



## **Condensed Consolidated Interim Financial Statements**

**For the Three Months Ended March 31, 2015**

**(Unaudited – Prepared by Management)**

**(Expressed in Canadian Dollars Unless Noted Otherwise)**

### **NOTICE TO READER**

These unaudited condensed consolidated interim financial statements have been prepared by the management of AM Gold Inc. and have been approved by the Audit Committee and Board of Directors of AM Gold Inc. These unaudited condensed consolidated interim financial statements have not been reviewed by the auditors of AM Gold Inc.

# **AM GOLD INC.**

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**For the Three Months Ended March 31, 2015**

**(Stated in Canadian Dollars Unless Noted Otherwise)**

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# AM GOLD INC.

## Condensed Consolidated Interim Statements of Financial Position

(Unaudited)

(Stated in Canadian Dollars Unless Noted Otherwise)

	As at March 31, 2015	As at December 31, 2014
<b>Assets</b>		
<b>Current Assets:</b>		
Cash	\$ 9,584	\$ 7,584
Sales tax and other receivables	16,222	10,808
Marketable securities (Note 4)	30,000	20,000
Prepaid expenses and deposits	11,225	16,655
	<b>67,031</b>	<b>55,047</b>
<b>Non-Current Assets:</b>		
Property and equipment (Note 5)	171,508	184,634
Exploration and evaluation assets (Note 6)	5,437,926	5,437,926
<b>Total Assets</b>	<b>5,676,465</b>	<b>5,677,607</b>
<b>Liabilities and Equity</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued liabilities (Note 10(c)(ii))	494,548	404,614
Short-term loan (Note 11)	55,000	-
Due to related party (Note 10(c)(i))	100,000	100,000
<b>Total Liabilities</b>	<b>649,548</b>	<b>504,614</b>
<b>Equity:</b>		
Share capital (Note 7a)	60,769,001	60,769,001
Equity reserves	7,031,458	7,031,458
Accumulated other comprehensive loss ("AOCL")	(55,000)	(65,000)
Deficit	(62,718,542)	(62,562,466)
<b>Total Equity</b>	<b>5,026,917</b>	<b>5,172,993</b>
<b>Total Liabilities and Equity</b>	<b>\$ 5,676,465</b>	<b>\$ 5,677,607</b>

**Nature of Operations and Going Concern** (Note 1)

**Commitment** (Note 8)

**Contingency** (Note 12)

**Subsequent Events** (Notes 7b, 7c and 11)

Approved and authorized by the Board of Directors on May 7, 2015

"John Fiorino", Director and CEO

"Dennis Goldstein", Director

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

# AM GOLD INC.

## Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Unaudited)

(Stated in Canadian Dollars Unless Noted Otherwise)

	For the three months ended March 31, 2015	For the three months ended March 31, 2014
<b>Expenses</b>		
Accounting and audit	\$ 3,750	\$ 4,500
Depreciation	13,127	12,941
Legal	32,710	4,891
Exploration and evaluation (Note 6)	6,338	5,062
Office and administration	9,325	10,487
Printing and shareholders' information	177	498
Rent	4,500	4,500
Stock exchange and filing fees	5,700	10,025
Telephone and utilities	162	165
Transfer agent fees	5,177	13,388
Wages and consulting fees	69,031	55,949
<b>Loss from Operations</b>	<b>149,997</b>	<b>122,406</b>
<b>Other Expenses</b>		
Foreign exchange loss	420	130
Interest expense	5,659	26,174
<b>Total Other Expense</b>	<b>6,079</b>	<b>26,304</b>
<b>Net Loss for the Period</b>	<b>156,076</b>	<b>148,710</b>
Unrealized gain on marketable securities	(10,000)	(30,000)
<b>Comprehensive Loss for the Period</b>	<b>\$ 146,076</b>	<b>\$ 118,710</b>
<b>Basic and Diluted Loss per Common Share</b>	<b>\$ 0.01</b>	<b>\$ 0.02</b>
<b>Weighted Average Number of Common Shares Outstanding</b>	<b>15,119,784</b>	<b>7,452,784</b>

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

**AM GOLD INC.****Condensed Consolidated Interim Statements of Changes in Equity****(Unaudited)****(Stated in Canadian Dollars Unless Noted Otherwise)**

	<b>Share Capital</b>		<b>Equity Reserves</b>	<b>AOCL</b>	<b>Deficit</b>	<b>Total Equity</b>
	<b>Number of Shares</b>	<b>Amount</b>				
Balance, January 1, 2014	7,452,784	\$ 60,361,481	\$ 6,981,958	\$ (5,000)	\$ (61,871,515)	\$ 5,466,924
Unrealized gain on marketable securities	-	-	-	30,000	-	30,000
Net loss for the period	-	-	-	-	(148,710)	(148,710)
Balance, March 31, 2014	7,452,784	\$ 60,361,481	\$ 6,981,958	\$ 25,000	\$ (62,020,225)	\$ 5,348,214
<b>Balance, January 1, 2015</b>	<b>15,119,784</b>	<b>\$ 60,769,001</b>	<b>\$ 7,031,458</b>	<b>\$ (65,000)</b>	<b>\$ (62,562,466)</b>	<b>\$ 5,172,993</b>
Unrealized gain on marketable securities	-	-	-	10,000	-	10,000
Net loss for the period	-	-	-	-	(156,076)	(156,076)
<b>Balance, March 31, 2015</b>	<b>15,119,784</b>	<b>\$ 60,769,001</b>	<b>\$ 7,031,458</b>	<b>\$ (55,000)</b>	<b>\$ (62,718,542)</b>	<b>\$ 5,026,917</b>

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

# AM GOLD INC.

## Consolidated Statements of Cash Flows

(Stated in Canadian Dollars Unless Noted Otherwise)

	For the three months ended	
	March 31, 2015	March 31, 2014
<b>Cash Flows From Operating Activities</b>		
Net loss for the period	\$ (156,076)	\$ (148,710)
Items not involving cash:		
Depreciation	13,127	12,941
Interest expense	5,659	26,174
Changes in non-cash working capital:		
Sales tax and other receivables	(5,414)	22,118
Prepaid expenses and deposits	5,430	(5,827)
Accounts payable and accrued liabilities	85,201	(74)
<b>Net Cash Used in Operating Activities</b>	<b>(52,073)</b>	<b>(93,378)</b>
<b>Cash Flows From Investing Activities</b>		
Option payments received	-	125,000
<b>Net Cash Provided by Investing Activities</b>	<b>-</b>	<b>125,000</b>
<b>Cash Flows From Financing Activities</b>		
Interest paid	(927)	(26,174)
Short-term loan	55,000	-
<b>Net Cash Provided (Used in) by Financing Activities</b>	<b>54,073</b>	<b>(26,174)</b>
<b>Net Increase in Cash</b>	<b>2,000</b>	<b>5,448</b>
<b>Cash – Beginning of Period</b>	<b>7,584</b>	<b>24,192</b>
<b>Cash – End of Period</b>	<b>\$ 9,584</b>	<b>\$ 29,640</b>

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

# AM GOLD INC.

## Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

(Stated in Canadian Dollars Unless Noted Otherwise)

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### 1. NATURE OF OPERATIONS AND GOING CONCERN

AM Gold Inc. (the “Company” or “AM Gold”), is a mineral exploration and development company focusing on the acquisition, exploration and development of economic gold, copper/gold and other precious and base metal properties. Currently, the Company’s principal mineral properties are its Pinaya Property located in Peru, South America and its Red Mountain Property located in the Yukon Territory, Canada.

AM Gold is a publicly listed company incorporated under the laws of the province of British Columbia, Canada. The Company’s shares are listed on the TSX Venture Exchange (“TSX.V”) under the trading symbol “AMG” and on the Frankfurt Stock Exchange under the trading symbol of “AMX”. The head office, principal address and records office of the Company are located at Suite 605 - 369 Terminal Avenue, Vancouver, British Columbia, Canada, V6A 4C4. The Company’s registered address is Suite 1500 - 1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7.

While these consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its commitments, continue operations and realize its assets and discharge its liabilities in the normal course of business for the foreseeable future, there are events and conditions that cast significant doubt on the validity of that assumption. The Company has incurred losses since inception and expects to incur further losses in the development of its business. As at March 31, 2015, the Company has a working capital deficiency of \$582,517 and an accumulated deficit of \$62,718,542. 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 consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary should the going concern assumption be inappropriate, and such adjustments could be material. The Company will need to raise sufficient funds in order to finance ongoing exploration and administrative expenses. The Company has no assurance that such financing will be available or be available on favourable terms. Factors that could affect the availability of financing include the Company’s performance, the state of international debt and equity markets, investor perceptions and expectations and the global financial and metals markets. If successful, the Company would obtain additional financing through, but not limited to, the issuance of additional equity or debt.

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### 2. BASIS OF PREPARATION

#### (a) Statement of Compliance

These condensed consolidated interim financial statements were prepared in accordance with International Accounting Standards 34, Interim Financial Reporting (“IAS 34”), using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The accounting policies and methods of application applied by the Company in these condensed consolidated interim financial statements are the same as those applied in the Company’s most recent annual consolidated financial statements as at and for the year ended December 31, 2014, except for those policies which have changed as a result of the adoption of new and amended IFRS pronouncements effective January 1, 2015. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and therefore should be read in conjunction with the Company’s most recent annual consolidated financial statements as at and for the year ended December 31, 2014. The effects of the adoption of new and amended IFRS pronouncements have been disclosed in Note 3 of these condensed consolidated interim financial statements. The preparation of these condensed consolidated interim financial statements in conformity with IAS 34 requires management to make estimates and assumptions that affect the

# AM GOLD INC.

## Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

(Stated in Canadian Dollars Unless Noted Otherwise)

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### 2. BASIS OF PREPARATION - *Continued*

reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated interim financial statements and the reported amounts of expenses during the period. As a result, actual amounts may differ from those estimates.

#### (b) Approval of the Financial Statements

The condensed consolidated interim financial statements of AM Gold for the three months ended March 31, 2015 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on May 7, 2015.

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### 3. ADOPTION OF NEW AND AMENDED IFRS PRONOUNCEMENTS

The Company is currently evaluating the following standard issued but not yet in effect and has not yet determined the impact on its financial position and results of operations:

IFRS 9 Financial Instruments - In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015.

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### 4. MARKETABLE SECURITIES

Marketable securities have been classified as available-for-sale investments consisting of common shares held by the Company in another public company and are summarized as follows:

	March 31, 2015		December 31, 2014	
	Market Value	Cost	Market Value	Cost
Common shares of a public company, not subject to significant influence	\$ 30,000	\$ 85,000	\$ 20,000	\$ 85,000

The market value is based on the closing price of the public company's common shares on the TSX.V on the dates indicated in the table above.

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# AM GOLD INC.

## Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

(Stated in Canadian Dollars Unless Noted Otherwise)

### 5. PROPERTY AND EQUIPMENT

#### March 31, 2015

	<b>Depreciation Rate</b>	<b>Cost \$</b>	<b>Accumulated Depreciation \$</b>	<b>Net Book Value \$</b>
Computers	25%	99,666	(82,798)	16,868
Camp and Equipment	3% to 20%	476,401	(321,761)	154,640
Office Equipment	10%	75,071	(75,071)	-
		<b>651,138</b>	<b>(479,630)</b>	<b>171,508</b>

#### December 31, 2014

	<b>Depreciation Rate</b>	<b>Cost \$</b>	<b>Accumulated Depreciation \$</b>	<b>Net Book Value \$</b>
Computers	25%	99,666	(81,712)	17,954
Camp and Equipment	3% to 20%	476,401	(309,721)	166,680
Office Equipment	10%	75,071	(75,071)	-
		<b>651,138</b>	<b>(466,504)</b>	<b>184,634</b>

### 6. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES

Details of the Company's exploration and evaluation assets are as follows:

	<b>Red Mountain (Canada)</b>	<b>Pinaya (Peru)</b>	<b>Total</b>
Balance, December 31, 2014	\$ 417,376	\$ 5,020,550	\$ 5,437,926
Property option payment received – cash	-	-	-
<b>Balance, March 31, 2015</b>	<b>\$ 417,376</b>	<b>\$ 5,020,550</b>	<b>\$ 5,437,926</b>

# AM GOLD INC.

## Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

(Stated in Canadian Dollars Unless Noted Otherwise)

### 6. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES – *Continued*

Details of the Company's exploration and evaluation expenditures, which have been expensed for the three months ended March 31, 2015 and 2014, are as follows:

<b>March 31, 2015</b>	<b>Red Mountain (Canada)</b>	<b>Pinaya (Peru)</b>	<b>Other (Peru)</b>	<b>Total</b>
Camp and equipment	\$ 1,338	\$ -	\$ -	\$ 1,338
Consulting	5,000	-	-	5,000
<b>Total Exploration and Evaluation Expenditures</b>	<b>\$ 6,338</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,338</b>

  

<b>March 31, 2014</b>	<b>Red Mountain (Canada)</b>	<b>Pinaya (Peru)</b>	<b>Other (Peru)</b>	<b>Total</b>
Camp and equipment	\$ 1,607	\$ -	\$ -	\$ 1,607
Travel and transportation	-	3,455	-	3,455
<b>Total Exploration and Evaluation Expenditures</b>	<b>\$ 1,607</b>	<b>\$ 3,455</b>	<b>\$ -</b>	<b>\$ 5,062</b>

#### (a) Red Mountain Property, Yukon Territory, Canada

The Company currently holds a 100% interest in 183 mineral property claims located in the Yukon Territory Canada, known as the Red Mountain Property.

The Company acquired the 100% interest by fulfilling the following requirements:

- i) \$50,000 upon execution of the agreement (paid).
- ii) \$50,000 (paid) and 20,000 common shares (issued) within 7 days upon approval by regulatory authorities.
- iii) \$25,000 (paid) and 17,500 common shares (issued) on or before August 17, 2011.
- iv) \$25,000 (paid) and 17,500 common shares (issued) on or before August 17, 2012.
- v) \$50,000 (paid) and 45,000 common shares or \$450,000, at the Company's discretion, to be paid on or before August 17, 2013 (issued – 45,000 common shares, fair value - \$6,750).

Of the 183 claims, 52 claims covering 1,168 hectares on the property are subject to a 2% Net Smelter Royalty ("NSR") to be paid to the vendor following commencement of commercial production. The NSR payable may be 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 next 0.5% of the NSR at any time, at the Company's discretion.

#### (b) Pinaya Property, Peru, South America

The Company, through its wholly-owned subsidiary Canper Exploraciones S.A.C., owns a 100% interest in the mineral rights for the Pinaya Property in Southern Peru, subject to an assignment of the title in accordance with the Option and Joint Venture Agreement with Rokmaster described below. In addition the Company acquired some surface rights during the year of acquisition for an additional part of the Pinaya Property. The amount expended for surface rights totalled U.S. \$15,000.

The Company has a commitment to issue 12,500 common shares upon indicated probable gold reserves on its Pinaya Property in excess of 750,000 oz. The Company has an additional commitment to issue 12,500 more common shares upon indicated probable gold reserves on its Pinaya Property in excess of 2,500,000 oz.

# AM GOLD INC.

## Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

(Stated in Canadian Dollars Unless Noted Otherwise)

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### 6. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES – *Continued*

#### (b) Pinaya Property, Peru, South America – *Continued*

##### **Don Pedro 2000 and Panchito, Peru, South America**

In 2005 the Company acquired an option to purchase the rights to a property contiguous to the Pinaya property called the Don Pedro 2000 concession for a total of U.S. \$250,000 payable over a number of years. All payments required were completed in prior years and the Company holds title to the Don Pedro 2000 concession.

The Company purchased an undivided 100% interest to certain Peruvian mining rights contiguous to the Pinaya property called the Panchito Property. The Company paid U.S. \$11,000 cash and issued 10,000 common shares.

##### **Option and Joint Venture Agreement**

On July 16, 2012, the Company entered into an option and joint venture agreement with Rokmaster which was subsequently amended on September 11, 2013 (the "Option and JV Agreement"). The Company granted Rokmaster an option to earn up to a 75% interest in 35 mineral claims located in the Caylloma and Lampa Provinces of Peru, known as the Pinaya Gold/Copper Project. The agreement was approved by the TSX.V on September 11, 2012 ("effective date"). Under the terms of the Option and JV Agreement:

Rokmaster may earn an initial 51% interest in the property by:

- Paying to the Company, a total of \$2,825,000 as follows:
  - (i) \$400,000 (paid) on or before the effective date;
  - (ii) an additional \$75,000 (paid) on or before September 11, 2013;
  - (iii) an additional \$125,000 (paid) on or before January 11, 2014;
  - (iv) an additional \$125,000 (paid) on or before May 1, 2014;
  - (v) an additional \$400,000 on or before September 11, 2014 and which is overdue and has not been paid;
  - (vi) an additional \$400,000 on or before the day which is three years after the effective date; and
  - (vii) an additional \$1,300,000 on or before the day which is four years after the effective date, \$500,000 of which, at the discretion of Rokmaster, may be paid in cash or in common shares of Rokmaster ("Rokmaster Shares") using the volume weighted average trading price of the Rokmaster Shares on the TSX.V for the 20 consecutive trading days preceding such payment.

In accordance with terms of the amended option and joint venture agreement dated September 11, 2013, approval of which was received by the TSX.V on October 18, 2013, the Company received 1,000,000 common shares of Rokmaster that had a total fair value of \$85,000 on the date of receipt.

- Incurring an aggregate of \$12,100,000 in exploration work on the property ("expenditures") within four years of the effective date as follows:
  - (i) \$1,000,000 on or before the day which is one year after the effective date (incurred);
  - (ii) an additional \$1,500,000 on or before the day which is two years after the effective date;
  - (iii) an additional \$3,500,000 on or before the day which is three years after the effective date; and
  - (iv) an additional \$6,100,000 on or before the day which is four years after the effective date.

# AM GOLD INC.

## Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

(Stated in Canadian Dollars Unless Noted Otherwise)

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### 6. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES – *Continued*

#### (b) Pinaya Property, Peru, South America – *Continued*

- Completing a minimum of 10,000 meters of drilling on the property, within four years of the effective date as follows:
  - (i) a minimum of 3,000 metres of drilling within two and a half years of the effective date; and
  - (ii) a minimum of an additional 7,000 metres of drilling within four years of the effective date.

Rokmaster may earn an additional 24% interest in the property by paying the Company an additional \$1,300,000 (of which Rokmaster may elect to pay \$500,000 with common shares of Rokmaster), completing a preliminary economic assessment on the property, and incurring no less than an additional \$9,700,000 in expenditures, all within 5 years of the effective date.

After Rokmaster has earned either a 51% interest (and elected not to earn an additional 24% interest in the property) or earned a 75% interest in the property, Rokmaster and the Company will form a joint venture. Any party whose interest in the joint venture dilutes below 10% will have its interest converted into a 3% NSR which may be reduced from 3% to 2% by paying the NSR holder \$2,000,000, and which NSR may be further reduced from 2% to 1% by paying the NSR holder a further \$5,000,000.

On June 19, 2013, the Company loaned Rokmaster U.S. \$114,824 (CDN \$120,771 at June 30, 2013) for the payment of property taxes on the Pinaya property in Peru. This loan was repaid by Rokmaster on July 18, 2013.

Annual payments may be required in order to keep the Peruvian claims in good standing and in accordance with the Option and JV Agreement, Rokmaster is required to make these payments.

On April 5, 2013, Rokmaster applied for, through its wholly-owned Peruvian subsidiary, a 1,000 hectare mining concession area bounded on the south and west by BHP Billiton World Exploration Inc. and on the northwest by Golden Ideal Gold Mining S.A.C. (the “Concession”). The Concession falls within the area of interest contemplated in the Option and JV Agreement between AM Gold and Rokmaster.

AM Gold has elected to exercise its right to have the Concession form part of the property under the Option and JV Agreement and pursuant to the terms of such agreement the related acquisition costs of the Concession will be set-off against Rokmaster’s earn-in expenditures.

On September 11, 2014, the Company expected to receive a further \$400,000 that was due from Rokmaster per the terms of the Option and JV Agreement. On September 22, 2014, Rokmaster delivered a notice of force majeure to the Company. The Company has challenged the validity of Rokmaster’s notice of force majeure. On September 25, 2014, the Company issued Rokmaster a notice of default under the Option and JV Agreement when Rokmaster failed to (i) remit a cash option payment to the Company in the amount of \$400,000 and (ii) incur a further \$1,500,000 in exploration expenditures. Such cash payment and exploration expenditures were required to be paid/incurred on or before September 11, 2014, but the \$400,000 cash payment is currently in default. On October 17, 2014, the Company announced that it notified Rokmaster that, among other things, it does not accept Rokmaster’s position that the force majeure, if there is one, applies to the Option Payment. Specifically, the Option Payment was due on or before September 11, 2014 and Rokmaster declared a force majeure on September 22, 2014 – 11 days after the Option Payment was due and was in default.

On November 12, 2014, Rokmaster notified the Company of its initiation of the process to arbitrate with respect to the Company’s challenge of the validity of Rokmaster’s declaration of force majeure along with the Company’s subsequent notice of default to Rokmaster. On November 24, 2014, the Company was notified by Rokmaster that it had filed a domestic commercial arbitration notice (the “Arbitration Notice”) with the British

# AM GOLD INC.

## Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

(Stated in Canadian Dollars Unless Noted Otherwise)

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### 6. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES – *Continued*

#### (b) Pinaya Property, Peru, South America – *Continued*

Columbia International Commercial Arbitration Centre (the “BCICAC”). In the Arbitration Notice, Rokmaster seeks: (a) an order declaring that its declaration of force majeure was valid and that the notice of default provided by the Company was invalid, (b) injunctive relief preventing the Company from taking any steps to breach or end the Option and JV Agreement or to adversely deal with the Pinaya Gold/Copper Project, (c) an award of damages with respect to the misrepresentations and breach of contract of at least \$3,040,095, broken down as follows: \$725,000 representing all cash payments made by Rokmaster to the Company to date, \$2,165,095 in exploration expenditures on the Pinaya Gold/Copper Project incurred by Rokmaster as at September 30, 2014 and an additional \$150,000 in respect of the 1,000,000 common shares of Rokmaster issued to the Company, plus interest and costs, and such further and other relief as Rokmaster may seek and the arbitrators deem meet and just.

Both parties have agreed on the selection of one arbitrator. The arbitration procedures as set out in the Option and Joint Venture Agreement require:

- the appointing authority will be the BCICAC;
- the case will be administered by the British Columbia International Commercial Arbitration Centre in accordance with its “Procedures for Cases under the BCICAC Rules”;
- the place of arbitration will be Vancouver, British Columbia;
- the language used in the arbitral proceedings will be English;
- the award of the arbitrator will be final and binding on the parties who will abide by the award; and
- the arbitrators fees will be paid by both parties in equal parts during the course of the arbitration but upon final decision of the dispute, the defeated party will pay all costs and reimburse all arbitration costs, including the amounts paid by the prevailing party, subject to the contrary decision of the arbitrators.

On January 2, 2015, the Company announced that it, along with its wholly-owned Peruvian subsidiary, have filed a joint statement of defense and have also initiated a counterclaim against Rokmaster as part of the arbitration proceedings commenced by Rokmaster. The Company maintains that the basis for Rokmaster’s claims against it are unfounded and without merit and the Company is seeking that Rokmaster’s claim against the Company be dismissed with costs against Rokmaster on a substantial indemnity scale. With respect to the counterclaim, the Company is seeking an award for damages, in an amount to be assessed, including but not limited to damages on account of the loss in value of the Company’s Pinaya gold-copper project due to the significant and material effect of alleged false, malicious and defamatory statements made or authorized by Rokmaster.

#### (b) Minas Lucho Properties, Peru, South America

In 2005 the Company acquired four contiguous mineral concessions which comprise the Minas Lucho property.

#### (c) La Mamita, Peru, South America

In 2005 the Company purchased mining rights in the La Mamita Concession.

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# AM GOLD INC.

## Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

(Stated in Canadian Dollars Unless Noted Otherwise)

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### 7. EQUITY

#### (a) Share Capital

##### Authorized:

Share capital consists of an unlimited number of common shares without par value.

Effective February 6, 2014, the Company consolidated its share capital, stock options, and share purchase warrants on a 10-to-1 basis. In accordance with IAS 10 and IAS 33, the Company's basic and diluted loss per share presented in its condensed consolidated interim statements of loss and comprehensive loss for the three months ended March 31, 2015 and 2014, has been computed based on the post consolidated weighted average number of common shares outstanding.

On May 12, 2014, the Company issued through a private placement 2,190,000 flow-through common shares (the "FT Shares"), of which 1,440,000 FT Shares were issued to the Company's Chief Executive Officer, at a price of \$0.0525 per FT Share and 4,810,000 non-flow-through common shares (the "NFT Shares") at a price of \$0.0525 per NFT Share raising aggregate gross proceeds of \$367,500. The Company paid no finder's fees in connection with the private placement.

#### (b) Stock Options

The Company has a stock option plan (the "Plan") for directors, senior officers, employees, consultants, and management. The Plan provides for the issuance of stock options to acquire up to a maximum of 10% of the issued and outstanding common shares of the Company. The Plan provides that the vested terms of the options and the option price may be fixed by the directors subject to the price restrictions and other requirements of the TSX.V. Options are granted for a term not exceeding five years and the exercise price must be paid in full upon exercise of the option.

On July 10, 2014, the Company granted 550,000 incentive stock options to directors and officers of the Company. These options vested immediately and are exercisable at \$0.12 per share and will expire on July 10, 2019. The fair value of the stock options on the grant date was \$0.09 per stock option. The total fair value of these options was \$49,500 and this amount was recognized as share-based compensation for the year ended December 31, 2014 (2013 - \$63,657). The share-based compensation was estimated using the Black-Scholes option pricing model with the following assumptions:

<u>Assumptions</u>	
Risk-free interest rate	1.55%
Expected stock price volatility	339.1%
Expected dividend yield and forfeiture	0.00%
Expected life of options	5 years

# AM GOLD INC.

## Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

(Stated in Canadian Dollars Unless Noted Otherwise)

### 7. EQUITY – Continued

#### (b) Stock Options – Continued

The following table summarizes historical information about the Company's incentive stock options (there were no changes in stock options during the three months ended March 31, 2015):

#### Year Ended December 31, 2014

	Number of Options	Weighted Average Exercise Price
Options Outstanding – beginning of period	350,000	\$ 2.52
Granted	550,000	0.12
Expired	-	-
Forfeited	(20,000)	0.65
<b>Options Outstanding – end of period</b>	<b>880,000</b>	<b>\$ 1.06</b>

At March 31, 2015, the following options were outstanding and exercisable:

Options Outstanding	Exercise Price	Expiry	Weighted Average Remaining Life in Years	Options Exercisable
65,000	\$ 3.50	29-Apr-15	0.08	65,000
15,000	\$ 3.50	31-Aug-15	0.42	15,000
25,000	\$ 4.70	21-Sep-15	0.48	25,000
75,000	\$ 5.00	12-Jul-16	1.28	75,000
75,000	\$ 0.80	25-Jan-18	2.82	75,000
75,000	\$ 0.50	5-Dec-18	3.68	75,000
550,000	\$ 0.12	10-Jul-19	4.28	550,000
<b>880,000</b>			<b>3.37</b>	<b>880,000</b>

On April 29, 2015, 65,000 stock options expired unexercised.

#### (c) Share Purchase Warrants

At March 31, 2015 and December 31, 2014, the following warrants were outstanding:

Expiry Date	Exercise Price	Number of Warrants	Warrant Valuation
April 29, 2015	\$2.00	371,000	\$ Nil
<b>Weighted Average</b>	<b>\$2.00</b>	<b>371,000</b>	<b>\$ Nil</b>

# AM GOLD INC.

## Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

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### 7. EQUITY – *Continued*

#### (c) Share Purchase Warrants – *Continued*

On April 29, 2015, 371,000 share purchase warrants expired unexercised.

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### 8. COMMITMENT

The Company rents its office for \$1,500 per month. The rent is on a month to month basis with no binding lease agreement or other commitment.

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### 9. SEGMENTED INFORMATION

The Company's business is considered as operating in one segment, mineral exploration and development. The geographical division of the Company's total non-current assets are as follows:

<u>Non-Current Assets</u>	<u>March 31, 2015</u>	<u>December 31, 2014</u>
Canada	\$ 433,370	\$ 433,370
Peru	5,189,190	5,189,190
	<b>\$ 5,622,560</b>	<b>\$ 5,622,560</b>

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### 10. RELATED PARTY TRANSACTIONS

Details of the transactions between the Company and related parties are disclosed below:

#### (a) Related Parties

The Company's related parties consist of its directors, its Chief Executive Officer ("CEO"), and a company controlled by its Chief Financial Officer ("CFO").

The nature of the Company's relationships with its related parties is as follows:

	<u>Nature of Relationship</u>
CEO	Management
RHL Enterprise Corp. (company controlled by its CFO)	Management
0869007 B.C. Ltd. (company controlled by its former CFO)	Management
Directors	Directorship

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# AM GOLD INC.

## Notes to Condensed Consolidated Interim Financial Statements

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(Stated in Canadian Dollars Unless Noted Otherwise)

### 10. RELATED PARTY TRANSACTIONS – *Continued*

The Company incurred fees and expenses in the normal course of operations in connection with the above noted related parties. Details are as follows:

	Note	March 31, 2015	March 31, 2014
Management fees	(i)	\$ 54,000	\$ 50,250
<b>Total</b>		<b>\$ 54,000</b>	<b>\$ 50,250</b>

(i) During the three months ended March 31, 2015, the Company paid or accrued the following amounts:

- \$48,750 (2014 - \$45,000) to its CEO for consulting services;
- \$5,250 (2014 - \$nil) to a private company controlled by its CFO for consulting services.
- \$nil (2014 - \$5,250) to a private company controlled by its former CFO for consulting services.

#### (b) Compensation of Key Management Personnel

The remuneration of directors and other members of key management personnel (“Key Management”) during the three months ended March 31, 2015 and 2014 were as follows:

	Note	March 31, 2015	March 31, 2014
Amounts to Key Management	(i)	\$ 58,207	\$ 52,750
<b>Total Compensation</b>		<b>\$ 58,207</b>	<b>\$ 52,750</b>

(i) During the three months ended March 31, 2015, the Company paid or accrued directors’ fees totaling \$4,207 (2014 - \$2,500). Furthermore, amounts paid to Key Management disclosed above includes management fees disclosed in Note 10(a).

Key Management was not paid post-employment benefits, termination benefits or other long-term benefits during the three months ended March 31, 2015 and 2014.

#### (c) Due to Related Parties

(i) During the year ended December 31, 2013, the Company entered into an unsecured loan agreement with an associate of an insider of the Company (the “Lender”) to borrow \$500,000 (the “Loan”), the proceeds of which was used for working capital purposes. The Company repaid \$100,000 of the Loan in September 2013. The Loan bore an interest rate of 18% per annum, was calculated monthly and was due and payable on November 21, 2013 (the “Maturity Date”).

On February 28, 2014, the Company amended the terms of the Loan and entered into an amended loan agreement (the “Amended Loan”) with the Lender. The Maturity Date of the Amended Loan was extended to May 21, 2014 (the “Amended Maturity Date”) for the outstanding principal of \$400,000 (the “Principal Amount”). The Amended Loan bears interest at 18% per annum, compounded monthly. If the Principal Amount and accrued interest are not repaid in full by the Amended Maturity Date, the Amended Loan will be replaced with a new promissory note with a 90 day term (the “90 Day Promissory Note”). If the Lender and the Company enter into the 90 Day Promissory Note, the Company will be required to seek disinterested shareholder approval, along with regulatory approval, to secure the 90 Day Promissory Note with certain of the Company’s assets. On May 16, 2014, the Company repaid \$300,000 of the Principal Amount, leaving a balance of \$100,000. During the fourth quarter of 2014, the Company obtained shareholder approval to

# AM GOLD INC.

## Notes to Condensed Consolidated Interim Financial Statements

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### 10. RELATED PARTY TRANSACTIONS – *Continued*

#### (c) Due to Related Parties – *Continued*

provide security for the Loan. To date, the 90 Day Promissory Note has not been entered into, such security has not yet been provided and the Lender has not demanded repayment.

Pursuant to the terms of the Amended Loan and with acceptance received from the TSX.V on April 3, 2014, the Company issued to the Lender, 667,000 of its common shares as bonus shares (the “Bonus Shares”). The Bonus Shares were subject to a hold period of four months and a day from the date of issuance. Based on the April 3, 2014 closing price of the Company’s common shares on the TSX.V, the 667,000 common shares had a fair market value of \$40,020, which has been expensed in the statement of loss and comprehensive loss for the year ended December 31, 2014.

Included in interest expense for the three months ended March 31, 2015, is \$4,733 (2014 - \$26,174) paid to the Lender.

Included in accounts payable and accrued liabilities at March 31, 2015 is \$9,803 (December 31, 2014 - \$26,174) due to the Lender.

- (ii) Included in accounts payable and accrued liabilities at March 31, 2015 are \$203,222 (December 31, 2014 - \$152,035) owing to the Company’s CEO, \$3,675 (December 31, 2014 - \$3,675) owing to a company controlled by the Company’s CFO and \$12,033 owing to a director (December 31, 2014 - \$11,601). These amounts are due for unpaid compensation and/or expenses incurred on behalf of the Company.

#### (d) Principal Subsidiary

These condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiary, Canper Exploraciones S.A.C., which holds title to various mineral concessions in Peru, most significantly its Pinaya Property in Southern Peru.

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### 11. SHORT-TERM LOAN

On January 19, 2015, the Company entered into a secured short-term loan agreement with an arm's length party to borrow up to \$100,000 (the “Short-Term Loan”) of which \$55,000 has been drawn down as of March 31, 2015 and a further \$15,000 subsequent to March 31, 2015. The Short-Term Loan is secured against the Company’s Red Mountain, Yukon property and bears an interest rate of 10% per annum, calculated monthly and was due and payable on April 15, 2015. The maturity date of the Short-Term Loan has not been renegotiated and the lender has not demanded repayment.

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### 12. CONTINGENCY

On October 4, 2012 the Company filed a notice of civil claim in the Supreme Court of British Columbia against ALS Minerals (“ALS Minerals”) and ALS Canada Ltd. (“ALS Canada” and together with ALS Minerals, “ALS”). The Company filed the claim in connection with services provided by ALS to the Company with respect to the Company’s 2011 drill program at its Red Mountain property. Specifically, the Company is seeking:

- (i) damages for alleged misrepresentations;
- (ii) damages for alleged breach of contract;
- (iii) return of funds paid to ALS under the agreement between the parties; and

# AM GOLD INC.

## Notes to Condensed Consolidated Interim Financial Statements

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(Stated in Canadian Dollars Unless Noted Otherwise)

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### 12. CONTINGENCY – *Continued*

- (iv) interest, costs and such other relief as the Court may consider.

The Company filed the claim after failing to reach a satisfactory resolution with ALS in connection with what the Company believes were egregiously long time periods between delivering drill core to ALS for assay testing and receiving the respective assay results back from ALS. The Company intends to vigorously pursue the claim. ALS responded to the notice of civil claim on November 9, 2012 and filed a counterclaim in which ALS seeks payment of allegedly overdue invoices (totaling \$127,607) stemming from the underlying assay work.

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