AMERICAN VANADIUM CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2015

Management's Comments on Unaudited Financial Statements

The accompanying unaudited condensed consolidated interim financial statements of American Vanadium Corp. (the "Company") as at and for the three months ended March 31, 2015 have been prepared by management and approved by the Board of Directors of the Company. These financial statements have not been reviewed by the Company's external auditors.

AMERICAN VANADIUM CORP.
CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS (UNAUDITED)
IN CANADIAN DOLLARS

	March 31	December 31
	2015	2014
	$	$
ASSETS		
Current assets		
Cash	**168,452**	78,413
Amounts receivable	**33,198**	42,826
Prepaid expenses (Note 4)	**78,447**	131,459
Total current assets	**280,097**	252,698
Equipment and deposits on equipment (Note 5)	**23,387**	31,508
Reclamation deposit	**34,259**	178,937
Mineral properties (Note 6)	**41,637**	41,637
Total assets	**379,380**	504,780
LIABILITIES AND SHAREHOLDERS' (DEFICIENCY) EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 8)	**2,602,755**	2,268,093
Subscription receipts (Note 7)	**163,301**	-
Total liabilities	**2,766,056**	2,268,093
Shareholders' (deficiency) equity		
Share capital (Note 7)	**30,100,545**	30,100,545
Equity reserves	**3,850,329**	3,939,532
Deficit	**(36,337,550)**	(35,803,390)
Total shareholders' (deficiency) equity	**(2,386,676)**	(1,763,313)
Total liabilities and shareholders' (deficiency) equity	**379,380**	504,780

Basis of presentation and continuance of operations (Note 2)

Commitments and contingencies (Note 13)

Events subsequent to the reporting period (Note 14)

On behalf of the Board:

Signed: "William Radvak" Director

Signed: "Brian E. Bayley" Director

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

AMERICAN VANADIUM CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS (UNAUDITED)
IN CANADIAN DOLLARS

	Three Months Ended March 31 2015	Three Months Ended March 31 2014
	$	$
Exploration and evaluation expenses (Note 6)	**(178,628)**	(834,864)
General and administrative expenses:		
Salaries and benefits (Note 8)	**195,186**	372,325
Stock-based compensation (Note 7)	**(89,203)**	114,926
Consulting (Note 8)	**67,735**	228,230
Office and sundry	**51,901**	30,733
Office facilities and administrative services (Note 8)	**41,530**	50,430
Transfer agent, listing and filing fees	**14,525**	27,838
Audit and legal	**9,162**	11,047
Travel	**9,062**	42,336
Investor relations and shareholder information	**5,919**	13,346
Amortization (Note 5)	**3,909**	8,651
Total general and administrative expenses	**(309,726)**	(842,538)
Foreign exchange loss	**(65,193)**	(60,672)
Gain on sale of equipment	**19,313**	-
Interest income	**74**	2,222
Net comprehensive loss	**(534,160)**	(1,735,852)
Basic and diluted loss per share (Note 12)	**(0.01)**	(0.03)

AMERICAN VANADIUM CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' (DEFICIENCY) EQUITY (UNAUDITED)
IN CANADIAN DOLLARS

	Share Capital	Equity Reserves	Deficit	Total
	$	$	$	$
Balance, December 31, 2013	24,097,538	3,493,384	(25,239,849)	2,351,073
Private placements, net of share issuance costs	3,909,419	-	-	3,909,419
Stock-based compensation	57,324	57,602	-	114,926
Net comprehensive loss for the period	-	-	(1,735,852)	(1,735,852)
Balance, March 31, 2014	28,064,281	3,550,986	(26,975,701)	4,639,566
Private placements, net of share issuance costs	1,801,539	12,204	-	1,813,743
Stock-based compensation	225,051	377,736	-	602,787
Exercise of warrants	9,674	(1,394)	-	8,280
Net comprehensive loss for the year	-	-	(8,827,689)	(8,827,689)
Balance, December 31, 2014	30,100,545	3,939,532	(35,803,390)	(1,763,313)
Stock-based compensation	-	(89,203)	-	(89,203)
Net comprehensive loss for the period	-	-	(534,160)	(534,160)
Balance, March 31, 2015	**30,100,545**	**3,850,329**	**(36,337,550)**	**2,386,676**

	Three Months Ended March 31 2015	Three Months Ended March 31 2014
	$	$
CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES		
Net comprehensive loss	**(534,160)**	(1,735,852)
Items not involving cash:		
Stock-based compensation	**(89,203)**	114,926
Foreign exchange loss	**65,193**	60,662
Gain on sale of equipment	**(19,313)**	-
Amortization	**3,909**	8,651
Changes in non-cash working capital balances:		
Accounts payable and accrued liabilities	**281,629**	(726,537)
Prepaid expenses	**53,012**	6,861
Amounts receivable	**9,628**	128
Non-operating income:		
Interest income	**(74)**	(2,222)
Net cash used in operating activities	**(229,379)**	(2,273,383)
CASH FLOWS (USED IN) FROM INVESTING ACTIVITIES		
Decrease (increase) in reclamation deposit	**144,678**	(21,437)
Proceeds on sale of equipment	**23,526**	-
Interest income	**74**	2,222
Mineral property acquisition costs	**-**	(33,165)
Net cash used in investing activities	**168,278**	(52,380)
CASH FLOWS FROM FINANCING ACTIVITIES		
Subscriptions funds received, net of issuance costs	**163,301**	-
Proceeds from issuance of shares, net of issuance costs	**-**	3,909,419
Net cash provided by financing activities	**163,301**	3,909,419
Change in cash for the year	**102,200**	1,583,656
Effect of exchange rate changes on balance of cash held in foreign currencies	**(12,161)**	-
Cash, beginning of year	**78,413**	1,460,897
Cash, end of year	**168,452**	3,044,553

1. NATURE OF OPERATIONS

American Vanadium Corp. (the "Company"), incorporated under the *Canada Business Corporations Act*, is the Master Sales Agent in North America for the CellCube vanadium redox flow energy system ("CellCube"), produced by Gildemeister Energy Solutions, Cellstrom GmbH ("Gildemeister") of Germany. The CellCube is a commercially available vanadium flow battery capable of delivering long-duration energy storage for a broad range of applications, such as renewable energy integration and the reduction of demand charge tariffs levied by utilities.

In addition to marketing CellCube units, the Company has claims in the Gibellini Property ("Gibellini"), a vanadium deposit located in Eureka County, Nevada, which is in the permitting stage. The Company is seeking to integrate its operations so that future off-take from a mine at Gibellini could be converted to vanadium electrolyte in vanadium redox flow batteries.

The address of the Company's principal place of business is Suite #910, 800 W. Pender Street, Vancouver, British Columbia, Canada, and its shares trade on the TSX-Venture Exchange (the "Exchange") under the symbol "AVC" and are quoted on the OTCQX under the symbol "AVCVF".

2. BASIS OF PRESENTATION AND CONTINUANCE OF OPERATIONS

Statement of compliance

These unaudited condensed consolidated interim financial statements, including comparative periods, have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". These financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2014.

Significant accounting policies and the applicable basis of measurement used in the preparation of these unaudited condensed consolidated interim financial statements are described in Note 3.

These consolidated financial statements were authorized by the Board of Directors on May 26, 2015.

Going concern

These consolidated financial statements have been prepared on the assumption that the Company will continue on a going concern basis. The Company has generally incurred net losses and negative operating cash flows since its incorporation. The ability of the Company to continue as a going concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. Management is marketing Gildemeister's CellCube vanadium redox flow batteries, which may provide some operating cash flow, but as this activity is still in a start-up phase and no firm sales have been made, the Company is solely dependent upon its ability to raise funds in capital markets to meet its operating requirements and to finance the permitting and development of Gibellini.

Owing to adverse conditions in the Company's capital market, there can be no assurance that the Company will be able to develop profitable operations or continue to raise additional funds, in which case the Company may be unable to meet its financial obligations. Should the Company be unable to generate funds from the sale of shares or assets to discharge its liabilities in the normal course of business, further impairments may be incurred. The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

The Company's ability to raise additional funds is dependent on favourable conditions in equity and alternative investment markets, which are volatile and subject to significant uncertainty. The Company will continue to identify alternative sources of financing, but anticipates reliance on equity markets in the near term. Based on these factors, there is a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

As at March 31, 2015, the Company had a working capital deficit of $2,485,959 (December 31, 2014 - $2,015,395) and had a shareholders' deficiency of $2,386,676 (December 31, 2014 - $1,763,313).

3. SIGNIFICANT ACCOUNTING POLICIES

Except for the mandatory adoption of new IFRS, which are described under the heading "Adoption of new IFRS", these unaudited condensed consolidated interim financial statements have been prepared according to the same accounting policies and are subject to the same areas of judgment, measurement estimates and uncertainties as those disclosed in Note 3 of the Company's audited consolidated financial statements for the year ended December 31, 2014.

Basis of consolidation

These consolidated financial statements include the balances and results of the Company and those entities over which the Company exercises control. Control is achieved where the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain the benefits from its operations.

These consolidated financial statements include the assets, liabilities, income and expenses of the Company and its wholly-owned U.S. subsidiary, American Vanadium US Inc. All intercompany transactions and balances have been eliminated on consolidation. Unless otherwise indicated, all amounts are reported in Canadian dollars.

Basis of measurement and presentation currency

The balances in these consolidated financial statements are prepared using the accrual basis of accounting and have been measured on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value.

These financial statements are presented in Canadian dollars, which is also the functional currency of the Company and American Vanadium US Inc.

Adoption of new IFRS

The Company has applied the following new IFRS amendment starting January 1, 2015:

i. IFRS 3, Business Combinations

IFRS 3 was amended to provide clarification related to (i) contingent consideration in a business combination and (ii) scope exception for joint arrangements.

ii. IFRS 8, Operating Segments

IFRS 8 was amended to require (i) disclosure of judgments made by management in aggregating segments, and (ii) a reconciliation of segment assets to the entity's assets when segment assets are reported.

iii. IAS 16, Property, Plant and Equipment and IAS 38, Intangible Assets

IAS 16 was amended to classify how gross carrying amount and accumulated depreciation are treated where an entity uses the revaluation model.

iv. IAS 24, Related Party Transactions

IAS 24 was amended to (i) revise definition of "related party" to include an entity that provides key management personnel services to the reporting entity or its parent, and (ii) clarify related disclosure requirements.

The adoption of these standards did not result in changes to amounts or note disclosures previously reported by the Company.

Future changes in accounting policies

The following are new and revised accounting pronouncements that have been issued, but are not yet effective for the year beginning January 1, 2015:

i. IFRS 9, Financial Instruments

The IASB intends to replace IAS 39 – "*Financial Instruments: Recognition and Measurement*" in its entirety with IFRS 9 in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principles-based and less complex than IAS 39. IFRS 9 requires that all financial assets be classified and subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities classified as at fair value through profit or loss, financial guarantees and certain other exceptions. IFRS 9 can currently be adopted voluntarily, but is mandatory for years beginning on or after January 1, 2018.

ii. IFRS 5, Non-current Assets Held for Sale and Discontinued Operations

IFRS 5 has been amended to adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued. These amendments are effective for annual periods beginning January 1, 2016.

iii. IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted.

Management has determined that the application of these pronouncements is not expected to have a significant impact on the Company's financial statements.

4. PREPAID EXPENSES

Changes to the balance of prepaid expenses for the three months ended March 31, 2015 are as follows:

	Amount
	$
Balance, December 31, 2014	131,459
Net change in prepaid expenses	(53,012)
Balance, March 31, 2015	**78,447**

Prepaid expenses and deposits comprise items such as insurance premiums, rent deposits and advances for employee travel. During the three months ended March 31, 2015, the Company cancelled an insurance policy and that had been paid for or accrued for as at December 31, 2014. As a result, there was a $53,012 reduction in the prepaid balance for the period.

In addition to these items, the Company has paid or accrued a total of $412,921 in non-refundable advances towards future CellCube sales for which a full impairment was recorded in the year ended December 31, 2014. Should the Company receive definitive purchase orders, obtain financing to meet any future payments, or find an alternative realization of value from these payments, a full or partial reversal of the impairment may be recorded in future periods.

5. EQUIPMENT AND DEPOSITS ON EQUIPMENT

Changes to the Company's equipment balances are as follows:

	Field Equipment	**Office Equipment**	**Vehicles**	**Total**
	$	**$**	**$**	**$**
Cost				
Balance, December 31, 2014	41,655	63,822	41,118	146,595
Sale of equipment	-	-	(41,118)	(41,118)
Balance, March 31, 2015	**41,655**	**63,822**	**-**	**105,477**
Accumulated amortization				
Balance, December 31, 2014	41,655	36,527	36,905	115,087
Amortization for the period	-	-	(36,905)	(36,905)
Additions / Disposal	-	3,909	-	3,909
Balance, March 31, 2015	**41,655**	**40,436**	**-**	**82,091**
Carrying value				
December 31, 2014	-	27,295	4,213	31,508
March 31, 2015	**-**	**23,386**	**-**	**23,386**

Deposits on equipment

In addition to the equipment balances above, as at March 31, 2015, the Company had paid or accrued a total of $1,004,036 in non-refundable instalments towards CellCube units which were to be held by the Company for demonstration purposes, with the possibility of future resale. A full impairment of this amount was recorded in the year ended December 31, 2014. Should the Company obtain sufficient capital in the future in order to meet remaining payments for these units, or should alternative financial value from these deposits be realized, the impairment may be partially or fully reversed in future reporting periods.

6. MINERAL PROPERTIES

Summary of properties

a) Gibellini Property, Nevada, U.S.

In March 2006, the Company entered into a Mineral Lease Agreement to acquire certain unpatented lode mining claims, paying US$60,000 upon the execution of the agreement. Pursuant to the terms of the agreement, the Company is required to pay a production royalty of 2.5% of the net smelter returns ("NSR") of all mineral substances produced from the claims, to a maximum of US$3,000,000, at which point the production royalty decreases to 2.0%. The Company is also required to pay US$30,000, quarterly, and such payments are credited against any future production royalties payable. As of March 31, 2015, the Company has paid a total of US$840,000 in these advance royalty payments. As at March 31, 2015, the Company owed US$60,000 towards two claim payments. Subsequent to March 31, 2015, the Company made one payment of US$30,000 and no notice of default was received for the other outstanding payment.

In December 2006, the Company entered into a Mineral Lease Agreement to acquire additional unpatented lode mining claims, paying US$9,000 upon the execution of the agreement. Pursuant to the terms of the agreement the Company is required to pay an initial production royalty payment of US$30,000 within 60 days of production from the claims and a production royalty of 3.0% of NSR of all mineral substances produced from the claims. Also, the Company must pay an escalating series of annual payments, which will be credited against any future production royalties payable. As of March 31, 2015, the Company has paid a total of US$143,000 in these advance royalty payments, and an additional annual payment of US$24,000 was outstanding. Subsequent to March 31, 2015, this payment was settled by the issuance of 418,422 shares at $0.07 per share and no notice of default was received. Further, the Company has the option to purchase these claims for a total purchase price of US$1,000,000.

In April 2007, the Company entered into a Mineral Lease Agreement to acquire further unpatented lode mining claims, paying US$10,000 upon the execution of the agreement. Pursuant to the terms of the agreement the Company was required to pay US$15,000 annually as a prepayment towards a production royalty of 2.5% of NSR of all mineral substances produced from the claims. In 2011, the Company acquired full ownership of these claims for a cash payment of US$50,000 and the issuance of 25,000 of its common shares valued at $33,750, in addition to US$60,000 in cumulative annual payments made prior to acquisition, thereby eliminating future advance royalty payments.

In 2011, the Company staked unpatented lode claims and placer claims and in 2012 additional unpatented lode claims were staked.

The Company pays annual fees of US$125,000 for its certain water rights; all scheduled payments to date have been paid.

b) Del Rio Property, Nevada, U.S.

In 2010, the Company acquired 120 claims through the staking process.

c) Hot Creek Property, Nevada, U.S.

In 2010, the Company acquired 18 claims through the staking process.

Acquisition costs

As at March 31, 2015 and prior periods, the carrying values of mineral properties were comprised solely of capitalized acquisition costs for mineral and related water rights.

	Gibellini	Del Rio	Hot Creek	Total
	$	$	$	$
As at March 31, 2015 and December 31, 2014	**41,637**	**-**	**-**	**41,637**

The Company has capitalized, rather than expensed, payments for mineral and related water rights on the basis that holding title to the related properties and water rights allows the Company to develop these properties in the future. Acquiring and maintaining title to mineral properties involves certain inherent risks due to difficulties in determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties.

Impaired carrying values of mineral properties

In the year ended December 31, 2014, the Company recognized an impairment charge of $2,111,926 to the carrying value of its mineral properties as a result of market prices for vanadium that have persisted at lower levels than those required for commercial production, adverse financing conditions and the Company's working capital deficiency which has precipitated a curtailment of mineral property related activity. Should the Company obtain adequate financing in the future and should market pricing for vanadium recover, the Company will reassess the carrying values of its properties to determine whether a reversal of this impairment in future periods is appropriate.

Exploration and evaluation expenses

During the three months ended March 31, 2015, exploration and evaluation expenses incurred on the Company's mineral properties were as follows:

	Gibellini	Del Rio	Hot Creek	Total
	$	$	$	$
Environmental permitting	28,690	-	-	28,690
Metallurgy	54,806	-	-	54,806
General	8,588	-	-	8,588
Labour and benefits	42,826	-	-	42,826
Satellite office	10,924	-	-	10,924
Feasibility study	32,794	-	-	32,794
	178,628	**-**	**-**	**178,628**

During the three months ended March 31, 2014, exploration and evaluation expenses incurred on the Company's mineral properties were as follows:

	Gibellini	Del Rio	Hot Creek	Total
	$	$	$	$
Environmental permitting	385,890	-	-	385,890
Metallurgy	116,833	-	-	116,833
Engineering, procurement and construction management	126,243	-	-	126,243
General	77,218	-	-	77,218
Geotechnical	15,485	-	-	15,485
Engineering	42,520	-	-	42,520
Benefits	27,588	-	-	27,588
Leach pad design	22,866	-	-	22,866
Satellite office	19,675	-	-	19,675
Drilling and trenching	546	-	-	546
	834,864	**-**	**-**	**834,864**

7. SHAREHOLDERS' (DEFICICIENCY) EQUITY

Share capital

Authorized

Unlimited number of common voting shares with no par value.

Issued and outstanding

	Number of Common Shares	Amount
		$
Outstanding, December 31, 2013	47,170,198	24,097,538
Issued through private placements, net of share issuance costs	16,060,000	5,710,958
Issuance of bonus shares and performance shares	620,000	282,375
Issued on exercise of warrants	13,800	9,674
Outstanding, December 31, 2014 and March 31, 2015	**63,863,998**	**30,100,545**

Private placements

On March 6, 2014, the Company completed the first tranche of a non-brokered private placement of 10,000,000 common share units at a price of $0.40 per unit for gross proceeds of $4,000,000. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase an additional common share at a price of $0.60 until March 6, 2016. The full value of these units is attributed to the value of the common shares. Transaction costs for this tranche, which include legal and other fees, totalled $84,629.

On May 8, 2014, the Company completed the second tranche of the private placement for an additional 2,500,000 common share units at a price of $0.40 per unit for gross proceeds of $1,000,000. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant for the second tranche entitles the holder to purchase an additional common share at a price of $0.60 until May 8, 2016. The full value of these units is attributed to the value of the common shares. An additional 93,375 agents' warrants with a fair value of $12,043 were granted to agents for the second tranche. Transaction costs for this tranche, which include the value of agents' warrants, finder's fees, legal fees, and exchange and other fees, totalled $87,251.

On December 30, 2014, the Company completed a non-brokered private placement of 3,560,000 common share units at a price of $0.25 per unit for gross proceeds of $890,000. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase an additional common share at a price of $0.40 until December 30, 2016. An additional 7,200 agent's warrants were issued as part of this private placement with a fair value of $161. Transaction costs for the private placement, which include cash commissions, and legal and other fees, totalled $7,161.

Shares issued subsequent to March 31, 2015 are discussed in note 14.

Restricted share units ("RSUs")

The Company has an RSU plan allowing the Board of Directors of the Company, at its discretion and in accordance with the requirements of the Exchange, to grant to directors, officers, employees and consultants to the Company, non-transferable RSUs. Upon meeting certain operational milestones or other vesting conditions, the RSUs will be exchanged for common shares in the Company for the recipient's benefit. RSUs will expire three years from grant if performance-based vesting conditions are not met.

The maximum number of RSUs that can be issued under the RSU plan is 3,500,000 and the combined maximum number of common shares issuable under the RSU and stock options plans shall not exceed a rolling 10% of the Company's issued and outstanding number of common shares. The Company may grant, subject to Exchange approval, compensatory shares or RSUs outside the RSU plan, which may have different characteristics than those permitted by the plan.

As at December 31, 2014, the Company had 200,000 RSUs outstanding under the RSU plan, none of which had vested. In the three months ended March 31, 2015, these RSUs were cancelled upon the termination of the related employment agreement. Consequently, no RSUs are outstanding as at March 31, 2015.

Bonus and performance shares

Subject to any required shareholder or regulatory approvals, the Company may, outside the RSU plan, grant bonus or performance shares to employees or consultants. These shares may be issued unconditionally ("Bonus Shares"), or may be issued subject to meeting certain performance or retention criteria ("Performance Shares"). For Bonus Shares, an expense is recorded on their grant date equivalent to the prevailing fair market value of the shares. For Performance Shares, an expense is recorded for the grant date fair market value those shares expected to be earned, which is recognized rateably over their anticipated vesting period. The expense recognized for Performance Shares and Bonus Shares results in a corresponding increase to the Company's equity reserves, which is then reclassified to share capital on actual issuance of the related earned shares.

Changes to the balances of Bonus and Performance Shares are as follows:

	Number of Shares
Outstanding, December 31, 2013	960,000
Share awards granted	410,000
Shares issued	(620,000)
Outstanding, December 31, 2014	750,000
Share awards cancelled	(750,000)
Outstanding, March 31, 2015	**-**

During the three months ended March 31, 2015, all 750,000 Performance Shares outstanding as at December 31, 2014 were cancelled upon the termination of certain employment and consulting agreement. As a result, the Company recorded a reversal $105,637 of stock-based compensation expenses previously recorded for these Performance Shares in the three months ended March 31, 2015.

Warrants

Changes to the balance of warrants outstanding are as follows:

	Number of Warrants	**Weighted Average Exercise Price**	**Weighted Average Fair Value**
		$	**$**
Outstanding, December 31, 2013	14,157,415	0.76	0.04
Warrants expired	(8,273,715)	0.74	0.06
Warrants issued as part of common share units	8,030,000	0.56	0.00
Warrants issued as agents' and finders' fees	100,575	0.59	0.12
Warrants exercised	(13,800)	0.60	0.09
Outstanding, December 31, 2014 and March 31, 2015	**14,000,475**	**0.66**	**0.00**

The fair value of agent's and finder's warrants issued on a stand-alone basis is determined using the Black-Scholes option-pricing model. Inputs to the Black-Scholes model for these warrants are as follows:

	For the three months Ended March 31, 2015	For the year ended December 31, 2014
Risk-free interest rate	-	1.06%
Dividend yield	-	0%
Expected stock price volatility	-	64.46%
Expected life	-	1.17 years

The following warrants were outstanding and exercisable as at March 31, 2015:

Expiry date	**Exercise Price**	**Number of Warrants Outstanding and Exercisable**
	$	
September 30, 2015	0.80	4,088,100
November 4, 2015	0.80	1,781,800
March 6, 2016	0.60	5,000,000
May 8, 2016	0.60	1,343,375
December 30, 2016	0.40	1,787,200
		14,000,475

Warrants issued subsequent to March 31, 2015 are discussed in note 14.

Stock options

The Company adopted an incentive stock option plan which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the requirements of the Exchange, grant to directors, officers, employees and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares. Such options will be exercisable for a period of up to five years from the date of grant. Vesting terms are determined by the Board of Directors at the time of grant.

During the three months ended March 31, 2015, the Company recorded $16,434 in stock-based compensation expense for the value of stock options vested. An offsetting amount has been recorded in equity reserves.

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number of Stock Options	**Weighted Average Exercise Price**	**Weighted Average Fair Value**
		$	**$**
Outstanding, December 31, 2013	3,889,250	0.73	0.45
Options granted	1,080,000	0.60	0.23
Options cancelled or forfeited	(756,750)	1.14	0.77
Outstanding, December 31, 2014	4,212,500	0.62	0.33
Options expired	(687,500)	0.35	0.26
Options cancelled or forfeited	(195,000)	0.60	0.28
Outstanding, March 31, 2015	**3,330,000**	**0.68**	**0.37**

The fair values of the stock options granted during were estimated using the Black-Scholes option pricing model. The weighted average assumptions used in the pricing model for these options are as follows:

	For the three months ended March 31, 2015	For the year ended December 31, 2014
Risk-free interest rate	-	1.16%
Dividend yield	-	0%
Expected stock price volatility	-	80.20%
Expected forfeiture rate	-	16.63%
Expected life	-	2.96 years

The following incentive stock options were outstanding and exercisable at March 31, 2015:

Expiry date	**Exercise Price**	**Number of Options Outstanding**	**Number of Options Exercisable**
	$		
April 1, 2015*	0.75	40,000	40,000
April 16, 2015*	0.60	50,000	50,000
April 16, 2015*	0.74	50,000	50,000
May 1, 2015*	0.74	50,000	50,000
May 7, 2015*	0.74	50,000	50,000
May 7, 2015*	0.60	50,000	50,000
May 14, 2015*	0.60	15,000	15,000
May 16, 2015*	0.60	10,000	10,000
May 26, 2015*	1.56	100,000	100,000
May 26, 2015*	0.60	100,000	100,000
May 27, 2015	0.60	100,000	75,000
July 1, 2015	0.75	2,500	2,500
July 1, 2015	0.60	7,500	7,500
August 17, 2015**	0.75	50,000	50,000
November 2, 2015**	0.75	100,000	100,000
November 2, 2015	0.70	175,000	175,000
December 29, 2015**	1.05	7,500	7,500
December 29, 2015	1.05	5,000	5,000
March 7, 2016	1.50	25,000	25,000
August 2, 2016**	0.60	50,000	50,000
February 6, 2017	0.77	65,000	65,000
April 3, 2017	0.70	100,000	100,000
June 15, 2017	0.74	150,000	150,000
January 7, 2018	0.90	30,000	30,000
August 26, 2018	0.70	110,000	110,000
August 26, 2018**	0.70	100,000	100,000
November 4, 2018**	0.60	182,500	182,500
November 4, 2018	0.60	755,000	755,000
December 2, 2018**	0.60	40,000	30,000
April 29, 2019**	0.60	110,000	55,000
May 30, 2019	0.60	250,000	250,000
July 10, 2019	0.60	200,000	150,000
August 8, 2019	0.60	200,000	150,000
		3,330,000	**3,140,000**

* Subsequent to March 31, 2015, these options expired.
** On April 16, 2015 these options were repriced to $0.10.

An additional 2,432,500 options were granted subsequent to March 31, 2015 at the exercise price of $0.10 per share with a term of five years from the date of grant.

8. RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2015, a $19,500 (2014 - $19,500) expense was recorded for office facilities, corporate and administrative services provided by Earlston Management Corp. ("Earlston"), a company with officers and directors in common with Company. As at March 31, 2015, $33,706 is included in accounts payable and accrued liabilities (December 31, 2014 - $22,276) for amounts owing to Earlston.

Included in prepaid expenses as at March 31, 2015 is $10,208 (December 31, 2014 - $10,000) advanced to Bill Radvak, 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 as at March 31, 2015 is $nil (December 31, 2014 - $8,193) owing to this officer for travel expense claims.

During the three months ended March 31, 2014, a $45,000 expense was recorded for consulting services provided by Cansource International Enterprises Inc., a company jointly controlled by Ron MacDonald, a former director of the Company. No such amounts were incurred for the three months ended March 31, 2015.

9. SEGMENTED INFORMATION

The Company operates in two reportable segments:

1. Mineral property acquisition and exploration, which includes assets and expenses related to the Company's mineral properties, such as acquisitions costs, permitting, metallurgical work, engineering and related labour; and

2. The sale of CellCube energy storage systems, which includes the purchase of demonstration systems, sales and marketing costs and related labour.

While these two segments are integrated, they are managed separately and have distinct assets, expenses and staff.

A break-down of the Company's operating segments, is as follows:

		Net Comprehensive Loss*
	For the three months Ended March 31, 2015	For the three months Ended March 31, 2014
	$	$
Mineral acquisition and exploration	**178,628**	834,864
CellCube energy storage systems	**-**	-
General corporate	**355,532**	900,988
Total	**534,160**	1,735,852

* Neither operating segment has earned any revenues as of March 31, 2015, so net comprehensive loss includes only segment expenses. Expenses for mineral acquisition and exploration include the exploration and evaluation expenses as well as impairments and write-offs of mineral properties, the deferred engineering management deposit and water rights. Expenses for the CellCube energy storage segment includes expenses for CellCube demonstration and impairments on advances towards future CellCube sales, equipment and deposits on equipment.

	Non-current, Non-financial Assets as at	
	December 31 2014	December 31 2014
	$	$
Mineral acquisition and exploration	**41,637**	41,637
CellCube energy storage systems	**-**	-
General corporate	**23,387**	31,508
Total	**65,024**	73,145

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at March 31, 2015, 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	168,452	-	-

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.

As at March 31, 2015, the Company held $1,143,463, in net financial liabilities denominated 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 $114,346 foreign exchange gain (loss) based on United States dollar denominated net financial liabilities as at March 31, 2015. The Company has not hedged its exposure to currency fluctuations.

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 has a working capital deficiency as at March 31, 2015 and additional financing is required for the Company to settle its existing obligations and fund future obligations. As such, the Company is exposed to liquidity risk.

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.

11. CAPITAL MANAGEMENT

The Company manages its capital, which comprises the components of shareholders' (deficiency) equity, and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of resource properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

Although the Company has made operational changes, including headcount reductions and slow-downs on mine permitting to reduce its expenditures, the properties in which the Company currently has an interest are in the exploration stage and its CellCube sales channel is still developing; as such the Company is dependent upon external financings to fund activities and will require such financing to fund its working capital deficiency as at March 31, 2015 and to meet future operational requirements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company is not subject to externally imposed capital requirements.

12. LOSS PER SHARE

The numerators and denominators of basic and diluted loss per share for the three months ended March 31, 2015 and 2014 are as follows:

	For the three months Ended March 31, 2015	For the three months Ended March 31, 2014
Net loss (numerator)	**$(534,160)**	$(1,735,852)
Basic and diluted weighted average number of common shares outstanding (denominator)	**63,863,998**	50,139,920
Basic and diluted loss per share	**$(0.01)**	$(0.03)

The Company incurred net losses for all periods reported, so no dilutive impact of in-the-money stock options and warrants has been included in the calculation of diluted weighted average number of common shares outstanding.

13. COMMITMENTS AND CONTINGENCIES

The Company is committed to the following expenditures:

Nature of payment	Remainder of 2015	2016	2017	2018	2019
Mineral rights[1]	US$198,000	US$144,000	US$144,000	US$144,000	US$144,000
Water rights[2]	US$125,000	US$125,000	US$125,000	US$125,000	US$125,000

1. As described in Note 6, the Company makes NSR prepayments in order to acquire and maintain mineral rights to its properties. To maintain certain of its properties in good standing, the Company is required to continue making these payments. While not contractually committed to further payments, the Company considers these to be constructive commitments. Certain mineral rights payments totalling $84,000 that were due on or before March 31, 2015 remain outstanding and are included in the amounts owing for the remainder of 2015.
2. As described in Note 6, the Company makes annual rental payments to maintain water rights for its properties. While not contractually committed to further payments, the Company considers these to be constructive commitments.

14. EVENTS SUBSEQUENT TO THE REPORTING DATE

On April 16, 2015, the Company amended the exercise price of 550,000 stock options previously granted to certain employees from between $0.60 to 1.05 each to $0.10 each.

On April 20, 2015, the Company issued 30,000 shares to a consultant upon termination of the consulting agreement.

On April 23, 2015, the Company completed a non-brokered private placement of 3,014,285 common share units at a price of $0.07 per unit for gross proceeds of $211,000. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase an additional common share at a price of $0.12 until April 23, 2016.

On May 13, 2015, the Company issued 1,337,830 shares as settlement of $93,648 of accounts payable and mineral property commitments.