



Condensed Consolidated Interim Financial Statements

For the Three and Six Months Ended June 30, 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 and Six Months Ended June 30, 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 June 30, 2015	As at December 31, 2014
<u>Assets</u>		
Current Assets:		
Cash	\$ 39,580	\$ 7,584
Sales tax and other receivables	7,529	10,808
Marketable securities (Note 4)	40,000	20,000
Prepaid expenses and deposits	27,648	16,655
	114,757	55,047
Non-Current Assets:		
Property and equipment (Note 5)	159,221	184,634
Exploration and evaluation assets (Note 6)	5,437,926	5,437,926
Total Assets	5,711,904	5,677,607
<u>Liabilities and Equity</u>		
Current Liabilities:		
Accounts payable and accrued liabilities (Note 10(c)(ii))	631,141	404,614
Short-term loans (Note 11)	352,000	-
Due to related party (Note 10(c)(i))	125,025	100,000
Total Liabilities	1,108,166	504,614
Equity:		
Share capital (Note 7a)	60,769,001	60,769,001
Equity reserves	7,031,458	7,031,458
Accumulated other comprehensive loss ("AOCL")	(45,000)	(65,000)
Deficit	(63,151,721)	(62,562,466)
Total Equity	4,603,738	5,172,993
Total Liabilities and Equity	\$ 5,711,904	\$ 5,677,607

Nature of Operations and Going Concern (Note 1)

Commitment (Note 8)

Contingency (Note 12)

Subsequent Events (Notes 10c(i), 11 and 13)

Approved and authorized by the Board of Directors on August 18, 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 June 30, 2015	For the three months ended June 30, 2014	For the six months ended June 30, 2015	For the six months ended June 30, 2014
Expenses				
Accounting and audit	\$ 3,500	\$ 1,500	\$ 7,250	\$ 6,000
Depreciation	12,287	13,296	25,414	26,237
Legal	86,591	14,174	119,301	19,065
Exploration and evaluation (Note 6)	234,708	35,126	241,046	40,187
Office and administration	8,220	(1,214)	17,545	9,273
Printing and shareholders' information	344	459.06	521	957
Rent	4,500	4,500	9,000	9,000
Stock exchange and filing fees	1,679	3,836	7,379	13,861
Telephone and utilities	169	161.68	331	327
Transfer agent fees	4,109	5,293	9,286	18,681
Wages and consulting fees	63,547	60,154	132,578	116,103
	419,654	137,286	569,651	259,691
Other Expenses				
Foreign exchange loss	420	339	1,386	470
Interest expense	5,659	12,033	18,218	38,207
Loss on extinguishment of debt (Note 10(c)(i))	-	40,020	-	40,020
Total Other Expense	6,079	52,392	19,604	78,697
Net Loss for the Period	425,733	189,678	589,255	338,388
Unrealized gain on marketable securities	(10,000)	(10,000)	(20,000)	(40,000)
Comprehensive Loss for the Period	\$ 415,733	\$ 179,678	\$ 569,255	\$ 298,388
Basic and Diluted Loss per Common Share	\$ 0.03	\$ 0.02	\$ 0.04	\$ 0.03
Weighted Average Number of Common Shares Outstanding	15,119,784	11,874,355	15,119,784	9,675,784

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)

	Share Capital		Equity Reserves	AOCL	Deficit	Total Equity
	Number of Shares	Amount				
Balance, December 31, 2013	7,452,784	\$ 60,361,481	\$ 6,981,958	\$ (5,000)	\$ (61,871,515)	\$ 5,466,924
Common shares issued as consideration for amendment of related party loan (Note 10(c)(i))	667,000	40,020	-	-	-	40,020
Flow-through common shares issued	2,190,000	114,975	-	-	-	114,975
Non Flow-through common shares issued	4,810,000	252,525	-	-	-	252,525
Unrealized gain on marketable securities	-	-	-	40,000	-	40,000
Net loss for the period	-	-	-	-	(338,388)	(338,388)
Balance, June 30, 2014	15,119,784	60,769,001	6,981,958	35,000	(62,209,903)	5,576,056
Share-based compensation	-	-	49,500	-	-	49,500
Non Flow-through common shares issued	-	-	-	-	-	0
Unrealized loss on marketable securities	-	-	-	(100,000)	-	(100,000)
Net loss for the period	-	-	-	-	(352,563)	(352,563)
Balance, December 31, 2014	15,119,784	60,769,001	7,031,458	(65,000)	(62,562,466)	5,172,993
Unrealized gain on marketable securities	-	-	-	20,000	-	20,000
Net loss for the period	-	-	-	-	(589,255)	(589,255)
Balance, June 30, 2015	15,119,784	\$ 60,769,001	\$ 7,031,458	\$ (45,000)	\$ (63,151,721)	\$ 4,603,738

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 six months ended	
	June 30, 2015	June 30, 2014
Cash Flows From Operating Activities		
Net loss for the period	\$ (589,255)	\$ (338,388)
Items not involving cash:		
Depreciation	25,414	26,237
Interest expense	18,218	38,207
Loss on extinguishment of debt (Note 10(c)(i))	-	40,020
Changes in non-cash working capital:		
Sales tax and other receivables	3,279	21,939
Prepaid expenses and deposits	(10,993)	(38,390)
Accounts payable and accrued liabilities	208,308	18,827
Net Cash Used in Operating Activities	(345,029)	(231,548)
Cash Flows From Investing Activities		
Option payments received (Note 6b)	-	250,000
Net Cash Provided by Investing Activities	-	250,000
Cash Flows From Financing Activities		
Due to related party (Note 10(c)(i))	25,025	(300,000)
Interest paid	-	(38,207)
Short-term loan	352,000	-
Issuance of share capital	-	367,500
Net Cash Provided by Financing Activities	377,025	29,293
Net Increase in Cash	31,996	47,745
Cash – Beginning of Period	7,584	24,192
Cash – End of Period	\$ 39,580	\$ 71,937
Supplemental Schedule of Non-Cash Investing and Financing Activities		
Issuance of 667,000 common shares as consideration for amendment of related party loan (Note 10(c)(i))	\$ -	\$ 40,020

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)

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 condensed consolidated interim 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 June 30, 2015, the Company has a working capital deficiency of \$993,409 and an accumulated deficit of \$63,151,721. 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 condensed consolidated interim 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.

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)

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 and six months ended June 30, 2015 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on August 18, 2015.

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.

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:

	June 30, 2015		December 31, 2014	
	Market Value	Cost	Market Value	Cost
Common shares of a public company, not subject to significant influence	\$ 40,000	\$ 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.

AM GOLD INC.

Notes to Condensed Consolidated Interim Financial Statements

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(Stated in Canadian Dollars Unless Noted Otherwise)

5. PROPERTY AND EQUIPMENT

June 30 2015

	Depreciation Rate	Cost \$	Accumulated Depreciation \$	Net Book Value \$
Computers	25%	99,666	(83,827)	15,839
Camp and Equipment	3% to 20%	476,401	(333,019)	143,382
Office Equipment	10%	75,071	(75,071)	-
		651,138	(491,917)	159,221

December 31, 2014

	Depreciation Rate	Cost \$	Accumulated Depreciation \$	Net Book Value \$
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)	-
		651,138	(466,504)	184,634

6. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES

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

	Red Mountain (Canada)	Pinaya (Peru)	Total
Balance, December 31, 2014	\$ 417,376	\$ 5,020,550	\$ 5,437,926
Property option payment received – cash	-	-	-
Balance, June 30, 2015	\$ 417,376	\$ 5,020,550	\$ 5,437,926

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 six months ended June 30, 2015 and 2014, are as follows:

June 30, 2015	Red Mountain (Canada)	Pinaya (Peru)	Other (Peru)	Total
Camp and equipment	\$ 1,338	\$ -	\$ -	\$ 1,338
Consulting	5,000	-	-	5,000
Supplies and miscellaneous	-	195,923	37,797	233,720
Total Exploration and Evaluation Expenditures	\$ 6,338	\$ 195,923	\$ 37,797	\$ 240,058

June 30, 2014	Red Mountain (Canada)	Pinaya (Peru)	Other (Peru)	Total
Camp and equipment	\$ 3,213	\$ -	\$ -	\$ 3,213
Travel and transportation	-	3,455	-	3,455
Supplies and miscellaneous	-	-	33,519	33,519
Total Exploration and Evaluation Expenditures	\$ 3,213	\$ 3,455	\$ 33,519	\$ 40,187

(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)

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.
- 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.

(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

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*

- (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.

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.

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

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Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

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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, has filed a joint statement of defense and has 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. See Note 13 for recent developments regarding the definitive acquisition agreement between the Company and Kaizen Discovery Inc. pursuant to which the Company, its wholly-owned Peruvian subsidiary and Rokmaster have suspended the arbitration proceedings pending closing of the definitive acquisition agreement.

(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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Notes to Condensed Consolidated Interim Financial Statements

(Unaudited)

(Stated in Canadian Dollars Unless Noted Otherwise)

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 and six months ended June 30, 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.

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(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:

Six Months Ended June 30, 2015

	Number of Options		Weighted Average Exercise Price
Options Outstanding – beginning of period	880,000	\$	1.06
Granted	-		-
Expired	(65,000)		3.50
Forfeited	-		-
Options Outstanding – end of period	815,000	\$	0.87

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
Options Outstanding – end of period	880,000	\$	1.06

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7. EQUITY – Continued

(b) Stock Options – Continued

At June 30, 2015, the following options were outstanding and exercisable:

Options Outstanding	Exercise Price	Expiry	Weighted Average Remaining Life in Years	Options Exercisable
15,000	\$ 3.50	31-Aug-15	0.17	15,000
25,000	\$ 4.70	21-Sep-15	0.23	25,000
75,000	\$ 5.00	12-Jul-16	1.04	75,000
75,000	\$ 0.80	25-Jan-18	2.58	75,000
75,000	\$ 0.50	5-Dec-18	3.44	75,000
550,000	\$ 0.12	10-Jul-19	4.03	550,000
815,000			3.38	815,000

(c) Share Purchase Warrants

On April 29, 2015, 371,000 share purchase warrants expired unexercised and there were no warrants outstanding. At 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
Weighted Average	\$2.00	371,000	\$ Nil

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.

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:

Non-Current Assets	June 30, 2015	December 31, 2014
Canada	\$ 428,039	\$ 433,370
Peru	5,169,107	5,189,190
	\$ 5,597,146	\$ 5,622,560

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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:

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

During the six months ended June 30, 2015, the Company incurred fees and expenses in the normal course of operations in connection with the above noted related parties as follows:

	Note	June 30, 2015	June 30, 2014
Management fees	(i)	\$ 108,000	\$ 100,500
Total		\$ 108,000	\$ 100,500

(i) During the six months ended June 30, 2015, the Company paid or accrued the following amounts:

- \$97,5000 (2014 - \$90,000) to its CEO for consulting services;
- \$10,500 (2014 - \$3,500) to a private company controlled by its CFO for consulting services.
- \$nil (2014 - \$7,000) 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 six months ended June 30, 2015 and 2014 were as follows:

	Note	June 30, 2015	June 30, 2014
Amounts to Key Management	(i)	\$ 115,162	\$ 105,500
Total Compensation		\$ 115,162	\$ 105,500

(i) During the six months ended June 30, 2015, the Company paid or accrued directors' fees totaling \$7,162 (2014 - \$5,000). 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 six months ended June 30, 2015 and 2014.

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*

(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. On May 16, 2015, the Lender advanced \$25,025 and the balance as at June 30, 2015 amounted to \$125,025. During the fourth quarter of 2014, the Company obtained shareholder approval to 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.

On July 13, 2015, the Lender advanced a further \$50,000 resulting in a Loan amount of \$175,025 as at July, 13, 2015.

Included in interest expense for the six months ended June 30, 2015, is \$10,171 (2014 - \$11,589) paid to the Lender.

Included in accounts payable and accrued liabilities at June 30, 2015 is \$15,241 (December 31, 2014 - \$26,174) due to the Lender.

- (ii) Included in accounts payable and accrued liabilities at June 30, 2015 are \$254,410 (December 31, 2014 - \$152,035) owing to the Company’s CEO, \$5,512 (December 31, 2014 - \$3,675) owing to a company controlled by the Company’s CFO and \$14,988 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.

AM GOLD INC.

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(Stated in Canadian Dollars Unless Noted Otherwise)

11. SHORT-TERM LOANS

- (a) 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 \$82,000 has been drawn down as of June 30, 2015 and a further \$18,000 subsequent to June 30, 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.
 - (b) During the three months ended June 30, 2015, the Company borrowed \$270,000 from an arm's length party. This loan bears an interest rate of 18% per annum, is unsecured with no repayment terms.
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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
- (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.

13. SUBSEQUENT EVENT

On July 3, 2015, the Company entered into a definitive acquisition agreement with Kaizen Discovery Inc. ("Kaizen"). The following are the major terms of the definitive acquisition agreement (the "Transaction"):

- (i) Kaizen will acquire 100% Canper Exploraciones S.A.C. ("Canper"), a Peruvian subsidiary of the Company.
- (ii) As part of the agreement, the Company will receive 15,384,615 common shares of Kaizen - representing 9.7% of Kaizen's current issued and outstanding common shares on an undiluted basis - and a cash payment of \$500,000.
- (iii) The Transaction is expected to close in early September 2015, subject to the receipt of required approvals.
- (iv) Kaizen also has entered into a concurrent agreement with Rokmaster, under which (a) Kaizen will purchase certain of Rokmaster's equipment located in Peru and (b) Rokmaster will, among other things, terminate the arbitration proceedings with the Company and Canper. The consideration payable by Kaizen to Rokmaster is two million common shares of Kaizen and \$300,000. The Company and Rokmaster have been engaged in commercial arbitration since November 2014, seeking to resolve differences regarding payments under a 2012 option and joint-venture agreement that would have entitled Rokmaster to earn up to a 75% interest in the Pinaya Project.
- (v) Upon closing of the Transaction, Rokmaster and the Company, and their respective Peruvian subsidiaries will release each other from certain claims and terminate both their present arbitration and the existing option and joint-venture agreement between the Company, Canper and Rokmaster. The

AM GOLD INC.

Notes to Condensed Consolidated Interim Financial Statements

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(Stated in Canadian Dollars Unless Noted Otherwise)

13. SUBSEQUENT EVENT - *continued*

- Company and Canper will not make any payment to Rokmaster pursuant to the terms of the settlement agreement.
- (vi) Reimbursement of certain property-maintenance payments that the Company will incur between April 1, 2015, and the closing of the Transaction.
 - (vii) The directors and executive officers of the Company who own AM Gold common shares, along with certain principal shareholders, will be required to enter into voting and support agreements to vote in favour of the transaction at AM Gold's shareholder meeting.
 - (viii) The Kaizen common shares to be issued to the Company are subject to escrow trickle-out provisions under which 10% of the Kaizen common shares will be released from escrow to the Company on and following the first anniversary date of the closing of the Transaction. A cumulative and further 10% will be released on each three-month anniversary thereafter, ensuring that all Kaizen common shares issued to the Company will be released from escrow 39 months after the Transaction's closing date.
 - (ix) The Kaizen common shares to be issued to Rokmaster as part of the arbitration settlement agreement also are subject to escrow trickle-out provisions under which 25% of the Kaizen common shares will be released to Rokmaster on and following the first trading day after the expiry of the four-month hold period under applicable securities laws. A cumulative and further 25% will be released on each subsequent three-month anniversary. The Kaizen common shares to be issued to Rokmaster also are subject to a placement right, permitting Kaizen to arrange the sale of the escrowed Kaizen shares, provided the sale price is at least equal to the 30-day volume-weighted average price prior to such release date.
 - (x) The Company will hold a shareholders' meeting to consider and approve the Transaction no later than September 3, 2015.
 - (xi) The closing of the Transaction is subject to a number of conditions, including: (a) shareholder approval in respect of both the Company and Canper; (b) the entering into of the voting and support agreements; (c) approval of the TSX Venture Exchange in respect of both Kaizen and the Company; (d) delivery of a title opinion for the Pinaya Copper-Gold Project acceptable to Kaizen; (e) the entering into of an agreement among the Company, Rokmaster, and their respective subsidiaries with respect to the termination of the arbitration and the option and joint venture agreement; and (f) no material adverse effect upon closing for Kaizen, the Company or Canper.
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