ADVANCE GOLD CORP.
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2011

(Unaudited)

MANAGEMENT'S COMMENTS ON
UNAUDITED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim consolidated financial statements of Advance Gold Corp. as at August 31, 2011 and the three months ended August 31, 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
AS AT AUGUST 31, 2011, MAY 31, 2011 AND JUNE 1, 2010
(Unaudited)
(Expressed in Canadian Dollars)

		August 31, 2011		(Note 14) May 31, 2011		(Note 15) June 1, 2010
ASSETS						
Current Assets						
Cash and cash equivalents	$	46,903	$	13,288	$	39,798
Accounts receivable		7,266		10,252		21,866
Prepaid expenses		2,796		3,467		2,769
		56,965		27,007		64,433
Equipment (Note 6)		105		111		138
Mineral Property Interests (Note 7)		654,710		654,723		2,730,561
		711,780		$ 681,841		2,795,132
LIABILITIES						
Current Liabilities						
Accounts payable and accruals (Note 9)	$	150,392	$	100,854	$	68,831
Loan payable (Note 9)		50,000		-		10,000
		200,392		100,854		78,831
Deferred Income Taxes (Note 10)		134,225		134,225		334,302
		334,617		235,079		413,133
SHAREHOLDERS' EQUITY						
Share capital (Note 8(c))	$	4,305,469	$	4,305,469	$	4,205,704
Contributed Surplus (Note 8(c))		662,294		662,294		647,086
Deficit		(4,590,600)		(4,521,001)		(2,475,791)
Accumulated Other Comprehensive Income		-		-		5,000
		377,163		446,762		2,381,999
	$	711,780	$	681,841	$	2,795,132

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

ADVANCE GOLD CORP.
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE THREE MONTHS ENDED AUGUST 31, 2011 AND 2010
(Unaudited)
(Expressed in Canadian Dollars)

		2011		2010
Administrative Expenses				
Advertising and promotion	$	4,760	$	300
Amortization of equipment		6		7
Corporate development		11,250		-
Consulting fees		-		4.800
Due, conferences and subscriptions		1,716		906
Interest, bank charges and foreign exchange loss		201		266
Insurance		-		195
Management fees (Note 10)		15,000		15,000
Office, clerical and sundry		22		570
Professional fees		26,369		11,791
Property investigation		15		-
Rent and telephone (Note 10)		5,211		2,847
Wages and benefits		-		7,891
Transfer agent and filing fees		5,049		4,077
Net loss before other items		(69,599)		(48,650)
Other items				
Gain on sale of investment		-		4,850
Write down of mineral properties		-		(1,597)
Loss and Comprehensive loss for the year	$	(69,599)	$	(45,397)
Basic and diluted loss per share	$	(0.01)	$	(0.01)
Weighted average number of common shares outstanding		24,116,402		23,181,619

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

ADVANCE GOLD CORP.
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED AUGUST 31, 2011 AND 2010
(Unaudited)
(Expressed in Canadian Dollars)

	Share Capital	Accumulated Other Comprehensive income	Contributed Surplus	Deficit	Total
Balance at May 31, 2011	$ 4,305,469	$ -	$ 662,294	$(4,521,001)	$446,762
Loss and comprehensive loss	-	-	-	(69,599)	(69,599)
Balance at August 31, 2011	$ 4,305,469	$ -	$ 662,294	$ (4,590,600)	$ 377,163
Balance at June 1, 2010 (Note 15)	$ 4,205,704	$ 00	$ 647,086	$ (2,475,791)	$ 2,381,999
Shares issued for cash	99,765				99,765
Allocated to warrants on the issue of shares for cash	-	-	15,207	-	15,207
Disposal of investment	-	(5,000)	-	-	(5,000)
Loss and comprehensive loss	-	-	-	(45,397)	(45,397)
Balance at August 31, 2010	$ 4,304,469	$ -	$ 662,293	$ (2,521,188)	$ 2,446,574

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

ADVANCE GOLD CORP.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED AUGUST 31, 2011 AND 2010
(Unaudited)
(Expressed in Canadian Dollars)

	2011	2010
Cash Provided By (Used For):		
Operating Activities		
Net loss	$ (69,599)	$ (45,397)
Items not effecting cash:		
Gain on sale of investment	-	(4,850)
Amortization	6	7
Write down of mineral properties	-	1,597
Net change in non-cash working capital items:	53,195	(11,895)
Cash used for operating activities	(16,398)	(60,538)
Investing Activities		
Deferred exploration expenditures paid	-	(25,159)
Deferred exploration expenditures refunded	13	-
Cash provided by (used for) investing activities	13	(25,159)
Financing Activities		
Proceeds from sale of investments	-	12,350
Proceeds of (repayment of) loan payable	50,000	(10,000)
Shares issued for cash	-	120,000
Share issue and other costs	-	(5,027)
Cash provided by financing activities	50,000	117,323
Decrease in cash	33,615	31,626
Cash and cash equivalents, beginning of period	13,288	27,298
Cash and cash equivalents, end of period	$ 46,903	$ 58,954

Interest paid in cash	-	-
Income taxes paid in cash	-	-

Amounts paid for interest and income taxes, if paid, are included in cash flows from operating activities in the statement of cash flows.

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

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'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.

These 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 August 31, 2011 the Company had a deficit of $4,590,600 and a working capital deficit of $143,427.

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.

These interim consolidated financial statements for the period ended August 31, 2011 were authorized for issuance by the Board of Directors of the Company on November 22, 2011.

2. Significant Accounting Policies

Statement of Compliance

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"), using accounting policies consistent with International Financial Reporting Standards ("IFRS").

These are the Company's first condensed consolidated financial statements prepared in accordance with IAS 34 using accounting polices consistent with IFRS. The accounting policies have been selected to be consistent with IFRS as is expected to be effective on May 31, 2012, the Company's first annual IFRS reporting date. Previously, the Company prepared its interim and annual consolidated financial statements in accordance with Canadian GAAP.

The adoption of IFRS resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian GAAP. The accounting policies set out below have been applied consistently to all periods presented. They also have been applied in the preparation of an opening IFRS statement of financial position as at June 1, 2010, as required by IFRS 1, First Time Adoption of International Financial Reporting Standards ("IFRS 1"). The impact of the transition from Canadian GAAP to IFRS is explained in note 15.

The standards and interpretations within IFRS are subject to change and accordingly, the accounting policies for the annual period that are relevant to these condensed consolidated financial statements will be finalized only when the first annual IFRS financial statements are prepared for the year ending May 31, 2012.

Basis of Presentation

These condensed consolidated interim financial statements have been prepared on a historical cost basis, with the exception of financial instruments classified as at fair value through profit or loss.

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.

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

i) Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as FVTPL when acquired principally for the purpose of trading, if so designated by management (fair value option), or if they are derivative assets. Financial assets classified as FVTPL are measured at fair value, with changes recognized in the consolidated statements of income.

The Company's financial assets classified as FVTPL include cash and cash equivalents. The Company does not currently hold any derivative instruments.

ii) Loans and receivables

Loans and receivables are non-derivative financial assets that have fixed or determinable payments and are not quoted in an active market. Subsequent to initial recognition, loans and receivables are carried at amortized cost using the effective interest method.

Amounts receivable and due from related parties are classified as loans and receivables.

iii) Other financial liabilities

Other financial liabilities are 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 due to related parties are classified as other financial liabilities.

The effective interest method is a method of calculating the amortized cost of an instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the instrument to the net carrying amount on initial recognition.

Cash And Cash Equivalents

Cash and cash equivalents consist of highly liquid investments that are readily convertible to known amounts of cash and generally have maturities of three months or less at the time of acquisition.

Mineral Property Interests and Deferred Exploration Expenditures

Acquired mineral 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. Mineral properties under exploration are reclassified when technical feasibility and commercial viability of the property can be demonstrated.

Equipment

Equipment is recorded at cost less accumulated amortization. The Company provides for amortization on the following basis:

Furniture and equipment - 20% declining balance method

In the year of acquisition, one half of the above rates are applied, and in year of disposal no amortization is claimed.

Impairment of Long-Lived Assets

At each balance sheet reporting date the carrying amounts of the Company's assets, including mineral properties under exploration, 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 statement of operations.

Decommissioning Liabilities

The Company is required to recognize a liability when a legal or constructive obligation exists to dismantle, remove or restore its assets, including and obligation to rehabilitate environmental damage on its mineral properties. As of August 31, 2011 and 2010, the Company has not incurred any such obligations.

Translation of Foreign 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 all the Company's subsidiaries.

Transactions in currencies other then the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Monetary assets and liabilities not denominated in the functional currency are translated at the period end rates.

Income Taxes

Income taxes are determined using the liability method. Under this method, deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred income tax assets are recognized to the extent that realization is considered probable.

Stock-Based Compensation

Stock options granted are settled with shares of the Company. The expense is determined based on the fair value of the award granted and recognized over the period which services are received, which is usually the vesting period. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period. At the end of each reporting period, the Company re-assesses its estimates of the number of awards that are expected to vest and recognizes the impact of the revisions in the statement of operations.

Loss Per Share

Loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated in a similar manner, except that the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of common share purchase options and warrants, if dilutive. Diluted loss per common share has not been presented separately as this calculation proved to be anti-dilutive.

Critical Accounting Estimates and Judgements

The preparation of the condensed interim financial statements using accounting policies consistent 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 condensed interim financial statements also requires management to exercise judgment in the process of applying the accounting policies. Changes in estimates, assumptions and judgements can have a significant impact on 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 estimate and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

i) 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. No impairments of non-financial assets have been recorded for the three months ended August 31, 2011 (August 31, 2010 – $Nil).

ii) Stock-based compensation

Management is required to make certain estimates when determining the fair value of stock options awards, and the number of awards that are expected to vest. These estimates affect the amount recognized as stock-based compensation in the statement of operations. For the three months ended

August 31, 2011 the Company recognized approximately $Nil of stock-based compensation expense (August 31, 2010 - $Nil).

iii) Useful life of equipment

Equipment is amortized over the estimated useful life of the assets. Changes in the estimated useful lives could significantly increase or decrease the amount of depreciation recorded during the year and the carrying value of equipment. Total carrying value of equipment at August 31, 2011 was approximately $105 (May 31, 2011 - $111).

<u>*Critical judgements used in applying accounting policies*</u>

In the preparation of these financial statements management has made 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.

i) Mineral properties under exploration

Management is required to apply judgment in determining whether technical feasibility and commercial viability can be demonstrated for the mineral properties. Once technical feasibility and commercial viability of a property can be demonstrated, it is reclassified from mineral properties under exploration and subject to different accounting treatment. As at August 31, 2011, management had determined that no reclassification of mineral properties was required. As at may 31, 2011, management has written down mineral properties by $2,097,570.

ii) Decommissioning liabilities

Management is required to apply judgement in determining whether any legal or constructive obligation exist to dismantle, remove or restore its assets, including any obligation to rehabilitate environmental damage on its mineral properties. As of August 31, 2011 and May 31, 2011, the Company has not recognized any such obligations.

iii) 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 become final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements.

3. Future Changes to Accounting Standards

Consolidated Financial Statements

In May 2011, the International Accounting Standards Board (“IASB”) issued IFRS 10, Consolidated Financial Statements (“IFRS 10”) and IFRS 12, Disclosure of Interests in Other Entities (“IFRS 12”). IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity. This IFRS defines the principle of control and establishes control as the basis for determining which entities are consolidated in an entity’s consolidated financial statements. IFRS 10 sets out three elements of control: a) power over the investee; b) exposure or rights, to variable returns from involvement with the investee; and c) the ability to use power over the investee to affect the amount of the investors return. IFRS 10 sets out the requirements on how to apply the control principle. IFRS 12 outlines the disclosure requirements for interests in subsidiaries and other entities to enable users to evaluate the risks associated with interests in other entities and the effects of those interests on an entity's financial position, financial performance, and cash flows. IFRS 10 and IFRS 12 supersede IAS 27, Consolidated and Separate Financial Statements and SIC-12, Consolidation – Special Purpose Entities.

IFRS 10 and IFRS 12 are effective for annual periods beginning on or after January 1, 2013, with earlier application permitted if adopted along with IFRS 11, IFRS 12, IAS 27 (revised) and IAS 28 (revised). The Company is currently assessing the impact of these standards on the financial statements.

Joint Arrangements

In May 2011, the IASB issued IFRS 11, Joint Arrangements **(**"IFRS 11"), which provides guidance on accounting for joint arrangements. If an arrangement has joint control, IFRS 11 classifies joint arrangements as either joint operations or joint ventures, depending of the rights and obligations of the parties involved.

A joint operation is an arrangement where the jointly controlling parties have rights to the assets and obligations in respect of the liabilities relating to the arrangement. An entity accounts for a joint operation by recognizing its portion of the assets, liabilities, revenues, and expenses. A joint venture is an arrangement where the controlling parties have rights to the net assets of the arrangement. A joint venture is accounted for using the equity method. Proportionate consolidation is no longer permitted.

This standard is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company is currently assessing the impact that IFRS 11 will have on their consolidated financial statements.

IFRS 9 Financial Instruments

In November 2009, the IASB issued, and subsequently revised in October 2010, IFRS 9 Financial Instruments (IFRS 9) as a first phase in its ongoing project to replace IAS 39. IFRS 9, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The IASB has proposed the effective date of IFRS 9 be changed to annual periods beginning on or after January 1, 2015.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The standard also adds guidance on the classification and measurement of financial liabilities. The Company is currently assessing the impact of this standard on the financial statements.

Fair Market Value

In May 2011, the IASB issued IFRS 13, Fair Value Measurement ("IFRS 13"). This standard defines fair value, sets out a single IFRS framework for measuring fair value, and outlines disclosure requirements about fair value measurements. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement so assumptions that market participants would use should be applied in measuring fair value.

IFRS 13 is effective for annual periods on or after January 1, 2013, with earlier application permitted. This IFRS is to be applied prospectively as of the beginning of the annual period in which it is initially applied and the disclosure requirements do not need to be applied in comparative periods before initial application. The Company is currently assessing the impact of this standard on the financial statements.

Other

In June 2011, the IASB issued amendments to IFRS 7 Financial Instruments: Disclosures. The Company does not believe the changes resulting from these amendments are relevant to its financial statements.

In June 2011, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 19 Employee Benefits. The Company does not believe the changes resulting from these amendments are relevant to its financial statements.

4. 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 mineral property interests 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 shareholders' equity as well as its cash and cash equivalents balances.

The Company manages its 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, acquire or dispose of assets or adjust the amount of its cash and cash equivalents balances.

In order to maximize ongoing development efforts, the Company does not pay out dividends.

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 plans and operations through the next twelve months.

5. Financial Instruments

Fair Value

The fair value of the Company's financial instruments at August 31, 2011 and May 31, 2011 are summarized as follows:

(Expressed in Canadian Dollars)

	August 31, 2011		(Note 14) May 31, 2011	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial Assets				
Held for trading				
Cash and cash equivalents	$ 46,903	$ 46,903	$ 13,288	$ 13,288
Loans and receivable				
Amounts receivable	7,266	7,266	10,252	10,252
Financial Liabilities				
Accounts payable and accrued liabilities	150,392	150,392	100,854	100,854
Loan payable	50,000	50,000	-	-

Fair value estimates are made at the consolidated balance sheet date, based on relevant market information and other information about the financial statements. Estimated fair value amounts are designed to approximate amounts at which financial instruments could be exchanged in a current transaction between willing parties who are under no compulsion to act.

The Company uses a fair value hierarchy to categorize the inputs used in valuation techniques to measure fair value of financial instruments. The classifications are as follows: the use of quoted market prices for identical assets or liabilities (Level 1), internal models using observable market information as inputs (Level 2) and internal models without observable market information as inputs (Level 3). The Company had no Level 2 or Level 3 financial instruments at August 31, 2011 and there have been no transfers between levels.

The following table provides the level within the fair value hierarchy of the Company's financial assets measured at fair value at August 31, 2011:

	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 46,903	-	-

Financial Risk Management

The Company's activities potentially expose it to a variety of financial 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 cash equivalents, amounts receivable, and advances to a related party. The Company deposits the majority of its cash and cash equivalents with high credit quality financial institutions in Canada.

Currency risk

The Company's cash and cash equivalents and accounts payable and accrued liabilities are held in Canadian and US dollars, and are therefore subject to fluctuation against the Canadian dollar.

The Company had the following balances in foreign currency as at August 31, 2011 and May 31, 2011:

	August 31, 2011	(Note 14) May 31, 2011
Cash and cash equivalents	$ 8,570	$ 8,516
Rate to convert to $1.00Cdn	1.0216	0.9688

Sensitivity to a plus or minus 10% change in US dollars against the Canadian dollar with all other variables held constant as at August 31, 2011, would affect net loss and comprehensive loss for the period by approximately $1,000.

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 and maturity.

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 and cash equivalents 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 and cash equivalents on hand at August 31, 2011 and expected cash flows for the next 12 months are not sufficient to fund the Company's ongoing operational needs. Therefore, the Company will need funding through equity or debt financing, entering into joint venture agreements, or a combination thereof.

6. Equipment

	August 31, 2011			
	Rate	Cost	Accumulated Amortization	Net Book Value
Furniture and equipment	20%	$ 501	$ 396	$ 105

	(Note 14) May 31, 2011			
	Rate	Cost	Accumulated Amortization	Net Book Value
Furniture and equipment	20%	$ 501	$ 390	$ 111

(Expressed in Canadian Dollars)

7. Mineral Property Interests

	(Note 14) May 31, 2011	Additions	Write Down	August 31, 2011
Kakamega Property, Kenya	$ 654,722	$ (13)	$ -	$654,709
Ngira Migori Property, Kenya	1	-	-	1
	$ 654,723	$ (13)	$ -	$ 654,710

	June 1, 2010	Additions	Write Down (Note 5)	May 31, 2011
Kakamega Property, Kenya	$ 646,396	$ 8,326	$ -	$654,722
Kanweaken Property, Liberia	6,004	-	(6,003)	1
Ngira Migori Property, Kenya	1,398,632	2,402	(1,401,034)	-
Sotik Property, Kenya	7,279	-	(7,279)	-
Nyakagwe Property, Kenya	672,250	11,004	(683,254)	-
	$ 2,730,561	$ 21,732	$ (2,097,570)	$ 654,723

(a) Kakamega Properties, Kenya:

In Kenya, Gold Rim 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.

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. 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 surface tailings from the former Rosterman Gold Mine. Under the terms of the MOU, Equatorial had until February 2010 to evaluate the tailings and design a procedure to exploit the contained gold. The MOU has now expired.

On April 20, 2011, the Company entered into an option and joint venture agreement with Aviva Corporation Ltd. ("Aviva"). Under the terms of the agreement, Avivia has the right to earn at least a 75% interest in the Kakamega Properties. 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 properties, Aviva must:

- Incur a minimum of US$100,000 in exploration expenditures on the properties within 12 months of the effective date;
- 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; 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.

Once Aviva has exercised their option to earn a 51% interest in the properties, a joint venture will be formed which will hold the licenses. All revenues, costs, assets and liabilities arising from the joint venture will be shared by the Company and Aviva in accordance with their percentage interests in the properties.

To earn an additional 24% interest in the properties, Aviva must:

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

Once Aviva has obtained a 75% interest, the Company may elect to dilute their interest to 10% after which Aviva may convert the Company's interest in the property to a 3% net smelter royalty.

(b) Ngira Migori Property, Kenya:

Pursuant to an agreement dated September 11, 2007 and amended and restated on August 6, 2009, the Company has an option to acquire up to an 85% interest in the Ngira Migori Property (the "Option"), which encompasses 320 km^2 area in the Migori area of Kenya.

In order to maintain the Option in force and to exercise the Option, the Company shall:

- Incur a minimum of $50,000 in exploration expenditures by September 11, 2008 in order to obtain a 25% interest in the property;
- Incur an additional $50,000 in exploration expenditures by September 11, 2009 in order to obtain a further 25% interest in the property;
- Incur an additional $50,000 in exploration expenditures by September 11, 2010 in order to obtain a further 25% interest in the property; and
- Notify the optionor of its intention to install a production plan on the property and to complete such installation within three years of providing such notice in order to obtain a further 10% interest in the property.

The Company 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 is required to 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 is also required to maintain the property in good standing during the option period.

During the year ended May 31, 2011, the Company wrote-down the carrying value of this property to $1 as they have no immediate exploration activity planned for this property.

(c) Nyakagwe Property, Tanzania:

The Company acquired, through a contract with Thamani Mines Ltd. ("TML"), 46 Primary Mining Licenses ("PML") from a group of local land owners in an area located about six kilometers from Barrick's Bulyanhulu Mine, which is in the heart of Victoria Gold Fields

District. TML also obtained one prospecting license on the Company's behalf in November 2009. The prospecting license and the group of 46 PML's form 3 blocks of contiguous claims, now named the Nyakagwe Project. Under the agreement with TML, TML would explore the property under the Company's management and funding.

The Company wrote-off this property at May 31, 2011.

(d) Sotik Property, Kenya:

The company applied for and was granted a mining exploration license for the Sotik property, which is located on the southern Kenya and is comprised of 483 km_2 of gold prospective ground. This project area has not seen any modern exploration and requires a first phase regional mapping and sampling program to prioritize any follow-up work.

The Company wrote-off this property during the year ended May 31, 2011 as management does not intend to conduct further exploration work on this property.

(e) Kanweaken Property, Liberia:

The Government of the Republic of Liberia had granted to the Company's subsidiary, Liberian Gold Corporation Inc., mineral exploration rights in the 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 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 and wrote-off this property.

(f) Ugunja Property, Liberia:

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

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

The Company surrendered this property in September 2010 and wrote-off this property.

8. Share Capital

(a) Consolidation of share capital:

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

(Expressed in Canadian Dollars)

(b) Authorized:
Unlimited number of common shares at no par value
Unlimited number of preferred shares at no par value

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

Common Shares	**Issued**				**Contributed**
	Quantity		**Amount**		**Surplus**
Balance, May 31, 2010	22,116,402	$	4,205,704	$	647,086
Private placement net of $5,027 of issue costs	2,000,000		99,765		15,208
Balance, May 31, 2011	24,116,402	$	4,305,469	$	662,294
Balance, August 31, 2011	24,116,402	$	4,305,469	$	662,294

2011 Share Issuances:

On July 19, 2010 the Company closed a non-brokered private placement, consisting of 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. Of the $120,000 proceeds, $15,208 was allocated to the warrants, being their estimated issue date fair value. The fair value was determined using the Black-Scholes option pricing model with the following assumptions: an expected life of one year; a volatility of 122%; a risk-free interest rate of 1.02%; and an expected dividend yield rate of nil. The Company incurred share issue costs of $5,027 relating to this transaction.

(d) Stock Options:

The Company has a stock option plan ("the 2008 Plan") whereby the aggregate number of common shares reserved for issuance pursuant to the 2008 Plan and any other share compensation arrangement granted or made available by the Company from time to time, including options currently outstanding under the 2007 Plan, shall not exceed in aggregate 6,675,160 common shares (the "Option Plan Shares"), which represents 20% of the Company's common shares issued and outstanding on the date of adoption of the 2008 Plan by the Board of Directors. 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 2008 Plan will be fixed by the Board of Directors and may not exceed ten years, but so long as Africa West remains a "Tier 2" issuer under the policies of the TSXV, options may not exceed a term of five years. The exercise price of options granted under the 2008 Plan will be determined by the Board of Directors, provided that it is not less than the lowest price permitted by the Exchange and the term is not to exceed five years.

Any options granted pursuant to the 2008 Plan will terminate within 30 days of the option holder ceasing to act as an Eligible Person pursuant to and as defined in the 2008 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 2008 Plan also provides for adjustments to outstanding options in the event of any consolidation, subdivision, conversion or exchange of the Company's shares.

(Expressed in Canadian Dollars)

A summary of stock option activity and information concerning outstanding exercisable options at August 31, 2011 is:

	Number of Options	Weighted Average Exercise Price
May 31, 2010	1,807,500	$ 0.27
Expired/cancelled	(300,000)	$ 0.20
Options outstanding, May 31, 2011	1,507,500	$ 0.27
Options outstanding, August 31, 2011	1,507,500	$ 0.27
Options exercisable, August 31, 2011	1,507,750	$ 0.27

As at August 31, 2011, the following stock options are outstanding:

Options Outstanding	Options Exercisable	Exercise Price	Grant Date	Expiry Date	Weighted Average Remaining Life (Years)
1,295,000	1,295,000	0.30	June 9, 2008	June 9, 2013	1.76
12,500	10,416	0.30	October 1, 2008	October 1, 2013	2.08
200,000	200,000	0.10	January 12, 2009	January 12, 2014	2.36
1,507,500	1,507,500	0.27			1.85

(e) Share Purchase Warrants

As at August 31, 2011, the following warrants to purchase shares are outstanding:

Exercise Price Per Share	Expiry Date	(Note 14) Balance May 31, 2011	Granted	Expired	Balance, August 31, 2011
$0.10	July 19, 2011	1,000,000	-	(1,000,000)	-
$0.20	March 5, 2012	575,000	-	-	575,000
		1,575,000	-	(1,000,000)	575,000

9. Related Party Transactions

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

(Expressed in Canadian Dollars)

		For the three months ended August 31, 2011		For the three months ended August 31, 2010
Management fees paid to a company controlled by a director of the Company	$	15,000	$	15,000
Rent paid to a company with common management	$	-	$	2,301

These transactions were in the normal course of operations and were recorded at their exchange amount, which is the amount agree to by the related parties

(a) Accounts payable includes $44,986 (May 31, 2011 - $31,124) payable to companies controlled by a director of the Company or to an officer of the Company. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

(b) Loans payable at August 31, 2011 (June 1, 2010- $10,000) were payable to a private company controlled by a director of the Company and are unsecured and have no fixed terms of repayment. The loan payable at August 31, 2011 paid interest at 5% per annum (June 1, 2010- nil).

10. Commitments

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

(b) The Company shares its premises with other companies controlled by a director of the Company and is allocated its proportion of the annual rent.

11. Segmented Information

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

The Company's assets by geographic segment are:

August 31, 2011

		Canada		Kenya, East Africa
Assets by geographic segment:				
Cash	$	43,227	$	3,676
Other current assets		10,062		-
Equipment		105		-
Mineral property assets		-		654,710
	$	53,394	$	658,386

(Expressed in Canadian Dollars)

May 31, 2011 (Note 14)

	Canada	Kenya, East Africa
Assets by geographic segment:		
Cash	$ 9,612	$ 3,676
Other current assets	13,719	-
Equipment	111	-
Mineral property assets	-	654,723
	$ 23,442	$ 658,399

12. Income Taxes

The provision for income taxes differs from the amount that would have resulted in applying the combined Canadian federal and provincial tax rates as follows:

	For the three months ended August 31, 2011	For the three months ended August 31, 2010
Net loss before income taxes	$ (69,599)	$ (45,397)
Statutory Income Tax rates	27.67%	29.38%
Expected income tax recovery	(19,258)	(13,338)
Write down of mineral properties	-	469
Other	-	(9,467)
Unrecognized benefit of non-capital losses	19,258	22,336
Income tax expense	$ -	$ -

The significant components of the Company's deferred tax assets and liabilities are as follows:

	August 31, 2011	(Note 14) May 31, 2011
Deferred income tax assets:		
Equipment	$ 35	$ 37
Mineral properties	340,272	361,178
Non-capital loss carry forwards	792,757	853,782
Share-issue costs	13,457	14,527
	1,146,521	1,229,524
Deferred income tax liabilities:		
Mineral properties	$ (152,353)	$ (161,768)
Net deferred income tax asset before valuation allowance	994,168	1,067,756
Valuation allowance	(1,128,393)	(1,201,981)
Net deferred income tax liability	$ (134,225)	$ (134,225)

The Company has Canadian non-capital losses of $1,283,377 available to reduce future taxable income. The losses expire as follows:

(Expressed in Canadian Dollars)

2014	$ 3,476
2015	46,606
2026	61,087
2027	170,664
2028	148,223
2029	301,527
2030	284,640
2031	188,081
2032	79,073
	$ 1,283,377

The Company has Canadian cumulative foreign resource expenditures of $1,441,711 available to reduce future taxable income. These expenses have no expiration date.

13. Subsequent Event

On September 19, 2011, the Company closed the first tranche of a non-brokered private placement of 4,250,000 units at a price of $0.05 per unit for gross proceeds of $212,500. Each unit is comprised of one common share and one non-transferable share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of $0.10 per share until September 19, 2013, subject to accelerated expiry in certain circumstances.

On October 25, 2011, the Company closed the second and final tranche which consisted of 2,940,294 units for gross proceeds of $147,015.

14. Comparative Figures

The comparative figures disclosed as at May 31, 2011 in these 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.

15. Transition to IFRS

Overview

The Company has adopted IFRS, effective for interim and annual financial statements relating to its fiscal year ended May 31, 2012. These are the Company's first condensed consolidated financial statements that have been prepared in accordance with IAS 34 using accounting policies consistent with IFRS.

The accounting policies have been selected to be consistent with IFRS as is expected to be effective on May 31, 2012, the Company's first annual IFRS reporting date. Previously the Company prepared its interim and annual consolidated financial statements in accordance with Canadian GAAP.

First-time adoption of IFRS

The adoption of IFRS requires the application of IFRS 1, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS effective at the end of an entity's first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.

The Company has elected to apply the following optional exemptions in its preparation of its opening IFRS consolidated 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. Estimates used in the preparation of the Company's opening IFRS statement of financial position, and other comparative information restated to comply with IFRS, are consistent with those made previously under current Canadian GAAP.

Changes to accounting policies

The adoption of IFRS resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian GAAP. However, these changes to its accounting policies have not resulted in any significant change to the recognition and measurement of assets, liabilities, equity, revenue and expenses within these financial statements. Accounting policies have been changed to be consistent with IFRS as is expected to be effective on May 31, 2012.

The following summarizes the significant changes to the Company's accounting policies on adoption of IFRS, and the effect on the Company's opening IFRS consolidated statement of financial position.

Mineral Properties Under Exploration

Subject to certain restrictions, IFRS currently allows an entity to determine an accounting policy that specifies the treatment of costs related to the exploration for and evaluation of mineral properties. On adoption of IFRS, the Company has retained its policy of capitalizing all costs directly related to exploration activities once the Company has obtained the legal right to explore.

Once technical feasibility and commercial viability can be demonstrated, the carrying value of mineral properties under exploration will be reclassified to mineral properties under development.

There were no changes to the accounting policies related to mineral properties under exploration that had a significant impact on the Company's financial statements.

Impairment of Non-Financial Assets

IFRS requires a write down of assets if the recoverable amount is less than its carrying value. The recoverable amount is defined as the higher of the fair value less costs to sell and the value in use. Value in use is determined using discounted estimated future cash flows. Under Canadian GAAP, a write down to estimated fair value was required only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

IFRS also requires the reversal of any previous impairment losses, with the exception of goodwill, where circumstances have changed such that the level of impairment in the value of the assets has been reduced. Canadian GAAP prohibits the reversal of impairment losses.

The Company has changed its accounting policies related to impairment of assets to be consistent with the requirements under IFRS. The changes in accounting policies related to impairment did not have a significant impact on the Company's financial statements.

Decommissioning Liability (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.

The Company's accounting policies related to decommissioning liabilities have been changed to reflect these differences, however these changes did not result in a significant impact on the Company's financial statements.

Share-based Payments

In certain circumstances, IFRS requires a different measurement of share-based compensation than Canadian GAAP. In particular, IFRS requires that each tranche (that vests separately) must be treated as a separate grant and that and estimate of forfeitures be included in the determination of the expense associated with stock option grants.

Due to the nature of the Company's stock options, these changes in accounting policy did not have a significant impact on the Company's financial statements.

Income taxes

IFRS requires the recognition of deferred taxes on the temporary differences in the accounting and tax basis of non-monetary assets and liabilities of foreign operations arising from exchange rate fluctuations. Deferred taxes were not recognized on these types of temporary differences under current Canadian GAAP. The Company's accounting policies were changed to reflect this difference, however due to the nature of the Company deferred tax balances, there was no significant impact on the financial statements.

(Expressed in Canadian Dollars)

Reconciliation of Canadian GAAP to IFRS

The following provides reconciliations of the shareholders' equity and the comprehensive loss from Canadian GAAP to IFRS for the respective periods. The changes in accounting policies resulting from the Company's adoption of IFRS had no significant impact on financial statements for these comparative periods. The adoption of IFRS did not have a material impact on the condensed interim statements of cash flows.

	May 31, 2011	August 31, 2010	June 1, 2010
Total equity under Canadian GAAP	$ 446,762	$ 2,446,576	$ 2,381,999
Adjustments for changes in accounting policies	-	-	-
Total equity under IFRS	$ 446,762	$ 2,446,576	$ 2,381,999

	Year ended May 31, 2011	Three months ended August 31, 2010
Comprehensive loss under Canadian GAAP	$ (2,050,210)	$ (45,397)
Adjustments for changes in accounting policies	-	-
Comprehensive loss under IFRS	$ (2,050,210)	$ (45,397)