

ADVANCE  **GOLD**
CORP.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

February 28, 2011

(Unaudited)

**MANAGEMENT'S COMMENTS ON
UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying unaudited interim consolidated financial statements of Advance Gold Corp. as at February 28, 2011 and May 31, 2010 and for the three and nine months ended February 28, 2011 and 2010 have been prepared by and are the responsibility of the Company's management. These statements have not been reviewed by the Company's external auditors.

ADVANCE GOLD CORP.
INTERIM CONSOLIDATED BALANCE SHEETS
(Unaudited)

	February 28, 2011	(Note 13) May 31, 2010
ASSETS		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 20,181	\$ 27,298
Investment	-	12,500
Accounts receivable	4,044	21,866
Prepaid expenses	200	2,769
	24,425	64,433
Equipment (Note 4)	131	138
Mineral Property Interests (Statement) (Note 5)	1,986,586	1,986,586
Deferred Exploration Expenditures (Statement)	761,275	743,975
	\$ 2,772,417	\$2,795,132
LIABILITIES		
Current Liabilities		
Accounts payable and accruals (Note 7)	\$ 63,688	\$ 68,831
Loan payable (Note 7)	-	10,000
	63,688	78,831
FUTURE INCOME TAXES	334,302	334,302
	397,990	413,133
SHAREHOLDERS' EQUITY		
Share capital (Note 6(c))	4,305,469	4,205,704
Contributed Surplus (Note 6(c))	662,293	647,086
Deficit	(2,593,335)	(2,475,791)
Accumulated Other Comprehensive Income	-	5,000
	2,374,427	2,381,999
	\$ 2,772,417	\$ 2,795,132

ADVANCE GOLD CORP.
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(Unaudited)

	For the Three months ended February 28, 2011	For the Three months ended February 28, 2010	For the Nine months ended February 28, 2011	For the Nine months ended February 28, 2010
Administrative Expenses				
Advertising and promotion	\$ -	\$ 700	\$ 640	\$ 1,885
Amortization of equipment	-	40	7	64
Consulting fees	-	6,500	4,800	22,120
Due, conferences and subscriptions	-	-	906	1,881
Interest, bank charges and foreign exchange	201	393	1,117	3,354
Management fees (Note 7)	15,000	15,000	45,000	45,000
Office, clerical and sundry	490	556	2,578	2,949
Professional fees	670	4,430	16,781	43,707
Rent and telephone (Note 7)	-	2,905	5,726	8,820
Stock based compensation	-	6,803	-	10,769
Wages and benefits	2,866	7,801	18,423	23,216
Transfer agent and filing fees	7,498	7,143	17,993	17,418
Net loss before other items	26,725	52,271	113,971	181,183
Other items				
Write down of mineral properties (Note 5)	-	-	1,597	-
(Gain) loss on sale of investments/property	-	(235)	(4,850)	-
Mineral property investigation	-	-	6,826	-
Net loss for the period	26,725	52,506	117,544	181,183
Deficit, beginning of period	2,566,610	1,978,709	2,475,791	1,850,032
Deficit, end of period	\$ 2,593,335	\$ 2,031,205	\$ 2,593,335	\$ 2,031,215
Basic and dilutes loss per share	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.01)
Weighted average number of common shares outstanding	24,116,402	21,402,652	23,757,428	20,937,611

ADVANCE GOLD CORP.
INTERIM CONSOLIDATED STATEMENT OF ACCUMULATED OTHER COMPREHENSIVE INCOME
(Unaudited)

	For the nine months ended February 28, 2011	For the nine months ended February 28, 2010
Accumulated Other Comprehensive Income, beginning of period	\$ 5,000	\$ -
Disposal of investment	(5,000)	-
Accumulated Other Comprehensive Income, end of period	-	-

ADVANCE GOLD CORP.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the three months ended February 28, 2011	For the three months ended February 28, 2010	For the nine months ended February 28, 2011	For the nine months ended February 28, 2010
Cash Provided By (Used For):				
Operating Activities				
Net loss	\$ (26,725)	\$ (52,506)	\$ (117,544)	\$ (181,183)
Items not requiring cash:				
Amortization	-	42	7	64
Gain on sale of investments	-	-	(4,850)	-
Stock-based compensation	-	6,803	-	10,769
Write down of mineral properties	-	-	1,597	-
Net change in non-cash working capital items:				
Accounts receivable	(705)	(2,569)	17,822	2,559
Prepaid expenses	1,399	(4,002)	2,569	(139)
Accounts payable	23,878	1,050	(5,143)	30,220
Cash used for operating activities	(2,153)	(51,182)	(105,542)	(137,710)
Investing Activities				
Acquisition advance for cash	-	13,373	-	10,673
Acquisition of mineral property interests	-	(9,057)	-	(9,057)
Deferred exploration expenditures (paid) recovery	-	(34,726)	(18,897)	(74,590)
Sale of property interest for cash	-	-	-	56,908
Sale of equipment	-	-	-	63,843
Cash provided by (used for) investing activities	-	(30,410)	(18,897)	47,777
Financing Activities				
Funds used in acquisition of investment				
Proceeds from sale of investments	-	-	12,350	-
Repayment of loan payable	-	-	(10,000)	-
Shares issued for cash	-	39,900	120,000	132,900
Share issue and other costs	-	(11,876)	(5,028)	(11,876)
Cash provided by financing activities	-	28,024	117,322	121,024
Increase (Decrease) in cash	(2,153)	(53,568)	(7,117)	31,091
Cash and cash equivalents, beginning of period	22,334	121,149	27,298	36,490
Cash and cash equivalents, end of period	\$ 20,181	\$ 67,581	\$ 20,181	\$ 67,581

Supplemental cash flow information

Non-cash transactions:				
Share issue costs	\$ -	\$ -	\$ 15,208	\$ -

ADVANCE GOLD CORP.
INTERIM CONSOLIDATED STATEMENTS OF MINERAL PROPERTY INTERESTS
(Unaudited)

	(Note 13) May 31, 2010	Additions	Write Down	February 28, 2011
Nyakagwe Property, Tanzania	\$ 1,380,149	\$ -	\$ -	\$ 1,380,149
Kakamega Property, Kenya	600,428	-	-	600,428
Ngira Migori Property, Kenya	6,004	-	-	6,004
Sotik Property, Kenya	5	-	-	5
	<u>\$ 1,986,586</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,986,586</u>

	May 31, 2009	Additions	Sale of Property Interests (Note 5)	Write Down (Note 5)	May 31, 2010
Nyakagwe 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)	-
	<u>\$ 1,975,819</u>	<u>\$ 111,605</u>	<u>\$ (45,016)</u>	<u>\$ (55,822)</u>	<u>\$ 1,986,586</u>

ADVANCE GOLD CORP.
INTERIM CONSOLIDATED STATEMENTS OF DEFERRED EXPLORATION EXPENDITURES
(Unaudited)

	For the nine months ended February 28, 2011	(Note 13) For the twelve months ended May 31, 2010
Kanweaken Property		
Opening balance	\$ -	\$ 283,034
Administration	91	4,213
Communication	-	518
Rent	-	609
Travel	-	16,699
Wages and consultants	1,506	40,062
Recovered costs	-	(45,546)
Write down (Note 5)	(1,597)	(299,589)
Ending balance	-	-
Nyakagwe Property		
Opening balance	672,250	543,965
Camp	7,692	3,896
Communication	-	993
Geochemical	-	10,708
Rent	-	439
Travel	-	2,930
Wages and consultants	9,494	109,319
Ending balance	689,436	672,250
Kakamega Property		
Opening balance	45,968	34,262
Administration	-	1,980
Camp	114	-
Communication	-	145
Travel	-	1,930
Wages and consultants	-	7,651
Ending balance	46,082	45,968
Ngira Migori Property		
Opening balance	18,483	19,627
Administration	-	661
Camp	-	1,098
Communication	-	45
Field supplies	-	2,865
Geochemical	-	1,181
Travel	-	1,667
Wages and consultants	-	10,966
Recovered costs	-	(19,627)
Ending balance	18,483	18,483

ADVANCE GOLD CORP.
INTERIM CONSOLIDATED STATEMENTS OF DEFERRED EXPLORATION EXPENDITURES
(Unaudited)
(continued)

Ugunja Property		
Opening balance	-	48
Administration	-	613
Camp	-	174
Communication	-	74
Travel	-	66
Wages and consultants	-	3,534
Write down	-	(4,509)
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Ending balance	-	-
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Sotik Property		
Opening balance	7,274	77
Administration	-	1,761
Wages and consultants	-	5,436
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Ending balance	7,274	7,274
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	\$ 761,275	\$ 743,975
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ADVANCE GOLD CORP.
INTERIM NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2011
(Unaudited)

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 basis of one new common 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. holds 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.

ADVANCE GOLD CORP.
INTERIM NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2011
(Unaudited)

1. Nature of Operations (continued)

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 differs 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 \$113,971 for the period ended February 28, 2011 and working capital of \$39,263 at February 28, 2011. 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.

ADVANCE GOLD CORP.
INTERIM NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2011
(Unaudited)

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 statements 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 February 28, 2011 cash and cash equivalents of \$13,051 (May 31, 2010 - \$8,165) 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.

ADVANCE GOLD CORP.
INTERIM NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2011
(Unaudited)

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 February 28, 2011 and May 31, 2010 the recorded amounts approximate fair value.
- Investment is classified as held-for-sale. It is measured at fair value, determined on the basis of quoted market prices at February 28, 2011 and 2010.
- Accounts receivable are classified as "loans and receivables". They are measured at amortized cost. At February 28, 2011 and May 31, 2010 the recorded amounts approximate fair value.
- Accounts payable and accrued liabilities and loan payable to director are classified as "other financial liabilities" and are measured at amortized cost. At February 28, 2011 and May 31, 2010 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.

The Company retains and/or has obligations related to certain carried interest rights to mineral properties and net smelter royalties, the values of which are derived from future events and commodity prices. These rights are derivative instruments. However, the mineral property interests to which they relate are not sufficiently developed to reasonably determine their fair values.

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.

ADVANCE GOLD CORP.
INTERIM NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2011
(Unaudited)

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 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 February 28, 2011 and May 31, 2010.

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.

ADVANCE GOLD CORP.
INTERIM NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2011
(Unaudited)

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.

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.

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.

ADVANCE GOLD CORP.
INTERIM NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2011
(Unaudited)

4. Equipment

February 28, 2011				
	Rate	Cost	Accumulated Amortization	Net Book Value
Furniture and equipment	20%	\$ 501	\$ 370	\$ 131

(Note 13) May 31, 2010				
	Rate	Cost	Accumulated Amortization	Net Book Value
Furniture and equipment	20%	\$ 501	\$ 363	\$ 138

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 kilometres 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.

(b) Kakamega Properties, Kenya:

In Kenya, Gold Rim has applied for a 16 square kilometre (“km²”) 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 50km².

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.

ADVANCE GOLD CORP.
INTERIM NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2011
(Unaudited)

5. Mineral Property Interests (continued)

(c) Ngira Migori Property, Kenya

The Company has entered into the Ngira Migori Joint Venture, which encompasses 320 km² area in the Migori area of Kenya.

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 km² of gold prospective ground.

(e) 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 kilometres in the Grand Kru, Maryland and River Gee Countries, 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.

(f) Ugunja Property, Kenya

The Company controlled the Ugunja Joint Venture which includes a 650kmEPL situated at the west end of the Kakamega greenstone belt; the same belt 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.

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6. Share Capital

Consolidation of share capital

Effective May 3, 2010 the Company consolidated its common shares on a basis of one new common share for every two existing common shares. The consolidation of the authorized shares and outstanding options and warrants and their respective exercise prices have been presented retroactively, as though the consolidation had occurred on June 1, 2009 in these consolidated financial statements and the accompanying notes.

Authorized

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

Issued and Outstanding

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

Common Shares	Quantity	Issued Amount
Balance, May 31, 2009	20,708,902	\$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
Private placement net of \$40,573 allocated to the issue of warrants	575,000	28,427
Share consolidation costs		(15,572)
Balance, May 31, 2010 (Note 13)	22,116,402	4,205,704
Private placement net of \$15,207 allocated to the issue of warrants and \$5,028 of issue cost	2,000,000	99,765
Balance, February 28, 2011	24,116,402	\$4,305,469

Contributed Surplus

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 (Note 13)	\$ 647,086
Allocated to warrants on the issue of shares for cash	15,207
Balance, February 28, 2011	\$ 662,293

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6. Share Capital (continued)

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 share purchase options activity and information concerning outstanding exercisable options at August 31, 2010 is:

	Number of Options	Weighted Average Exercisable Price
Options outstanding and exercisable		
May 31, 2009	1,972,500	\$0.26
Expired	(165,000)	\$0.10
May 31, 2010 (Note 13)	1,807,500	\$0.27
Expired	(50,000)	\$0.30
Options outstanding, February 28, 2011	1,757,500	\$0.26
Options exercisable, February 28, 2011	1,757,500	\$ 0.26

As at November 30, 2010, the following stock options are outstanding:

Options Outstanding And Exercisable	Options Exercisable	Exercise Price	Expiry Date	Weighted Average Remaining Life (Years)
1,495,000	1,495,000	0.30	June 9, 2013	2.77
12,500	12,500	0.30	October 1, 2013	3.08
250,000	250,000	0.10	January 12, 2014	3.36
1,757,500	1,757,500	0.26		3.04

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6. Share Capital (continued)

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:

Risk-free interest rate	1.49%
Expected life (years)	1.0
Expected volatility	103.53%
Expected dividend yield	Nil

Share Purchase Warrants

As at November 30, 2010, the following warrants to purchase shares are outstanding:

Exercise Price Per Share	Expiry Date	Balance, May 31, 2010	Granted	Expired	Balance, August 31, 2010
\$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
\$0.10	July 19, 2011	-	1,000,000	-	1,000,000
		2,649,934	1,000,000	(2,074,934)	1,575,000

On July 19, 2010, the Company closed 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. The president participated in the private placement purchasing 500,000 units.

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.

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7. Related Party Transactions

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

	For the nine months ended February 28, 2011	For the nine months ended February 28, 2010
Management fees paid to a company controlled by a director of the Company	\$45,000	\$ 45,000
Rent paid to a company with common management	\$ 4,602	\$ 4,666

Accounts payable at February 28, 2011 includes \$20,600 (May31, 2010 - \$24,385) payable to companies controlled by a director of the Company.

8. 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 of 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.

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).

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9. 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.