



AMERICAN VANADIUM CORP.

INTERIM MD&A – QUARTERLY HIGHLIGHTS

AS AT AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016

Background

This Management Discussion and Analysis – Quarterly Highlights (“Quarterly Highlights”) of financial position and results of operation for American Vanadium Corp. (the “Company” or “American Vanadium”) is prepared as at November 22, 2016. This Quarterly Highlights should be read in conjunction with the Company’s unaudited condensed consolidated interim financial statements as at and for the nine months ended September 30, 2016 and with the Company’s audited financial statements as at and for the year ended December 31, 2015.

The Company’s shares are listed on the TSX Venture Exchange (“TSX-V”) under the symbol “AVC”.

Except as otherwise disclosed, all dollar figures included therein and in the following Quarterly Highlights 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 Quarterly Highlights constitute forward-looking statements. Such forward-looking statements include but are not limited to statements regarding the Company’s ability or intention to maintain its mineral properties, the Company’s ability or intention to enter the energy storage market, and its ability to obtain the financing required to maintain its operations. These statements involve a number of known and unknown risks, uncertainties and other factors, and are made in the context of the Company having to revise its business strategy in light of its current financial position. The Company’s actual strategic course, when decided upon, will determine which risk factors will be relevant, but possible risks include the Company’s ability to raise financing required to maintain operations or to execute its strategy; the development of a market for energy storage and the Company’s ability to operate in this market; and the Company’s ability to maintain its mineral leases. Outcomes other than those assumed herein 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 and Outlook

Historically, American Vanadium has held mineral claims in the Gibellini Property (“Gibellini”), a vanadium deposit located in Eureka County, Nevada which the Company acquired in 2006 and had taken to the permitting stage.

In recent years, the Company has sought to develop an off-take market for potential production from Gibellini and it became the Master Sales Agent in North America for the CellCube vanadium redox flow energy system (“CellCube”), produced by Gildemeister Energy Solutions GmbH (“GES”) of Germany. The CellCube is a vanadium flow battery capable of delivering long-duration energy storage.

In January 2016, the Company sought further integration and entered into a non-binding letter of intent (the “LOI”) to acquire the energy storage division of GES.

However, the commercial energy storage industry is still in an early stage and the Company has been unable to complete any CellCube sales and its integration strategy, including its attempt to acquire the energy storage division of GES, was unsuccessful. The Company has also been unable to raise sufficient financing in recent years to sustain the marketing of the CellCube and the claim maintenance and development of Gibellini. As a result, the Company has a working capital deficiency of \$5.6 million.

In light of the Company's current financial position and inability to raise additional financing, the Company has allowed a significant portion of its Gibellini mineral claims and leases to expire in March and August 2016 and intends to allow its residual leases to expire in December 2016. Additionally, CellCube marketing efforts have been suspended and general and administrative costs have been reduced. The Company is considering ways to improve its financial position and is assessing strategic alternatives, but additional equity financing will be required to sustain its operations as a public company.

In conjunction with the suspension of the Company's CellCube marketing efforts, Robert B. Catell and Oleg Popovsky did not stand for re-election as directors of the Company at its annual general and special meeting of shareholders on July 14, 2016. At this meeting, Donn Burchill was elected as a new director of the Company.

Mineral Property Overview

The Company allowed the majority of its leased or staked mineral claims to lapse in the nine months ended September 30, 2016 and its remaining claims will expire in December 2016. As a result, the Company has formally terminated the permitting process at Gibellini and, in the three months ended September 30, 2016, the Company received an \$84,197 refund for permitting-related amounts paid in prior years to a mining regulator. The amount paid had previously been recognized as an expense, so the refund was recognized in profit and loss for the three and nine month periods ending September 30, 2016.

Additionally, the Company is responsible for reclaiming water testing holes that were drilled and other surface disturbances that occurred while the Company held the leases. The Company estimates that this work will cost US\$70,000 and a \$91,763 reclamation expense has been recorded as a component of exploration and evaluation expenses for the three and nine months ended September 30, 2016. As at September 30, 2016, the related asset retirement obligation, which is affected by foreign exchange fluctuations, was \$91,819. As at September 30, 2016, the Company has \$40,761 in reclamation deposits posted with environmental regulatory agencies that will be refunded upon approval of the required reclamation.

ANALYSIS OF THE COMPANY'S FINANCIAL PERFORMANCE AND CONDITION

Three months ended September 30, 2016 and 2015

The Company reported a loss of \$183,931 (\$0.00 per share) for the three months ended September 30, 2016, compared with a loss of \$2,652,641 (\$0.04 per share) during the comparative period in 2015. The lower net loss is largely a result of a \$2.5 million impairment charge recorded in 2015 related to deposits paid and accrued for CellCube units which the Company was ultimately unable to acquire or place; no equivalent charge was reported in 2016.

Additionally, cost reductions necessitated by the Company's financial position which have led to overall reductions in exploration and evaluation expenses, salaries and general administrative costs:

- Exploration and evaluation expenses for the three months ended September 30, 2016 were \$31 thousand lower than for the same period of 2015 as a result of cost reductions following the discontinuation of the permitting process for Gibellini. The expense for the three months ended September 30, 2016 includes a one-time reclamation expense of \$92 thousand related to the Company's remaining asset retirement obligation, which was partially offset by an \$84 thousand recovery of permitting fees previously expensed.
- Salaries expense was \$18 thousand lower in the three months ended September 30, 2016 compared with the same period of 2015 as a result in reductions in staffing levels. The expense incurred for 2016 reflects only the salary of the Company's CEO, which is accruing, but which is not currently being paid.
- In the three months ended September 30, 2015, the Company incurred a stock-based compensation expense of \$8 thousand related to the vesting of options outstanding. In the three months ended September 30, 2016, all options outstanding were vested and no comparable charge was recorded in the period.
- Other sundry office expenses decreased from a combined \$57 thousand in the three months ended September 30, 2015 to \$15 thousand in 2016 owing to a reduction in operating and exploration activities.

Partially offsetting these cost reductions were the following cost increases:

- The Company recorded a foreign exchange loss of \$95 thousand in the three months ended September 30, 2016 owing to the fluctuation of the Canadian dollar versus the U.S. dollar and the Euro, in which the majority of the Company's accounts payable are denominated. In the same period of 2015, the Company incurred a foreign exchange loss of \$36 thousand.
- In the three months ended September 30, 2016, the Company incurred \$5 thousand of office facilities and administrative services, compared to a recovery of \$35 thousand for the same period in 2015, due to an over accrual of rent expense that was reversed in the period.

Nine months ended September 30, 2016 and 2015

For the nine months ended September 30, 2016, the Company incurred a net loss of \$242,038 (\$0.00 per share) thousand compared with a \$3,452,071 (\$0.05 per share) net loss for the nine months ended September 30, 2015. As in the preceding discussion concerning the Company's three-month results, the decreased net loss is primarily a result of a \$2.5 million impairment of CellCube units recorded in 2015 that was not incurred in 2016. Additionally, the Company recognized a \$145 foreign exchange gain in the nine months ended September 30, 2016 compared with a \$92 thousand loss in 2015. The gain in 2016 resulted from the appreciation of the Canadian dollar, which resulted in a more favourable translation of US dollar and Euro-denominated liabilities. Additionally, the following reductions in operating and exploration activities were necessitated by the Company's financial position.

- Exploration and evaluation expenses decreased by \$285 thousand for the nine months ended September 30, 2016 compared with the same period in 2015 as a result of the termination of property maintenance, permitting and metallurgical activities in 2016. Additionally, the expense for 2016 reflects the \$84 recover of permitting costs, although this was offset by the \$92 thousand reclamation expense.
- Salaries and benefits were reduced from \$318 thousand for the nine months ended September 30, 2015 to \$150 thousand in 2016 following a reduction in the number of employees commensurate with a decrease in the Company's exploration and operating activities.
- Office facilities, administrative services, consulting, travel investor relations and other sundry office expenses decreased from a combined \$313 thousand in the nine months ended September 30, 2015 to \$183 thousand in 2016 owing to a reduction in rent expense on the termination on an office lease in response to reduced staffing levels.
- In the nine months ended September 30, 2016, the Company recorded a gain of \$34 thousand on the write-off of certain accounts payable. No such gain was recorded in 2015, although the Company did record a \$19 thousand gain on the sale of equipment in the comparative period.

The effect of these cost reductions were partially off-set by a \$41 thousand charge in the nine months ended September 30, 2016 to ship and store CellCube units ordered by the Company; no such expense was incurred in the same period of 2015. Additionally, in the nine months ended September 30, 2015, the Company recorded a \$39 thousand recovery of stock-based compensation costs following the cancellation of certain share compensation agreements, compared with a \$1 thousand expense in the same period of 2016. Finally, the Company's audit and legal fees for the nine months ended September 30, 2016 were \$19 thousand higher than those for the same period in 2015 as a result of legal charges incurred in connection with the unsuccessful attempt to acquire GES.

Until the Company determines a new strategic course, it is expected that it will incur minimal levels of general and administrative expenses and no exploration and evaluation expenses. However, as significant portions of the Company's accounts payable are denominated in U.S. dollars and Euros, its net comprehensive loss will be affected by foreign exchange rate fluctuations.

Financial position

As at September 30, 2016, the Company had cash of \$97,729 and liabilities of \$5,678,595. Of the Company's existing liabilities as at September 30, 2016, \$3.0 million was owing to GES for CellCube demonstration units or for sales that ultimately did not occur. The Company has negotiated two agreements with GES to discharge a significant portion of its balance owing to GES in exchange for the return of certain CellCube units and the fulfillment of other conditions. The Company is currently in the process of fulfilling these conditions and no gain or recovery from the discharge of its liabilities will be recorded until all requirements are filled. The Company is in the process of negotiating a third agreement to discharge its other outstanding liabilities with GES.

During the nine months ended September 30, 2016, the Company spent \$81 thousand, primarily on general and administrative costs, much of which was for legal, travel and consulting charges incurred in connection with the LOI.

Transactions with Related Parties

During the nine months ended September 30, 2016, a \$39,975 (2015 - \$58,500) expense was recorded for office facilities, corporate and administrative services provided by Earlston Management Corp. ("Earlston"), a company that provides key management services to the Company. As at September 30, 2016, \$142,280 is included in accounts payable and accrued liabilities (December 31, 2015 - \$96,445) for amounts owing to Earlston.

Included in accounts payable and accrued liabilities as at September 30, 2016 is \$295,000 (December 31, 2015 - \$145,000) owing to Bill Radvak, the Chief Executive Officer of the Company for salaries and benefits, and \$5,211 (December 31, 2015 - \$20,371) for travel expense claims.

Until the Company's financial position is improve, no payments to Earlston or Mr. Radvak are anticipated.