AMERICAN VANADIUM CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

AS AT AND FOR THE TEN MONTHS ENDED DECEMBER 31, 2011

Background

This management discussion and analysis ("MD&A) of financial position and results of operation for American Vanadium Corp. (the "Company" or "American Vanadium") is prepared as at April 24, 2012. This MD&A should be read in conjunction with the Company's audited consolidated financial statements as at and for the ten months ended December 31, 2011.

Change in financial year

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

The Company did not issue condensed consolidated interim financial statements as at and for the nine months ended November 30, 2011.

Compliance with IFRS

The audited consolidated financial statements for the ten months ended December 31, 2011 are the Company's first to be prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). As such, they have been prepared in accordance with IFRS1, "First time Adoption of International Financial Reporting Standards." The recognition and measurement of certain balances and transactions, as well as certain disclosures in these financial statements may differ from the financial statements previously reported under 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 MD&A are quoted in Canadian dollars. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com.

Forward-Looking Statements

Certain statements contained in the following MD&A constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements.

Company Overview

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

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

1. Obtaining environmental permits required to mine the Gibellini ore deposit;
2. Evaluating the highest value uses for vanadium, including grid-scale energy storage; and
3. Securing short and long-term financing for operating and project requirements.

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

Changes in Officers and Directors

On August 2, 2011, Ron MacDonald was appointed as a director of the Company and he was named as Vice-Chairman on August 19, 2011 and as Executive Chairman of the Board of Directors on January 25, 2012. On August 19, 2011, the Company appointed John Downes as the Company's Chief Financial Officer. On April 2, 2012, the Company appointed Ron Espell to the position of Vice President, Environmental.

Mineral Property Overview

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

Gibellini Property, Eureka County, Nevada

The Gibellini Property is approximately 4,254 acres in area and consists of 252 unpatented lode mining claims and seven placer claims. Of the unpatented lode claims, the Company holds 100% title to 200 claims, including 37 claims acquired in the ten months ended December 31, 2011. The remaining 52 claims are leased through on-going payments of US$144,000, annually. These payments are treated as prepayments of net smelter royalties on future mine production from the property. The Company also holds title to the seven placer claims.

American Vanadium conducted a drilling program to obtain samples for metallurgical testing and verification of historic drill data. All metallurgical test work was performed by McClelland Laboratories (McClelland), of Sparks, NV. The holes were sited and drilled north and south of the holes used for a 2008 preliminary economic assessment to obtain a spatial representation of the mineralization across Gibellini. Metallurgical analysis performed on mineral samples from

Gibellini indicates that the property's unique disseminated, sedimentary deposit allows for simple, sulphuric acid heap leach processing.

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

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

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

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

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

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

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

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

In addition to the completion of the Feasibility Study, the following operational, regulatory, and environmental steps have been during and subsequent to the ten months ended December 31, 2011 in order to advance the Gibellini Project towards development:

1. In August 2011, the Company obtained the necessary rights for all water usage that is required to operate a mine.
2. In November 2011, the Company awarded Scotia International of Nevada, Inc. a contract to manage the basic and detailed engineering, procurement and construction processes required during to develop a mine. To date, basic engineering work has commenced under the scope of this agreement.
3. In April 2012, Mr. Ron Espell was appointed Vice President, Environmental. Mr. Espell will lead the initial environmental permitting of the Gibellini Project, as well as ongoing environmental management

Del Rio and Hot Creek Projects, Eureka County, Nevada

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

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

Selected Annual Information

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

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

Selected annual information is as follows:

	December 31 2011	February 28 2011	March 1 2010
	$	$	$
Balance Sheet:			
Cash	**4,245,438**	1,953,402	1,076,988
Total assets	**7,494,268**	3,388,505	4,845,945

	For the ten months ended December 31	**For the twelve months ended February 28**	
	2011	2011	2010[1]
	$	$	$
Operations:			
Net comprehensive loss (income)	**4,890,445**	3,010,284	(2,430,165)
Basic and diluted loss (income) per share	**0.20**	0.16	(0.15)

1. Information for the twelve months ended February 28, 2010 is prepared in accordance with Canadian GAAP. Balance sheet and operations information for all other periods is prepared in accordance with IFRS.

Total assets

The increase in total assets from $3.4 million as at February 28, 2011 to $7.5 million as at December 31, 2011 is primarily owing to $8.2 million in net cash proceeds from private placements of the Company's common shares, interest and the exercise of stock options and warrants. The increase in total assets from these proceeds was partially offset by $4.2 million in on cash expenditures for mineral exploration and evaluation, as well as for general and administrative purposes during the ten months ended December 31, 2011.

Total assets decreased from $4.8 million as at March 1, 2010 to $3.4 million as at February 28, 2011 as a result of $3.1 million on cash expenditures for mineral exploration and evaluation, as well as for general and administrative purposes during the twelve months ended February 28, 2011. The impact of these expenditures was partially offset by a $0.9 million gain from the sale of short-term investments and $0.8 million in proceeds from the exercise of warrants and stock options.

Net comprehensive loss (income)

Net comprehensive loss for the ten months ended December 31, 2011 was $4.9 million, compared with net comprehensive loss of $3.0 million for the twelve months ended February 28, 2011. The increase is net comprehensive loss is owing to expenses for the completion of the feasibility study for Gibellini in the ten months ended December 31, 2011, as well as a general increase in corporate activity as the project advances. This increased corporate activity includes:

- additional corporate staffing, which resulted in increases to salaries and benefits, as well as stock-based compensation for options granted;
- consulting and travel costs incurred to identify and assess potential business partners and markets for vanadium;

- investor relations and shareholder information costs incurred to identify and evaluate potential sources of financing, and to support existing shareholders; and
- general office and administrative costs.

Generally, corporate and property-related costs also increased during the twelve months ended February 28, 2011 compared with the same period for 2010. These cost increases were incurred as the Company increased its exploration and evaluation activities and commenced the Feasibility Study for Gibellini. The increase in these costs during the twelve months ended February 28, 2011 were partially offset by a $0.9 million gain from short-term investments, which were disposed of during the year. A $3.7 million gain was recorded on the sale of certain mineral properties.

Results of Operations

Select expenses incurred by the Company are as follows:

	For the ten months ended December 31 2011	For the twelve months ended February 28 2011
	$	$
Exploration and evaluation expenses	**2,582,938**	2,768,146
General and administrative expenses:		
Stock-based compensation	**781,370**	333,727
Salaries and benefits	**514,135**	216,780
Investor relations and shareholder information	**337,164**	236,110
Consulting	**270,262**	45,918
Travel	**228,046**	90,697
Office facilities and administrative costs	**144,221**	104,882
Office and sundry	**88,889**	55,083
Other	**163,909**	116,033
Loss before other items	**(5,110,934)**	(3,967,376)
Other items:		
Foreign exchange gain (loss)	**106,811**	(111,775)
Interest income	**18,678**	5,552
Loss on short-term investments	**-**	888,009
Loss before income taxes	**(4,985,445)**	(3,185,590)
Current income tax recovery	**95,000**	175,306
Net comprehensive loss	**(4,890,445)**	(3,010,284)

The Company's net comprehensive loss for the ten months ended December 31, 2011 is largely attributed to activity on Gibellini, primarily the completion of the Feasibility Study and an increase in metallurgical testing and environmental permitting efforts. Included in exploration expenses for the ten-month period are $975 thousand for the completion of the Feasibility Study, $521 thousand in environmental permitting costs, $445 thousand for office and administrative costs directly related to Gibellini, $311 thousand for metallurgical testing, $175 thousand for exploration, basic engineering and property maintenance, and $111 thousand for geotechnical costs. Additionally, $45 thousand was incurred for property maintenance costs of Del Rio and Hot Creek.

Coinciding with increased activity at Gibellini, corporate-level activity has also increased during the second half of the fiscal year ended February 28, 2011 and throughout the ten months ended December 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 $217 thousand for the twelve months ended February 28, 2011 to $514 thousand for the ten months ended December 31, 2011. Likewise, stock options granted to these employees have resulted in increased stock-based compensation from $334 thousand to $781 thousand.

Investor relations and shareholder information expense increased from $236 thousand to $337 thousand, owing to costs indirectly related to private placements of shares and additional communications about Gibellini.

Consulting expenses increased from $46 thousand for the twelve months ended February 28, 2011 to $270 thousand for the ten months ended December 31, 2011, and travel costs increased from $91 thousand to $228 thousand for the same period. These increases are related to the development of international industry relationships and to identify and evaluate potential future markets for vanadium.

Office-related and other expenses have also increased during the ten months ended December 31, 2011, commensurate with the increases to Gibellini and corporate activities.

Financial Condition, Liquidity and Capital Resources

As at December 31, 2011, the Company's working capital was $5,038,267, including cash of $4,245,438, compared to working capital of $1,491,853 as at February 28, 2011. The increase in the Company's working capital during the ten months ended December 31, 2011 is primarily the result of the following share transactions:

In March 2011, the Company completed a brokered private placement of 2,770,250 common share units, consisting of one common share and one-half of one common share purchase warrant, at a price of $1.35 per unit for gross proceeds of $3.7 million. In July 2011 and August 2011, the Company completed two non-brokered private placements for a total of 3,001,667 common share units, consisting of one common share and one-quarter of one common share purchase warrant, at a price of $1.50 per unit for gross proceeds of $4.5 million. Total transaction costs of $787 thousand were incurred for these private placements, including $118 thousand in compensatory warrants issued to placement agents.

In addition to the net proceeds from these private placements, $551 thousand was received through the exercise of stock options and warrants during the ten months ended December 31, 2011.

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 April 24, 2012, the Company has 27,543,397 common shares issued and outstanding. An additional 2,159,482 warrants are outstanding, exercisable into common shares at exercise prices ranging from $1.95 to $2.00 per share with various expiration dates, and there are 2,540,500 stock options outstanding of which 912,500 are currently vested and "in the money".

Summary of Quarterly Results:

For the Three or Four Months Ended	Exploration and Evaluation[3]	General Expenses[4]	Stock-based Compensation[4]	Interest Income[5]	Net Comprehensive Loss (Income)[6]	Basic and Diluted Loss (Income) Per Share
	$	$	$	$	$	$
December 31, 2011[1]	752,715	875,056	228,456	(8,588)	1,660,534	0.06
August 31, 2011	726,009	433,461	162,962	(7,193)	1,297,666	0.05
May 31, 2011	1,104,214	438,109	389,952	(2,897)	1,932,245	0.09
February 28, 2011	1,303,304	328,484	222,167	(1,677)	1,765,591	0.09
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[2]	8,380	84,539	252,767	(12)	420,816	0.03

Explanatory Notes:

1. Due to its change in financial year-end from February 28 to December 31, the Company did not issue results for the three months ended November 30, 2011. Instead, the period ended December 31, 2011 is a four-month period.
2. 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.
3. Generally, exploration and evaluation costs have increased since the three months ended November 30, 2009. Mineral exploration has increased as the Company's exploration on Gibellini escalated to prove the property's reserves and to facilitate the Feasibility Study completed in September 2011.

   Exploration and evaluation costs for the four months ended December 31, 2011 primarily relate to $234 thousand for environmental permitting, $120 thousand for metallurgical testing, $111 thousand for geotechnical work and $288 thousand for office and other site costs, completion of the Feasibility Study and sundry items.
4. With increasing mineral exploration, general expenses have also increased since November 30, 2010 as additional corporate-level support has been required to fund and facilitate mineral exploration. Likewise, as additional employees have been hired and stock options granted, there is a general trend to increasing stock-based compensation expense.

   For the four months ended December 31, 2011, general expenses included $331 thousand in salaries and benefits, which itself included a bonus settled through the issuance of common shares valued at $79 thousand upon completion of the feasibility study. Also included in general expenses for this period are $163 thousand in consulting and $184 thousand in travel costs, related to the development of industry relationships and potential markets for vanadium, internationally. Stock-based compensation for the four months ended December 31, 2011 increased from the previous quarter as a result of stock options granted during the period to new employees.

5. 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.
6. Net comprehensive income for the three months ended May 30, 2010 includes a valuation gain of $1,020,000 on shares held as short-term investments. These shares were disposed during the quarter ended August 31, 2010, so subsequent net comprehensive losses are related to exploration and evaluation costs, general expenses and stock-based compensation.

Transactions with Related Parties

During the ten months ended December 31, 2011, a $45,000 (twelve months ended February 28, 2011 - $48,000) expense was recorded for office facilities, corporate and administrative services provided by a company jointly controlled by a director of the Company, of which $12,290 (February 28, 2011 - $6,382 and March 1, 2010 - $4,568) is included in accounts payable and accrued liabilities.

During the ten months ended December 31, 2011, a $100,000 expense (twelve months ended February 28, 2011 - $nil) was recorded for consulting services provided by a company jointly controlled by a director of the Company. Included in accounts payable and accrued liabilities at December 31, 2011 is $43,448 (February 28, 2011 - $11,200 and March 1, 2010 - $nil) payable to this related company. Additionally, 400,000 stock options were granted to this entity during the ten months ended December 31, 2011 with $358,528 being recorded in stock-based compensation for the period.

Included in prepaid expenses is $10,000 (February 28, 2011 - $10,000, March 1, 2010 - $nil) advanced to the Chief Executive Officer of the Company for corporate expenses to be incurred on the Company’s behalf. Included in accounts payable and accrued liabilities is a total of $3,496 (February 28, 2011 - $5,651, March 1, 2010 - $nil) owing to this officer.

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

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

	For the Ten Months Ended December 31, 2011	For the Twelve Months Ended February 28, 2011
	$	$
Salaries and benefits	**126,227**	126,580
Consulting fees	**122,000**	11,500
Stock-based compensation recognized	**217,363**	147,424
Total compensation	**465,590**	285,504

Changes to Accounting Policies and Transition to IFRS

As discussed under the heading “Background” of this MD&A, the Company`s audited consolidated financial statements for the ten months ended December 31, 2011 are the Company`s first to be prepared 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.

i. Critical IFRS accounting policies

The Company's accounting policies are discussed in detail in Note 3 of the audited consolidated financial statements as at and for the ten months ended December 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:

i) Financial assets

Financial assets comprise cash, amounts receivable, 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 or loss. Amounts 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. These are classified as financial liabilities measured at amortized cost using the 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 a mine.

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 comprehensive (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 comprehensive loss.

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 audited consolidated financial statements as at and for the ten months ended December 31, 2011, including required comparative information, have been prepared in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards. 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 audited consolidated financial statements as at and for the ten months ended December 31, 2011, but the following table provides a summary of the IFRS changes to the Company's net loss for the twelve months ended February 28, 2011:

	Year ended February 28, 2011
	$
Net comprehensive loss under Canadian GAAP	2,981,284
Increase in stock-based compensation under IFRS[i]	29,000
Net comprehensive loss under IFRS	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, income tax 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

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

The Company has not hedged its exposure to currency fluctuations and, as at December 31, 2011, the Company held $1,638,060 (February 28, 2011 - $1,273,521; March 1, 2010 - $421,478) 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 $163,806 foreign exchange loss (gain) based on United States dollar holdings as at December 31, 2011.

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 the Company's financial instruments 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:

	Level 1	Level 2	Level 3
	$	$	$
Cash	4,245,438	-	-

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Outstanding Share Data

The following securities are outstanding at April 24, 2012:

Common shares issued and outstanding	27,543,397
Shares issuable on the exercise of outstanding stock options	2,540,500
Shares issuable on the exercise of share purchase warrants	2,159,482
Shares contingently issuable through completion of operational milestones	725,000

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.