



**MANAGEMENT DISCUSSION AND ANALYSIS**  
For the Quarter Ended June 30, 2011

Dated August 24, 2011

**Introduction**

This Management's Discussion and Analysis ("MD&A") is dated August 24, 2011, unless otherwise indicated and should be read in conjunction with the unaudited consolidated interim financial statements of AM Gold Inc. ("the Company", "we", "our" or "us") for the three months ended June 30, 2011, and the related notes thereto. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. Results are reported in Canadian dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results presented for the three months ended June 30, 2011, are not necessarily indicative of the results that may be expected for any future period.

As of January 1, 2011, the Company adopted International Financial Reporting Standards ("IFRS"). The unaudited consolidated interim financial statements for the three months ended June 30, 2011 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"), and using accounting policies consistent with IFRS. Readers of this MD&A should refer to "Change in Accounting Policies" below for a discussion of IFRS and its affect on the Company's financial presentation.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of AM Gold Inc. common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) if it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Further information about the Company and its operations can be obtained from the offices of the Company or from Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com) or on the Company's website [www.amgold.ca](http://www.amgold.ca)

**Cautionary Note Regarding Forward-Looking Information**

Certain statements contained in the following MD&A constitute forward-looking statements. Such forward looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements.

**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 with an option to acquired 100% ownership of the original 52 ICE and JC claims (1,168 hectares) and 100% ownership of the 131 Frost claims (2,430 hectares) acquired in June, 2011. 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.

The Company's registered office is located at 605 - 369 Terminal Avenue. Vancouver, British Columbia, Canada.

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency for all entities within the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

## **RESOURCE PROPERTIES**

AM Gold currently has interests in the following mineral properties:

### **a) Pinaya Project, Southern Peru**

Through its ownership of a Peruvian subsidiary, the Company owns a 100% interest in the Pinaya Property in 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.

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-year period.

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

On April 29, 2010 a 2009 Option Agreement for Solitaire Minerals to earn up to a 75% interest in the Pinaya property 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 settle the debt with Solitaire Minerals Corp.

In mid-February 2011, AM Gold geologists initiated a heavy mineral stream sediment and soils sampling program covering approximately 6,000 hectares at the southern end of the Pinaya property. A portable XRF unit has been utilized to rapidly assess collected samples. In March, 2011, the Company entered into an agreement with Geotech Ltd. of Aurora, Ontario to conduct a combined Z-tipper Electromagnetic (ZTEM) and Cesium-magnetometer survey of the Pinaya Property. The survey at 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 airborne ZTEM survey was completed in May 2011. Data from the survey is currently being interpreted in conjunction with results of the Company's soils programs to establish and prioritize drill targets for the next drill program at Pinaya, which is currently planned for late 2011.

## **b) Red Mountain Project, Yukon Territory Canada**

The Company owns an 80% interest in, and has an option to purchase the remaining 20% of, the Red Mountain property in the 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.

On August 23, 2010, the Company announced an amended Option Agreement to acquire the then-outstanding 20% interest of the Red Mountain Property. The Company 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, which has been paid. See Note 18 Subsequent Events.
- 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 resource of 2 million ounces of gold is the defined through a NI 43-101 report.

Under the Option Agreement terms, 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.

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 March 17, 2011 AM Gold Inc. announced that the Company had 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. The 2011 drill program has commenced 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. 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. By June 30, 2011 the Company had completed approximately 1,525 meters drilling in 5 holes located at the east end of the resource area.

On June 22, 2011 the Company announced a substantial increase in the Company's Yukon land position at Red Mountain through the staking of 131 quartz claims covering approximately 2,400 hectares. The recently acquired claims are contiguous to the original 52 claims (1,168 hectares) that previously constituted the Red Mountain Property and are situated to the south and east of the Company's 1.32 million troy ounce gold inferred resource (79.3 million tonnes grading 0.52g/t gold) (see the Company's news release of December 2, 2010, a copy of which is available under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com)). With the addition of the new claim block, AM Gold more than tripled the size of its land package at Red Mountain to approximately 3,600 hectares in total.

## **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 a 100% interest in the project which consists of a single concession and

covers an area of about 1,000 hectares. Results from a previous 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.

In March, 2011, the Company entered into an agreement with Geotech Ltd. of Aurora, Ontario to conduct a combined Z-tipper Electromagnetic (ZTEM) and Cesium-magnetometer survey of its Minas Lucho property. The survey of the entire 2,400 hectare Minas Lucho property was designed to follow-up on earlier geological, geochemical and remote sensing studies that have identified several prospective areas for Au/Cu mineralization similar to occurrences at Pinaya. The airborne ZTEM survey at Minas Lucho was subsequently completed in June 2011, the data from which is currently being interpreted to develop future exploration strategies, plans and schedules.

**SELECTED ANNUAL & QUARTERLY INFORMATION**

**SELECTED ANNUAL INFORMATION -**

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

<b>Audited</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
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
<b>Major expense items</b>			
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
Transfer agent fees	37,692	55,899	26,513
Net loss	4,768,814	1,276,426	4,638,256
Loss per share	0.12	0.05	0.24

## SELECTED QUARTERLY INFORMATION

By recent eight Quarters (\$)

	June 30, 2011	Mar 31, 2011	Dec 31 2010	Sept 30, 2010	June 30, 2010	Mar 31, 2010	Dec 31, 2009	Sept 30, 2009
Total assets	10,582,824	7,952,407	8,657,580	9,195,639	6,944,837	6,403,429	6,860,304	6,466,947
Total liabilities	736,018	228,082	256,033	538,553	446,403	561,576	1,100,034	1,146,679
Shareholders equity	9,846,806	7,724,325	8,401,547	8,657,086	6,498,434	5,841,853	5,760,270	5,320,268
Revenues	1,303	3,491	(1,888)	2,347	30	6,209	0	53,276
Other Income Statement Items						25,381	(72,433)	
<b>Major expense items</b>								
Mineral property exploration	843,295	340,877	601,213	1,684,813	122,033	30,601	(176,902)	710
Accounting and audit	21,518	7,730	44,643	5,383	18,415	9,393	87,792	(1,638)
Legal	1,979	40,409	61,677	17,354	12,514	6,390	(8,375)	76,686
Management fees & Wages	37,249	37,168	55,792		0	0	(4,000)	0
Consulting fees	61,216	74,402	41,875	49,683	114,750	0	17,150	0
Office, rent and misc.	16,695	24,202	(3,815)	46,730	94,145	5,250	205,823	4,293
Stock-based compensation	12,157	12,158	363,169	851,220	0	0	(15,562)	0
Stock exchange and filing fees	5,776	7,600	51,554	25,503	10,390	7,765	6,316	6,743
Transfer agent fees	5,244	4,561	5,819	18,630	8,469	4,774	26,157	18,953
Net loss	1,294,843	725,190	1,114,588	2,978,585	502,643	229,569	561,896	88,133
Loss per share	0.02	0.01	0.03	0.07	0.01	0.01	0.02	0.04

### SUMMARY OF QUARTERLY RESULTS

For the quarter ended June 30, 2011, net loss increased by \$1,294,843 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 June 30, 2011 were:

	\$
Travel & Business Development	48,305
Consulting fees	61,216
Printing & Shareholder 's information	59,037
Mineral property exploration	843,295

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.

	<b>2010</b>	<b>2009</b>
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 June 30, 2011, the Company had cash balances of \$3,918,845 (December 31, 2010 - \$2,132,754) to settle current liabilities of \$736,018 (December 31, 2010 - \$256,033). 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.

The Company also has a commitment to pay a bonus of \$250,000 in cash or common shares, on the Red Mountain Project, at the Company's discretion, if a resource of 2 million ounces of gold is the defined through a NI 43-101 report.

## **CAPITAL MANAGEMENT**

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 quarter ended June 30, 2011. The Company is not subject to externally imposed capital requirements.

## CAPITAL STOCK

### 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 \$4,730 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 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.

##### *Exercise of broker's warrants*

On February 4, 2011, the Company issued 9,566 common shares at \$0.40 per share for total gross proceeds of \$3,826 for the exercise of broker's warrants.

On February 4, 2011, the Company issued 62,811 common shares at \$0.35 per share for total gross proceeds of \$21,984 for the exercise of broker's warrants.

##### *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.

## OUTSTANDING SHARE DATA

The total number of common shares outstanding as of June 30, 2011 was 65,217,055.

## WARRANTS

As at June 30<sup>th</sup>, 2011, the following warrants, normalized on a 1:1 basis, were outstanding:

Number of Warrants	Exercise price	Expiry date
1,000,000	\$0.275	July 14, 2011
190,000	\$0.275	August 11, 2011
1,885,714	\$0.40	August 12, 2011
2,114,500	\$0.40	September 13, 2011
3,810,000	\$0.20	April 29, 2012
1,450,000	\$0.30	May 17, 2012
6,323,666	\$0.35	September 13, 2012
781,250	\$0.40	December 30, 2012

As at June 30<sup>th</sup>, 2011, the following finder's warrants, normalized on a 1:1 basis, were outstanding:

Number of Warrants	Exercise price	Expiry date
164,391	\$0.40	September 13, 2011
569,555	\$0.35	September 13, 2012
608,035	\$0.40	December 30, 2012

## STOCK OPTIONS

As at June 30<sup>th</sup>, 2011 there were 2,825,000 outstanding stock options exercisable at prices from \$0.35 to \$0.38 up to 2015.

### Off Balance Sheet Arrangements

As of the date of this filing, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

## RELATED PARTY TRANSACTIONS

During the six month period ended June 30, 2011, the Company incurred consulting fees of \$88,242 (June 30, 2010: \$Nil) with directors and a company owned by a director.

During the six month period ended June 30, 2011, the Company incurred rent expenses of \$5,250 (June 30, 2010: \$Nil) with a company owned by directors.

During the six month period ended June 30, 2011, the Company incurred exploration expenditures and geological consulting fees of \$26,002 (June 30, 2010: \$25,187) with companies owned by directors.

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

As at June 30, 2011, accounts payables includes \$57,972 (December 31, 2010: \$7,824) owing to officers, directors and companies controlled by common directors and officers of the Company.

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**SUBSEQUENT EVENTS**

On June 30, 2011 the Company announced that it had closed the first tranche of its private placement for gross proceeds of \$3.5 Million.

On closing of the Brokered Offering 1,562,500 units of the Company were placed at a price of \$0.32 per Unit and 8,571,429 flow-through common shares of the Company were placed at a price of \$0.35 per flow-through share for aggregate gross proceeds of approximately \$3,500,000. Each Unit consists of one non-flow-through common share of the Company and one-half of a common share purchase warrant (a "Warrant"). Each whole Warrant entitles the holder thereof to purchase one common share of the Company (the "Warrant Share") at a price of \$0.40 per Warrant Share until December 30, 2012, subject to acceleration in certain events.

Pursuant to the terms of the Brokered Offering if the Shares close for 20 consecutive trading days at a volume weighted average trading price above \$0.75, the Company will have the right to require conversion of the Warrants at the exercise price therefor by providing a notice to the Warrant holders. Upon receipt of the Conversion Notice the holder must exercise the Warrants then held in accordance with their terms within 30 days of receipt of such notification (the "Conversion Deadline"), after which Conversion Deadline any unexercised Warrants will be deemed to have expired.

Casimir Capital Ltd. acted as the agent in connection with the Brokered Offering. The Agent received a commission of \$210,000 representing 6% of the gross proceeds raised on the sale of the FT Shares and Units, a corporate finance fee in an amount of \$13,110 and 608,035 common share purchase warrants, being 6% of the aggregate of the total number of FT Shares and Units sold under the Brokered Offering. Each Agent's Warrant is exercisable to acquire one non flow-through common share of the Company for a period of 18 months from the Closing Date at a price of \$0.40 per Agent's Warrant Share, subject to acceleration on the same terms as the Warrants. All securities issued in connection with the Brokered Offering are subject to a statutory hold period expiring on October 31, 2011.

The gross proceeds from the sale of the FT Shares will be used by the Company to incur Canadian Exploration Expenses ("CEE") (within the meaning of the *Income Tax Act* (Canada) (the "ITA")), which will qualify as "flow-through mining expenditures" for the purposes of the ITA, related to the exploration of the Company's Red Mountain gold project in the Yukon Territory, Canada. The proceeds from the sale of the Non-Brokered Units will be used to fund the continued exploration of the Company's Red Mountain gold project in Yukon Territory, Canada, the continued exploration and development of the Company's Pinaya gold-copper project, other projects in southern Peru and for general working capital purposes.

On July 8, 2011 the Company announced that it had closed the final tranche of its private placement for additional gross proceeds of approximately \$847,880. The final tranche of the private placement was a non-brokered offering (the "Non-Brokered Offering") and together with the Brokered Offering the Company raised aggregate gross proceeds of approximately \$4,347,880.

On closing of the Non-Brokered Offering 634,000 units of the Company ("Units") were placed at a price of \$0.32 per Unit (an increase of 34,000 Units from the number originally announced by the Company via news release dated June 29, 2011) and 1,842,856 flow-through common shares of the Company (the "FT Shares") were placed at a price of \$0.35 per FT Share for aggregate gross proceeds of approximately \$847,880. Each Unit consists of one non-flow-through common share of the Company (a "Share") and one-half of a common share purchase warrant (a "Warrant"). Each whole Warrant entitles the holder thereof to purchase one common share of the Company (the "Warrant Share") at a price of \$0.40 per Warrant Share until January 8, 2013, subject to acceleration in certain events.

Pursuant to the terms of the Non-Brokered Offering if the Shares close for 20 consecutive trading days at a volume weighted average trading price above \$0.75, the Company will have the right to require conversion of the Warrants at the exercise price therefore by providing a notice (the "Conversion Notice") to the Warrant holders.

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The Company paid a finder's fee to an arm's length party (the "Finder") in connection with the Non-Brokered Offering consisting of (i) a cash commission of \$36,678 representing 6% of the gross proceeds raised on the sale of the FT Shares and Units placed by the Finder and (ii) 107,880 common share purchase warrants (the "Finder's Warrants"), representing 6% of the number of FT Shares and Units placed by the Finder. Each Finder's Warrant is exercisable to acquire one non flow-through common share of the Company (a "Finder's Warrant Share") at a price of \$0.40 per Finder's Warrant Share until January 8, 2013, subject to acceleration on the same terms as the Warrants.

The gross proceeds from the sale of the FT Shares will be used by the Company to incur Canadian Exploration Expenses ("CEE") (within the meaning of the *Income Tax Act* (Canada) (the "ITA")), which will qualify as "flow-through mining expenditures" for the purposes of the ITA, related to the exploration of the Company's Red Mountain gold project in the Yukon Territory, Canada. The proceeds from the sale of the Non-Brokered Units will be used to fund the continued exploration of the Company's Red Mountain gold project in Yukon Territory, Canada, the continued exploration and development of the Company's Pinaya gold-copper project, other projects in southern Peru and for general working capital purposes.

On July 14, 2011 the Company announced that, it had granted incentive stock options to certain directors, officers, consultants and employees of the Company to purchase up to 1,700,000 common shares in the capital of the Company (the "Shares") pursuant to an approved share option plan. The options are exercisable on or before July 12, 2016 at an exercise price of \$0.50 per Share. The Company has cancelled options to purchase up to 100,000 Shares granted on September 21, 2010 with an exercise price of \$0.47 per Share and options to purchase up to 300,000 Shares at an exercise price of \$0.35 per Share granted on June 29, 2010.

On August 18, 2011 the Company announced an update of the progress on the Company's exploration program at Red Mountain, Yukon Territory Canada.

### **Drill Program**

AM Gold has contracted with Kluane Drilling of Whitehorse, Yukon Territory to provide two diamond drill core rigs for the Company's 2011 drill program at Red Mountain. The first drill commenced drilling operations on drill hole ICE11040 at the east end of the resource area on June 10, 2011. The second drill collared drill hole ICE11041 on June 15, 2011, also at the east end of the resource area. To date, approximately 6,000 meters of core has been cut from 17 drill holes this season. Based on current drill productivity, the company expects to complete a total of 7,500 to 8,000 meters by the conclusion of the program in September.

### **Geophysical Surveys**

AM Gold is also pleased to announce that it has entered into an agreement with Geotech Ltd. of Aurora, Ontario to conduct a helicopter-borne VTEM geophysical survey of the entire Red Mountain property. The Time Domain EM system is excellent for locating discrete conductive anomalies as well as mapping lateral and vertical variations in resistivity. The system also has a high-sensitivity cesium magnetometer for mapping geologic structure and lithology and a cesium magnetometer base station for diurnal correction. A total of 679 line kilometers are planned to be flown in the late-August early-September time frame.

In addition, the Company has contracted with PhotoSat Information Ltd. of Vancouver, Canada to obtain a high resolution, satellite-derived digital terrain model for the entire property position. High-resolution topography has been demonstrated as a useful tool in outlining subtle structural trends important to the control of gold mineralization and will aid in developing better surface/attitude controls for the mineralization.

### **Risk Factors**

Investing in the common shares of the Company involves risk. Prospective investors should carefully consider the risks described below, together with all of the other information included in this MD&A before making an investment decision. If any of the following risks actually occurs, the business, financial condition or results of operations of the Company could be harmed. In such an event, the trading price of the common shares could decline and prospective investors may lose part or all of their investment.

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### Possible Trading Suspension or Delisting

The Exchange may suspend from trading or delist the securities of the Company where the Company has failed to submit documents to the Exchange in the time periods required. Suspension from trading of the common shares may, and delisting of the common shares will, result in the regulatory securities authorities issuing a consolidated interim cease trade order against the Company. In addition, delisting of the common shares will result in the cancellation of all of the currently issued and outstanding common shares of the Company held by Insiders. Trading in the common shares of the Company may be halted at other times for other reasons also.

### Dilution

If the Company issues treasury shares to finance acquisition or participation opportunities, control of the Company may change and subscribers may suffer dilution of their investment.

### Directors and Officers

The directors and officers of the Company will not be devoting all of their time to the affairs of the Company but will be devoting such time as required to effectively manage the Company. Some of the directors and officers of the Company are engaged and will continue to be engaged in the search for assets or businesses on their own behalf or on behalf of others such that conflicts may arise from time to time. As a consequence of such conflicts, the Company may be exposed to liability and its ability to achieve its business objectives may be impaired.

### Reliance on Management

The Company is relying solely on the past business success of its directors and officers to identify a strategic asset acquisition of merit. The success of the Company is dependent upon the efforts and abilities of its directors and officers. The loss of any of its directors or officers could have a material adverse effect upon the business and prospects of the Company.

### Foreign Acquisition

In the event the Company identifies a foreign business as a proposed asset acquisition, investors may find it difficult or impossible to effect service or notice to commence legal proceedings upon any management resident outside of Canada or upon the foreign business and may find it difficult or impossible to enforce against such persons, judgments obtained in Canadian courts.

### **Critical Accounting Estimates**

The preparation of the unaudited consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The unaudited consolidated interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the unaudited consolidated interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- the inputs used in measurement for warrants in the unaudited consolidated interim statement of financial position;
- the inputs used in measurement for share based payments expense in the unaudited consolidated

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- interim statement of comprehensive loss; and
  - the \$nil provision for income taxes which is included in the unaudited consolidated interim statements of comprehensive loss and recognition of deferred income tax assets and liabilities included in the unaudited consolidated interim statement of financial position at March 31, 2011.

### **Change in Accounting Policies**

During the three months ended March 31, 2011, the Company adopted the following new accounting policies:

#### *Transition to and Initial Adoption of IFRS*

The Canadian Accounting Standards Board has confirmed that IFRS will replace current Canadian generally accepted accounting principles ("Canadian GAAP") for publicly accountable enterprises, including the Company, effective for fiscal years beginning on or after January 1, 2011.

The unaudited consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Previously, the Company prepared its annual and consolidated interim financial statements in accordance with Canadian GAAP.

The accounting policies set out below have been applied consistently to all periods presented in the unaudited consolidated interim financial statements. They also have been applied in preparing an opening IFRS balance sheet at January 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1, First Time Adoption of International Financial Reporting Standards (IFRS 1).

The unaudited consolidated interim financial statements have been prepared on the basis of IFRS standards that are expected to be effective or available for early adoption by the Company on December 31, 2011, the Company's first annual reporting date under IFRS. The Company has made certain assumptions about the accounting policies expected to be adopted when the first IFRS annual financial statements are prepared for the year ended December 31, 2011.

#### *Impact of Adopting IFRS on the Company's Business*

As management had anticipated, given the business of the Company and given the limited number of transactions that the Company has entered into since January 1, 2010, the impact on the adoption of IFRS had no impact on the Company's financial position, financial performance and cash flows. Specifically, the main areas of accounting focus for the Company to date have been, and will continue to be prior to the acquisition of a strategic asset, the issuance of share capital, the recording of share based payments and the recording of cash transactions for which there are very few or no significant differences between IFRS and Canadian GAAP.

The adoption of IFRS has resulted in some non-material changes to the Company's accounting systems and business processes; however the impact has been minimal. The Company has not identified any contractual arrangements that are significantly impacted by the adoption of IFRS.

The Company's advisers involved in the preparation of financial statements have been appropriately trained on the relevant aspects of IFRS and the changes to accounting policies.

The Board of Directors and Audit Committee have been regularly updated through the Company's IFRS transition process, and are aware of the key aspects of IFRS affecting the Company.

#### *First-time Adoption of IFRS*

Except as otherwise provided in Note 3 to the accompanying Financial Statements, the Company did not use the exemptions listed in IFRS 1.

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

*Impact of Adopting IFRS on the Company's Accounting Policies*

The Company has changed certain accounting policies to be consistent with IFRS as it is expected to be effective or available for early adoption on December 31, 2011, the Company's first annual IFRS reporting date. However, these changes to its accounting policies have not resulted in any significant change to the recognition and measurement of assets, liabilities, equity, revenue and expenses within its financial statements.

The following summarizes the significant changes to the Company's accounting policies on adoption of IFRS.

*Impairment of (Non-financial) Assets*

IFRS requires a write down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Current Canadian GAAP requires a write down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

The Company's accounting policies related to impairment of non-financial assets have been changed to reflect these differences. There is no impact on the unaudited consolidated interim financial statements.

*Impact of Adopting IFRS on the Company's Financial Statements*

*(i) Transition date unaudited statement of financial position*

The Company's Transition Date IFRS unaudited statement of financial position is included as comparative information in the unaudited consolidated interim statements of financial position in the financial statements. The changes in accounting policies resulting from the Company's adoption of IFRS had no impact on the unaudited consolidated interim statement of financial position as at the transition date of January 1, 2010.

*(ii) Comparative audited financial statements*

The changes in accounting policies resulting from the Company's adoption of IFRS had no impact on the audited statement of financial position as at December 31, 2010.

*Accounting policies applied on adoption of IFRS*

The policies set out below have been applied in preparing the financial statements for the three months ended June 30, 2011 and in the preparation of an opening IFRS balance sheet at January 1, 2010 (the Company's date of transition) and for the year ended December 31, 2010.

*a) Basis of presentation*

The unaudited consolidated interim financial statements as of June 30, 2011 have been prepared on the historical cost basis.

*b) Functional and presentation currency*

The unaudited consolidated interim financial statements as of June 30, 2011 have been prepared in Canadian dollars, which is the Company's functional and presentation currency.

*c) Cash*

Cash includes cash on hand with a Canadian chartered bank.

*d) Financial instruments*

Financial assets:

All financial assets are recognized and derecognized on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following categories: financial assets ‘at fair value through profit or loss’ (“FVTPL”), ‘held-to-maturity investments’, ‘available-for-sale financial assets’ and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial liabilities:

Financial liabilities are classified as either financial liabilities ‘at FVTPL’ or ‘other financial liabilities’.

Other financial liabilities:

Other financial liabilities including borrowings are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition.

De-recognition of financial liabilities:

The Company derecognizes financial liabilities when the obligations are discharged, cancelled or expire.

e) *Financial instruments (continued)*

The Company’s financial instruments consist of the following:

Financial assets:	Classification:
Cash	Financial assets at FVTPL
Receivable	Loans and receivables
Financial liabilities:	Classification:
Accounts payable and accrued liabilities	Other financial liabilities

Impairment of financial assets:

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include: significant financial difficulty of the issuer or counterparty; or default or delinquency in interest or principal payments; or the likelihood that the borrower will enter bankruptcy or financial reorganization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the

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use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial instruments recorded at fair value:

Financial instruments recorded at fair value on the unaudited consolidated interim statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs). As of March 31, 2011 and December 31, 2010, none of the Company's financial instruments are recorded at fair value on the unaudited consolidated interim statement of financial position.

*f) Impairment of non-financial assets*

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. In addition, long lived assets that are not amortized are subject to an annual impairment assessment.

*g) Share based payment transactions*

The fair value of share options granted to employees is recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company. The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

*h) Income taxes*

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided

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for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

*i) 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 loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares.

*j) Significant accounting judgments and estimates*

The preparation of these unaudited consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The unaudited consolidated interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the unaudited consolidated interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

The critical areas include stock based compensation and income tax valuation allowance.

*k) Deferred share issuance costs*

The Company deferred direct and incremental costs incurred in connection with the issuance of share capital pursuant to its proposed public offering (the "Offering") as a non-current asset and will charge the costs against share capital when the Offering is completed.

*l) New accounting standards and interpretations*

Certain new accounting standards and interpretations have been published that are not mandatory for the March 31, 2011 reporting period. The following standards are assessed not to have any impact on the Company's financial statements:

- IFRS 9, *Financial Instruments* – effective for accounting periods commencing on or after January 1, 2013;
- Amendments to IFRS 7 *Financial Instruments: Disclosure for amendments enhancing disclosures about transfers of financial assets* – effective for annual periods beginning on or after July 1, 2011;
- Amendments to IAS 12 *Income Taxes: Limited scope amendment (recovery of underlying assets)* – effective for annual periods beginning on or after January 1, 2012.

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## **Financial Risk Factors**

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

### Credit Risk

The Company's credit risk is primarily attributable to cash. The Company has no significant concentration of credit risk arising from operations. Cash is held with reputable financial institutions, from which management believes the risk of loss to be remote.

### 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 March 31, 2011, the Company had cash balances of \$1,346,192 (December 31, 2010 - \$2,132,754) to settle current liabilities of \$228,082 (December 31, 2010 - \$256,033). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

The Company has historically relied on equity financings to satisfy its capital requirements and will continue to depend heavily upon equity capital to finance its activities. There can be no assurance the Company will be able to obtain the required financing in the future on acceptable terms. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing market conditions. With the economy slowly recovering from recession, the Company may continue to face significant challenges in 2011.

### 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 change in market interest rate. The Company has cash and no interest-bearing debt and therefore is not exposed to risk in the event of interest rate fluctuations.

### Foreign currency risk

The Company is not exposed to foreign currency risk.

## **Outlook**

The Company continues to monitor its spending and will amend its plans based on business opportunities that may arise in the future.

## **Disclosure of Internal Controls**

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the unaudited consolidated interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited consolidated interim financial statements, and (ii) the unaudited consolidated interim financial statements fairly present in all material respects the financial condition, results of operations and cash flow of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Consolidated interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

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(i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, consolidated interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of consolidated interim and annual filings and other reports provided under securities legislation.

### **BOARD OF DIRECTORS**

John Fiorino  
Gerald Aberle  
Mark Lawson  
Dr. Stewart Jackson  
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