



MANAGEMENT DISCUSSION AND ANALYSIS
For the Three Month Period Ended June 30, 2010

Dated August 30, 2010

AM GOLD INC.

Management Discussion & Analysis
For the Three Month Period Ended June 30th, 2010

This Management Discussion & Analysis ("MD&A") of AM Gold Inc. ("AM Gold", or the "Company") is dated August 30th, 2010 and provides an analysis of the Company's performance and financial condition for the three month period ended June 30th, 2010.

This MD&A should be read in conjunction with the Company's interim unaudited consolidated financial statements for the three month ended June 30th, 2010 and the audited consolidated financial statements for the year ended December 31st, 2009, including the related note disclosure, both of which are prepared in accordance with Generally Accepted Accounting Principles in Canada. All amounts are in Canadian dollars unless otherwise specified.

Additional information relating to the Company, including the interim unaudited consolidated financial statements for the three month period ended June 30, 2010 are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com or on the Company's website www.amgold.ca

OVERALL PERFORMANCE

DESCRIPTION OF BUSINESS

AM Gold Inc. is a publicly held mineral exploration company listed on the TSX Venture Exchange under the symbol "AMG" and the Frankfurt Exchange under the symbol "AMX." The Company's main business focus is to acquire and explore mineral properties for precious and base metals and other minerals. Since 2004, the Company has been focused on developing its 100% controlled Pinaya gold-copper Project located in southern Peru. The Company also maintains a 80% interest in the Red Mountain gold Project located in the Yukon Territory, Canada and 100% interest in two grassroots gold projects located in Peru: La Mamita and Minas Lucho. To date, AM Gold 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 a major deposit at the Pinaya project.

RESOURCE PROPERTIES

AM Gold currently has interests in the following mineral properties:

a) Pinaya Project, Southern Peru

The Pinaya gold-copper Project is located in southern Peru approximately 775 kilometers southeast of Lima, the capital of Peru, and 110 kilometers north-northeast of Arequipa, the second largest city in Peru. The property consists of twenty-nine mineral concessions covering approximately 14,500 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 twenty-nine mineral concessions that make up the project. In April of 2004, AM Gold acquired Canper for a total of three million shares over a three year period.

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

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

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Compañía Minera Aurífera Los Andes de Pinaya S.A.C (“COMAPI”) originally owned three of the twenty-nine 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 had to make staged payments to Minera Pinaya totalling US\$250,000 over three years.

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

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

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

On April 29, 2010 the agreement was terminated. The amount repayable has been included in accrued liabilities.

b) Red Mountain Project, Yukon Territory Canada

AM Gold has an 80% participatory interest in 52 mineral property claims located in the Yukon Territory Canada, known as the Red Mountain Project. As part of the acquisition of the Red Mountain Property, the Company agreed to spend \$1.5 million on the property within 30 months from the date of the acquisition. To date, the Company has spent in excess of \$2.4 million on the property (before Yukon tax credits of approximately \$500,000) and has met the exploration expenditure requirements under the Option Agreement. The vendor retains a 2% NSR.

The Red Mountain property has been basically inactive for three years with only insignificant amount of exploration activities done. In accordance with the Canadian GAAP, cost capitalized at mineral properties that have been inactive for three years should be written off. The Company is still planning to perform some exploration activities on the Yukon properties but the timing is unsure due to limits in financing resources. As a result, the Company decided to write off the Red Mountain property in prior years to a nominal value of \$1.

During 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 has 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. Management is currently planning to perform active exploration on the property and as such have not written off the capitalized costs of the 2009 share issuance.

	March 31, 2010	December 31, 2009
Acquisition costs	\$ 43,751	\$ 43,751

c) La Mamita Property, Peru

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

d) Minas Lucho Property, Peru

AM Gold has 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.

EXPLORATION REVIEW

AM Gold is continuing its evaluation of exploration efforts to date on its Pinaya gold-copper Project in Southern Peru. No drilling was conducted during the quarter with the project on care and maintenance.

For the 2008 drilling program, the first eight holes, PDH-150 to 158, were all wide 100 to 200 meter step out holes drilled at the North Western Porphyry Zone to increase the projects overall resource base. For hole PDH-159, a deep drilling rig was brought to the site. The hole was drilled at the North Western Porphyry Zone to a depth of 800 meters and bottomed in mineralization. It was the first hole ever drilled to test the depth potential of the deposit beyond 550 meters. The final hole, PDH-160, was drilled at the Los Vientos Zone, a recently discovered target located one kilometer to the southeast of the main deposit with a strong geophysical signature and trenching highlights of **2.0 g/t gold over 6.7 meters**, including **10.7 g/t gold over 1.2 meters** (trench PTR-152).

SELECTED ANNUAL & QUARTERLY INFORMATION

SELECTED ANNUAL INFORMATION

For the years ended December 31, 2009, 2008 and 2007 (\$)

Audited	2009	2008	2007
Total assets	6,860,304	6,711,494	7,521,310
Total Liabilities	1,100,034	1,192,159	177,346
Shareholders equity	5,760,270	5,519,335	7,343,964

Revenues	1,089	49,629	88,229
Major expense items			
Mineral property exploration	(81,006)	2,938,547	5,864,408
Accounting and audit	99,930	64,775	81,608
Consulting fee	17,150	89,177	260,820
Office, rent and misc.	302,641	207,618	133,460
Legal	76,180	132,830	174,605
Management fees	28,000	195,000	180,900
Public relations	40,504	87,566	237,770
Stock exchange and filing fees	18,109	31,368	58,098
Stock based compensation	23,942	548,192	620,582
Transfer agent fees	55,899	26,513	25,791

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Net loss	1,276,426	4,638,256	7,946,590
Loss per share	0.05	0.24	0.56

SELECTED QUARTERLY INFORMATION

By recent eight Quarters (\$)

	June 30, 2010	Mar 31, 2010	Dec 30, 2009	Sept 30, 2009	June 30, 2009	Mar 31, 2009	Dec 30, 2008	Sept 30, 2008
Total assets	6,944,837	6,403,429	6,860,304	6,466,947	6,454,763	6,531,994	6,711,494	6,954,887
Total liabilities	446,403	561,576	1,100,034	1,146,679	1,517,822	1,414,958	1,192,159	889,301
Shareholders equity	6,498,434	5,841,853	5,760,270	5,320,268	4,936,941	5,117,036	5,519,335	6,065,586
Revenues	30	6,209	0	53,276	17,174	3,072	44,432	531
Other Income Statement Items		25,381	(72,433)					
Major expense items								
Mineral property exploration	197,033	30,601	(176,902)	710	44,955	50,231	953,352	415,608
Accounting and audit	18,415	9,393	87,792	(1,638)	11,169	2,607	46,200	6,700
Legal	12,514	6,390	(8,375)	76,686	3,409	4,460	40,587	12,367
Management fees	0	0	(4,000)	0	8,000	24,000	33,000	63,000
Consulting fees	39,750	0	17,150	0	0	0	1,000	27,758
Office, rent and misc.	94,145	5,250	205,823	4,293	60,286	32,239	53,742	55,651
Stock-based compensation	0	0	(15,562)	0	39,504	0	(57,150)	20,430
Stock exchange and filing fees	10,390	7,765	6,316	6,743	0	5,050	16,067	2,674
Transfer agent fees	8,469	4,774	26,157	18,953	6,900	3,889	4,117	4,741
Net loss	502,643	229,569	561,896	88,133	224,098	402,299	827,296	928,730
Loss per share	0.01	0.01	0.02	0.04	0.04	0.04	0.04	0.04

SUMMARY OF QUARTERLY RESULTS

For the quarter ended June 30, 2010, net loss increased by \$278,545 compared to the same period in the prior year due largely to increased mineral property exploration and activities in Peru as compared to the same period last year. Management is also actively managing and reducing its expenditures to reflect the increased amount of activity.

Major administrative expenditures for the three months ended June 30, 2010 were:

	\$
Wages	18,931
Office and miscellaneous	27,719
Professional fees	30,929
Mineral property exploration	197,033

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

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LIQUIDITY AND CAPITAL RESOURCES

The Company's working capital was \$162,767 as at June 30th, 2010. The Company has sufficient funds to meet its current commitments, but must raise further funds through additional share issuances in the future.

On June 22, 2009, the Company entered into a Letter of Intent ("LOI") (which has since been terminated) with Solitaire Minerals Corp. (TSX Venture: SLT) whereby Solitaire will acquire up to a 75% interest in the Company's Pinaya Gold/Copper Deposit located in Southern Peru as well as the Minas Lucho property and the La Mamita Property for incurring exploration costs totaling \$6,400,000, plus a payment to the Company of \$2,400,000 on or before December 31, 2012. Pursuant to the transaction, the Company will retain a 1.5% net smelter royalty. The final LOI will be subject to regulatory approval, and a final definitive agreement.

OUTSTANDING SHARE DATA

The total number of common shares outstanding as of June 30th, 2010 was 37,765,825.

WARRANTS

As at June 30th, 2010, the following warrants were outstanding:

Number of Warrants	Exercise price	Expiry date
1,484,375	\$0.20	August 21, 2010
2,749,458	\$0.24	September 15, 2010
395,625	\$0.40	September 15, 2010
345,211	\$0.24	October 9, 2010
48,125	\$0.40	October 9, 2010
1,397,500	\$0.275	June 30, 2011
500,000	\$0.275	July 14, 2011
95,000	\$0.275	August 11, 2011
4,000,000	\$0.20	April 30, 2012
*1,500,000	\$0.30	May 17, 2012

Each warrant listed represents one Common share upon exercise

*Each warrant represents one Flow-Through Common share upon exercise

STOCK OPTIONS

As at June 30, 2010 there were no outstanding stock options.

TRANSACTIONS

RELATED PARTY TRANSACTIONS

During the period ended June 30, 2010, the Company incurred management fees of \$Nil (2009: \$32,000) with directors and companies owned by directors.

During the period ended June 30, 2010, the Company incurred exploration expenditures and geological consulting fees of \$25,187 (2009: \$95,186) with companies owned by directors.

As at June 30, 2010, accounts payables includes \$7,824 (2009: \$115,384) owing to officers, directors and companies controlled by common directors and officers of the Company.

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All the above expenditures were incurred during the normal course of business.

OFF- BALANCE SHEET TRANSACTIONS

The Company has not entered into any off-balance sheet arrangements.

PROPOSED TRANSACTIONS

There are no proposed transactions at this time.

SUBSEQUENT EVENTS

On July 7, 2010, the Company announced intention to raise \$1,400,000 through the issuance of 4,000,000 Flow-Through Units priced at \$0.35 per Unit by way of a non-brokered private placement. Each unit consists of one flow through common share and one transferrable share purchase warrant. Each two warrants are exercisable into one common share at a price of \$0.40 per share for a twelve month period from closing subject to an acceleration clause, whereby if the Company's shares trade above 55 cents for 10 consecutive days, the Company has the option to cancel the unexercised warrants on 10 days written notice.

On July 9, 2010, the Company contracted with Vantage Communications to conduct a six month advertising campaign. The Company paid Vantage Communications a onetime payment of \$14,000 plus HST and will grant to Vantage Communications stock options to acquire 50,000 shares in the capital of the Company.

On July 13, 2010, the Company was granted a Class 3 Quartz Mining Land Use Permit for its exploration programs at Red Mountain, Yukon Territory, Canada. The effective date of the approval was July 13, 2010 with an expiry date of July 12, 2015.

On August 5, 2010, the Company announced intention to raise \$1,500,000 through the issuance of 5,000,000 units priced at \$0.30 per unit by way of a non-brokered private placement. Each unit consists of one common share and one transferrable share purchase warrant. Each warrant is exercisable into one common share at a price of \$0.35 per share for a period twenty-four months from closing.

On August 12, 2010, the Company issued 1,885,714 flow-through Units at \$0.35 per Unit by way of a first tranche closing of a non-brokered private placement. Each unit consists of one flow-through common share and one share purchase warrant. Each two warrants are exercisable into one common share at a price of \$0.40 per share until August 12, 2011 subject to an acceleration clause, whereby if the Company's shares trade above 55 cents for 10 consecutive days, the Company has the option to cancel the unexercised warrants on 10 days written notice. Finder's Fees of cash and Brokers Warrants were paid representing 4% of total gross proceeds raised.

On August 17, 2010, subject to regulatory approval, the Company entered into purchase agreement with 629281 B.C. Ltd. for the remaining 20% of the Red Mountain property not owned by it, subject to regulatory approval on the following terms: \$50,000 on signing (Paid); \$50,000 and 200,000 shares within 7 days of regulatory approval; \$25,000 and 175,000 shares will be paid on the first anniversary of the signing date; \$25,000 and 175,000 shares or \$175,000 (at the Company's discretion) will be paid on the second anniversary of the signing date; \$50,000 and 450,000 shares or \$450,000 (at the Company's discretion) will be paid on the third anniversary of the signing date; and, a bonus of \$250,000 in cash or shares (at the Company's discretion) will be paid if a resource of 2 million ounces of gold is defined through a NI 43-101 compliant report. The Company will also pay a 2% NSR, but, at its discretion, has the ability to reduce the NSR payable by: agreeing to pay \$1,000,000 to reduce the NSR down to 1% and by paying an additional \$750,000 to further reduce the NSR down to 0.5%. The Company retains the option to

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terminate the agreement at any time, and in such event 629281 B.C. Ltd will retain all consideration received from the Company up the date of the termination, and the provisions of the Option Agreement, as amended August 31, 2009, will continue to govern the relationship between the two parties.

On August 23, 2010, the Company announced that it has terminated the services of Bruce Korhonen as its Manager of Corporate Communications.

Subsequent to June 30, subject to regulatory approval, the Company entered into an agreement to settle its debt payable to Solitaire Minerals on the following terms: \$100,000 to be paid in cash; and, by the issuance of \$200,000 in shares of the Company at \$0.35 per share.

Subsequent to June 30th, 2010, all of the Warrants expiring August 21, 2010 have been exercised.

ACCOUNTING PRONOUNCEMENTS

Accounting changes

Effective January 1, 2008, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (“CICA”) under Section 3862, *Financial Instruments Disclosures*, Section 3863, *Financial Instrument - Presentation* and Section 1535, *Capital Disclosures*. *Financial Instruments* Section 3862 requires entities to provide disclosures in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity’s financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. The principles in this section complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in Section 3855, *Financial Instruments - Recognition and Measurement*, Section 3863 and Section 3865, *Hedges*. Section 3863 is to enhance financial statement users’ understanding of the significance of financial instruments to an entity’s financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

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

Critical Accounting Estimates

The Company follows the method of accounting for its mineral interests whereby all costs related to acquisition, exploration and development are capitalized by project. Costs are deferred until commencement of commercial production and will be depleted over the useful lives of the properties, or written off. The carrying values of mineral interests are reviewed by management at least annually to determine if they have become impaired. If impairment is deemed to exist, the mineral interest will be written down to its net recoverable value.

FUTURE ACCOUNTING POLICY CHANGES

In 2006, the CICA Accounting Standards Board (AcSB) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use

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IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company's transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

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

ADVISORY REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute forward-looking statements. The use of any of the words "believe", "expect", "estimate", "will", "should", "intend" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes these expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward looking statements included herein should not be unduly relied upon. Actual results and developments may differ materially from those contemplated by the forward looking statements. The forward-looking information contained in this MD&A represents our expectations as of the date of this MD&A and, accordingly, is subject to change after such date. We expressly disclaim any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable law.

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