AMERICAN VANADIUM CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS AT AND FOR THE THREE MONTHS ENDED MAY 31, 2011

Background

This 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 August 19, 2011. This MD&A should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements as at and for the three months ended May 31, 2011 and with the Company's audited financial statements as at and for the years ended February 28, 2011 and 2010.

In conjunction with the Corporation's annual audited consolidated financial statements to be issued under International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), for the year ended February 29, 2012, the condensed consolidated interim financial statements as at and for the three months ended May 31, 2011 are the Corporation's initial financial statements prepared under IFRS. Accordingly, they have been prepared in accordance with International Financial Reporting Standard ("IFRS") 1, "First time Adoption of International Financial Reporting Standards" and with International Accounting Standard 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board. Previously, the company prepared its interim and annual consolidated financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

Unless otherwise noted, comparative information contained in this MD&A has been prepared in accordance with IFRS. The transition from Canadian GAAP to IFRS has not affected the Company's operations, strategic decisions and cash flow, but has resulted in certain accounting policy changes and adjustments to numbers previously reported under Canadian GAAP. These policy changes and adjustments are discussed under the "Changes in Accounting Policies and Transition to IFRS" section, herein.

Except as otherwise disclosed, all dollar figures included therein and in the following Management's Discussion and Analysis ("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 an exploration-stage junior mining company focusing on the exploration and potential development of vanadium resources in the United States. As at the date of this MD&A, the Company is finalizing a feasibility study of its primary exploration property, the Gibellini Project located in Eureka County, Nevada. Should this study render positive feasibility results, the Company will seek additional financing to construct and operate a vanadium mine. The Company anticipates that the results of the feasibility study will be released in the 2011 calendar year.

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

Mineral Property Overview

Gibellini Project, Eureka County, Nevada

In October 2008, AMEC of Sparks, Nevada produced a scoping study (the "Scoping Study") covering the Vanadium Hill deposit on the Gibellini Project. The unique disseminated, sedimentary deposit at Gibellini Hill allows for simple, sulphuric acid heap leach processing. The Scoping Study proposed an open pit operation with a strip ratio of 0.2 (1 waste: 5 ore). The deposit consists of a NI 43-101 Compliant Resource (NI 43-101 Technical Report, Gibellini Vanadium Project, Nevada, USA by Hanson, Wakefield, Orbock, and Rust, October 8, 2008) of 18 million indicated tons at a grade of 0.339% vanadium pentoxide and an additional 2.8 million inferred tons at a grade of 0.282% vanadium pentoxide.

The Scoping Study's preferred scenarios projected total economic production of 79.6 million pounds of V_2O_5 ("vanadium pentoxide") with an internal rate of return ("IRR") of 27% at a mining and processing rate of 2 million tons per year, or an IRR of 40% at a mining and processing rate of 3 million tons per year.

In June, 2010, the Company initiated a bulk sampling program, comprising the collection of samples from both oxide and transition vanadium zones from four different trenches on the project, and a diamond drill program which was two-phased. In July 2010, the Company completed the first phase of diamond drilling which 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, completed in August 2010, resulted in geotechnical data that will provide information for design of the open pit, waste dump and access road designs.

The samples from the trenching and drilling programs are being used in a metallurgical testing program to improve sulphuric acid leach recovery and consumption during the heap leach process, develop a custom bottle roll procedure and further improve recovery of vanadium extraction at the Gibellini Hill deposit. Column tests are being performed to test composite samples taken from the new trenches. The metallurgical program will directly support the feasibility study by further verifying ore body data, optimizing the vanadium pentoxide production process, and determining the degree of crushing required.

In September 2010, the Company engaged AMEC of Sparks, Nevada to conduct a feasibility study of its Gibellini Project (the "Feasibility Study"). The Feasibility Study is building on the Scoping Study and preliminary economic assessment prepared for the Company by AMEC in 2008.

As part of the program to complete the Feasibility Study, the Company has continued with a number of projects aimed to further define its reserves and to validate metallurgical recoverability:

- reverse circulation drilling campaign aimed at twinning historic drilling to provide further information for the ore resource/reserve estimation
- reverse circulation drilling for pit limit definition
- reverse circulation condemnation drilling
- a geotechnical core drilling program to collect data for the design of waste rock dumps, access roads, the open pit and the leach pad
- hydrologic testing and water well development
- metallurgical testing of the different ore types

Further, the Company is performing other operational, regulatory, and environmental steps required to develop a mine at the Gibellini Project. First, the Company engaged Enviroscientists, Inc. of Reno, Nevada to collect the baseline data for the environmental permitting process. This includes field studies and laboratory work for cultural, biological, spring/riparian and waste rock characterization. Second, in February 2011, the Company appointed Mike Doyle of Sparks, Nevada as Executive Vice President, Operations to develop the Company's Gibellini Vanadium Project. Mr. Doyle will direct the mining planning, construction management, environmental permitting and resource expansion programs. Third, in August 2011, the Company obtained the necessary rights for all water usage that is expected to operate a mine.

Del Rio and Hot Creek, Eureka County, Nevada

In September 2010, the Company acquired the Del Rio Property, a new vanadium project located approximately eight miles south of the Gibellini Project. The Company holds 100% ownership in the property, with no royalty burden, by staking 120 unpatented lode claims (2,400 acres) on lands administered by the Bureau of Land Management. Work completed on the Del Rio Property to date includes geologic mapping and sampling on the four square mile claim block. This work identified vanadium-bearing shale exposed at surface on the Del Rio Property which is mineralized over 1800 feet (550m) of strike and 1200 feet (360 m) 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 project has potential for an enriched vanadium zone at depth. The oxidized zone had similar grades to the Gibellini deposit with one area containing over 1 % vanadium pentoxide at the surface. Drill testing of the Del Rio project is planned for 2011. A smaller vanadium prospect called the Hot Creek project was also acquired by staking 18 claims south of the Del Rio Project with vanadium bearing shale, similar in geologic setting to Gibellini. This prospect will be explored along with the Del Rio property.

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

Financial Review

As an exploration-stage company, American Vanadium does not have any operating revenues and its accounting policy is to expense exploration and development expenditures incurred before commercial and technical feasibility reserves have been established. As the company has not currently established the commercial and technical feasibility of any of its reserves, the Company generally incurred net losses since its inception.

Significant financial statement balances, transactions and line items are as follows:

	May 31, 2011	February 28, 2011
	$	$
Balance Sheet:		
Total assets	**4,687,368**	3,388,505
Total long-term liabilities	-	-

	For the three months ended	
Operations:	**May 31, 2011**	May 31, 2010
Exploration expenditures	**1,104,214**	87,352
Administrative costs		
General	**438,109**	115,646
Stock-based compensation	**389,952**	30,291
Unrealized gain of short-term investments	-	(1,020,000)
Interest income	**(2,897)**	(7)
Foreign exchange (loss) gain	**(2,867)**	2,197
Net (loss) income and comprehensive (loss) income	**(1,932,245)**	788,915
Basic and diluted (loss) earnings per share	**(0.09)**	0.04
Dividends per share	-	-

The increase in total assets from $3.4 million as at February 28, 2011 to $4.7 million as at May 31, 2011 is primarily owing to $3.5 million in net cash proceeds from a private placement of the Company's common shares and the exercise of stock options. The increase in total assets from these proceeds was partially offset by exploration expenditures and general and administrative costs.

Net and comprehensive loss for the three months ended May 31, 2011 was $1.9 million, compared with net and comprehensive income of $0.8 million for the same period in 2010. Included in net and comprehensive income for the three months ended May 31, 2010 is a $1.0 million gain from the increase in market value of short-term investments held by the Company as at May 31, 2010. These investments were disposed during the year ended February 28, 2011, so no equivalent gains have been recorded for the quarter ended May 31, 2011.

Excluding the gain on short-term investments, net and comprehensive loss increased by $1.7 million from $0.2 million for the three months ended May 31, 2010 to $1.9 million for the three months ended May 31, 2011. This increase is the result of a $1.0 million increase in exploration expenses related to the feasibility study and advanced exploration of the Gibellini Project, a $0.4 million increase in stock-based compensation, and a $0.3 million increase in general and administrative costs resulting from a greater number of employees and an increased level of corporate activity required to support the Gibellini project.

First Quarter Results

Select expenses incurred by the Company are as follows:

	For the three months ended	
	May 31, 2011	May 31, 2010
Exploration expenditures	**$ 1,104,214**	$ 87,352
General expenses:		
Stock-based compensation	**389,952**	30,291
Investor relations and shareholder information	**184,476**	22,139
Salaries and benefits	**102,202**	27,493
Office facilities and administrative costs	**42,476**	24,211
Other	**108,955**	41,803
	828,061	145,937
Loss before other items	**(1,932,275)**	(233,289)
Other items:		
Interest income	**2,897**	7
Foreign exchange (loss) gain	**(2,867)**	2,197
Unrealized gain on short-term investments	-	1,020,000
Net (loss) income and comprehensive (loss) income	**$ (1,932,245)**	$ 788,915

The Company's net and comprehensive loss for the three months ended May 31, 2011 is largely a result of increased activity at the Gibellini Project and in corporate functions required to facilitate this project. During the quarter, the Company made significant progress towards the completion of the Feasibility Study for Gibellini, incurring $0.8 million in related costs which are included in exploration expenditures. Additionally, in advance of the completion of the feasibility study, $0.3 million in permitting, metallurgical, and on-site property expenditures were incurred to further define, prove and protect the commercial feasibility of these reserves.

With increased activity on-site at Gibellini, corporate-level activity has also increased during the second half of the fiscal year ended February 28, 2011 and into the three months ended May 31, 2011. Additional staff has been hired to manage the Feasibility Study, plan for potential mine development, create critical business partnerships and to fulfill the investor relations function. As a result, salaries and benefits expense increased from $27 thousand for the three months ended May 31, 2010 to $102 thousand for the same period in 2011. Likewise, stock options granted to these employees have resulted in an increase in stock-based compensation from $30 thousand to $390 thousand. Investor relations and shareholder information expense increased from $22 thousand for the three months ended May 31, 2010 to $184 thousand for the same period in 2011 resulting from a private placement of shares and additional communications about the Gibellini Project. Other costs incurred have increased during first quarter of the current year commensurate with these increases to Gibellini and corporate activities.

Financial Condition, Liquidity and Capital Resources

As at May 31, 2011, the Company's working capital was $3,207,812, including cash of $3,231,834, compared to working capital of $1,491,853 as at February 28, 2011.

The increase in the Company's working capital during the three months ended May 31, 2011 is the result of various share transactions during the quarter. In March 2011, the Company completed a brokered private placement of 2,770,250 common share purchase units at a price of $1.35 per unit for gross proceeds of $3.7 million. Each unit consists of one common share and one-half of one common share purchase warrant. An additional 193,918 agents' warrants were issued as part of this private placement. Transaction costs for the private placement, which include cash commissions, legal and other fees, and the fair value attributed to the agents' warrants totalled $468 thousand.

In addition to the net proceeds from the private placement, $68 thousand was received through the exercise of stock options during the quarter.

Subsequent to May 31, 2011, the Company issued another 2,334,667 units, consisting of one common share and one-quarter of one common share purchase warrant, at a price of $1.50 for proceeds, net of transaction costs, of $3.4 million.

The Company has sufficient cash resources to cover administrative costs and property option payments for the coming year as well as additional exploration and feasibility-related costs for the Gibellini Project. However, additional funds will be required for the full development of a mine at Gibellini. 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 August 19, 2011, the Company has 25,793,064 common shares issued and outstanding. An additional 3,019,983 warrants are outstanding, exercisable into common shares from $0.40 to $1.95 per share on or before September 22, 2012, and there are 2,325,500 stock options outstanding of which 1,328,000 are currently vested and "in the money".

Summary of Quarterly Results:

For the Three Months Ended	Mineral Exploration ($)	General Expenses ($)	Stock-based Compensation ($)	Interest Income ($)	Net Loss (Income) and Comprehensive ($)	Basic and Diluted Loss (Income) Per Share ($)
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
November 30, 2010	858,870	235,415	40,296	(2,580)	1,197,625	0.06
August 31, 2010	518,620	185,958	40,973	(1,288)	835,983	0.05
May 31, 2010	87,352	115,646	30,291	(7)	(788,915)	(0.04)
February 28, 2010[1]	8,380	84,539	252,767	(12)	420,816	0.03
November 30, 2009[1]	6,013	43,982	(42,464)	(9)	(3,677,337)	(0.19)
August 31, 2009[1]	29,686	107,918	29,238	(136)	168,701	0.01

Explanatory Notes:

1. Results for periods ending on or before February 28, 2010 are presented in accordance with Canadian GAAP while periods ending after March 1, 2010 are presented in accordance with IFRS.
2. Generally, mineral exploration has increased since the three months ended August 31, 2009, resulting in increasing net and comprehensive losses. Mineral exploration has increased as the Company's exploration on the Gibellini Project has escalated and as more comprehensive studies have been undertaken.
3. With increasing mineral exploration, general expenses have also increased since August 31, 2009 as additional corporate-level support has been required to fund and facilitate mineral exploration. Likewise, as additional employees have been hired and stock option granted, there is a general trend to increasing stock-based compensation expense. The recovery of stock-based compensation costs for the quarter ended November 30, 2009 is due to the forfeiture of certain stock options held by a former president of the Company.
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.
5. Net and comprehensive income for the quarter ended November 30, 2009 is owing to a $3,698,631 gain on the sale of the Company's interests in a property. Partial proceeds from this disposal were received in shares, which were carried at market value with valuation gains and losses recorded in net income. A fair value gain of $1,020,000 was recorded for the three months ended May 31, 2010 resulting in positive net and comprehensive income for that quarter. These shares were disposed during the quarter ended August 31, 2010.

Transactions with Related Parties

During the three months ended May 31, 2011, the Company paid Ionic Management Corp. (“Ionic”), a company related by virtue of one director and two officers in common, $12,000 for accounting and various administrative office services provided in Canada. In addition, the Company reimburses Ionic for out of pocket direct costs incurred on behalf of the Company. Such costs include travel, postage, courier charges, printing and long distance telephone charges. Included in accounts payable and accrued liabilities as at May 31, 2011, is $6,370 payable to Ionic.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Changes to Accounting Policies and Transition to IFRS

As discussed under the heading “Background” of this MD&A, the year-ended February 29, 2012, including the interim financial statements during this year, will be the first that the Company will present in accordance with IFRS. The Company’s critical IFRS accounting policies and the impacts of the transition from Canadian GAAP to IFRS are described below.

<u>i. Critical IFRS accounting policies</u>

The Company’s accounting policies are discussed in detail in Note 3 of the unaudited condensed consolidated interim financial statements as at and for the three months ended May 31, 2011 but the critical accounting policies are as follows:

Financial instruments

Financial instruments consist of financial assets and financial liabilities and are initially recognized at fair value net of transaction costs, if applicable. Measurement in subsequent periods depends on whether the financial instrument has been classified as “fair value through profit or loss”, “loans and receivables”, “available-for-sale”, “held-to-maturity”, or "financial liabilities measured at amortized cost“ as follows:

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i) Financial assets

Financial assets comprise cash, amounts and income tax receivable, short-term investments and reclamation deposits. Cash comprises liquid balances held at large Canadian and U.S. banks and is measured at fair value through profit and loss. Amounts and income tax receivable are classified as loans and receivables and are recorded at amortized cost less any impairment. Short-term investments include equity holdings in other companies and are measured at fair value through profit and loss. Reclamation deposits are designated for various operational or environmental reclamation purposes and are classified as held-to-maturity.

ii) Financial liabilities

Financial liabilities comprise accounts payable and accrued liabilities and income tax payable. These are classified as financial liabilities measured at amortized cost using effective interest rate method. Under this classification, all cash flows from these instruments are discounted, where material, to their present value. Over time, this present value is accreted to the future value of remaining cash flows, and this accretion is recorded as interest expense.

Equipment

Equipment is recorded at cost less accumulated amortization. Cost includes the purchase price of the equipment and the directly related costs to transport or prepare the equipment for its intended use. Amortization is provided on a straight-line basis over three to five years, which represents the estimated useful lives of the assets.

Mineral properties

The Company's accounting policy for mineral property costs is dependent on the stage of the properties to which the costs relate. All capitalized costs are attributed to the individual mineral properties to which they relate, known as cash generating units ("CGUs").

i) Acquisition costs

All costs incurred to acquire or maintain mineral property rights are capitalized to the relevant CGU. These costs are not depleted until the CGU reaches production.

ii) Exploration and evaluation costs

Costs related to the exploration and evaluation of properties for which no technically or economically feasible reserves have been identified are recorded as an expense in the period incurred. The Company determines that technical and economic feasibility exists when:

- a feasibility study, prepared in accordance with professional geological standards, defines a proven mineral reserve body;
- the Company intends to recover the mineral reserves through mining activity or sale of mineral rights; and
- the Company has sufficient financing available to develop and operate a mine or to market the mineral rights.

iii) Development costs

When technical and economic feasibility exists for a certain CGU, all costs incurred to further prepare and develop a mine, or to ready the reserve rights for sale, are capitalized. Such costs may include interest on debt financing required to construct a mine or general and overhead expenses that are directly attributable to the CGU. These capitalized costs are not subject to depletion until such time as the mine is ready for production or the mineral rights are saleable, at which point they are depleted on a unit-of-production basis over the estimated recoverable reserves of each CGU.

iv) Post-development costs

After a mine is ready for production or mineral reserves are saleable, all costs, including interest on related debt and general and administrative costs are expensed in the period incurred unless they relate to an extension of mineral reserves or a significant improvement in mining operations. In these instances, the expenditures related to the betterment are capitalized and are depleted on a unit-of-production basis over the remaining recoverable reserves.

Impairment of mineral properties and equipment

The carrying amounts of equipment and mineral properties, regardless of the development stage, are reviewed for impairment whenever facts and circumstances suggest that the carrying amounts may not be recoverable. If there are indicators of impairment, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. The recoverable amount of an asset is determined as the higher of its fair value less cost to sell and its value in use. An impairment loss exists if the asset's carrying amount exceeds the recoverable amount and is recorded as an expense when identified. Where the asset does not generate cash flows that are independent from other assets, the recoverable amount of the CGU to which the asset belongs is determined.

Value in use is determined as the present value of the future cash flows expected to be derived from an asset or CGU. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. Fair value less cost to sell is the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. For mineral properties, fair value less cost to sell is often estimated using a discounted cash flow approach as fair values from active markets or binding sale agreements are not readily available. Estimated future cash flows are calculated using estimated future prices, mineral reserves and resources, operating and capital costs. All assumptions used are those that an independent market participant would consider appropriate.

Impairments on equipment and mineral properties may be subsequently reversed in subsequent periods. When a reversal of impairment is recorded, the carrying value of the asset is increased to its recoverable amount which cannot exceed the carrying amount of the asset that would have existed had no impairment been recognized in prior periods. Any reversal of impairment is recognized as a component of net (loss) income when identified.

Deferred financing costs

Expenditures directly related to share issuances are recorded as a deferred-cost asset until such time as the shares are issued. At this point, the deferred-cost asset is recognized as a reduction of the net proceeds from the share issuance. If no shares are issued, these deferred costs are recognized as a component of net (loss) income.

Stock-based compensation

The Company recognizes a stock-based compensation charge in operations for stock options granted to employees, officers and directors of the Company. The stock-based compensation charge is based on the fair value of option awards granted, measured using the Black-Scholes option pricing model at the date of issue. The fair value of stock options granted is amortized to expense on a graded basis over the vesting periods of the option granted with an off-setting amount recorded in contributed surplus. Any expense recorded for options that are forfeited because non-market vesting conditions are not satisfied is reversed in the period in which forfeiture occurs.

ii) Transition to IFRS

On March 1, 2011, the Company adopted IFRS for financial reporting purposes, using a transition date of March 1, 2010. The unaudited condensed consolidated interim financial statements as at and for the three months ended May 31, 2011, including required comparative information, have been prepared in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards, and with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). Previously, the Company prepared its interim and annual consolidated financial statements in accordance with Canadian GAAP.

The transition to IFRS necessitated certain changes to the Company's accounting policies that resulted in differences between amounts previously reported under Canadian GAAP and those reported under IFRS.

A comprehensive reconciliation between Canadian GAAP and IFRS balances is provided in Note 4 of the unaudited condensed consolidated interim financial statements as at and for the three months ended May 31, 2011, but the following table provides a summary of the IFRS changes to the Company's net income (loss) for certain prior periods:

		Three months ended May 31, 2010		**Year ended February 28, 2011**
Net income (loss) under Canadian GAAP	$	788,757	$	(2,981,284)
Decrease (increase) in stock-based compensation under IFRS (note i.)		158		(29,000)
Net income (loss) and comprehensive income (loss), per IFRS	$	788,915	$	(3,010,284)

i. Stock-based compensation

Under Canadian GAAP, the Company recognized an expense for the fair value of stock options granted on a straight-line basis over the options' vesting periods. The fair value of stock options granted did not include a factor for estimated option forfeitures, but rather an expense reversal was recognized for actual forfeitures.

Under IFRS, the Company recognizes an expense for the fair value of stock options on a graded basis over the options' vesting periods. Generally, this will result in a greater portion of the overall fair value being recognized in the early portion of the vesting period under IFRS than under Canadian GAAP. Further, when determining the fair value of stock options granted, the Company includes a factor for estimated future option forfeitures based on historical forfeiture rates.

ii) Other impacts from the transition to IFRS

The transition to IFRS has only resulted in adjustments to the Corporation's accounting policies and cash flow classification, and there have been no changes to accounting systems, processes or to the Corporation's operations.

Financial Instruments and Risk Management

The Company's financial instruments are comprised of cash, amounts receivable, reclamation deposit and accounts payable and accrued liabilities, and have arisen through the normal course of operations. The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and interest rate risk.

Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. A portion of the Company's expenses are incurred in United States dollars and certain cash 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 February 28, 2011, cash totalling $2,483,518 (2010 - $118,437) was held in United States dollars on a consolidated level, of which $401,247 was held by the foreign subsidiary.

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, management considers the interest rate risk to be limited.

The fair value of cash, amounts receivable, reclamation deposit and accounts payable and accrued liabilities approximate their carrying value due to their short-term maturity. Financial instruments measured at fair value on the balance sheet are summarized in levels of fair value hierarchy as follows:

Assets		Level 1	Level 2	Level 3
Cash	$	3,231,834	-	-

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Outstanding Share Data

The following securities are outstanding at August 19, 2011:

Common shares issued and outstanding	25,793,064
Shares issuable on the exercise of outstanding stock options	2,325,500
Shares issuable on the exercise of share purchase warrants	3,019,983

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.