ADVANCE GOLD CORP.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

February 28, 2015

(Expressed in Canadian dollars)

MANAGEMENT'S COMMENTS ON
UNAUDITED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim consolidated financial statements of Advance Gold Corp. as at February 28, 2015 and the nine months ended February 28, 2015 and 2014 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.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT FEBRUARY 28, 2015 AND MAY 31, 2014
(Expressed in Canadian Dollars)

	February 28, 2015	May 31, 2014 (Note 14)
ASSETS		
Current Assets		
Cash	$ 11,241	$ 5,015
Amounts receivable	1,574	951
Prepaid expenses	4,767	3,467
	17,582	9,433
Non-Current Assets		
Equipment (Note 5)	-	-
Exploration and evaluation assets (Statement) (Note 6)	404,366	404,210
	$ 421,948	$ 413,643
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities (Note 7)	$ 105,564	$ 72,051
Loans- related parties (Note 10)	52,500	-
Debentures (Note 9)	49,364	46,592
	207,428	118,643
EQUITY		
Share capital (Note 8)	4,799,167	4,801,667
Reserves (Note 8)	964,450	963,639
Deficit	(5,549,097)	(5,470,306)
	214,520	295,000
	$ 421,948	$ 413,643

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

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

ADVANCE GOLD CORP.
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE THREE AND NINE MONTHS ENDED FEBRUARY 28, 2015 AND 2014
(Expressed in Canadian Dollars)

		For the Three months ended February 28, 2015	For the Three months ended February 28, 2014	For the Nine months ended February 28, 2015	For the Nine months ended February 28, 2014
Operating expenses					
Advertising and promotion	$	2,041	215	5,416	2,766
Amortization of equipment (Note 5)		-	4	-	12
Interest, bank charges and foreign exchange		157	187	3,288	779
Management fees (Note 10)		15,000	15,000	45,000	45,000
Office and sundry		-	77	13	145
Professional fees		4,012	11,998	12,627	24,768
Property investigation			-		2,500
Rent and telephone (Note 10)		129	96	218	674
Stock based compensation (Note 8)		-	2,806	811	24,106
Transfer agent and filing fees		5,817	3,034	12,720	12,909
Gain on settlement of debt		(195)	-	(1,302)	-
Loss And Comprehensive loss for the period	$	(26,961)	(33,417)	(78,791)	(113,659)
Basic And diluted loss per common share	$	(0.01)	(0.01)	(0.01)	(0.01)
Weighted average number of common shares outstanding - basic and diluted		7,696,339	7,656,393	7,696,339	7,592,558

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

ADVANCE GOLD CORP.
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED FEBRUARY 28, 2015 AND 2014
(Expressed in Canadian Dollars)

	Number Of Common Shares		Share Capital		Stock Option Reserve		Warrant Reserve		Deficit		Total Equity
Balance at May 31, 2014	38,481,696	$	4,801,667	$	444,506	$	519,133	$	(5,470,306)	$	295,000
5:1 share consolidation	(30,785,357)										
Comprehensive loss	-		-		-		-		(78,791)		(51,831)
Share issuance costs	-		(2,500)		-		-		-		(2,500)
Stock option vesting	-		-		811		-		-		811
Balance at February 28, 2015	7,696,339	$	4,799,167	$	445,317	$	519,133	$	(5,549,097)	$	215,520
Balance at May 31, 2013	37,681,696	$	4,779,872	$	418,880	$	511,121	$	(5,321,447)	$	388,426
Comprehensive loss	-		-		-		-		(113,659)	$	(113,659)
Private placement	600,000		30,000		-		-		-		30,000
Share issuance costs	-		(3,828)		-		-		-		(3,828)
Allocated to warrants on the issue of shares for cash	-		(8,012)		-		8,012		-		-
Stock option vesting	-		-		24,106		-		-		24,106
Balance at February 28, 2014	38,281,696	$	4,798,032	$	442,986	$	519,133	$	(5,435,106)	$	325,045

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

ADVANCE GOLD CORP.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE AND NINE MONTHS ENDED FEBRUARY 28, 2015 AND 2014

(Expressed in Canadian Dollars)

		For the Three months ended February 28, 2015	For the Three months ended February 28, 2014	For the Nine months ended February 28, 2015	For the Nine months ended February 28, 2014
Cash Provided By (Used For):					
Operating Activities					
Net loss for the period	$	(26,960)	(33,417)	(78,791)	(113,659)
Items not requiring cash:					
Amortization		-	4	-	12
Stock based compensation		-	2,806	811	24,106
Change in non-cash working capital items:					
Amounts receivable		(101)	547	(623)	180
Due from related parties		-	7,000	-	7,888
Prepaid expenses		(1,400)	(3,900)	(1,300)	(1,300)
Loan- related parties		52,500	-	52,500	-
Debenture		-	-	2,772	-
Accounts payable and accrued liabilities		(12,189)	27,628	33,513	52,766
Cash used in operating activities		11,850	668	8,882	(30,007)
Investing Activities					
Deferred exploration expenditures paid		(31)	(24)	(156)	(135)
Cash used in investing activities		(31)	(24)	(156)	(135)
Financing Activities					
Issuance of common shares for cash			-		30,000
Payment of share issuance costs		(2,500)	(1,352)	(2,500)	(3,828)
Cash provided by financing activities		(2,500)	(1,352)	(2,500)	26,172
Decrease in cash		9,319	(708)	6,226	(3,970)
Cash , beginning of period		1,922	4,426	5,015	7,688
Cash , end of period	$	11,241	3,718	11,241	3,718

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

ADVANCE GOLD CORP.
INTERIM CONSOLIDATED STATEMENTS OF EXPLORATION AND EVALUATION ASSETS
(Expressed in Canadian Dollars)

	May 31, 2014	Acquisition Costs	Exploration and evaluation	Impairment	February 28, 2015
Kakamega property, Kenya	$ 404,210	$ -	$ 156	$ -	$ 404,366

	May 31, 2013 (Note 14)	Acquisition Costs	Exploration and evaluation expenditures	Impairment	February 28, 2014
Kakamega property, Kenya	$ 403,946	$ -	$ 135	$ -	$ 404,081
	$ 403,946	$ -	$ 135	$ -	$ 404,081

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

ADVANCE GOLD CORP.
INTERIM CONSOLIDATED STATEMENTS OF EXPLORATION AND EVALUATION ASSETS
- EXPLORATION EXPENDITURES -
(Expressed in Canadian Dollars)

		February 28, 2015		February 28, 2014
Kakamega Property				
Opening balance	$	275	$	
Administration		156		135
Ending balance		431		135
	$	431	$	135

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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") 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. The Company's registered and head office is located at 432 Royal Avenue, Kamloops, British Columbia V2B 3P7.

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 February 28, 2015 the Company had a deficit of $5,549,097. The ability of the Company to continue as going concern is in doubt and is dependent upon the continued financial support from its directors and its ability to continue to raise sufficient financing. Management is seeking equity financing and joint venture opportunities, the outcome of which cannot be predicted at this time. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. These financial statements do not reflect the adjustments or reclassifications which would be necessary if the Company were unable to continue.

2. SIGNIFICANT ACCOUNTING POLICIES

These interim consolidated financial statements for period ended February 28, 2015 were authorized for issue by the Board of Directors of the Company on April 24, 2015.

Statement of compliance

The condensed interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Therefore, these financial statements comply with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

Basis of consolidation

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

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:

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

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

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

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

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

Foreign Currency Translation

(i) Presentation and functional currency

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

(ii) Foreign currency transactions

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

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

Exploration and evaluation assets

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

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

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

Decommissioning liability

The Company is required to recognize a liability when a legal or constructive obligation exists to dismantle, remove or restore its assets, including any obligation to rehabilitate environmental damage on its exploration and evaluation assets. As of February 28, 2015 and May 31, 2014, the Company has not incurred any such obligations.

Equipment

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

Furniture and equipment	20% declining balance method

Impairment of long-lived assets

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

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

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

Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. All of the share options and share purchase warrants were anti-dilutive as of February 28, 2015 and May 31, 2014.

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. The corresponding amount is recorded to stock option reserve. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period. The fair value of options is determined using a Black-Scholes Option Pricing Model. 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 revision in the consolidated statement of comprehensive income or loss.

Income taxes

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

Deferred 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.

Critical accounting estimates and judgments

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

Critical accounting estimates

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

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

Useful life of equipment
Equipment is depreciated over the estimated useful lives 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 property, plant and equipment.

Stock-based compensation
Management is required to make certain estimates when determining the fair value of share option awards, and the number of awards that are expected to vest. These estimates affect the amount recognized as share-based compensation in the Company's consolidated statement of comprehensive loss.

Critical judgments used in applying accounting policies

In the preparation of these consolidated 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.

Exploration and evaluation assets
Management is required to apply judgment in determining whether technical feasibility and commercial viability can be demonstrated for its mineral properties under exploration. Once technical feasibility and commercial viability of a property can be demonstrated, it is reclassified from exploration and evaluation assets and subject to different accounting treatment. As at February 28, 2015 and May 31, 2014 management had determined that no reclassification of exploration and evaluation assets was required.

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

Accounting standards issued but not yet effective

The following new or amended accounting standards have been issued by the International Accounting Standards Board ("IASB") for periods beginning on or after January 1, 2013. These new or amended standards are not yet effective, and the Company has not completed its assessment of their impact on its consolidated financial statements.

(i) IFRS 9 Financial Instruments;
(ii) Amendments to IAS32 Financial Instruments: Presentation.

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

3. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the development of its exploration and evaluation assets and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

In the management of capital, the Company includes the components of equity as well as its cash.

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

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue new debt, or acquire or dispose of assets.

The Company's investment policy is to invest its cash in highly liquid investments which are readily convertible into cash with maturities of three months or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

The Company expects that its current capital resources will not be sufficient to carry out its exploration and evaluation plans and operations through its next fiscal year. The Company is planning to use equity financing to support ongoing operations; however there is no assurance that additional funding will be obtained.

There were no changes in the Company's approach to capital management during the year.

The Company has no externally imposed capital requirements.

4. Financial Instruments

Fair Value

The Company's financial assets and liabilities measured at amortized cost approximate their fair values due to the short term to maturity.

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

The Company uses a fair value hierarchy to categorize the inputs used in valuation techniques to measure fair value of financial instruments. The classifications are as follows: the use of quoted market prices for identical assets or liabilities (Level 1), internal models using observable market information as inputs (Level 2) and internal models without observable market information as inputs (Level 3). The Company had no Level 2 or Level 3 financial instruments at May 31, 2014 and there have been no transfers between levels.

The following is an analysis of the Company's financial assets measured at fair value as at February 28, 2015 and May 31, 2014:

	February 28, 2015		
	Level 1	Level 2	Level 3
Cash	$ 11,241	$ -	$ -

	May 31, 2014 (Note 13)		
	Level 1	Level 2	Level 3
Cash	$ 5,015	$ -	$ -

Financial Risk Management

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

Credit risk

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

Currency risk

Currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. Certain assets and liabilities of the Company's are denominated in US dollars, and are therefore subject to fluctuation against the Canadian dollar. The Canadian dollar equivalent of financial instruments denominated in US dollars as at February 28, 2015 and May 31, 2014 is as follows:

	February 28, 2015	**May 31, 2014 (Note 13)**
Cash	$ (59)	$ 7
Accounts payable	(23)	(313)
	$ (82)	$ (306)

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 balances.

The Company's expected source of cash flow in the upcoming year is anticipated to be through equity financing and future loan facilities, and potential joint venture agreements.

Cash on hand at February 28, 2015 is insufficient to fund the Company's operational needs for the next 12 months.

(Expressed in Canadian Dollars)

5. Equipment

	February 28, 2015		
	Cost	Accumulated Amortization	Net Book Value
Furniture and equipment	$ 501	$ 501	$ -

	February 28, 2014		
	Cost	Accumulated Amortization	Net Book Value
Furniture and equipment	$ 501	$ 442	$ 59

6. Exploration and Evaluation Assets

Kakamega Properties, Kenya:

The Company has applied for and was granted an Exclusive Prospecting License ("EPL") to cover the former Rosterman Mine and surrounding areas in Kenya. In addition, the Company has two other licenses in the immediate area. The licenses are currently in good standing until October 1, 2016.

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

On April 20, 2011 the Company entered into an option and joint venture agreement with Aviva Corporation Ltd.

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

Under the terms of the agreement, Acacia 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, Acacia must:

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

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

Alternatively, should the 51% election be earned, to earn an additional 24% interest in the Kakamega Properties, Acacia must:

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

(Expressed in Canadian Dollars)

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

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

		February 28, 2014		May 31, 2014 (Note 13)
Trade payables	$	11,464	$	8,557
Accrued liabilities		8,850		17,400
Due to related parties (Note 9)		85,250		46,094
	$	105,564	$	72,051

8. SHARE CAPITAL

(a) Authorized Share Capital

Unlimited number of common shares without par value. On December 1, 2014, pursuant to a resolution passed by the shareholders of the Company, the Company consolidated its common shares on a basis of five old shares for one new share.

Unlimited number of preferred shares at no par value.

(b) Issued Share Capital

2014 Share Issuances:

On September 10, 2013, the Company closed a non-brokered private placement of 600,000 units at $0.05 per unit for gross proceeds of $30,000. Each unit is comprised of one common shares and one share purchase warrant. Each warrant is exercisable at $0.10 per share until September 10, 2015, subject to accelerated expiry in certain circumstances. Of the $30,000 proceeds, $8,012 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 two years; a volatility of 135.2%; a risk-free interest rate of 1.32%; and an expected dividend yield rate of nil. The Company incurred share issue costs of $2,476 in connection with this financing.

On March 10, 2014, the Company closed a $50,000 debenture financing (Note 9). A term of the debenture required the Company to issue 200,000 of its common shares, which were issued in March 2014 with a fair value of $6,000.
At June 13, 2012, the Company closed the second tranche of a private placement consisting of 1,000,000 units (the "Units") at a per Unit price of $0.05 for gross proceeds of $50,000. Each Unit is comprised of one common share of the Company and one-half of one non-transferable share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share at a price of $0.10 per share until June 13, 2014, subject to accelerated expiry in certain circumstances. Of the $50,000 proceeds, $8,626 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 two years; a volatility of 120.1%; a risk-free interest rate of 1.07%; and an expected dividend yield rate of nil. The Company incurred share issue costs of $1,442 in connection with this financing.

On December 1, 2014 the Company's common shares commenced trading on the TSX Venture Exchange on a 5:1 post-consolidated basis.

(Expressed in Canadian Dollars)

(c) Stock Options

The Company has a stock option plan ("the Plan") whereby the aggregate number of common shares reserved for issuance pursuant to the Plan and any other share compensation arrangement granted or made available by the Company from time to time shall not exceed in aggregate 667,516 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, after the five old for one new share consolidation which was effective on November 28, 2014. The number of Option Plan Shares shall be increased or decreased from time to time as required if more or less Option Plan Shares are required to be issued due to any reorganization of the share capital of the Company. The term of any options granted under the Plan will be fixed by the Board of Directors and may not exceed ten years, but so long as the Company remains a "Tier 2" issuer under the policies of the Exchange, options may not exceed a term of five years. The exercise price of options granted under the Plan will be determined by the Board of Directors, provided that it is not less than the lowest price permitted by the Exchange.

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

On September 18, 2013, the Company granted 170,000 post-consolidation stock options to directors, officers, and consultants, which are exercisable at $0.25 per share and expire on September 18, 2018. The options vest one quarter on each of December 18, 2013, March 18, 2014, June 18, 2014, and September 18, 2014. The grant date fair value of the options was determined to be $21,441, of which $20,631 has been recognized as stock based compensation for the year ended May 30, 2014, and a further $702 has been recognized for the quarter ended August 31, 2014. The fair value was determined using the Black-Scholes Option Pricing Model with the following assumptions: expected life of 5 years; a volatility of 135%; a risk free interest rate of 2.04%; and a dividend yield of 0%.

A summary of stock option activity for the nine months ended February 28, 2015 and year ended May 31, 2014 is as follows:

	February 28, 2015		May 31, 2014 (Note 14)	
	Number Outstanding	Weighted Average Exercise Price	Number Outstanding	Weighted Average Exercise Price
Outstanding, beginning	625,000	$ 0.39	557,500	$ 0.50
Granted	-	-	170,000	- 0.25
Exercised	-	-	-	- -
Cancelled/Expired	-	-	(102,500)	- (0.50)
Outstanding, ending	625,000	$ 0.39	625,000	$ 0.39

As at February 28, 2015, the Company had stock options outstanding and exercisable to acquire common shares of the Company as follows:

Expiry Date	Options Outstanding	Options Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life(In Years)
March 1, 2017	50,000	50,000	0.50	0.01
August 15, 2017	405,000	405,000	0.50	2.06
September 18, 2018	170,000	170,000	0.25	0.21
	625,000	625,000	$ 0.39	2.48

(Expressed in Canadian Dollars)

(d) Warrants

A continuity schedule of outstanding common share purchase warrants for the quarter ended February 28, 2015 and the year ended May 31, 2014 is as follows:

	February 28, 2015		May 31, 2014 (Note 14)	
	Number Outstanding	Weighted Average Exercise Price	Number Outstanding	Weighted Average Exercise Price
Outstanding, beginning	220,000	$ 0.50	2,213,059	$ 0.50
Issued	-	-	120,000	0.50
Expired	(100,000)	0.50	(2,113,059)	-
Outstanding, ending	120,000	$ 0.50	220,000	$ 0.50

As at February 28, 2014 the Company had outstanding share purchase warrants exercisable to acquire common shares of the Company as follows:

Expiry Date	Warrants Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (In Years)
September 10, 2015	120,000	0.50	0.05
	120,000	$ 0.50	0.05

(e) Reserves

Stock option reserve

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

Warrant Reserve

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

Investment Revaluation Reserve

The investment revaluation reserve records unrealized gains and losses arising on available for sale financial assets, except for impairment losses and foreign exchange gains and losses on monetary items.

9. DEBENTURE

On March 6, 2014, the Company closed a $50,000 debenture financing with two directors of the Company. The loans bear interest at 10% per annum and are intended to be paid on their maturity, being March 6, 2015. At its sole discretion, the Company can repay the loan (principal and interest) in whole or in part prior to maturity without notice, bonus or penalty. As part of the loan agreements, the Company issued 200,000 bonus common shares. The fair value of the bonus shares of $6,000 was recognized as a deferred financing cost and will be amortized over the term of the loan.

(Expressed in Canadian Dollars)

		Feb 28, 2015	May 31, 2014
Opening balance	$	50,000	-
Debenture advances		-	50,000
Deferred financing cost		(6,000)	(6,000)
Accretion of deferred financing cost		2,926	1,414
Accrued interest		2,438	1,178
	$	49,364	46,592

10. RELATED PARTY TRANSACTIONS

(a) Related party balances

Trade payables and accrued liabilities and loans-related parties includes $77,182 (May 31, 2014 - $46,094) payable to a director of the Company and a company controlled by a director of the Company. Due from related parties represents an amount receivable from a company controlled by directors of the Company. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

(b) Management transactions

Management transactions with related parties during the nine months ended February 28, 2015 and 2014 were as follows:

		February 28, 2015		February 28, 2014
Management fees paid to a company controlled by a director of the Company	$	45,000	$	45,000

(c) Compensation to key management during the nine months ended February 28, 2015 and 2014 are:

		February 28, 2015		February 28, 2014
Short-term employee benefits	$	-	$	-
Stock-based compensation		-		24,106
Management fees paid to a company controlled by a director of the Company		45,000		45,000
	$	45,000	$	69,106

11. COMMITMENTS

The Company has a management services agreement with a company controlled by a director of the Company requiring payments of $5,000 per month. The agreement is in effect until February 28, 2019 unless terminated earlier in accordance with the provisions of the agreement.

The Company shares its premise with other companies controlled by a director of the Company, and is allocated its proportion of the annual rent.

(Expressed in Canadian Dollars)

12. SEGMENTED INFORMATION

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

The Company's equipment is located in Canada, and the Company's exploration and evaluation assets are located in Kenya.

13. INCOME TAXES

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

		February 28, 2015		May 31, 2014 (Note 14)
Statutory tax rate		25%		25.4%
Loss and comprehensive loss for the period	$	(78,791)	$	(148,859)
Expected income tax recovery		(19,698)		(37,810)
Non-deductible expenses and other		203		65,421
Effect of foreign tax rates and tax rate changes		-		11
Effect of deductible temporary differences not recognized		19,495		(27,622)
Income tax recovery	$	-	$	-

Significant components of the Company's deferred tax assets as of February 28, 2015 and May 31, 2014 are as follows:

		February 28, 2015		May 31, 2014 (Note 14)
Deferred income tax assets :				
Equipment	$	15	$	33
Exploration and evaluation assets		416,798		416,690
Non-capital losses carry forwards		994,776		974,208
Share-issue costs		2,532		3,524
		1,414,121		1,394,455
Unrecognized deferred income tax assets		(1,414,121)		(1,394,455)
Deferred income tax assets	$	-	$	-

As at February 28, 2015, the Company has Canadian non-capital losses of $1,876,634, which expire in various years to 2034, as follows:

Expiry Date		Amount
2015		46,606
2026		61,087
2027		170,664
2028		148,223
2029		301,527
2030		284,640
2031		189,826
2032		238,323
2033		353,466
2034		82,272
	$	1,876,634

The Company has Canadian cumulative foreign resource expenditures of $1,476,958 available to reduce future taxable income. These expenses have no expiration date.

14. COMPARATIVE FIGURES

The comparative figures disclosed as at May 31, 2014 in these interim financial statements were subject to an audit engagement.

Certain of the comparative figures in the statement of operations have been reclassified to conform with the financial presentation adopted for in the current period. These changes have no effect on the loss for the prior period disclosed.