AMERICAN VANADIUM CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

AS AT AND FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

Background

This management discussion and analysis (“MD&A) of financial position and results of operation for American Vanadium Corp. (the “Company” or “American Vanadium”) is prepared as at April 26, 2013. This MD&A should be read in conjunction with the Company’s audited consolidated financial statements as at and for the twelve months ended December 31, 2012.

Change in financial year

In 2011, the Company changed its financial year-end from February 28 to December 31 in order to align its financial reporting with its operational and budgeting cycles. The current period ended December 31, 2012 is a 12-month period, while the comparative period ended December 31, 2011 is a 10-month period. Consequently, current and prior period balances may not be fully comparable.

Except as otherwise disclosed, all dollar figures included therein and in the following MD&A are quoted in Canadian dollars. Additional information relevant to the Company’s activities can be found on SEDAR at www.sedar.com.

Forward-Looking Statements

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.

Company Overview

Headquartered in Vancouver, Canada, the Company is a junior mining company focusing on the exploration and development of vanadium resources in the United States. The Company’s primary exploration property is the Gibellini Property (“Gibellini”), located in Eureka County, Nevada. In September 2011, the Company announced results from a feasibility study of Gibellini and an updated National Instrument 43-101 technical report was released in October 2011.

In December 2012, the Company submitted a Plan of Operation for Gibellini to the US Bureau of Land Management and a Reclamation Plan to the Nevada Division of Environmental Protection. These are significant steps required for the permitting process.

Currently, the Company is focusing its operational resources on three primary initiatives:

1. Continuing work with regulatory agencies to obtain permits required to mine the Gibellini ore deposit;
2. Participating in the supply of high-value vanadium products, including grid-scale energy storage; and
3. Securing short and long-term financing for operating and project requirements.

In February 2013, the Company took steps towards supplying high-value vanadium products when it entered into a business relationship with Gildemeister Energy Solutions, Cellstrom GmbH ("Gildemeister"). Pursuant to a Memorandum of Understanding, the Company and Gildemeister will explore joint venture or other business arrangements with the objective of utilizing Gildemeister's developed and commercialized vanadium redox batteries to become a leading provider of energy storage and micro grid solutions in North America.

The Company's shares are listed on the TSX Venture Exchange ("TSX-V") under the symbol "AVC".

Mineral Property Overview

The following mineral property overview has been reviewed and approved by Alan Branham, a member of the American Institute of Professional Geologists (CPG#10979), a Certified Professional Geologist, and a "qualified person" as that term is defined in National Instrument 43-101.

Gibellini Property, Eureka County, Nevada

The Gibellini Property is approximately 4,254 acres in area and consists of 428 unpatented lode mining claims and seven placer claims. Of the unpatented lode claims, the Company holds 100% title to 376 claims. The remaining 52 claims are leased through on-going payments of US$144,000, annually. These payments are treated as prepayments of net smelter royalties on future mine production from the property. The Company also holds title to the seven placer claims.

American Vanadium conducted a drilling program to obtain samples for metallurgical testing and verification of historic drill data. All metallurgical test work was performed by McClelland Laboratories (McClelland), of Sparks, NV. The holes were sited and drilled north and south of the holes used for a 2008 preliminary economic assessment to obtain a spatial representation of the mineralization across Gibellini. Metallurgical analysis performed on mineral samples from Gibellini indicates that the property's unique disseminated, sedimentary deposit allows for simple, sulphuric acid heap leach processing.

The Company engaged AMEC of Sparks, Nevada to produce a feasibility study (the "Feasibility Study") and a National Instrument 43-101 compliant technical report (NI 43-101 Technical Report, Gibellini Vanadium Project, Nevada, USA by Hanson, Orbock, Hertel and Drozd, August 31, 2011) covering the Gibellini Hill and Louie Hill deposits on the Gibellini Property (the “Technical Report”). The Feasibility Study was completed in September 2011, with the Technical Report released in October 2011.

As part of the work program for the Feasibility Study, the Company completed a bulk sampling program in 2010, comprising the collection of samples from both oxide and transition vanadium zones from four different trenches on the project, and a two-phased diamond drill program. The first phase of diamond drilling obtained samples from 500 feet of core from each metallurgical types across six holes for a comprehensive metallurgical testing program. The second phase of diamond drilling resulted in geotechnical data that will provide information for design of the open pit, waste dump and access road designs.

American Vanadium and previous operators have drilled a total of 280 drill holes (51,265 ft) on Gibellini since 1946, comprising 16 core holes (4,046 ft), 169 rotary drill holes (25,077 ft; note not all drill holes have footages recorded) and 95 RC holes (22,142 ft).

The Technical Report shows that the Gibellini Hill deposit consists of:

- 120.5 million pounds of Proven and Probable vanadium pentoxide (“V_2O_5”) reserves from 20.0 million tons of ore at an average grade of 0.302%;
- 131.37 million pounds of Measured and Indicated V_2O_5 resources (inclusive of Proven and Probable reserves) from 23.05 million tons of ore at an average grade of 0.285%; and
- 49.42 million pounds of Inferred V_2O_5 resources from 14.23 million tons of ore at an average grade of 0.172%.

The Technical Report shows that the Louie Hill deposit consists of 41.87 million pounds of Inferred V_2O_5 resources from 7.67 million tons of ore at an average grade of 0.27%.

The Feasibility Study shows that an operating mine would have an after-tax net present value of US$170.1 million at a discount rate of 7%, and would generate an after-tax internal rate of return of 43%. Other highlights of the Feasibility Study are:

- 0.22 to 1 (waste:ore) strip ratio;
- 3.5 million tons mined per year;
- 65.9% average V_2O_5 recovery;
- 11.4 million pounds average annual V_2O_5 production;
- US$4.10 average operating cost of per pound of V_2O_5;
- US$95.5 million capital cost; and
- US$10.95 per pound average V_2O_5 selling price of over the life of mine.

The following operational, regulatory, and environmental steps have been taken in order to advance Gibellini towards development:

1. In August 2011, the Company obtained the necessary rights for all water usage that is required to operate a mine.
2. In November 2011, the Company awarded Scotia International of Nevada, Inc. a contract to manage the basic and detailed engineering, procurement and construction processes required during to develop a mine. During the twelve months ended December 31, 2012,

the Company recorded an expense of $ 1,017,551 for basic engineering work conducted under the scope of this agreement, and as at December 31, 2012, the Company had advanced installments and deposits totaling $1,776,212 towards future work.

3. In April 2012, Mr. Ron Espell was appointed Vice President, Environmental. Mr. Espell will lead the initial environmental permitting of Gibellini, as well as ongoing environmental management.
4. In December 2012, the Company submitted its Plan of Operation to Bureau of Land Management ("BLM") and Nevada Division of Environmental Protection ("NDEP") to obtain all required operating permits and approvals. The Plan of Operations which details the plan for Gibellini from mine design, to processing facilities, to reclamation plan, was deemed complete by the BLM and the Notice of Intent to Prepare an Environmental Impact Statement was published in the Federal Register on April 22, 2013. Importantly, the Plan of Operations incorporates numerous product outputs for high purity vanadium products for the titanium alloying industry as well as electrolyte for the vanadium flow battery market. Preparation of the Nevada state permit applications is on-going and is expected to be submitted to the NDEP in the third quarter 2013.
5. During the twelve months ended December 31, 2012, the Company spent $386,224 for on-going mineral claim leases and incurred $3,379,555 in exploration and evaluation expenses.

The Company has made progress towards proving the purity of its own reserves as well as developing purification processes. In September 2012, the Company announced that it has filed a patent application entitled, "Vanadium Oxide Purification Process" with the US Patent and Trademark Office. This invention will allow the refinement of vanadium oxide for use as an electrolyte for mass storage batteries as well as other higher margin product lines such as aluminum and titanium vanadium master alloys.

Del Rio and Hot Creek Projects, Eureka County, Nevada

In September 2010, the Company acquired mineral rights to the Del Rio Project ("Del Rio"), a vanadium project located approximately eight miles south of Gibellini. These wholly-owned mineral rights carry no royalty burden and were acquired by staking 120 unpatented lode claims on lands administered by the Bureau of Land Management. To date, work completed on Del Rio includes geologic mapping and sampling on the four square mile claim block. This work identified vanadium-bearing shale exposed at surface which is mineralized over 1800 feet (550 metres) of strike and 1200 feet (360 metres) of width. Five trenches were sampled in this target area. Mapping identified that all zones were oxidized with mineralogy that suggests targets on the Del Rio have potential for an enriched vanadium zone at depth. The oxidized zone had similar grades to the Gibellini deposit with one area containing over 1% V_2O_5 at the surface.

In 2010, a smaller vanadium prospect, Hot Creek, was also acquired by staking 18 claims south of Del Rio with vanadium bearing shale, similar in geologic setting to Gibellini. This prospect will be explored along with the Del Rio. Values up to 0.5% V_2O_5 have been found along a one kilometre long zone of favourable oxidized shale exposed along a ridge. The prospect appears to be located in a large thrust fault along the trend of Gibellini.

During the twelve months ended December 31, 2012, the Company incurred $19,139 of property maintenance expenditures on Del Rio and $2,692 on Hot Creek.

Selected Annual Information

As an exploration-stage company, American Vanadium does not have any operating revenues and its accounting policy is to expense exploration and evaluation expenditures incurred until technical and economic feasibility on a specific property has been established and the Company has obtained sufficient financing to fund mine development. The Company has established the technical and economic feasibility on its primary mineral property, Gibellini, but does not have the funds required for development. As such, the Company continues to recognize an expense for all exploration and evaluation expenditures as incurred.

To date, the Company has not earned any revenues from vanadium sales, has not declared any cash dividends, and has not held any long-term debt.

Selected annual information is as follows:

	December 31 2012	December 31 2011	February 28 2011
	$	$	$
Balance Sheet:			
Cash	**1,716,318**	4,245,438	1,953,402
Total assets	**5,868,018**	7,494,268	3,388,505

	For the twelve months ended December 31	For the ten months ended December 31	For the twelve months ended February 28
	2012	2011	2011
	$	$	$
Operations:			
Net comprehensive loss	**6,052,996**	4,890,445	3,010,284
Basic and diluted loss per share	**0.21**	0.20	0.16

Total assets

The decrease in total assets as at December 31, 2012 to $5.8 million from $7.5 million as at December 31, 2011 is largely a result of cash expenditures for operating activities of $4.9 million, net of $0.7 million that that has been recorded as a deferred engineering management expense. These net operating expenditures were incurred for exploration and evaluation expenses relating primarily to pre-permitting work on Gibellini and for general and administrative expenses. Partially offsetting these cash outflows was a $3.5 million increase in cash from the sale of shares during 2012.

The increase in total assets to $7.5 million as at December 31, 2011 from $3.4 as at February 28, 2011 is primarily owing to an $8.2 million increase in cash from the sale of shares. This increase was partially offset by cash expenditures of $4.3 million for general and administrative costs as well as mineral exploration and evaluation expenses, net of $1.1 million that was paid during the ten months ended December 31, 2011 that was recorded as a deferred engineering management expense. The net exploration and evaluation costs were largely related to the Feasibility Study, as well as for general and administrative purposes during the ten months ended December 31, 2011.

Net comprehensive loss

As the Company has no sources of operating income, the trend towards larger net comprehensive losses, from $3.0 million for the twelve months ended February 28, 2011 to $4.9 million for the ten months ended December 31, 2011 and further to $6.1 million for the twelve months ended December 31, 2012 is primarily a result of increasing exploration and evaluation activity on Gibellini.

During the periods ended February 28, 2011 and December 31, 2011, the Company incurred significant costs as it prepared the Feasibility Study. During the twelve months ended December 31, 2012, the Company incurred significant permitting and engineering costs related to the Plan of Operation.

As field-work on Gibellini expanded, so did the Company`s corporate expenses. As a result, costs have increased for additional staff and consultants engaged to oversee field operations at Gibellini, to develop and implement the Company`s strategy to operate in the high-value vanadium product supply chain, to promote the Company to capital markets, and to manage the Company`s daily administration.

Results of Operations

Select expenses incurred by the Company are as follows:

	For the twelve months ended December 31, 2012	For the ten months ended December 31, 2011
	$	$
Exploration and evaluation expenses	**3,401,386**	2,582,938
General and administrative expenses:		
Salaries and benefits	**936,004**	514,135
Consulting	**483,129**	270,262
Stock-based compensation	**334,780**	781,370
Travel	**252,996**	228,046
Office facilities and administrative costs	**201,042**	144,221
Audit and legal	**127,254**	110,407
Investor relations and shareholder information	**122,766**	337,164
Office and sundry	**93,404**	88,889
Other	**87,464**	53,502
Total general and administrative expenses	**(2,638,839)**	(2,527,996)
Foreign exchange gain (loss)	**(22,470)**	106,811
Interest income	**9,699**	18,678
Loss before income taxes	**(6,052,996)**	(4,985,445)
Current income tax recovery	**-**	95,000
Net comprehensive loss	**(6,052,996)**	(4,890,445)

The majority the exploration and evaluation expenses incurred for the twelve months ended December 31, 2012 and the ten months ended December 31, 2011 relate to work conducted on Gibellini. These costs include: $1.0 million (2011 – $33 thousand) for engineering, procurement and construction management; $812 thousand (2011 - $521 thousand) for environmental permitting; $354 thousand (2011 - $445 thousand) for office and administrative costs directly related to Gibellini; $344 thousand (2011 - $311 thousand) for metallurgy; and $288 thousand (2011 - $111 thousand) for geotechnical work. In the ten months ended December 31, 2011, a $975 thousand expense was incurred for the preparation of the Feasibility Study. As the Feasibility Study was completed in this period, additional costs incurred in the twelve months ended December 31, 2012 were negligible.

Corporate-level activity increased in the twelve months ended December 31, 2012 compared with the ten months ended December 31, 2011, as the Company worked towards the development of Gibellini, as well as various financing and industry initiatives. As a result, the following cost increases were incurred:

- Salaries and benefits expense increased from $514 thousand to $936 thousand reflecting an increase in staff levels;
- Consulting expenses increased from $270 thousand to $483 thousand as the Company developed international industry relationships and evaluated potential future markets for vanadium; and

Stock-based compensation expense for the twelve months ended December 31, 2012 was $335 thousand, compared with $781 thousand for the ten months ended December 31, 2011. This decrease is owing to fewer options being granted or vesting in the current period than in the comparative period.

The decrease in investor relations and shareholder information expense to $123 thousand for the twelve months ended December 31, 2012 from $337 thousand for the comparative period is a result of the Company releasing fewer shareholder packages and attending fewer investor conventions, opting instead to concentrate resources on developing industry relationships in the high-value vanadium product chain.

Other general and administrative expenses were consistent between the twelve months ended December 31, 2012 and the ten months ended December 31, 2011.

The Company recorded a $22 thousand foreign exchange loss for the twelve months ended December 31, 2012 which resulted from an increase in the value of the Canadian dollar against the US dollar, which negatively affected the translation of net assets denominated in US dollars, and compares to a foreign exchange gain of $107 thousand for the ten months ended December 31, 2011.

Financial Condition, Liquidity and Capital Resources

As at December 31, 2012, the Company's working capital was $2.5 million, including cash of $1.7 million and $1.8 million in deferred engineering management expense and deposit, compared to working capital of $5.0 million as at December 31, 2011. The decrease in the Company's working capital during the twelve months ended December 31, 2012 resulted from cash expenditures for mineral exploration and evaluation, as well as for general and administrative purposes, which were partially offset by proceeds from the sale of shares.

The Company will use its existing working capital to fund near-term expenses, and additional funds will be required to fund the required permitting process and design, engineering and development costs for a mine at Gibellini, costs associated with the development of energy storage operations, and to pay for long-term administrative expenses. Possible funding sources include equity or debt financing, and although the Company has been successful with its equity financings in the past, there is no assurance that future financing will be available or that financing terms will be attractive.

In September 2012, the Company completed a non-brokered private placement of 3,225,854 common share units, consisting of one common share and one-half of one common share purchase warrant, at a price of $0.62 per unit for gross proceeds of $2.0 million. In December 2012, the Company completed a non-brokered private placement for a total of 2,554,999 common share units, consisting of one common share and one-half of one common share purchase warrant, at a price of $0.65 per unit for gross proceeds of $1.7 million. Total transaction costs of $224 thousand were incurred for these private placements, including $29 thousand in compensatory warrants issued to placement agents.

In addition to the net proceeds from these private placements, $70 thousand was received through the exercise of stock options during the twelve months ended December 31, 2012.

In April 2013, the Company raised $1.1 million, net of cash issuance costs, from a non-brokered private placement of 1,607,698 common share units at a price of $0.70 per unit. Each unit consists of one common share and on-half of one common share purchase warrant.

The Company has sufficient cash resources to cover administrative costs and property option payments for the coming year. Management is actively targeting sources of additional financing which would assure continuation of the Company's operations and exploration programs. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing. Possible funding sources include equity or debt financing, and although the Company has been successful with its equity financings in the past, there is no assurance that future financing will be available or that financing terms will be attractive.

As of April 26, 2013, the Company has 35,185,198 common shares issued and outstanding. An additional 3,834,359 warrants are outstanding, exercisable into common shares at prices between $1.00 and $1.20, and there are 2,344,250 stock options outstanding of which 687,500 are currently vested and "in the money".

Summary of Quarterly Results:

For the Three or Four Months Ended	Exploration and Evaluation[2]	General Expenses[3]	Stock-based Compensation[4]	Interest Income[4]	Net Comprehensive Loss (Income)	Basic and Diluted Loss (Income) Per Share
	$	$	$	$	$	$
December 31, 2012	822,631	512,166	17,732	(1,352)	1,403,184	0.05
September 30, 2012	1,435,879	539,863	41,620	(1,814)	2,015,548	0.07
June 30, 2012	634,891	673,895	180,340	(2,305)	1,411,901	0.05
March 31, 2012	507,985	578,135	95,088	(4,228)	1,222,363	0.04
December 31, 2011[1]	752,715	875,056	228,456	(8,588)	1,660,534	0.06
August 31, 2011	726,009	433,461	162,962	(7,193)	1,297,666	0.05
May 31, 2011	1,104,214	438,109	389,952	(2,897)	1,932,245	0.09
February 28, 2011	1,303,304	328,484	222,167	(1,677)	1,765,591	0.09

Explanatory Notes:

1. Due to its change in financial year-end from February 28 to December 31, the Company did not issue results for the three months ended November 30, 2011. Instead, the period ended December 31, 2011 is a four-month period.
2. Exploration and evaluation costs for the three months ended February 28, 2011 and May 31, 2011 were higher than those incurred for most subsequent quarters as the Company incurred charges to complete the Feasibility Study. Exploration and evaluation costs for the three months ended September 30, 2012 increased to $1.4 million primarily owing to environmental permitting and engineering charges incurred to complete the Plan of Operation.

   Exploration and evaluation costs for the three months ended December 31, 2012 include $193 thousand for engineering, procurement and construction management; $236 thousand for environmental permitting, $74 thousand for metallurgical testing, $111 thousand for geotechnical work $67 thousand for property maintenance and $142 thousand for office and other site costs.
3. With increasing mineral exploration, general expenses have also increased since November 30, 2010 as additional corporate-level support has been required to fund and facilitate mineral exploration. Likewise, as additional employees have been hired and stock options granted, there is a general trend to increasing stock-based compensation expense.

   For the three months ended December 31, 2012, general expenses included $244 thousand in salaries and benefits. Also included in general expenses for this period are $107 thousand in consulting and $54 thousand in travel costs, related to the development of industry relationships and potential markets for vanadium, internationally.
4. The Company earns interest income from funds on deposit but has no operating revenue. Interest income is dependent upon the amount of funds on deposit and interest rates paid.

Transactions with Related Parties

During the twelve months ended December 31, 2012, a $78,000 (ten months ended December 31, 2011 - $45,000) expense was recorded for office facilities, corporate and administrative services provided by a company jointly controlled by a director of the Company, of which $27,605 (December 31, 2011 - $12,290) is included in accounts payable and accrued liabilities.

During the twelve months ended December 31, 2012, a $180,000 expense (ten months ended December 31, 2011 - $100,000) was recorded for consulting services provided by a company jointly controlled by a director of the Company. Included in accounts payable and accrued liabilities at December 31, 2012 is $nil (December 31, 2011 - $43,448) payable to this related company. Additionally, 400,000 stock options were granted to this entity during the ten months ended December 31, 2011 with $358,528 being recorded in stock-based compensation for the period. During the twelve months ended December 31, 2012, 125,000 stock options were granted to this director with $42,940 being recorded in stock-based compensation for the year.

Included in prepaid expenses is $10,000 (December 31, 2011 - $10,000) advanced to the Chief Executive Officer of the Company for corporate expenses to be incurred on the Company's behalf. Included in accounts payable and accrued liabilities is a total of $10,186 (December 31, 2011 - $3,496) owing to this officer.

Included in accounts payable and accrued liabilities is a total of $21,453 (December 31, 2011 - $17,080) owing to the Executive VP, Operations; and $4,343 (December 31, 2011 - $nil) owing to the Vice President, Environmental.

In addition to the aforementioned related party transactions, salaries and benefits and other compensation earned directly by key members of the Company's management are as follows:

	For the Twelve Months Ended December 31, 2012	For the Ten Months Ended December 31, 2011
	$	$
Salaries and benefits	**451,066**	126,227
Consulting fees	**96,442**	122,000
Stock-based compensation recognized	**185,254**	217,363
Total compensation	**732,762**	465,590

Financial Instruments and Risk Management

As at December 31, 2012, the Company's financial instruments are comprised of cash, amounts receivable, reclamation deposits and accounts payable and accrued liabilities. With the exception of cash, all financial instruments held by the Company are measured at amortized cost. The fair values of these financial instruments approximate their carrying value due to their short-term maturities. Fair values of financial instruments are classified in a fair value hierarchy based on the inputs used to determine fair values. The levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

Financial instruments measured at fair value on the balance sheet are summarized in levels of fair value hierarchy as follows:

	Level 1	Level 2	Level 3
	$	$	$
Cash	1,716,318	-	-

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and interest rate risk.

Currency risk

A portion of the Company's expenses are incurred in United States dollars and financial instrument balances are held in this currency. A significant change in the currency exchange rates between the Canadian dollar relative to the United States dollar could have a negative effect on the Company's results of operations, financial position or cash flows.

The Company has not hedged its exposure to currency fluctuations and, as at December 31, 2012, the Company held $133,507 (December 31, 2011- $1,638,060) in United States dollars. A prolonged $0.10 increase (decrease) in the value of the Canadian dollar compared with the United States dollar would result in a $13,351 foreign exchange loss (gain) based on United States dollar holdings as at December 31, 2012.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash. The Company limits exposure to credit risk by maintaining its cash with large financial institutions. The Company does not have cash that is invested in asset backed commercial paper.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures there is sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. The Company believes that these sources will be sufficient to cover the likely short term cash requirements and further funding will be required to meet long-term requirements.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Company's cash is currently held in short-term interest bearing accounts which pay relatively low rates of interest, the Company considers the interest rate risk to be limited.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Outstanding Share Data

The following securities are outstanding at April 26, 2013:

Common shares issued and outstanding	35,185,198
Shares issuable on the exercise of outstanding stock options	2,344,250
Shares issuable on the exercise of share purchase warrants	3,834,359
Performance shares issuable through completion of operational milestones	Up to 3,425,000

Critical Judgments and Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates on the resulting effects of the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

All of the Company's significant accounting policies and estimates are included in Note 3 of its audited financial statements for the year ended December 31, 2012.

Future Changes in Accounting Policies

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period. These standards have been assessed to not have a significant impact on the Company's financial statements:

i. IAS 1, "*Presentation of Financial Statements*"

IAS 1 is amended to change the disclosure of items presented in other comprehensive income ("OCI"), including a requirement to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss in the future. This accounting policy is effective for fiscal years beginning on or after July 1, 2012.

ii. IAS 32, "*Financial Instruments: Presentation*"

IAS 32 is amended to clarify requirements for offsetting financial assets and financial liabilities. This accounting policy is effective for fiscal years beginning on or after January 1, 2014.

iii. IFRS 7, "*Financial Instruments: Disclosures*"

IFRS 7 is amended to enhance disclosure requirements related to offsetting financial assets and financial liabilities. This accounting policy is effective for fiscal years beginning on or after January 1, 2013.

iv. IFRS 9, "*Financial Instruments*"

The IASB intends to replace IAS 39 – "*Financial Instruments: Recognition and Measurement*" in its entirety with IFRS 9. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest, in which case it is at fair value through profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015.

v. IFRS 10, "*Consolidated Financial Statements*"

IFRS 10 replaces the guidance on control and consolidation in IAS 27, "*Consolidated and Separate Financial Statements*", and SIC-12, "*Consolidation - Special Purpose Entities*". IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This accounting policy is effective for fiscal years beginning or after January 1, 2013.

vi. IFRS 11, "*Joint Arrangements*"

IFRS 11 establishes principles for the financial reporting by parties to a joint arrangement. IFRS 11 supersedes current IAS 31, "*Interests in Joint Ventures*" and SIC-13, "*Jointly Controlled Entities – Non-Monetary Contributions by Venturers*", and is effective for annual periods beginning on or after January 1, 2013.

vii. IFRS 12, "*Disclosure of Interests in Other Entities*"

IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 is effective for annual periods beginning on or after January 1, 2013.

viii. IFRS 13, "*Fair Value Measurement*"

IFRS 13 defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies to IFRS that require or permit fair value measurements or disclosures about fair value measurements, except in specified circumstances. IFRS 13 is to be applied for annual periods beginning on or after January 1, 2013.

Risks and Uncertainties

Exploration of mineral properties involves a high degree of risk and the successful achievement of a profitable operation cannot be assured. Costs of finding and evaluating an ore body are substantial, and may take several years to complete. The Company must overcome many risks associated with an early stage exploration property. Outstanding items to be completed include, but are not limited to, identification and quantification of a commercially viable ore body, confirmation of the Company's interest in the underlying claims and leases, completion of a feasibility study, funding of all costs related to a commercial operating venture, completion of the permitting process, detailed engineering and the procurement of a processing plant, and constructing a facility to support the property. Construction and operational risks including, but not limited to, equipment and plant performance, metallurgical, environmental, cost estimation accuracy, and workforce performance and dependability will all affect the profitability of an operating property.

External financing, primarily through the issuance of common shares will be required to fund its activities. There can be no assurance that it will be able to do so in the future.