Discrepancies in these input assumptions can significantly affect the fair value estimate.

Useful life of equipment

Equipment are depreciated using the declining balance method at the rate of 30% per year. They are not depreciated until available for use. Changes in the estimated useful lives could significantly increase or decrease the amount of depreciation recorded during the year and the carrying value of equipment. Total carrying value of equipment at May 31, 2020 was \$54,570 (2019 - \$74,824).

Critical judgments used in applying accounting policies

Exploration and evaluation assets

Management is required to apply judgment in determining whether technical feasibility and commercial viability can be demonstrated for its mineral properties under exploration. Once technical feasibility and commercial viability of a property can be demonstrated, it is reclassified from exploration and evaluation assets and subject to different accounting treatment.

As at May 31, 2020 and 2019 management had determined that no reclassification of exploration and evaluation assets was required.

Income taxes

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements.

Accounting standards issued but not yet effective

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

ADVANCE GOLD CORP.
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Newly adopted accounting standards

IFRS 16 Leases:

The Company adopted all of the requirements of IFRS 16 Leases on June 1, 2019. IFRS 16 replaces IAS 17 Leases and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. Management has assessed that the Company does not have any leases and therefore, with adoption of this accounting standard, the financial statements are not impacted.

3. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the development of its exploration and evaluation assets and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes the components of equity as well as its cash. In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue new debt, or acquire or dispose of assets. The Company's investment policy is to invest its cash in highly liquid investments which are readily convertible into cash with maturities of three months or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations. The Company expects that its current capital resources will not be sufficient to carry out its exploration and evaluation plans and operations through its next fiscal year. The Company is planning to use equity financing to support ongoing operations; however, there is no assurance that additional funding and/or suitable joint venture agreements will be obtained. There were no changes in the Company's approach to capital management during the year. The Company has no externally imposed capital requirements.

4. FINANCIAL INSTRUMENTS

Fair Value

Fair value estimates are made at the reporting period end date, based on relevant market information. Estimated fair value amounts are designed to approximate amounts at which financial instruments could be exchanged in a current transaction between willing parties who are under no compulsion to act.

The Company uses a fair value hierarchy to categorize the inputs used in valuation techniques to measure fair value of financial instruments. The classifications are as follows: the use of quoted market prices for identical assets or liabilities (Level 1), internal models using observable market information as inputs (Level 2) and internal models without observable market information as inputs (Level 3). The Company had no Level 2 or Level 3 financial instruments at May 31, 2020 and May 31, 2019, and there have been no transfers between levels.

The following is an analysis of the Company's financial assets measured at fair value as at May 31, 2020 and 2019:

	May 31, 2020		
	Level 1	Level 2	Level 3
Cash	\$ 2,461	\$ -	\$ -

	May 31, 2019		
	Level 1	Level 2	Level 3
Cash	\$ 17,407	\$ -	\$ -

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Financial Risk Management

The Company's financial instruments potentially expose it to a variety of risks, including credit risk, foreign exchange risk (currency), liquidity and interest rate risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and amounts receivable. The Company deposits the majority of its cash with high credit quality financial institutions in Canada and Mexico reducing the credit risk. Amounts receivable consist of refundable tax credits and therefore the credit risk is minimal.

Currency risk

Currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. Certain assets and liabilities of the Company are denominated in Kenyan Shilling and Mexican Peso and are therefore subject to fluctuation against the Canadian dollar. Currency risk is considered to be moderate.

The Canadian dollar equivalent of financial instruments denominated in foreign currencies as at May 31, 2020 and 2019 is as follows:

	May 31, 2020	May 31, 2019
Cash	\$ 223	\$ 2,316
Accounts payable	(98,143)	(73,692)
	\$ (97,920)	\$ (71,736)

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term nature, maturity, and fixed interest rate on debentures.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity by maintaining adequate cash balances. The Company's expected source of cash flow in the upcoming year is anticipated to be through equity financing and future loan facilities, and potential joint venture agreements. Cash on hand at May 31, 2020 is insufficient to fund the Company's operational needs for the next 12 months. Liquidity risk is assessed as high.

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5. Equipment

Cost		Mining Equipment		Computer and office equipment		Total
Balance, May 31, 2018	\$	-	\$	-	\$	-
Additions		83,430		-		83,430
Balance, May 31, 2019	\$	83,430	\$	-	\$	83,430
Additions		-		512		512
Balance, May 31, 2020	\$	83,430	\$	512	\$	83,942
Accumulated depreciation						
Balance, May 31, 2018	\$	-	\$	-	\$	-
Additions		8,606		-		8,606
Balance, May 31, 2019	\$	8,606	\$	-	\$	8,606
Additions		20,689		77		20,766
Balance, May 31, 2020	\$	29,295	\$	77	\$	29,372
Carrying amount						
As at May 31, 2019	\$	74,824	\$	-	\$	74,824
Balance, May 31, 2020	\$	54,135	\$	435	\$	54,570

6. EXPLORATION AND EVALUATION ASSETS

Kakamega Property, Kenya:

The Company has applied for and was granted an Exclusive Prospecting License (“EPL”) to cover the former Rosterman Mine and surrounding areas in Kenya. In addition, the Company has two other licenses in the immediate area. On January 31, 2019, the Company was granted a three-year license renewal on all three licenses. Licenses are valid until January 30, 2022.

In order to maintain the licenses, the Company is required to incur a minimum of Kenya Shillings (“KES”) 5,000,000 (Canadian \$60,000) in exploration expenditures per year for each license. The Company is also obligated to pay KES 10,000 (Canadian \$120) for all areas operated under pilot mining.

On April 20, 2011, the Company entered into an option and joint venture agreement with Aviva Corporation Ltd., which was subsequently acquired by a subsidiary of Barrick Gold Corporation and had its name changed to Acacia mining plc. (“Acacia”) in 2014.

Under the terms of the agreement, Acacia has the right to earn at least a 75% interest in the Kakamega Property. The agreement became effective on July 21, 2011, when these two conditions had been fulfilled (the “Effective Date”). Acacia earned a 75% interest in the property by completing the following:

- Incur a minimum of US\$100,000 in exploration expenditures on the property within 12 months of the effective date (completed);
- Make a US\$100,000 cash payment to the Company within 15 days of the date that the initial US\$100,000 exploration expenditures are ratified (received June 30, 2012); and
- Incur a further US\$500,000 in exploration expenditures on the properties within 24 months of date that the initial US\$100,000 exploration expenditures are ratified (completed).
- Incur an additional US\$1,000,000 in exploration expenditures on the property within 24 months of earning a 51% interest (completed).

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Once Acacia obtained a 75% interest, the Company may elect to participate as to its 25% share of all revenues, costs, assets and liabilities arising from the election to joint venture or, alternatively, elect to dilute their interest to 10% after which Acacia may convert the Company's interest in the property to a 3% net smelter royalty ("NSR").

On January 26, 2017, the Company elected to dilute its participation interest to 14.53% under the Option and Joint Venture agreement, giving Acacia Mining an 85.47% interest in the Kakamega Properties.

On August 31, 2019, the Company elected to further dilute its participation interest to 13.23% under the Option and Joint Venture agreement, giving Acacia Mining an 86.77% interest in the Kakamega Properties.

On February 6, 2020, the Company elected to further dilute its participation interest to 12.84% under the Option and Joint Venture agreement, giving Acacia Mining an 87.16% interest in the Kakamega Properties.

On August 19, 2020, Shanta Gold (AIM: SHG), the East Africa-focused gold producer purchased 100% of the shares of Barrick's subsidiary Acacia Exploration (Kenya) Ltd. from two subsidiaries of Barrick Gold Corporation.

On April 2, 2020, the Company elected to further dilute its participation interest to 12.59% under the Option and Joint Venture agreement, giving Acacia Mining an 87.41% interest in the Kakamega Properties.

Tabasquena Property, Mexico:

On July 20, 2017, Advance Mexico, a subsidiary of the Company, entered into an agreement with Hot Spring Mining S.A. de C.V. ("Hot Spring Mining") to acquire the Tabasquena Silver Mine in Zacatecas, Mexico ("Mining Concessions"). The Company issued 1,000,000 common shares to Hot Spring Mining in exchange for 100% interest in the Mining Concessions.

Hot Spring Mining will retain a 2.5% NSR of which the Company has the right to purchase a maximum of 1.5% NSR at \$500,000 per each 0.5% NSR. In addition, two partners of Hot Spring Mining became consultants of the Company since October 2017.

On September 27, 2018, the Company acquired Exchange approval to purchase certain mining equipment assets on the Tabasquena project in exchange for 600,000 common shares with a fair value of \$300,000, to be issued in tranches of 150,000 shares. On October 2, 2018, 150,000 common shares were issued with a fair value of \$21,000, 150,000 common shares were issued on July 19, 2019 with a fair value of \$21,000, and 150,000 common shares were issued on October 30, 2019 with a fair value of \$21,000. The final 150,000 shares were issued on January 2, 2020 and have a fair value of \$21,000.

Venaditas Property, Mexico:

On April 9, 2018, Advance Mexico entered into an agreement with Hot Spring Mining to acquire its 100% interest in the mining concession Venaditas in Zacatecas, Mexico. The Company issued 1,000,000 common shares to Hot Spring Mining in exchange for 100% interest in the Mining Concessions.

Hot Spring Mining will retain a 2.5% NSR of which the Company has the right to purchase a maximum of 1.5% NSR at \$500,000 per each 0.5% NSR. In addition, two partners of Hot Spring Mining became consultants of the Company for a minimum period of 16 months at \$2,000 per month each starting in January 2018. The agreement with the consultants were extended on September 1, 2019 for an additional 16 months. Exchange approval for the transaction was obtained in October 2018.

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7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company's accounts payable and accrued liabilities are comprised of the following:

	May 31, 2020	May 31, 2019
Trade payables	\$ 108,436	\$ 183,540
Accrued liabilities	38,930	31,808
Due to related parties (Note 10)	18,249	174,030
	\$ 165,615	\$ 389,378

During the year ended May 31, 2020, a vendor forgave debt owed by the Company in the amount of \$41,535 (2019 - \$Nil).

8. SHARE CAPITAL

(a) Authorized Share Capital

Unlimited number of common shares without par value.
 Unlimited number of preferred shares without par value.

(b) Issued Share Capital

Common Share Issuances:

On June 13, 2018, 1,000,000 share warrants were exercised by a Director of the Company, and on July 9, 2018, 666,667 share warrants were exercised by a shareholder of the Company, for total gross proceeds of \$133,333.

On September 27, 2018 ("approval date"), the Exchange approved the asset purchase agreement whereby the Company purchased mining machinery and equipment for the Tabasquena property for a total consideration of 600,000 common shares with a fair value of \$84,000. As per the agreement, 150,000 common shares with a fair value of \$21,000 were issued on October 2, 2018 with a further issuance of 150,000 common shares to be issued every six months from the approval date till 18 months with a total fair value of \$63,000 (Note 6). On July 19, 2019, 150,000 shares were issued with a fair value of \$21,000, 150,000 common shares were issued on October 30, 2019 with a fair value of \$21,000 and the remaining 150,000 shares were issued on January 2, 2020 and have a fair value of \$21,000.

On October 2, 2018, the Company issued 1,000,000 common shares with a fair value of \$130,000 for acquisition of the Venaditas property (Note 6).

On October 4, 2018, the Company closed a non-brokered private placement of 2,885,880 shares at \$0.085 per unit for gross proceeds of \$245,300. Each Unit is comprised of one common share of the Company and one non-transferable share purchase warrant. Each share warrant entitles the holder to purchase an additional common share at a price of \$0.10 per share until September 20, 2020, subject to accelerated expiry in certain circumstances. An officer of the Company participated in the private placement, having purchased 1,000,000 common shares and a Director of the Company participated, having purchased 588,230 common shares. 456,768 shares were issued for debenture repayment (Note 9). The Company incurred share issue costs of \$2,808 in connection with this financing. No value was allocated to the attachable warrants.

On January 30, 2019, 34,300 escrow shares were cancelled.

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On February 28, 2019, the Company closed a non-brokered private placement of 5,691,539 shares at \$0.065 per unit for gross proceeds of \$369,950. Each Unit is comprised of one common share of the Company and one non-transferable share purchase warrant. Each share warrant entitles the holder to purchase an additional common share at a price of \$0.08 per share until February 28, 2021, subject to accelerated expiry in certain circumstances. A Director of the Company participated, having purchased 1,153,846 common shares. The Company incurred share issue costs of \$2,600, and finder's fees of \$15,470 in connection with this financing. No value was allocated to the attachable warrants. The shares were issued on March 1, 2019.

On July 9, 2019, the Company closed a non-brokered private placement of 4,682,000 shares at \$0.05 per unit for gross proceeds of \$234,100. Each Unit is comprised of one common share of the Company and one non-transferable share purchase warrant. Each share warrant entitles the holder to purchase an additional common share at a price of \$0.07 per share until July 9, 2021, subject to accelerated expiry in certain circumstances. No value was allocated to the attachable warrants. The Company incurred share issue costs of \$750 and finder's fees of \$10,000 as well as issued 57,143 broker's warrants with a fair value of \$2,345 in connection with this financing. The fair value of the broker warrants was determined using the Black-Scholes Option Pricing Model with the following assumptions: risk free interest rate of 1.58%; expected life of 2 years; expected volatility of 147% and dividend yield of nil.

On November 8, 2019, the Company closed a non-brokered private placement of 1,412,500 shares at \$0.08 per unit for gross proceeds of \$113,000. Each Unit is comprised of one common share of the Company and one non-transferable share purchase warrant. Each share warrant entitles the holder to purchase an additional common share at a price of \$0.10 per share until November 8, 2021, subject to accelerated expiry in certain circumstances. The Company incurred share issue costs of \$750 and finder's fees of \$6,400 in connection with this financing. No value was allocated to the attachable warrants.

On December 9, 2019, the Company closed a non-brokered private placement of 525,000 shares at \$0.08 per unit for gross proceeds of \$42,000. Each Unit is comprised of one common share of the Company and one non-transferable share purchase warrant. Each share warrant entitles the holder to purchase an additional common share at a price of \$0.10 per share until December 9, 2021, subject to accelerated expiry in certain circumstances. No value was allocated to the attachable warrants.

On January 3, 2020, the Company issued 150,000 shares at \$0.12 per unit for gross proceeds of \$18,000 as a result of stock options being exercised. The fair value of the option exercised is \$9,330.

On January 3, 2020, the Company issued 478,000 shares for exercised warrants for gross proceeds of \$34,510.

On January 10, 2020, the Company issued 888,847 shares for exercised warrants for gross proceeds of \$64,808.

On January 17, 2020, the Company issued 875,000 shares for exercised warrants for gross proceeds of \$2,500 and \$68,000 in exchange for debt settled with a related party.

On February 3, 2020, the Company issued 588,230 shares for exercised warrants for gross proceeds of \$58,823.

On February 7, 2020 the Company issued 333,333 shares for exercised warrants for gross proceeds of \$26,666.

On February 27, 2020, the Company closed a non-brokered private placement of 2,500,000 shares at \$0.10 per unit for gross proceeds of \$168,000 and \$82,000 in exchange for debt settled with a related party. Each Unit is comprised of one common share of the Company and one non-transferable share purchase warrant. Each share warrant entitles the holder to purchase an additional common share at a price of \$0.12 per share until February 27, 2022, subject to accelerated expiry in certain circumstances. No value was allocated to the attachable warrants. The Company incurred share issue costs of \$800 and issued 25,600 broker's warrants with a fair value of \$1,439 in connection with this financing. The fair value of the broker warrants was determined using the Black-Scholes Option Pricing Model with the following assumptions: risk free interest rate of 0.92%; expected life of 2 years; expected volatility of 164% and dividend yield of nil.

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(c) Stock Options

At the Annual General Meeting, held on March 27, 2020, shareholders approved to adopt a 10% Rolling Stock Option Plan (“the Plan”) whereby the aggregate number of common shares reserved for issuance pursuant to the Plan and any other share compensation arrangement granted or made available by the Company from time to time shall not exceed in aggregate 10% of the total number of issued and outstanding Common Shares (the “Option Plan Shares”). The number of Option Plan Shares shall be increased or decreased from time to time as required if more or less Option Plan Shares are required to be issued due to any reorganization of the share capital of the Company. The term of any options granted under the Plan will be fixed by the Board of Directors and may not exceed ten years. The exercise price of options granted under the Plan will be determined by the Board of Directors, provided that it is not less than the lowest price permitted by the Exchange.

Any options granted pursuant to the Plan will terminate within 30 days of the option holder ceasing to act as an Eligible Person pursuant to and as defined in the Plan, unless such cessation is on account of death, disability or termination of employment with cause. If such cessation is on account of disability or death, the options terminate on the first anniversary of such cessation, and if it is on account of termination of employment with cause, the options terminate immediately. The Plan also provides for adjustments to outstanding options in the event of any consolidation, subdivision, conversion or exchange of the Company’s shares.

A summary of stock option activity for the year ended May 31, 2020 and year ended May 31, 2019 is as follows:

	May 31, 2020		May 31, 2019	
	Number Outstanding	Weighted Average Exercise Price	Number Outstanding	Weighted Average Exercise Price
Outstanding, beginning	2,025,000	\$ 0.12	940,000	\$ 0.14
Cancelled/Expired	-	-	(240,000)	-
Exercised	(150,000)	0.12	-	-
Granted	-	-	1,325,000	0.12
Outstanding, ending	1,875,000	\$ 0.12	2,025,000	\$ 0.12

As at May 31, 2020, the Company had stock options outstanding to acquire common shares of the Company as follows:

Expiry Date	Options Outstanding	Options Exercisable	Exercise Price	Remaining Contractual Life (In Years)
April 17, 2023	700,000	700,000	\$ 0.12	2.88
April 24, 2024	1,175,000	1,175,000	0.12	3.90
	1,875,000	1,875,000	\$ 0.12	

On April 17, 2018, the Company granted 800,000 stock options to directors, employees and consultants of the Company at an exercise price of \$0.12 per common share for a period of five years ending April 17, 2023. A share-based compensation expense of \$51,314 was recognized during the year ended May 31, 2019, with the fair value determined using the Black-Scholes Option Pricing Model with the following assumptions: risk free interest rate of 2.25%; expected life of 5 years; expected volatility of 152% and dividend yield of nil.

On April 24, 2019, the Company granted 1,325,000 stock options to directors, employees and consultants of the Company at an exercise price of \$0.12 per common share for a period of five years ending April 24, 2024. A share-based compensation expense of \$82,412 was recognized, with the fair value determined using the Black-Scholes Option Pricing Model with the following assumptions: risk free interest rate of 1.49%; expected life of 5 years; expected volatility of 152% and dividend yield of nil.

During the year ended May 31, 2019, 140,000 stock options with an exercise price of \$0.25 per unit expired, unexercised, and 100,000 stock options with an exercise price of \$0.12 per unit was cancelled.

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(d) Share purchase warrants

The following table summarizes the continuity of share purchase warrants:

	May 31, 2020		May 31, 2019	
	Number Outstanding	Weighted Average Exercise Price	Number Outstanding	Weighted Average Exercise Price
Outstanding, beginning	10,077,419	\$ 0.09	3,166,667	\$ 0.08
Cancelled/Expired	(316,667)	\$ -	-	\$ -
Exercised	(3,163,410)	\$ 0.08	(1,666,667)	\$ 0.08
Granted	9,202,243	\$ 0.09	8,577,419	\$ 0.09
Outstanding, ending	15,799,585	\$ 0.09	10,077,419	\$ 0.09

As at May 31, 2020, the Company had share purchase warrants outstanding to acquire common shares of the Company as follows:

Expiry Date	Warrants Outstanding	Exercise Price	Remaining Contractual Life (In Years)
October 4, 2020	2,202,650	\$ 0.10	0.35
February 28, 2021	5,537,692	0.08	0.75
July 9, 2021	3,596,143	0.07	1.11
November 8, 2021	1,412,500	0.10	1.44
December 9, 2021	525,000	0.10	1.53
February 27, 2022	2,525,600	0.12	1.75
	15,799,585	\$ 0.09	

The weighted average life of the outstanding share purchase warrants at May 31, 2020 was 1.02 years.

(e) Reserves

Stock option reserve

The stock option reserve records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

Warrant Reserve

The warrant reserve records the proceeds allocated to warrants on the issuance of units in private placements until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital.

9. DEBENTURES

	May 31, 2020	May 31, 2019
Opening balance	\$ 102,712	\$ 37,767
Convertible debentures issued	-	100,000
Accrued interest	5,014	3,770
Conversion of debenture into common shares	-	(38,825)
	\$ 107,726	\$ 102,712

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On October 4, 2018, \$38,825 of debenture and accrued interest was converted into 456,768 common shares of the Company at \$0.085 per unit as part of a private placement as noted in Note 8.

On November 20, 2018, the Company closed a non-brokered private placement of 1,000 convertible debentures with a Director of the Company to raise \$100,000 (Note 10). The convertible debentures have a term of one year and are convertible into units (the "Units") at a price of \$0.09 per unit with no conversion feature recorded. Each Unit is comprised of one common share and one share purchase warrant. Each share warrant entitles the holder to purchase an additional common share at an exercise price of \$0.11 per share for a period of two years. The debentures bear interest at 5% per annum, are unsecured and has a term of one year.

On November 13, 2019, the Company extended the debenture by one year to expire on November 20, 2020. The approval from the Exchange for the extension was granted on November 19, 2019. The expiry date of the warrants issuable on the conversion of the debenture with an original expiry date of November 20, 2020 was extended by one year to November 20, 2021.

10. RELATED PARTY TRANSACTIONS

(a) Related party balances

Accounts payables and accrued liabilities includes \$Nil (2019- \$105,274) payable to a former director of the Company, a shareholder and a company controlled by the shareholder of the Company (Note 7). These amounts are unsecured, non-interest bearing and have no fixed terms of repayment. Also included is \$18,249 (2019 - \$68,756) payable to officers of the Company (Note 7). Convertible debentures include \$107,726 (2019 - \$102,712) payable to a director of the Company (Note 9).

(b) Related party transactions

During the year ended May 31, 2020, \$72,500 (2019 - \$60,000) was paid to a company controlled by a director of the Company to fulfil the position of chief executive officer and \$19,250 (2019 - \$8,330) was paid to the chief finance officer of the Company.

During the year ended May 31, 2020, share-based compensation expenses were \$Nil (2019- \$63,755) for the related parties.

During the year ended May 31, 2019, \$100,000 convertible debentures was issued to a director of the Company (Note 9).

11. NON-CONTROLLING INTEREST

The Company has a 98% interest in Advance Mexico and the remaining 2% non-controlling interest is held by a director of Advance Mexico. As at May 31, 2020, the non-controlling interest liability included in equity is \$(1,772) (2019 - \$(1,784)).

12. COMMITMENTS

The Company has a management services agreement with the CEO of the Company requiring payments of \$5,000 per month. Subsequent to May 31, 2020, the Company entered into a new management agreement with the CEO, whereby the Company will pay \$7,500 per month, retractive to January 1, 2020 (Note 16).

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13. SEGMENTED INFORMATION

The Company's operations are all conducted in one industry segment, the exploration and development of exploration and evaluation assets.

The Company's total assets located within its geographic segments of Canada, Kenya and Mexico are as follows:

	May 31, 2020	May 31, 2019
Canada	\$ 9,128	\$ 18,786
Kenya	421,575	416,555
Mexico	1,524,614	1,081,887
	\$ 1,955,317	\$ 1,517,228

14. COMPARATIVE FIGURES

Certain of the comparative figures in the statement of comprehensive loss have been reclassified to conform with the financial presentation adopted for in the current period.

15. INCOME TAXES

A reconciliation of the statutory tax rate to the effective rate for the Company is as follows:

	May 31, 2020	May 31, 2019
Statutory tax rate	27%-30%	27%-30%
Comprehensive loss for the year	\$ (236,870)	\$ (385,815)
Expected income tax recovery	(63,937)	(105,575)
Non-deductible expenses and other	(10,907)	23,386
Share issuance cost	(5,049)	(5,637)
Effect of change in tax rate	-	(31,378)
Effect of deductible temporary differences not recognized	79,893	119,204
Income tax recovery	\$ -	\$ -

Significant components of the Company's deferred tax assets as of May 31, 2020 and May 31, 2019 are as follows:

	May 31, 2020	May 31, 2019
Deferred income tax assets:		
Equipment	\$ 15	\$ 15
Exploration and evaluation assets	267,521	266,952
Non-capital losses carry forwards	1,457,531	1,380,556
Share-issue costs	8,106	5,757
	1,733,173	1,653,280
Unrecognized deferred income tax assets	(1,733,173)	(1,653,280)
Deferred income tax assets	\$ -	\$ -

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As at May 31, 2020, the Company has Canadian non-capital losses and Mexican tax losses which expire in various years to 2038, as follows:

Expiry Date	Canadian non-capital losses	Mexican tax losses
2026	\$ 61,087	\$ -
2027	170,664	-
2028	148,223	-
2029	301,527	-
2030	284,640	-
2031	189,826	-
2032	246,562	-
2033	185,008	-
2034	276,045	-
2035	249,156	-
2036	149,172	-
2037	196,998	-
2038	285,446	42,405
2039	259,589	46,818
2040	247,458	(588)
	\$ 3,251,401	\$ 88,635

The Company has Canadian cumulative foreign resource expenditures of \$859,818 available to reduce future taxable income. These expenses have no expiration date.

16. SUBSEQUENT EVENTS

On July 10, 2020, the Company closed a private placement to issue 4,014,998 units at \$0.075 per unit for gross proceeds of \$301,125. Each unit consists of one common share of the Company and one common share purchase warrant, each warrant being exercisable at \$0.10 for 24 months.

On July 17, 2020, 200,000 warrants were exercised at \$0.10 per warrant for proceeds of \$20,000.

On July 28, 2020, the Company closed a private placement to issue 7,200,000 units at \$0.10 per unit for gross proceeds of \$720,000. Each unit consists of one common share of the Company and one common share purchase warrant, each warrant being exercisable at \$0.12 for 24 months.

On August 10, 2020, 200,000 warrants were exercised at \$0.10 per warrant for proceeds of \$20,000.

On August 12, 2020, the Company entered into a new management agreement with the CEO, whereby the Company will pay \$7,500 per month, retroactive to January 1, 2020 (Note 12).

On August 2020, the Company elected to further dilute their participation interest to 12.23% under the Option and Joint Venture agreement, giving Shanta Gold an 87.77% interest in the Kakamega Properties (Note 6).

On September 23, 2020, the Company granted 2,000,000 stock options to directors, key employees and consultants of the Company at an exercise price of \$0.12 per share, expiring on September 23, 2025.