



ADVANCE GOLD CORP.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

February 28, 2019

(Unaudited)

(Expressed in Canadian dollars)

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

The accompanying unaudited interim consolidated financial statements of Advance Gold Corp. as at February 28, 2019 and the nine months ended February 28, 2019 and February 28, 2018 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 STATEMENTS OF FINANCIAL POSITION
AS AT FEBRUARY 28, 2019 AND MAY 31, 2018
(Unaudited)
(Expressed in Canadian Dollars)

	February 28, 2019	May 31, 2018 (Note 13) (Restated – Note 14)
ASSETS		
Current Assets		
Cash	\$ 286,712	\$ 51,844
Amounts receivable	40,062	442
Prepaid expenses	4,767	7,256
	<u>331,541</u>	<u>59,542</u>
Non-Current Assets		
Exploration and evaluation assets (Statement) (Note 5)	1,296,953	625,305
	<u>\$ 1,628,494</u>	<u>\$ 684,847</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities (Note 6)	\$ 386,152	\$ 291,537
Debentures (Note 8)	101,455	37,767
	<u>487,607</u>	<u>329,304</u>
EQUITY		
Share capital (Note 7)	5,845,149	5,226,244
Share subscriptions (Note 7)	369,950	-
Reserves (Note 7)	1,096,448	1,047,387
Deficit	(6,171,687)	(5,919,344)
Equity attributable to owners of parent	1,139,860	354,287
Equity attributable to non-controlling interests (Note 10)	1,027	1,256
Total equity	<u>1,140,887</u>	<u>355,543</u>
	<u>\$ 1,628,494</u>	<u>\$ 684,847</u>

Nature and Continuation of Operations (Note 1)
Commitments (Note 11)

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

ADVANCE GOLD CORP.
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE THREE AND NINE MONTHS ENDED FEBRUARY 28, 2019 AND FEBRUARY 28, 2018
(Unaudited)
(Expressed in Canadian Dollars)

	For the Three months ended February 28, 2019	For the Three months ended February 28, 2018	For the Nine months ended February 28, 2019	For the Nine months ended February 28, 2018
Operating expenses				
Advertising and promotion	\$ 186	\$ 180	\$ 24,333	\$ 2,616
Consulting fees	19,630	-	23,290	-
Interest, bank charges and foreign exchange	4,805	3,170	8,668	8,101
Management fees (Note 10)	15,000	15,000	45,000	45,000
Office and sundry	5,731	26	10,374	231
Professional fees	32,830	21,475	76,282	58,224
Rent and telephone (Note 10)	128	224	387	310
Stock based compensation	7,214	-	49,061	-
Transfer agent and filing fees	2,418	5,550	12,153	8,766
Loss for the period	(87,942)	(41,674)	(249,548)	(123,248)
Other income				
Gain on settlement of debt	-	-	-	88
Foreign exchange loss	29,464	-	(2,795)	-
Loss and Comprehensive loss for the period	\$ (58,478)	\$ (45,625)	\$ (252,343)	\$ (123,160)
Loss and Comprehensive loss for the period attributable to:				
Owners of the parent	(58,293)	-	(252,114)	-
Non-controlling interests	(185)	-	(229)	-
	\$ (58,478)	\$ (45,625)	\$ (252,343)	\$ (123,160)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding - basic and diluted	20,324,585	12,334,116	18,204,412	11,307,853

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

ADVANCE GOLD CORP.
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED FEBRUARY 28, 2019 AND FEBRUARY 28, 2018
(Unaudited)
(Expressed in Canadian Dollars)

	Number Of Common Shares	Share Capital	Stock Option Reserve	Warrant Reserve	Deficit	Total	Non- controlling interests	Total Equity
Balance at May 31, 2018, as previously stated	14,656,338	5,226,244	528,254	519,133	(5,939,337)	334,294	848	335,142
Correction of an error (Note 14)	-	-	-	-	19,993	19,993	408	20,401
Balance at May 31, 2018, as restated	14,656,338	5,226,244	528,254	519,133	(5,919,344)	354,287	1,256	355,543
Comprehensive loss	-	-	-	-	(252,343)	(252,343)	(229)	(252,572)
Warrants exercised (Note 7)	1,666,667	133,333	-	-	-	133,333	-	133,333
Shares issued for purchase of Venaditas Property (Note 7)	1,000,000	170,000	-	-	-	170,000	-	170,000
Shares issued for purchase of Tabasquena Equipment (Note 7)	150,000	75,000	-	-	-	75,000	-	75,000
Private placement (Note 7)	2,885,880	245,300	-	-	-	245,300	-	245,300
Cancellation of Escrow shares (Note 7)	(34,300)	-	-	-	-	-	-	-
Stock options granted (Note 7)	-	-	49,061	-	-	49,061	-	49,061
Share issuance costs (Note 7)	-	(4,728)	-	-	-	(4,728)	-	(4,728)
Balance at February 28, 2019	20,324,585	5,845,149	577,315	519,133	(6,171,687)	1,139,860	1,027	1,140,887
Balance at May 31, 2017	10,489,671	4,979,958	445,317	519,133	(5,690,261)	254,147	-	254,147
Shares issued for purchase of Tabasquena Property (Note 5)	1,000,000	80,000	-	-	-	80,000	-	80,000
Comprehensive loss	-	-	-	-	(123,160)	(123,160)	-	(123,160)
Private placement (Note 7)	3,166,667	190,000	-	-	-	190,000	-	190,000
Share issuance costs (Note 7)	-	(3,714)	-	-	-	(3,714)	-	(3,714)
Balance at February 28, 2018	14,656,338	5,246,244	445,317	519,133	(5,648,523)	397,273	-	397,273

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

ADVANCE GOLD CORP.
INTERIM CONSOLIDATED STATEMENTS OF EXPLORATION AND EVALUATION ASSETS
FOR THE NINE MONTHS ENDED FEBRUARY 28, 2019 AND FEBRUARY 28, 2018
(Unaudited)

(Expressed in Canadian Dollars)

	For the Three months ended February 28, 2019	For the Three months ended February 28, 2018	For the Nine months ended February 28, 2019	For the Nine months ended February 28, 2018
Cash Provided By (Used For):				
Operating Activities				
Net income (loss) for the period	\$ (58,478)	\$ (41,674)	\$ (252,343)	\$ (123,160)
Items not requiring cash:				
Accrued interest on debentures	1,236	887	2,513	2,623
Stock based compensation	7,214	-	49,061	-
Non-controlling interest net loss	(185)	-	(229)	-
Change in non-cash working capital				
Amounts receivable	(38,121)	(338)	(39,620)	122
Prepaid expenses	(1,563)	981	2,489	3,581
Accounts payable and accrued	83,837	9,448	94,615	124,802
Cash provided by (used in) operating	(6,060)	(30,696)	(143,514)	7,968
Investing Activities				
Deferred exploration expenditures paid	(100,342)	(1,974)	(426,648)	(58,169)
Cash used in investing activities	(100,342)	(1,974)	(426,648)	(58,169)
Financing Activities				
Issuance of common shares for cash	-	190,000	339,808	190,000
Issuance of convertible debenture	-	-	100,000	-
Proceeds from shares subscription	369,950	-	369,950	-
Payment of share issuance costs	(2,600)	(3,714)	(4,728)	(3,714)
Cash provided by financing activities	367,350	186,286	805,030	186,286
Increase in cash	260,948	153,616	234,868	136,085
Cash, beginning of period	25,764	3,079	51,844	20,610
Cash, end of period	\$ 286,712	\$ 156,695	\$ 286,712	\$ 156,695

Supplemental information:

Non-cash Financing Activities:

Conversion of debenture into common Shares (Note 8)	-	-	38,825	-
Issuance of common shares for purchase of Tabasquena assets (Note 5)	-	-	75,000	-
Issuance of common shares for purchase of Venaditas property (Note 5)	-	-	170,000	-

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

ADVANCE GOLD CORP.
INTERIM CONSOLIDATED STATEMENTS OF EXPLORATION AND EVALUATION ASSETS
FOR THE NINE MONTHS ENDED FEBRUARY 28, 2019 AND FEBRUARY 28, 2018
(Unaudited)
(Expressed in Canadian Dollars)

	May 31, 2018 (Note 13) (Restated- Note 14)	Acquisition Costs	Exploration and evaluation expenditures	February 28, 2019
Kakamega property, Kenya	\$ 413,270	\$ -	\$ 2,408	\$ 415,678
Tabasquena property, Mexico	212,035	75,000	369,232	656,267
Venaditas property, Mexico	-	170,000	55,008	225,008
Balance, end of period	\$ 625,305	\$ 188,750	\$ 454,172	\$ 1,296,953

	May 31, 2017	Acquisition Costs	Exploration and evaluation expenditures	February 28, 2018
Kakamega property, Kenya	\$ 412,949	\$ -	\$ 276	\$ 413,225
Tabasquena property, Mexico	-	124,711	13,182	137,893
Balance, end of period	\$ 412,949	\$ 124,711	\$ 13,458	\$ 551,118

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

ADVANCE GOLD CORP.
INTERIM CONSOLIDATED STATEMENTS OF EXPLORATION AND EVALUATION ASSETS
- EXPLORATION EXPENDITURES -
FOR THE NINE MONTHS ENDED FEBRUARY 28, 2019 AND FEBRUARY 28, 2018
(Unaudited)
(Expressed in Canadian Dollars)

	February 28, 2019	February 28, 2018
Kakamega Property		
Opening balance	\$ 9,335	\$ 9,015
Administration	2,408	276
Ending balance	\$ 11,743	\$ 9,291
Tabasquena Property		
Opening balance	\$ 74,483	-
Camp	17,590	5,045
Geological and other consulting	112,714	-
Drilling	208,879	-
Supplies and maintenance	13,634	-
Geochemical	8,192	-
Administration	10,310	5,058
Community Development	-	3,079
Ending balance	\$ 443,715	\$ 13,182
Venaditas Property		
Opening balance	-	-
Geological	54,226	-
Administration	782	-
Ending balance	55,008	-

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

ADVANCE GOLD CORP.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
February 28, 2019
(Unaudited)
(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 and the head office is located at Box 25056 RPO Brocklehurst, Kamloops, British Columbia V2B 8R6.

These interim consolidated financial statements have been prepared on the going concerns 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 February 28, 2019 the Company had a deficit of \$6,171,687 (May 31, 2018 - \$5,919,344) and has a working capital deficiency of \$156,066 as at February 28, 2019 (May 31, 2018 – deficiency of \$269,762).

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 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 interim consolidated financial statements for period ended February 28, 2019 were authorized for issue by the Board of Directors of the Company on April 26, 2019.

Statement of compliance

These interim 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”) and are in compliance with IAS 34 *Interim Financial Reporting* as required under Part 3 of National Instrument 52-107.

Basis of consolidation

These interim 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 interest of the Company’s subsidiaries is presented below:

	Country of incorporation	Ownership February 28, 2019	Ownership May 31, 2018
Gold Rim Exploration Inc.	Kenya	100%	100%
Advance Gold S.A. de C.V. (“Advance Mexico”)	Mexico	98%	98%

On June 12, 2017, the Company acquired Advance Mexico, a private company, for 50,000 Mexican Pesos (\$3,692). Advance Mexico did not have any assets on acquisition.

Financial instruments

The Company recognizes financial assets and financial liabilities when the Company becomes a party to a contract. Financial assets and financial liabilities, with the exception of financial assets classified as at fair value through profit or loss, are measured at fair value plus transaction costs on initial recognition. Financial assets at fair value through profit or loss are measured at fair value on initial recognition and transaction costs are expensed when incurred.

ADVANCE GOLD CORP.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
February 28, 2019
(Unaudited)
(Expressed in Canadian Dollars)

Measurement in subsequent periods depends on the classification of the financial instrument:

At fair value through profit or loss ("FVTPL") - This category comprises derivatives, or financial assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are measured at fair value with changes in fair value recognized in the Company's consolidated statements of comprehensive loss for the year. Cash is classified as FVTPL.

Held to maturity investments – Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. The Company has no financial assets classified as held-to-maturity investments.

Available for sale investments – Available for sale financial assets are non-derivative financial assets that are designated as available for sale or are not suitable to be classified as FVTPL, loans and receivables, or held-to-maturity investments and are subsequently measured at fair value. Unrealized gains and losses are recognized in other comprehensive loss, except for impairment losses and foreign exchange gains and losses on monetary financial assets, which are recognized in comprehensive loss. The Company has no financial assets classified as available for sale.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are measured at amortized cost less impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Amounts receivables are classified as loans and receivable.

Other financial liabilities - This category includes financial liabilities that are not classified as FVTPL. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method. Accounts payable and accrued liabilities, and the debentures are classified as other financial liabilities.

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 the Company's Kenyan subsidiary. Mexican Peso is the functional currency for the 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.

Gains and losses arising on foreign currency translations are included in the Company's consolidated statements 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.

ADVANCE GOLD CORP.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
February 28, 2019
(Unaudited)
(Expressed in Canadian Dollars)

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 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.

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 February 28, 2019, and May 31, 2018, 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 period. 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 share purchase warrants were anti-dilutive as of February 28, 2019 and May 31, 2018.

ADVANCE GOLD CORP.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
February 28, 2019
(Unaudited)
(Expressed in Canadian Dollars)

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period 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.

Critical accounting estimates and judgments

The preparation of the consolidated 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 the consolidated 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 interim consolidated 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.

ADVANCE GOLD CORP.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
February 28, 2019
(Unaudited)
(Expressed in Canadian Dollars)

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 February 28, 2019 and May 31, 2018 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 consolidated financial statements.

Accounting standards issued but not yet effective

The following new accounting standard has been issued by the IASB for periods beginning on or after January 1, 2019. The new standard is not yet effective, and the Company has not completed its assessment of the standard's impact on its interim consolidated financial statements.

- (i) IFRS 16 Leases.

Other 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.

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 period. 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.

ADVANCE GOLD CORP.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
February 28, 2019
(Unaudited)
(Expressed in Canadian Dollars)

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 February 28, 2019 and May 31, 2018, 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 February 28, 2019 and May 31, 2018:

	February 28, 2018		
	Level 1	Level 2	Level 3
Cash	\$ 286,712	\$ -	\$ -

	May 31, 2018 (Note 13)		
	Level 1	Level 2	Level 3
Cash	\$ 51,844	\$ -	\$ -

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 reducing the credit risk. Amounts receivable consist of receivable for shares subscription and refundable tax credits. Therefore, the credit risk is considered to be 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 currency as at February 28, 2019 and May 31, 2018 is as follows:

	February 28, 2019	May 31, 2018 (Note 13)
Cash	\$ 2,339	\$ 27,560
Accounts payable and accrued liabilities	(136,104)	(83,016)
	\$ (133,765)	\$ (55,456)

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.

ADVANCE GOLD CORP.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
February 28, 2019
(Unaudited)
(Expressed in Canadian Dollars)

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 February 28, 2019 is insufficient to fund the Company's operational needs for the next 12 months. Liquidity risk is assessed as high.

5. EXPLORATION AND EVALUATION ASSETS

Kakamega Properties, 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. ("Aviva").

On July 23, 2012, it was announced that African Barrick Gold plc ("ABG"), a subsidiary of Barrick Gold Corporation, purchased all of Aviva's Kenyan gold and base metals assets, which includes the option and joint venture agreement with the Company. The purchase required the approval of Aviva's shareholders and the Kenyan Competition authority, which was obtained.

On November 27, 2014, ABG announced that it had changed its name to Acacia Mining plc. ("Acacia").

Under the terms of the agreement, Acacia has the right to earn at least a 75% interest in the Kakamega Property. The agreement is subject to due diligence and the Company obtaining approval of the agreement from the Commissioner of Mines and Geology of Kenya. The agreement became effective on July 21, 2011, when these two conditions had been fulfilled (the "Effective Date").

To earn a 51% interest in the property, Acacia must:

- 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 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).

Once Acacia had exercised their option to earn a 51% interest in the Kakamega Property, a joint venture may be formed at the discretion of the parties who will hold the licenses. Should this election be adopted, all revenues, costs, assets and liabilities arising from the joint venture will be shared by the Company and Acacia in accordance with their percentage interests in the property.

Should the 51% election be earned, to earn an additional 24% interest in the Kakamega Property, Acacia must:

- Incur an additional US\$1,000,000 in exploration expenditures on the property within 24 months of earning a 51% interest (completed).

ADVANCE GOLD CORP.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
February 28, 2019
(Unaudited)
(Expressed in Canadian Dollars)

Once Acacia has 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 their participation interest to 14.53% under the Option and Joint Venture agreement, giving Acacia Mining an 85.47% 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 for a minimum period of 16 months at \$2,000 per month each starting in October 2017.

On September 27, 2018, the Company acquired TSX approval to purchase certain mining equipment assets on the Tabasquena project in exchange for 600,000 common shares, to be issued in tranches of 150,000 shares quarterly. 150,000 shares were issued during the period ended February 28, 2019. The next tranche is due to be released in March 2019.

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. TSX approval for the transaction was obtained in October 2018.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	February 28, 2019	May 31, 2018 (Note 13)
Trade payables	\$ 796	\$ 81,601
Accrued liabilities	36,103	35,739
Due to related parties (Note 9)	349,253	174,197
	\$ 386,152	\$ 291,537

7. SHARE CAPITAL

(a) Authorized Share Capital

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

ADVANCE GOLD CORP.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
February 28, 2019
(Unaudited)
(Expressed in Canadian Dollars)

(b) Issued Share Capital

Share Issuances:

On February 28, 2017, the Company closed a non-brokered private placement of 1,813,332 shares at \$0.075 per unit for gross proceeds of \$136,000. A director and an officer of the Company both participated in the private placement, having purchased an aggregate of 960,000 common shares. The Company incurred share issue costs of \$3,697 in connection with this financing.

On October 2, 2017, the Company issued 1,000,000 common shares with a fair value of \$60,000 for acquisition of the Tabasquena property (Note 5).

On February 5, 2018, the Company closed a non-brokered private placement of 3,166,667 shares at \$0.06 per unit for gross proceeds of \$190,000. 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 \$0.08 per share until February 7, 2020, subject to accelerated expiry in certain circumstances. An officer of the Company participated in the private placement, having purchased 850,000 common shares. The Company incurred share issue costs of \$3,714 in connection with this financing. No value was allocated to the attachable warrants.

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 July 30, 2018, the Company announced that it has entered into a one-year advertising contract, subject to TSX approval, with Agoracom to provide advertising and media exposure. Agoracom will be paid \$15,000 plus HST every three months payable in shares, the deemed price of which is to be determined at the end of each three-month period. As of the date of this filing, TSX approval has not been obtained.

On September 27, 2018 ("approval date"), TSX 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 \$300,000. As per the agreement, 150,000 common shares were issued on the approval date at the price of \$0.50 per share, with a further issuance of 150,000 common shares to be issued every six months from the approval date till 18 months from the approval date.

On October 2, 2018, the Company issued 1,000,000 common shares with a fair value of \$170,000 for acquisition of the Venaditas property (Note 5).

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. The Company incurred share issue costs of \$2,128 in connection with this financing. No value was allocated to the attachable warrants.

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

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 a finder's fees of \$17,450 in connection with this financing. No value was allocated to the attachable warrants. The shares were issued on March 1, 2019.

ADVANCE GOLD CORP.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
February 28, 2019
(Unaudited)
(Expressed in Canadian Dollars)

(c) Stock Options

At the Annual General Meeting, held on December 11, 2017, 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. The Plan was approved, ratified and confirmed at the annual general meeting held on January 4, 2019.

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 nine months ended February 28, 2019 and year ended May 31, 2018 is as follows:

	February 28, 2019		May 31, 2018 (Note 13)	
	Number Outstanding	Weighted Average Exercise Price	Number Outstanding	Weighted Average Exercise Price
Outstanding, beginning	940,000	\$ 0.14	575,000	\$ 0.43
Cancelled/Expired	(240,000)	-	(435,000)	-
Granted	-	-	800,000	0.12
Outstanding, ending	700,000	\$ 0.12	940,000	\$ 0.14

As at February 28, 2019, the Company had stock options outstanding to acquire common shares of the Company as follows:

Expiry Date	Options Outstanding	Options Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (In Years)
April 17, 2023	700,000	700,000	0.12	4.13

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. During the nine months ended February 28, 2019, share-based compensation expenses of \$49,061 were recognized (May 31, 2018 – \$82,937), 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. Of the 800,000 options, 250,000 were granted to an investor relation consultant, therefore, the options vest over a period of 12 months. The remaining options vested immediately. 100,000 of the options expired during the period, unexercised, on the event of an officer of the Company and holder of the options, no longer being employed with the Company. During the nine months ended February 28, 2019, 140,000 stock options with an exercise price of \$0.25 per unit expired, unexercised.

ADVANCE GOLD CORP.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
February 28, 2019
(Unaudited)
(Expressed in Canadian Dollars)

(d) Share purchase warrants

As at February 28, 2019 the Company had outstanding share purchase warrants exercisable to acquire common shares of the Company as follows:

	February 28, 2019		May 31, 2018 (Note 13)	
	Number Outstanding	Weighted Average Exercise Price	Number Outstanding	Weighted Average Exercise Price
Outstanding, beginning	3,166,667	\$ 0.08	-	-
Cancelled/Expired	-	\$ -	-	-
Granted	3,996,991	\$ 0.10	3,166,667	0.08
Exercised	(1,666,667)	\$ 0.08	-	-
Outstanding, ending	5,496,991	\$ 0.09	3,166,667	0.08

The weighted average life of the outstanding share purchase warrants is 1.45 years.

On February 28, 2019, the Company closed a non-brokered private placement of 5,691,539 units with each unit comprising 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 March 1, 2021, subject to accelerated expiry in certain circumstances. No value was allocated to the attachable warrants. The warrants were granted on March 1, 2019 on issuance of common shares.

(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.

8. DEBENTURES

	February 28, 2019	May 31, 2018 (Note 13)
Opening balance	\$ 37,767	\$ 34,216
Convertible debentures issued (Note 7)	100,000	-
Accrued interest	2,513	3,552
Redemption of debenture	(38,825)	-
	\$ 101,455	\$ 37,767

On October 4, 2018, the existing debenture was redeemed for 456,768 common shares of the Company at \$0.085 per unit as part of the private placement as noted in note 7.

ADVANCE GOLD CORP.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
February 28, 2019
(Unaudited)
(Expressed in Canadian Dollars)

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. The convertible debentures have a term of one year and are convertible into units (the "Units") at a price of \$0.09 per unit. 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.

9. RELATED PARTY TRANSACTIONS

(a) Related party balances

Trade payables and accrued liabilities includes \$105,274 (May 31, 2018 - \$105,364) payable to a director of the Company and a company controlled by the director of the Company (Note 6). These amounts are unsecured, non-interest bearing and have no fixed terms of repayment. Also included is \$243,979 (May 31, 2018 - \$68,833) payable to officers of the Company (Note 6). The amount owing on the convertible debenture of \$101,455 (May 31, 2018 - \$nil) is payable to a Director of the Company (Note 8).

(b) Related party transactions

During the nine months ended February 28, 2019, \$45,000 (May 31, 2018 - \$60,000) of management fees was paid to a Director of the Company to fulfil the position of chief executive officer, and \$5,840 (2018 - \$3,190) was paid to the chief finance officer of the Company as consulting fees.

10. 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 February 28, 2019, the non-controlling interest liability included in equity is \$1,027 (May 31, 2018 - \$1,256).

11. COMMITMENTS

The Company has a management services agreement with a director and an officer of the Company requiring payments of \$5,000 per month.

The Company has an agreement with directors of Hot Spring Mining requiring payments of \$4,000 per month in consulting fees expiring April 30, 2019.

12. 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:

	February 28, 2019	May 31, 2018 (Note 13) (Restated – Note 14)
Canada	\$ 329,201	\$ 32,296
Kenya	415,948	413,270
Mexico	883,345	239,281
	\$ 1,628,494	\$ 684,847

ADVANCE GOLD CORP.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
February 28, 2019
(Unaudited)
(Expressed in Canadian Dollars)

13. COMPARATIVE FIGURES

The comparative figures disclosed as at May 31, 2018 in these interim financial statements were subject to an audit engagement. Certain of the comparative figures in the statement of operations have been reclassified to conform with the financial presentation adopted for in the current period. These changes have no effect on the loss for the prior period disclosed.

14. CORRECTION OF AN ERROR

During the nine months ended February 28, 2019, the Company determined that the consulting fees paid by Advance Mexico should be capitalized, previously expensed in the prior year, resulting in an understatement of exploration and evaluation assets and an overstatement in consulting fees expense. For the year ended May 31, 2018, the impact of this correction has resulted in increase in exploration and evaluation assets of \$20,401 and a decrease in consulting fees expense of \$20,401.