ADVANCE GOLD CORP.

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

Management's Discussion and Analysis
For the Year Ended May 31, 2011

The following discussion and analysis, prepared as of September 28, 2011, should be read together with the audited consolidated financial statements of Advance Gold for the year ended May 31, 2011 as well as the audited consolidated financial statements for the year ended May 31, 2010 and the year ended May 31, 2009 and related notes attached thereto, which are prepared in accordance with Canadian generally accepted accounting principles. All amounts are stated in Canadian dollars unless otherwise indicated.

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

Description of Business

Advance Gold is an exploration stage company engaged in the evaluation and exploration of mineral property interests. Advance Gold trades on the TSX Venture Exchange under the symbol "AAX". It currently has interests in Kenya, East Africa.

Management & Directors

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

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

Christopher J. Wild, P.Eng, Director – Mr. Wild is currently a director and Vice President Exploration of Cassidy Gold Corp. and a director, Vice President Exploration and Chief Operating Officer of Anglo Aluminum Ltd. and VP Exploration for Rockgage Capital Corporation and Northrock Resources Inc. Mr. Wild served as chief mine geologist at the Mount Polley Mine, east of Williams Lake, BC, and the Goldstream Mine, north of Revelstoke, BC, prior to opening his own geological consulting business.

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

On July 8, 2011 Steve Bajic and Doug Billingsley resigned as directors of Advance Gold, and Martin Bajic resigned as Chief Financial Officer and Corporate Secretary.

Performance Summary

Ngira Migori Gold Project, Kenya East Africa

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

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

Kakamega Properties

Rosterman, Bukura and Sigalagala Gold Properties, Kenya East Africa

On April 27, 2011 Advance Gold entered into an Option and Joint Venture Agreement with Aviva Corporation Ltd. ("Aviva"). Under the terms of the agreement, Aviva has the right to earn at least a 75-per-cent equity in three prospective special licences in western Kenya, namely SL265 Bukura, SL266 Sigalagala and SL267 Rosterman.

The three licences are excisions within Aviva's existing West Kenyan special prospecting licence SPL213 Siaya. They cover a total of 64 square kilometres and include Kenya's largest historical gold mine, Rosterman, which is reported to have produced 250,000 oz. gold @ over 13 grams per tonne between 1932 and 1952.

Key terms of the agreement:

Option period
Aviva will spend a minimum of $100,000 (U.S.) in ground on the three licences within 12 months.
At the end of the initial 12-month period, Aviva will make a $100,000 (U.S.) cash payment to the company to secure an option to earn up to 75 per cent of the special licences.

Earn-in
First earn-in period
Aviva can move to 51-per-cent ownership by spending a further $500,000 (U.S.) on the three licences over a period of 12 months.
Second earn-in period
Aviva can move to 75 per cent by solely financing an additional $1-million (U.S.) over a period of 24 months.

Election period
Once Aviva has reached 75 per cent, the company may elect to contribute or dilute to 10 per cent after which Aviva may convert the company's interest in the property to a 3-per-cent net smelter royalty.

Under the terms of an existing agreement between Aviva and Lonmin, these properties fall within the designated two-kilometre area of interest and will be offered to the West Kenya joint venture after the commencement of the earn-in period.

Background to the three special licences
In addition to the potential in and around the old mines, prospects and artisanal workings themselves, all three special licences lie along regional structures that are interpreted to represent reactivated, inverted syn-sedimentary extensional fault on or close to the Kavirondian-Nyanzian unconformity. These structures are target areas considered to have potential to host gold deposits.

Recent diamond drilling by Aviva along the structural trend, at Kimingini and Bushiangala, has returned encouraging results which included visible gold in two of the holes drilled to date. Additional walk-up drill targets along the trend have now been identified at Isulu, Shigokho, Bukura and Sigalagala. The majority of gold-in-soil anomalies has never been drilled.

The three special licences comprise a total of about 64 square kilometres and were granted to the company's wholly owned subsidiary, Gold Rim Exploration Kenya Ltd., in October, 2008, and renewed for a further two years in 2010.

SL267 Rosterman

The most northerly of the three licences hosts the historic Rosterman mine, which is reported to have produced in excess of 250,000 ounces Au at in excess of 13 grams per tonne. Rosterman was subject to significant exploration activity during the mining period up until 1952, but since then, very little exploration appears to have been done. The potential for residual ore, more lodes and the value of selvedges to mined lodes justifies immediate further exploration activity.

Recent structural mapping has highlighted a major long-lived structure on the northern flank of the Kakamega dome combined with a number of occurrences of gold-in-stream anomalies that appear never to have been followed up.

SL Bukura 265 and SL266 Sigalagala

The southern licences, Bukura and Sigalagala, in addition to hosting numerous significant historical colonial mines and areas of active artisanal mining, lie along the western portion of the Liranda lineament known as the Bushiangala-Shitole segment. Kimingini, Busiangala, Isulu and Shitgoko all lie in close proximity to the mapped and interpreted structure. Sigalagala appears to lie on a different structure to the north of the main Liranda lineament.

Once again very little work has been completed since the 1950s. The Bukura gold and Sigalagala colonial workings represent walk-up drill targets. Stream-sediment anomalies on the Bukura licence require follow-up as do soil anomalies on the Sigalagala licence.

Proposed work program

Data collection, collation and interpretation will be undertaken by Aviva upon completion of due diligence. This will be followed by ground truthing and geological mapping.

Soil/auger geochemical sampling will be undertaken to further define existing geochemical anomalies and to test strike potential, geological, structural and conceptual targets.

Walk-up drill targets within the newly acquired special licences exist at the Rosterman, Bukura and Sigalagala. These will be drill tested when the diamond drill rig becomes available. Aviva expects that drilling on these newly acquired licences will take place in the fourth quarter of 2011.

Nyakagwe Project, Tanzania East Africa

The Nyakagwe Gold Project is located 6km north west of Barrick’s Bulyankhulu Gold Mine and contiguous with Lakota Resources’ Tembo Project. This property was written off at year end.

Qualified Person

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

Results of Operations

Advance Gold’s focus continues to be the exploration of properties and consequently, no operating income is shown or expected.

Summary of Quarterly Results

	Three Months Ended May 31/11	Three Months Ended Feb 28/11	Three Months Ended Nov 30/10	Three Months Ended Aug 31/10	Three Months Ended May 31/10	Three Months Ended Feb 28/10	Three Months Ended Nov 30/09	Three Months Ended Aug 31/09
Total assets	$681,841	$2,772,417	$2,775,264	$2,821,112	$2,795,132	$3,063,086	$3,073,386	$3,026,801
Exploration properties and deferred costs	$654,723	$2,747,861	$2,747,861	$2,754,122	$2,730,561	$2,891,527	$2,849,239	$2,050,911
Working capital (deficiency)	$(73,847)	$(39,263)	$(12,538)	26,623)	$(14,398)	$(8,897)	31,650	$(914)
Deficit	$4,521,001	$2,593,335	$2,556,610	$2,521,188	$2,475,791	$2,031,215	$1,978,709	$1,914,260
Revenues	$-	$-	$-	$-	$-	$-	$-	$-
Net loss	$1,927,666	$26,725	$45,422	$45,397	$444,576	$52,506	$64,449	$64,228
Earnings (loss) per share	$(0.08)	$(0.01)	$(0.01)	$(0.01)	$(0.02)	$(0.01)	$(0.01)	$(0.01)

The significant changes in key financial data from June 1, 2009 to May 31, 2011 can be attributed to write down of mineral properties and to a decreased in exploration activity due to changes in the capital market making it more difficult to raise exploration funding through private placements. The ability to raise capital for exploration is expected to improve in the future as capital markets stabilize. The Company closed a private placement on December 14, 2009 for gross proceeds of $99,900 and on March 5, 2010 for gross proceeds of $69,000 and on July 19, 2010 for gross proceeds of $120,000.

Liquidity

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

	May 31, 2011	May 31, 2010
Working capital (deficiency)	$(73,847)	$ (14,398)
Deficit	$4,521,001	$2,475,791

Financing

On August 9, 2011 announced that it is conducting a non-brokered private placement of up to 8,000,000 units ("Units") of the Company at a price per Unit of $0.05 for aggregate proceeds of up to $400,000. Each Unit consists of one common share in the capital of the Company and one non-transferable share purchase warrant, each warrant entitling the holder to purchase one additional common share at a price of $0.10 for two years from the closing of the offering, subject to accelerated expiry in certain circumstances. The first tranche of the private placement raising $212,500 closed on September 19, 2011. The second tranche is anticipated to close shortly subject to TSX Venture Exchange approval. The proceeds of the private placement will be used by the Company for general corporate purposes.

Capital Resources

Advance Gold now has sufficient funds to meet its anticipated general and administrative expenses for the balance of this fiscal year. Advance Gold may from time to time choose to raise money in the capital markets if favourable conditions are present. Additional financing will be required for further exploration programs on Advance Gold's properties during the next fiscal year.

Fourth Quarter Results

Advance Gold had a net loss of $1,927,666 (2010 - $444,576) and general and administrative expenses of $6,043 (2010- $118,355) during the quarter ended May 31, 2011. Such expenses included:

	Q4 2011	Q4 2010
Advertising	$ 421	$ 381
Corporate Development	-	21,418
Amortization Expense	20	9
Conferences	-	309
Bank Charges and Foreign Ex	(25,626)	346
Professional fees	16,776	13
Management Fees	15,000	15,000
Office Expenses	(491)	2,211
Consulting Fees	480	(10,620)
Transfer Agent & Filing Fees	(212)	356
Office Rent & Telephone	444	3,012
Stock Based Compensation	-	78,065
Wages	(2,866)	7,855
Writedown of mineral properties	2,089,147	359,919
Future income tax recovery	(165,427)	(33,698)
	$ 1,927,666	$ 444,576

Administrative expenses have decreased from the prior year due to a decrease in stock based compensation. All other administration expenses have remained relatively the same. Advance Gold Corp. had a working capital deficiency of $73,847 for the quarter ended May 31, 2011.

Related Party Transactions

Related parties are directors and officers, and companies controlled by directors and officers of Advance Gold. The following summarizes Advance Gold's related party transactions for the periods ended May 31, 2011 and May 31, 2010:

	Three months Ended May 31, 2011	Three months Ended May 31, 2010
Consulting services	$480	$ -
Management Fees	$15,000	$15,000
Reimbursement of expenses	$-	$ 498
Rent	$-	$ 2,301

These transactions are in the normal course of operations and are meansured at the exchange amount, which is the amount of consideration established and agreed to by the realted parties. Management fees and consulting and exploration fees were paid to a company controlled by a director of Advance Gold. Rent was paid to a company with common management.

Critical Accounting Estimates

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

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

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

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

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

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

(c) **Asset retirement obligations**

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

Changes in Accounting Policies

New accounting pronouncements issued by the Canadian Institute of Chartered Accountants ("CICA") and which Advance Gold intends to adopt in the preparation of its future financial statements are:

(a) **Adoption Of New Accounting Policies**

CICA Handbook Section 1582, "Business Combinations" replaces Section 1581, **Business Combinations.**

CICA Handbook Section 1601, "Consolidated Financial Statements" and CICA Handbook Section 1602 "Non-Controlling Interests" replaces Section 1600, Consolidated Financial Statements. The adoption of CICA Handbook Section 1582, and collectively, Sections 1601 and 1602 provides the Canadian equivalent to International Financial Reporting Standard IFRS 3 "Business Combinations" and International Accounting Standards IAS 27 "Consolidated and Separate Financial Statements", respectively.

CICA Handbook Section 1582 applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. CICA Handbook Sections 1601 and 1602 apply to interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011.

The impact of the adoption of these sections is currently being assessed.

(b) **Transition to International Financial Reporting Standards ("IFRS")**

The Canadian Accounting Standards Board has confirmed that IFRS will replace current Canadian GAAP for publicly accountable enterprises, including Advance Gold, effective for fiscal years beginning on or after January 1, 2011.

Accordingly, the Company will apply accounting policies consistent with IFRS beginning with its interim financial statements for the quarter ended August 31, 2011. The Company's fiscal 2012 interim and annual financial statements will include comparative fiscal 2011 financial statements, adjusted to comply with IFRS.

IFRS Transition Plan

During Q4 fiscal 2011, the Company has been working to complete its detailed analysis of the relevant IFRS requirements and identified the areas where accounting policy changes are required, and those for which accounting policy alternatives are available. The team has also been working to complete its assessment of the first-time adoption requirements and alternatives.

Discussions of the results of this analysis with management and the Company's advisors will continue during Q1 fiscal 2012, after which the Company will finalize its determination of changes to accounting policies under IFRS and the resulting impact on the opening IFRS balance sheet (as at June 1, 2010).

The following summarizes the Company's progress and expectations with respect to its IFRS transition plan:

Initial scoping and analysis of key areas for which accounting policies may be impacted by the transition to IFRS.	Complete.
Detailed evaluation of potential changes required to accounting policies, information systems and business processes, including the application of IFRS 1 First-time Adoption of International Financial Reporting Standards.	In progress, to be completed during Q1 fiscal 2012
Final determination of changes to accounting policies and choices to be made with respect to first-time adoption alternatives.	In progress, to be completed during Q1 fiscal 2012
Resolution of the accounting policy change implications on information technology, business processes and contractual arrangements.	In progress, to be completed during Q1 fiscal 2012

Quantification of the financial statement impact of changes in accounting policies.	The Company has not yet determined the quantification of the impact of changes in accounting policies on its opening IFRS balance sheet. To be completed during Q1 fiscal 2012.
Management and employee education and training.	Throughout the transition process

Impact of Adopting IFRS on the Company's Business
As part of its analysis of potential changes to significant accounting policies, the Company has been assessing what changes may be required to its accounting systems and business processes. The Company believes that the changes identified to date are minimal and the systems and processes can accommodate the necessary changes.

The Company has not identified any contractual arrangements that may be affected by potential changes to significant accounting policies.

The Company's staff and advisers involved in the preparation of the consolidated financial statements are being trained on the relevant aspects of IFRS and the anticipated changes to accounting policies.

The Board of Directors and the Audit Committee have been regularly updated on the progress of the IFRS conversion plan, and made aware of the evaluation to date of the key aspects of IFRS affecting the Company.

First-time Adoption of IFRS
The adoption of IFRS requires the application of IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1"), which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS as effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.

To date, the Company has identified the following IFRS optional exemptions it may apply in the preparation of an opening IFRS statement of financial position as at June 1, 2010, the Company's "Transition Date":

- To apply IFRS 2 Share-based Payments only to equity instruments that were issued after November 7, 2002 and had not vested by the Transition Date.
- To apply IFRS 3 Business Combinations prospectively from the Transition Date, therefore not restating business combinations that took place prior to the Transition Date.
- To apply IAS 23 Borrowing Costs prospectively from the Transition Date. IAS 23 requires the capitalization of borrowing costs directly attributable to the acquisition, production or construction of certain assets.
- To not reassess whether arrangements contain a lease under IFRS where the same determination that would be made under IFRIC 4 Determining whether an Arrangement Contains a Lease (IFRIC 4) was made previously in accordance with Canadian GAAP.
- To apply the transitional provisions of IFRIC 4 to leases which the same determination as IFRIC 4 was not made previously in accordance with Canadian GAAP. Therefore, the determination of whether these arrangements contain a lease is based on the circumstances existing at the Transition Date.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position as at the Transition Date will be consistent with those made under current Canadian GAAP.

Impact of Adopting IFRS on the Company's Financial Statements
The adoption of IFRS is expected to result in changes to significant accounting policies and may have an impact on the recognition and measurement of transactions and balances within the Company's financial statements.

The Company has not yet determined the full effects of adopting IFRS on its financial statements. Included below are highlights of the areas that are expected to result in a change to significant accounting policies. The list is not intended to be complete list of areas where the adoption of IFRS will require a change in accounting policies, but to highlight the areas identified to have the most potential for significant changes.

Mineral Properties
IFRS currently allows an entity to retain its existing accounting policies related to the exploration for and evaluation of mineral properties, subject to some restrictions.

The Company expects to retain its current policy of capitalizing costs related to exploration. However the Company expects to change its accounting policies such that capitalized exploration costs are reclassified to deferred development costs when technical feasibility and commercial viability are demonstrable.

The Company does not expect this change in accounting policy to have a significant effect on its financial statements at the Transition Date.

Impairment of (non-financial) assets
IFRS requires a write down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Current Canadian GAAP requires a write down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value. In addition, the grouping of assets for the purposes of impairment may be different under IFRS than currently used under Canadian GAAP. Depending on the circumstances, this may lead to the recognition of impairment losses under IFRS that would not otherwise have been recognized under current Canadian GAAP.

The Company will change its accounting policies accordingly, but does not expect the changes will have a significant impact its financial statements at the Transition Date.

Provisions, including asset retirement obligations
IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while current Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions. In addition, IFRS differs in certain respects related to the measurement of provisions, including asset retirement obligations.

The company will change its accounting policies to reflect these differences, but does not expect the changes will have a significant impact its financial statements at the Transition Date.

Share-based payments
In certain circumstances, IFRS requires a different measurement of share-based compensation than current Canadian GAAP. In particular, a change may be required to the measurement and timing of recognizing the expense associated with grants under the stock option plan. In addition, IFRS requires forfeitures of the Company's stock options to be estimated when the instruments are granted. Under current GAAP, it is not required to account for forfeitures at the time of grant and the Company records forfeitures when they occur.
The Company is assessing the impact of the change on the measurement of compensation expense associated with the stock option plan.

Accounting for income taxes
While accounting for income taxes is similar under IFRS and Canadian GAAP, in certain circumstances there are differences in the measurement of future tax assets and future tax liabilities.

The Company is in the process of determining whether any changes in its accounting policies related to income taxes will have a significant effect on its financial statements.

Subsequent Disclosures
Further disclosures of the IFRS transition process are expected as follows:

The Company's first financial statements prepared with accounting policies consistent with IFRS will be the interim consolidated financial statements for the three months ending August 31, 2011, which will include notes disclosing transitional information and disclosure of new accounting policies under IFRS. The interim financial statements for the three months ending August 31, 2011, will also include fiscal 2011 consolidated financial information for the comparative period, adjusted to comply with IFRS, and the Company's transition date IFRS statement of financial position (at June 1, 2010).

Changes in Accounting Policies

Advance Gold has not changed its accounting policies for the quarter ended May 31, 2011.

Off-Balance Sheet Arrangements

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

Financial Instruments

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

As at May 31, 2011 $9,612 cash and cash equivalents are held in Canadian dollars, $3,676 cash and cash equivalents are held in US dollars and Kenya Schilling. Advance Gold does not use derivative instruments or foreign exchange contracts to hedge against gains or losses arising from foreign exchange fluctuations.

Outstanding Share Data

The authorized capital of Advance Gold consists of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series with special rights and restrictions attached. As of September 28, 2011 there were 32,616,402 common shares issued and outstanding, of which 857,500 were held in escrow, 1,557,500 stock options outstanding, and the following warrants and broker's options outstanding:

Grant Expiry Date	Grant Price	Warrants Outstanding
March 5, 2012	$0.20	575,000
Sept 13, 2013	$0.10	4,250,000

Disclosure of Controls and Internal Controls over Financial Reporting

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

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

During the year ended May 31, 2011 there were inherent weaknesses in the Company's internal controls which are typical of small companies, which have a limited ability to segregate incompatible functions. The Company expects to remedy these weaknesses by expanding the number of individuals involved in the accounting function as it grows. Effective disclosure controls were achieved, despite the inherent weaknesses in internal control over financial reporting, because of the President and Chief Executive Officer's direct involvement in the disclosure controls and procedures process.

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

Investor Relations

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

Risk Factors

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

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

Approval

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

Selected Annual Information

The financial information reported here in has been prepared in accordance with Canadian GAAP. Advance Gold uses the Canadian dollar ("CDN") as its reporting currency. The following table represents selected financial information for Advance Gold's 2011, 2010 and 2009 fiscal years:

Selected Statement of Operations Data

	Year ended May 31,		
	2011	**2010**	**2009**
Loss for the year	$ (2,045,210)	$ (625,759)	$ (1,395,091)
Weighted average number of shares outstanding, basic and diluted	23,880,786	21,226,854	17,637,942
Loss per share, basic and diluted	$ (0.09)	$ (0.03)	$ (0.08)

The loss for the year increases in 2011 as a result of the write down of mineral properties.

Selected Balance Sheet Data

	Year ended May 31,		
	2011	**2010**	**2009**
Cash and cash equivalents and short term investments	$ 13,288	$ 39,798	$ 36,490
Net working capital	$ (73,847)	$ (14,398)	$ (14,848)
Total assets	$ 681,841	$ 2,795,132	$ 3,071,211
Long term liabilities	-	-	-
Total shareholders' equity	$ 446,762	$ 2,381,999	$ 2,642,123

Total assets decreased from $3,071,211 in 2009 to $681,841 in 2011 due to a write down of mineral properties.