

AM GOLD INC.
(formerly Acero-Martin Exploration Inc.)
Notes to the Consolidated Financial Statements
December 31, 2010 and 2009



MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2010

Dated May 2, 2011

AM GOLD INC.
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December 31, 2010 and 2009

This Management Discussion & Analysis ("MD&A") of AM Gold Inc. ("AM Gold", or the "Company") is dated May 2, 2011 and provides an analysis of the Company's performance and financial condition for the year ended December 31st, 2010.

This MD&A should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31st, 2010 and the audited consolidated financial statements for the year ended December 31st, 2009, including the related note disclosure, both of which are prepared in accordance with Generally Accepted Accounting Principles in Canada. All amounts are in Canadian dollars unless otherwise specified.

Additional information relating to the Company, including the interim unaudited consolidated financial statements for the year ended December 31st, 2010 are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com or on the Company's website www.amgold.ca

OVERALL PERFORMANCE

DESCRIPTION OF BUSINESS

AM Gold Inc. is a publicly held mineral exploration company listed on the TSX Venture Exchange under the symbol "AMG" and the Frankfurt Exchange under the symbol "AMX." The Company's main business focus is to acquire and explore mineral properties for precious and base metals and other minerals. Since 2004, the Company has been focused on developing its 100% controlled Pinaya gold-copper Project located in southern Peru, and the Red Mountain gold Project located in the Yukon Territory, Canada in which the Company maintains an 80% interest. AM Gold also has a 100% interest in two grassroots gold projects located in Peru: La Mamita and Minas Lucho. To date, the Company has not earned any revenues from its mineral property interests and is considered to be in the exploration stage.

AM Gold believes there is great potential to expand the current resource base and prove up major deposits at both the Pinaya and Red Mountain projects.

RESOURCE PROPERTIES

AM Gold currently has interests in the following mineral properties:

a) Pinaya Project, Southern Peru

The Pinaya gold-copper Project is located in southern Peru approximately 775 kilometers southeast of Lima, the capital of Peru, and 110 kilometers north-northeast of Arequipa, the second largest city in Peru. The property consists of thirty five mineral concessions covering approximately 19,200 hectares. AM Gold holds a 100% interest in the concessions through its wholly owned Peruvian subsidiary Canper Explorations S.A.C ("Canper").

Canper originally held the rights to thirteen of the thirty-five mineral concessions that make up the project. In April of 2004, AM Gold acquired Canper for a total of three million shares over a three year period.

An additional 250,000 shares of the Company may be issued as follows:

- a) If a probable reserve of 750,000 ounces of gold is outlined at Pinaya, then 125,000 shares will be issued; and
- b) If a probable reserve of 2,500,000 ounces of gold is outlined at Pinaya, then a further 125,000 shares will be issued.

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Compañía Minera Aurifera Los Andes de Pinaya S.A.C (“COMAPI”) originally owned three of the thirty five mineral concessions. AM Gold completed a property option agreement with COMAPI to earn 100% interest in these concessions by paying COMAPI US\$2,500,000 over a three-year period.

One of the mineral concessions, Don Pedro 2000, was originally owned by Minera Pinaya. To earn a 100% interest in the concession, AM Gold made staged payments to Minera Pinaya totalling US\$250,000 over a three-years period.

All of the other concessions were acquired by direct application to the Peruvian Ministry of Mines

In 2009, the company signed a letter of intent with Solitaire Minerals Inc. to grant an option to acquire up to 75% interest in the Pinaya property. The option agreement required Solitaire Minerals Inc. to incur exploration expenses and make payments of the following amounts on the following times:

- i) CAD \$150,000 advanced as a refundable deposit (amended to \$300,000) (paid)
- ii) U.S. \$1,600,000 to Canper Exploraciones S.A.C. by December 31, 2009 (not paid)
- iii) U.S. \$1,600,000 in exploration expenditures incurred by December 31, 2011
- iv) U.S. \$1,600,000 in exploration expenditures incurred by December 31, 2012
- v) U.S. 2,400,000 payable by December 31, 2012

On April 29, 2010 the Solitaire Minerals Agreement was terminated. The amount repayable was included in accrued liabilities. On September 16, 2010, the Company paid \$100,000 in cash, and issued 571,428 common shares at \$0.35 per share for total of \$300,000 to settlement the debt with Solitaire Minerals Corp.

There was no major exploration work conducted at the Pinaya project during the year 2010.

b) Red Mountain Project, Yukon Territory Canada

The Red Mountain project is located in central Yukon Territory approximately 55 kilometers northwest of the community of Mayo in the Tintina Gold Belt. The Company earned its initial 80% participatory interest in 52 mineral property claims covering 1,168 hectares through an agreement to spend \$1.5 million on exploration of the property with the Vendor maintaining a 2% NSR Royalty.

In 2009, the Company entered into an amended agreement to earn an 80% interest in the property subject to a 2% Net Smelter Royalty to be paid to the vendor following commencement of commercial production. In consideration, the Company issued 175,000 post consolidated common shares of the Company to the vendor. The deemed value per share on the date the shares were issued was \$0.25 per share.

On August 23, 2010, the Company announced an amended Option Agreement for the remaining 20% interest of the Red Mountain Property. The Company has agreed to pay the following:

- a) \$50,000 upon execution of the agreement (paid).
- b) \$50,000 (paid) and 200,000 common shares (issued) within 7 days upon approval by regulatory authorities.
- c) \$25,000 and 175,000 common shares on or before August 17, 2011.
- d) \$25,000 and 175,000 common shares or \$175,000, at the Company’s discretion, will be paid on or before August 17, 2012.
- e) \$50,000 and 450,000 common shares or \$450,000, at the Company’s discretion, will be paid on or before August 17, 2013.
- f) A bonus will be paid of \$250,000 in cash or common shares, at the Company’s discretion, if a

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resource of 2 million ounces of gold is the defined through a NI 43-101 report.

The NSR payable is reduced from 2% to 0.5% by the Company agreeing to pay \$1,000,000 for the first 1% of the NSR and \$750,000 for the second 0.5% of the NSR at any time, at the Company's discretion.

On July, 2010, the Company mobilized two diamond drills to Red Mountain to undertake a 4,100 m work program focussed on expanding the inferred resource area. The program was completed mid-September 2010 with two drill rigs winterized and left on the property to facilitate an earlier resumption of drilling operations; targeted for June 1, 2011. The 2010 drilling in and around the inferred resource area has not closed the gold mineralization in any direction laterally or at depth, with the strongest mineralization open to extension at the east and west ends of the inferred resource along strike of the Jethro Structure and at depth.

c) La Mamita Property, Peru

La Mamita is located in northern Peru in the Ancash mining camp near the multi-million ounce Alto Chicama gold deposit (Barrick Gold). AM Gold has 100% interest in the project which consists of a single concession and covers an area of about 1,000 hectares. Results from a recent surface sampling program showed highly anomalous gold values ranging from 0.23 to 6.37 g/t gold, and averaging 1.43 g/t gold. La Mamita is a grassroots to early exploration stage project with evaluation continuing. The Company paid U.S. \$25,000 cash and issued 25,000 shares to acquire the project.

d) Minas Lucho Property, Peru

AM Gold has a 100% interest in the Minas Lucho Project which consists of four mineral concessions which cover an area of about 2,400 hectares. The project is located southeast of the Pinaya Project on the Andahuaylas-Yauri metallogenic belt. The claim covers an extensive zone of alteration, which lies along a trend of structurally controlled zones of gold mineralization. Minas Lucho is a grassroots project being evaluated for further exploration. The Company paid U.S. \$11,000 cash and issued 100,000 shares to acquire the project.

SELECTED ANNUAL & QUARTERLY INFORMATION

SELECTED ANNUAL INFORMATION -

For the years ended December 31, 2010, 2009 and 2008 (\$)

Audited	2010	2009	2008
Total assets	8,657,580	6,860,304	6,711,494
Total Liabilities	256,033	1,100,034	1,192,159
Shareholders equity	8,401,547	5,760,270	5,519,335

Revenues	6,698	1,089	49,629
Major expense items			
Mineral property exploration	2,438,660	(81,006)	2,938,547
Accounting and audit	77,834	99,930	64,775
Consulting fee	206,308	17,150	89,177
Office, rent and misc.	142,310	302,641	207,618
Legal	97,935	76,180	132,830
Management fees	-	28,000	195,000
Public relations	108,139	40,504	87,566
Stock exchange and filing fees	51,554	18,109	31,368
Stock based compensation	1,214,359	23,942	548,192

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Transfer agent fees	37,692	55,899	26,513
Net loss	4,825,385	1,276,426	4,638,256
Loss per share	0.12	0.05	0.24

SELECTED QUARTERLY INFORMATION

By recent eight Quarters (\$)

	Dec 31 2010	Sept 30, 2010	June 30, 2010	Mar 31, 2010	Dec 31, 2009	Sept 30, 2009	June 30, 2009	Mar 31, 2009
Total assets	8,657,580	9,195,639	6,944,837	6,403,429	6,860,304	6,466,947	6,454,763	6,531,994
Total liabilities	256,033	538,553	446,403	561,576	1,100,034	1,146,679	1,517,822	1,414,958
Shareholders equity	8,401,547	8,657,086	6,498,434	5,841,853	5,760,270	5,320,268	4,936,941	5,117,036
Revenues	(1,888)	2,347	30	6,209	0	53,276	17,174	3,072
Other Income Statement Items				25,381	(72,433)			
Major expense items								
Mineral property exploration	601,213	1,684,813	122,033	30,601	(176,902)	710	44,955	50,231
Accounting and audit	44,643	5,383	18,415	9,393	87,792	(1,638)	11,169	2,607
Legal	61,677	17,354	12,514	6,390	(8,375)	76,686	3,409	4,460
Management fees	55,792		0	0	(4,000)	0	8,000	24,000
Consulting fees	41,875	49,683	114,750	0	17,150	0	0	0
Office, rent and misc.	(3,815)	46,730	94,145	5,250	205,823	4,293	60,286	32,239
Stock-based compensation	363,169	851,220	0	0	(15,562)	0	39,504	0
Stock exchange and filing fees	51,554	25,503	10,390	7,765	6,316	6,743	0	5,050
Transfer agent fees	5,819	18,630	8,469	4,774	26,157	18,953	6,900	3,889
Net loss	1,114,588	2,978,585	502,643	229,569	561,896	88,133	224,098	402,299
Loss per share	0.03	0.07	0.01	0.01	0.02	0.04	0.04	0.04

SUMMARY OF QUARTERLY RESULTS

For the quarter ended December 31, 2010, net loss increased by \$1,114,558 compared to the same period in the prior year due largely to increased mineral property exploration and activities in Yukon Territory as compared to the same period last year.

Major administrative expenditures for the quarter ended December 31, 2010 were:

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	\$
Legal	61,677
Management fees	55,792
Accounting & audit	44,643
Mineral property exploration	601,213

No contracts exist with respect to management fees, office, or rent.

LIQUIDITY AND CAPITAL RESOURCES

The application of the going concern concept is dependent upon the Company's ability to generate future profitable operations and maintain an adequate level of financial resources to discharge its on-going obligations. Management seeks to raise capital, when necessary, to meet its funding requirements and has undertaken available cost-cutting measures. The Company has sufficient funds to meet its current commitments, but must raise further funds through additional share issuances in the future to complete its announced drilling programs. This will be dependent upon prevailing capital markets conditions, and such funding is not guaranteed.

	2010	2009
Working capital (deficit)	\$ 1,981,428	\$ (523,149)
Deficit	(53,179,372)	(48,353,987)

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At December 31, 2010, the Company had cash balances of \$2,132,754 (2009 - \$431,879) to settle current liabilities of \$256,033 (2009 - \$1,100,034). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Commitments

On June 7, 2010, the Company entered into a Investor Relations Service Agreement. The Company agreed to pay monthly fees of \$7,500 for services provided. The term of this agreement is for six months commencing July 10, 2010 with a option to extend the agreement for an additional six months at the same terms if both parties agree. On August 31, 2010, the Company granted the consultant stock options to acquire 150,000 common shares of the Company at an exercise price of \$0.35 per share expiring August 31, 2015. The agreement expired on January 9, 2011.

Office space is rented for \$1,750 per month. Rent of office space is on a month to month basis with no lease or other commitment.

The Company has a commitment to issue 125,000 common shares upon indication of probable gold reserves on the Pinaya property in excess of 750,000 oz. The Company has an additional commitment to issue 125,000 more common shares upon indication of probable gold reserves on the Pinaya property in excess of 2,500,000 oz.

CAPITAL MANAGEMENT

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The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of resource properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate, available or committed financial resources to complete such acquisitions.

The Company's primary source of funds has been obtained through the issuance of capital stock. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended December 31, 2010. The Company is not subject to externally imposed capital requirements.

Equity Issuances:

Year ended December 31, 2010:

Issued for private placements

On January 14, 2010, the Company issued 1,000,000 Units at \$0.225 per Unit by way of private placement. Each unit consists of one common share of the Company and one share purchase warrant. Every two share purchase warrants are exercisable into one common share at a price of \$0.275 per share until July 14, 2011.

On February 11, 2010, the Company issued 385,000 Units at \$0.225 per Unit by way of private placement. Each unit consists of one common share of the Company and one share purchase warrant. Every two share purchase warrants are exercisable into one common share at a price of \$0.275 per share until August 11, 2011. Finder's fees of \$473 were paid in relation to the private placement. Included in this placement were 310,000 units issued to offset amounts due to related parties.

On April 28, 2010, the Company issued 4,000,000 Units at \$0.20 per Unit by way of private placement. Each unit consists of one common share of the Company and one share purchase warrant. Each share purchase warrant is exercisable into one common share at a price of \$0.20 per share until April 29, 2012. Finder's fees of \$67,506 were paid in relation to the private placement.

On May 17, 2010, the Company issued 1,500,000 flow through Units at \$0.22 per Unit by way of private placement. Each unit consists of one flow through common share of the Company and one flow through warrant. Each flow through warrant is exercisable into one flow through common share at \$0.30 per share until May 17, 2012. Finder's fees of \$16,500 were paid in relation to the private placement.

On August 12, 2010 and September 13, 2010, the Company issued 4,000,214 flow through Units at \$0.35 per Unit by way of private placement. Each unit consists of one flow through common share of the Company and one flow through share purchase warrant. Every two flow through share purchase warrants are exercisable into one flow through common share at \$0.40 per share. 1,885,714 flow through warrants will expire August 12, 2011 and 2,114,500 flow through warrants will expire September 13, 2011. Finder's fees of \$64,333 were paid and 183,523 Brokers share purchase warrants were issued in relation to the private placement. Every two Brokers share purchase warrants are exercisable into one flow through common share at \$0.40 per share until September 13, 2011.

On September 13, 2010, the Company issued 6,323,666 Units at \$0.30 per Unit by way of private placement. Each unit consists of one common share of the Company and one share purchase warrant. Each share purchase warrant is

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exercisable into one common share at \$0.35 per share until September 13, 2012. Finder's fees of \$189,709.80 were paid and 632,366 Brokers share purchase warrants were issued in relation to the private placement. Each Brokers share purchase warrants is exercisable into one common share at \$0.35 per share until September 13, 2012.

Issued for debt settlement

On September 16, 2010, the Company issued 571,428 common shares at \$0.35 per share for total of \$200,000 to settlement debt with Solitaire Minerals Corp.

Issued for acquisition of resource property

On September 22, 2010, the Company issued 200,000 common shares at \$0.48 per share for total of \$96,000 in relation to acquisition of the remaining 20% interest of Red Mountain Property.

Off Balance Sheet Arrangements

The Company had no off-balance sheet arrangements as of December 31, 2010.

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RELATED PARTY TRANSACTIONS

During the year ended December 31, 2010:

Compensation granted to officers and directors of the company were as follows:

- a) the Company incurred directors and management fees of \$55,792 (2009 - \$28,000) with directors and companies owned by directors.
- b) the Company incurred consulting fees of \$51,558 (2009 - \$Nil) with directors, officers, and companies owned by directors of the Company

Services provided by officers and directors of the company (other than compensation paid for service as a director) were as follows:

- a) the Company incurred exploration expenditures and geological consulting fees of \$146,048 (2009 - \$120,994) as follows:
 - 369 Terminal Holdings Ltd. (controlled by Michael Scholz) - \$38,400;
 - Ralph Stricklen - \$37,404 (2009 - \$120,994);
 - Stewart Jackson - \$1,300 (2009 - \$Nil);
 - Donald Wedman - \$10,650 (2009 - \$Nil);
 - Jerikodie Inc. (controlled by Gerald Aberle) - \$58,294 (2009 - \$Nil);
- b) the Company incurred office and rental fees of \$119,016 (2009 - \$7,000) as follows:
 - 369 Terminal Holdings Ltd. (controlled by Michael Scholz) - \$117,526 (2009 - \$7,000);
 - John Fiorino - \$1,490 (2009 - \$Nil);
- c) the Company incurred legal fees of \$Nil (2009 - \$42,790) with an officer who is a principal of a law firm (Lang Michener Lawrence & Shaw).
- d) the Company incurred interest expense is \$4,416 (2009 - \$30,000) accrued to 369 Terminal Holdings Ltd. and 333 Terminal Holdings Ltd. (both controlled by Michael Scholz).

Related party transactions other than for services were as follows:

- a) the Company issued 115,000 Units at 0.225 per Unit to a director of the Company (Ralph Stricklen) to offset amounts payable as part of the February 11, 2010 private placement.
- b) the Company issued a total of 128,125 common shares for exercise of share purchase warrants. The proceeds of \$29,125 for exercising these warrants were applied against outstanding amounts payable to directors of the Company for directors' fees as follows:
 - Michael Scholz - \$17,500;
 - Stewart Jackson - \$8,500;
 - Winston Wong - \$3,125;

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As at December 31, 2010:

- a) accounts payables and accrued liabilities includes \$49,846 (2009 - \$125,121) owing to officers, directors and companies controlled by common directors and officers of the Company.
- Michael Scholz - \$1,445;
 - 369 Terminal Holdings Ltd. (controlled by Michael Scholz) - \$9,069;
 - Jack Bal - \$4,000;
 - Jerikodie Inc. (controlled by Gerald Aberle) - \$23,627;
 - Kelly Hyslop - \$505;
 - John Fiorino - \$11,200;
 - Lang Michener Lawrence & Shaw - \$Nil (2009 - \$62,101)
 - Ralph Stricklen - \$Nil (2009 - \$63,020)
- b) notes payable includes \$Nil (2009 - \$420,000) owing to 369 Terminal Holdings Ltd. (controlled by Michael Scholz).

Related party transactions are measured at negotiated at the amount agreed upon by the parties

OUTSTANDING SHARE DATA

The total number of common shares outstanding as of December 31, 2010 was 54,360,193.

WARRANTS

As at December 31st, 2010, the following warrants, normalized on a 1:1 basis, were outstanding:

Number of Warrants	Exercise price	Expiry date
725,556	\$0.275	June 30, 2011
500,000	\$0.275	July 14, 2011
95,000	\$0.275	August 11, 2011
942,857	\$0.40	August 12, 2011
1,057,250	\$0.40	September 13, 2011
3,860,000	\$0.20	April 29, 2012
1,450,000	\$0.30	May 17, 2012
6,323,666	\$0.35	September 13, 2012

As at December 31st, 2010, the following finder's warrants, normalized on a 1:1 basis, were outstanding:

Number of Warrants	Exercise price	Expiry date
91,761	\$0.40	September 13, 2011
632,366	\$0.35	September 13, 2012

STOCK OPTIONS

As at December 31st, 2010 there were 3,350,000 outstanding stock options exercisable at prices from \$0.35 to \$0.47 up to 2015.

SUBSEQUENT EVENTS

On January 18, 2011 AM Gold Inc. and Capella Resources Ltd. announced that they had entered into a binding letter of intent (the “**Letter of Intent**”) to combine the two companies by way of statutory Plan of Arrangement (the “**Arrangement**”) or other statutory procedure (the “**Transaction**”); as discussed below this letter of intent was subsequently terminated.

The Transaction was subject to a number of conditions and approvals, including, but not limited to, satisfactory due diligence, settlement of a definitive agreement (the “**Definitive Agreement**”), shareholder approval required by applicable law or as otherwise determined by the respective Board of Directors, an order of the Supreme Court of British Columbia with respect to Arrangement matters and approval of the TSX Venture Exchange. Capella agreed not to solicit or initiate any discussion concerning the pursuit of any other business combination for the term of the Letter of Intent which terminates on February 3, 2011 unless replaced by the Definitive Agreement. A termination fee of \$250,000 is payable to AM Gold in certain circumstances. In addition, AM Gold has the right to match any competing proposal in the event a competing proposal is made.

On February 4, 2011, AM Gold Inc. and Capella Resources Ltd. announced that the parties had extended the termination date of the Letter of Intent (the “LOI”) originally announced on January 18, 2011. The termination date of the LOI was extended from February 3, 2011 to March 5, 2011 to allow both parties to complete their respective due diligence reviews and to negotiate and execute the definitive agreement for the transaction.

On February 24, 2011, AM Gold Inc. and Capella Resources Ltd. announced that the letter of intent between Capella and AM Gold (the “letter of Intent”) had been terminated by mutual agreement of the parties.

On February 7, 2011, AM Gold Inc. announced the commencement of the Company's 2011 exploration program at its 100% owned Pinaya Gold-Copper Project in southern Peru. On January 28, 2011 the Company received approval of its application for an exploration permit for the La Porfía and Don Pedro 2000 concessions located in the Santa Lucia District, Lampa Province, Puno Department, Peru. An aggressive exploration program has been planned for 2011 at Pinaya which will focus on resumption of drilling operations within the resource area as well as the exploration of encouraging porphyry-related targets at the south end of the property. 3333

AM Gold geologists plan to initiate a heavy mineral stream sediment sampling program mid-February at 60 drainage points covering approximately 6,000 hectares at the southern end of the Pinaya property. The results of the initial sampling program are anticipated to generate a second phase of 50 to 60 stream sediment samples to further narrow the scope of area for subsequent priority testing by soil sampling (2,500 to 3,000 samples). A portable XRF unit will be utilized to rapidly assess collected samples. Priority target areas will also be simultaneously covered by magnetic survey. The combination of soil sampling and magnetics have historically been very effective tools for defining drill targets at Pinaya.

Diamond drilling is scheduled to commence at the resource area by April 2011. Additional target drilling based on results of the soils sampling and geophysical programs south of the resource area could begin as early as May 2011. A total of up to 10,000 meters of drilling is planned for the year pending results of preliminary target evaluation programs at the southern end of the property.

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On March 17, 2011 AM Gold Inc. announced its 2011 Spring - Summer exploration program at Red Mountain. The Company has contracted with Kluane Drilling of Whitehorse, Yukon Territory to conduct a 6000m diamond drill core program at Red Mountain. Through an agreement reached at the conclusion of the 2010 season, two of Kluane's KD1000 skid-mounted, all-hydraulic drill rigs were winterized and left on the property to facilitate an early start for the 2011 campaign. Mobilization of the camp is planned for early-May with the resumption of drilling operations anticipated between May 15 and June 1, depending on weather conditions.

The drill program has been planned with primary focus on expanding the inferred 1.32 million ounce gold resource (79.3 million tonnes grading 0.52 g/t gold) that was previously announced on December 2, 2010. The updated NI 43-101 report was prepared utilizing the results from twenty-four inclined drill holes with a cumulative total of 6,609m in the resource estimation. To date, drilling in and around the inferred resource area has not closed gold mineralization in any direction laterally or at depth, with the strongest mineralization open to extension at the east and west ends of the inferred resource along strike of the Jethro Structure and at depth.

On March 24, 2011, AM Gold Inc. announced that it had entered into an agreement with Geotech Ltd. of Aurora, Ontario to conduct a combined Z-tipper Electromagnetic (ZTEM) and Cesium-magnetometer survey of its Pinaya and Minas Lucho properties located in Southern Peru.

The ZTEM survey is an airborne passive geophysical system with reported superior exploration depth (up to kilometers in depth) measuring resistivity and conductivity contrast features of the sub-surface. Using naturally occurring electromagnetic fields of the Earth, the ZTEM system measures the electrical response of the imaged area to greater depths using lower frequency channels and has the ability to penetrate conductive cover often associated with mineralized systems, which frequently limited geophysical investigations of the past. The combined magnetic/ZTEM system has been successfully used in mapping porphyry and skarn deposits worldwide and has garnered attention of the exploration community with the ability to demonstrate in greater detail the subsurface geology and mineralization in 3-dimensional representations.

The survey at AM Gold's 100% owned Pinaya property will appraise the entire 19,200 hectare land position testing new exploration targets across the property while expanding and validating the results of ground-based geophysical surveys previously conducted only in close proximity to the resource zone. The survey of the entire 2,400 hectare Minas Lucho property will follow-up on earlier geological, geochemical and remote sensing studies that have identified several prospective areas for Au/Cu mineralization similar to Pinaya occurrences.

AM Gold further announced on March 24, 2011 that the Board of Directors had accepted the resignation of Michael Scholz as both a Director of the Company and as non-executive Chairman of the Board of Directors. AM Gold has elected not to fill the vacancy on the Board of Directors, nor the position of non-Executive Chairman at this time.

On April 13, 2011, the British Columbia Securities Commission (the "BCSC"), issued a Cease Trade Order (CTO) against the Company. The Company is coordinating with the BCSC with respect to the items detailed in the BCSC's Cease Trade Order.

ACCOUNTING PRONOUNCEMENTS

Accounting changes

Effective January 1, 2008, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") under Section 3862, *Financial Instruments Disclosures*, Section 3863,

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Financial Instrument - Presentation and Section 1535, *Capital Disclosures*. *Financial Instruments* Section 3862 requires entities to provide disclosures in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. The principles in this section complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in Section 3855, *Financial Instruments - Recognition and Measurement*, Section 3863 and Section 3865, *Hedges*. Section 3863 is to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

The adoption of Sections 3862 and 3863 had no impact on the Company's consolidated financial statements. *Capital Disclosures* Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed.

Critical Accounting Estimates

The Company follows the method of accounting for its mineral interests whereby all costs related to acquisition, exploration and development are capitalized by project. Costs are deferred until commencement of commercial production and will be depleted over the useful lives of the properties, or written off. The carrying values of mineral interests are reviewed by management at least annually to determine if they have become impaired. If impairment is deemed to exist, the mineral interest will be written down to its net recoverable value. Other areas requiring critical accounting estimates are variables used in stock based compensation calculations, valuation allowances for future income taxes.

FUTURE ACCOUNTING POLICY CHANGES

In 2006, the CICA Accounting Standards Board (AcSB) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company's transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

The Company did not have significant revenues in its last three financial years.

ADVISORY REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute forward-looking statements. The use of any of the words "believe", "expect", "estimate", "will", "should", "intend" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes these expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward looking statements included herein should not be unduly relied upon. Actual results and developments may differ materially from those contemplated by the forward looking statements. The

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forward-looking information contained in this MD&A represents our expectations as of the date of this MD&A and, accordingly, is subject to change after such date. We expressly disclaim any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable law.

BOARD OF DIRECTORS

John Fiorino
Gerald Aberle
Mark Lawson
Dr. Stewart Jackson
Jeffrey Reeder
Dennis Goldstein
Dr. E. Kelly Hyslop

OFFICERS

Chief Executive Officer – John Fiorino
President and COO – Gerald Aberle
Chief Financial Officer – Mark Lawson
VP Exploration – Neil Downey
Corporate Secretary – Murray Caruth