



AMERICAN VANADIUM CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012

Background

This management discussion and analysis (“MD&A”) of financial position and results of operations for American Vanadium Corp. (the “Company” or “American Vanadium”) is prepared as at November 23, 2012. This MD&A should be read in conjunction with the Company’s unaudited condensed consolidated interim financial statements for the nine months ended September 30, 2012 and with the Company’s audited financial statements for the ten months ended December 31, 2011.

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.

Change in financial year

In 2011 the Company changed its financial year-end from February 28 to December 31 in order to align its financial reporting with its operational and budgeting cycles. The Company’s most recent annual fiscal period was for the ten months ended December 31, 2011, while the current reporting period is for the nine months ended September 30, 2012 with a comparative period for the nine months ended August 31, 2011.

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

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, for which a feasibility study and an updated National Instrument 43-101 technical report were released in 2011.

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

1. Obtaining environmental permits required to proceed with the development of the Gibellini deposit;
2. Evaluating the highest value uses for vanadium, including for the chemical and energy storage industries; 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" and are quoted on the OTCQX under the symbol "AVCVF".

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 254 unpatented lode mining claims and seven placer claims. Of the unpatented lode claims, the Company holds 100% title to 202 claims. The remaining 52 claims are leased through on-going payments of US\$144,000, annually. These payments are treated as prepayments of net smelter royalties on future mine production from the property. The Company also holds title to 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 and Technical Report were released in 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 (“V₂O₅”) reserves from 20.0 million tons of ore at an average grade of 0.302%;
- 131.37 million pounds of Measured and Indicated V₂O₅ 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 V₂O₅ 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 V₂O₅ 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 V₂O₅ recovery;
- 11.4 million pounds average annual V₂O₅ production;
- US\$4.10 average operating cost of per pound of V₂O₅;
- US\$95.5 million capital cost; and
- US\$10.95 per pound average V₂O₅ selling price over the life of the mine.

The following operational, regulatory, and environmental steps have been taken 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. During the nine months ended September 30, 2012, the Company recorded an expense of \$824,419 for basic engineering work conducted under the scope of this agreement, and as at September 30, 2012, the Company had advanced installments and deposits totalling \$1,575,415 towards future work.
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.
4. The Company continues to work with the Bureau of Land Management and Nevada Department of Environmental Protection in preparing a Plan of Operation, which it intends to submit by the end of 2012.

5. During the nine months ended September 30, 2012, the Company spent \$193,596 for on-going mineral claim leases and incurred \$2,578,755 in exploration and evaluation expenses.

In the second half of 2011 and throughout 2012, the Company has strategically targeted high-value vanadium pentoxide products such as flow battery energy storage or titanium alloy applications. The Company is currently looking for arrangements with other companies in the vanadium value chain to use the Company's vanadium production from Gibellini or its proprietary vanadium purification process.

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

Del Rio and Hot Creek Projects, Eureka County, Nevada

In September 2010, the Company acquired mineral rights to the Del Rio Project ("Del Rio"), a vanadium project located approximately eight miles south of Gibellini. These wholly-owned mineral rights carry no royalty burden and were acquired by staking 120 unpatented lode claims on lands administered by the Bureau of Land Management. To date, work completed on Del Rio includes geologic mapping and sampling on the four square mile claim block. This work identified vanadium-bearing shale exposed at surface which is mineralized over 1,800 feet (550 metres) of strike and 1,200 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% V₂O₅ 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 Del Rio. Values up to 0.5% V₂O₅ have been found along a one kilometre long zone of favourable oxidized shale exposed along a ridge. The prospect appears to be located in a large thrust fault along the trend of Gibellini.

During the nine months ended September 30, 2012, the Company incurred \$19,139 of property maintenance expenditures on Del Rio and \$2,692 on Hot Creek.

Financial Review

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 has expensed all exploration and evaluation expenditures as incurred.

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

	September 30	December 31
	2012	2011
	\$	\$
Balance Sheet:		
Cash	1,324,603	4,245,438
Total assets	5,076,008	7,494,268
Long-term liabilities	-	-

	For the three months ended		For the nine months ended	
	September 30	August 31	September 30	August 31
	2012	2011	2012	2011
	\$	\$	\$	\$
Operations:				
Exploration expenses	1,435,879	726,009	2,578,755	3,133,526
Administrative costs				
General	496,225	433,461	1,748,255	1,200,054
Stock-based compensation	41,620	162,962	317,048	775,081
Foreign exchange loss (gain)	43,638	(17,573)	44,101	73,913
Interest income	(1,814)	(7,193)	(8,347)	(11,767)
Current income tax recovery	-	-	-	(175,306)
Net comprehensive loss	2,015,548	1,297,666	4,679,812	4,995,501
Basic and diluted loss per share	0.07	0.05	0.17	0.22

Total assets

The decrease in total assets from \$7.5 million as at December 31, 2011 to \$5.1 million as at September 30, 2012 is primarily owing to cash expenditures for mineral exploration and evaluation, as well as for general and administrative purposes during the nine months ended September 30, 2012. These costs were partially offset by proceeds from issuances of shares by way of a private placement and the exercise of stock options.

Net comprehensive loss

Net comprehensive loss for the nine months ended September 30, 2012 was \$4.7 million, compared with net comprehensive loss of \$5.0 million for the nine months ended August 31, 2011. The decrease in net comprehensive loss is primarily owing to expenses of \$1.4 million for the Feasibility Study and \$413 thousand for water exploration on Gibellini that were incurred in the nine months ended August 31, 2011, but not the nine months ended September 30, 2012. Additionally, there were decreases of \$458 thousand and \$339 thousand for stock-based compensation and investor relations expenses, respectively. The impact of these cost reductions was partially offset by increases in costs for basic engineering management and for general and administrative purposes, including:

- additional corporate staffing, which resulted in increases to salaries and benefits;
- consulting and travel costs incurred to identify and assess potential business partners and markets for vanadium; and
- general office and administrative costs.

Third Quarter Results of Operations

Select expenses incurred by the Company are as follows:

<i>For the three months ended</i>	September 30 2012	August 31 2011
	\$	\$
Exploration and evaluation expenses	1,435,879	726,009
General and administrative expenses:		
Salaries and benefits	174,653	80,422
Consulting	131,644	57,743
Stock-based compensation	41,620	162,962
Travel	42,034	10,725
Investor relations and shareholder information	24,215	145,341
Office facilities and administrative costs	47,642	43,000
Audit and legal	35,763	20,240
Other	13,750	17,872
Office and sundry	26,524	58,118
Foreign exchange loss (gain)	43,638	(17,573)
Interest income	(1,814)	(7,193)
Net comprehensive loss	2,015,548	1,297,666

A majority of the exploration and evaluation expenses incurred for the three months ended September 30, 2012 relate to work conducted on Gibellini. These costs include: \$648 thousand for engineering, procurement and construction management; \$292 thousand for environmental permitting; \$91 thousand for office and administrative costs directly related to Gibellini; \$210 thousand for drilling and trenching; and \$195 thousand for other engineering, property maintenance and exploration.

Corporate-level activity increased in the three months ended September 30, 2012 compared with the three months ended August 31, 2011, as the Company worked towards the development of Gibellini, as well as various financing and industry initiatives. As a result, the following cost increases were incurred:

- Salaries and benefits expense increased from \$80 thousand to \$175 thousand reflecting an increase in staff levels;
- Consulting expenses increased from \$58 thousand to \$131 thousand as the Company developed international industry relationships and evaluated potential future markets for vanadium; and
- Travel costs increased from \$10 thousand to \$42 thousand for the same period as the Company attended various international trade shows and industry conferences, and met with various industry participants.

Stock-based compensation expense for the three months ended September 30, 2012 was \$42 thousand, compared with \$163 thousand for the three months ended August 31, 2011. This decrease is owing to fewer options being granted or vesting in the current quarter than in the comparative period.

Investor relations and shareholder information expense for the three months ended August 31, 2011 was \$145 thousand as a result of expenses incurred for financings completed during the quarter. As decreased financing activity occurred during the three months ended September 30, 2012, this expense decreased to \$24 thousand.

The Company recorded a \$44 thousand foreign exchange loss for the three months ended September 30, 2012 which resulted from an increase in the value of the Canadian dollar against the US dollar and compares to a foreign exchange gain of \$18 thousand for the three months ended August 31, 2011. Other general and administrative expenses were similar for these periods.

Financial Condition, Liquidity and Capital Resources

As at September 30, 2012, the Company's working capital was \$2,475,104, including cash of \$1,324,603 and \$1,575,415 in deferred engineering management expense and deposit, compared to working capital of \$5,038,267 as at December 31, 2011. The decrease in the Company's working capital during the nine months ended September 30, 2012 is cash expenditures for mineral exploration and evaluation, as well as for general and administrative purposes.

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

As of November 23, 2012, the Company has 30,969,251 common shares issued and outstanding. An additional 2,363,344 warrants are outstanding, exercisable into common shares at exercise prices ranging from \$1.00 to \$2.00 per share with various expiration dates, and there are 2,555,500 stock options outstanding of which 1,502,500 are currently vested and "in the money".

Summary of Quarterly Results:

For the Three or Four Months Ended	Exploration and Evaluation ²	General Expenses ³	Stock-based Compensation ³	Interest Income ⁴	Net Comprehensive Loss (Income)	Basic and Diluted Loss (Income) Per Share
	\$	\$	\$	\$	\$	\$
September 30, 2012	1,435,879	539,863	41,620	(1,814)	2,015,548	0.07
June 30, 2012	634,891	673,895	180,340	(2,305)	1,441,901	0.05
March 31, 2012	507,985	578,135	95,088	(4,228)	1,222,363	0.04
December 31, 2011 ¹	752,715	875,056	228,456	(8,588)	1,660,534	0.06
August 31, 2011	726,009	433,461	162,962	(7,193)	1,297,666	0.05
May 31, 2011	1,104,214	438,109	389,952	(2,897)	1,932,245	0.09
February 28, 2011	1,303,304	328,484	222,167	(1,677)	1,765,591	0.09
November 30, 2010	858,870	235,415	40,296	(2,580)	1,197,625	0.06

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. Generally, exploration and evaluation costs have increased since the three months ended August 31, 2010, and reached a peak in the three months ended February 28, 2011 and May 31, 2011 as the Company incurred costs to complete the Feasibility Study. Subsequent to the release of the Feasibility Study in September 2011, exploration and evaluation costs declined through the quarter ended March 31, 2012, after which they increased for engineering, procurement and construction management work done on the Gibellini property.
3. General expenses have also increased since November 30, 2010 as additional corporate-level support has been required to fund and facilitate mineral exploration and corporate development. Likewise, as additional employees have been hired and stock options granted, there is a general trend to increasing stock-based compensation expense.
4. The Company earns interest income from funds on deposit but has no operating revenue. Interest income is dependent upon the amount of funds on deposit and interest rates paid.

Transactions with Related Parties

During the nine months ended September 30, 2012, a \$58,500 (nine months ended August 31, 2011 - \$36,000) expense was recorded for office facilities, corporate and administrative services provided by a company jointly controlled by a director of the Company, of which \$8,718 (December 31, 2011 - \$12,290) is included in accounts payable and accrued liabilities.

During the nine months ended September 30, 2012, a \$135,000 expense (nine months ended August 31, 2011 - \$70,000) was recorded for consulting services provided by a company jointly controlled by a director of the Company. Included in accounts payable and accrued liabilities at September 30, 2012 is \$5,419 (December 31, 2011 - \$43,448) payable to this related company.

Included in prepaid expenses is \$10,000 (December 31, 2011 - \$10,000) advanced to the Chief Executive Officer of the Company for corporate expenses to be incurred on the Company's behalf. Included in accounts payable and accrued liabilities is a total of \$9,560 (December 31, 2011 - \$3,496) 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.

Financial Instruments and Risk Management

The Company's financial instruments comprise 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 September 30, 2012, the Company held \$858,616 (December 31, 2011 - \$1,638,060) in United States dollars. A prolonged \$0.10 increase (decrease) in the value of the Canadian dollar compared with the United States dollar would result in a \$85,862 foreign exchange loss (gain) based on United States dollar holdings as at September 30, 2012.

Credit risk

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

Liquidity risk

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

Interest rate risk

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

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Outstanding Share Data

The following securities are outstanding at November 23, 2012:

Common shares issued and outstanding	30,969,251
Shares issuable on the exercise of outstanding stock options	2,555,500
Shares issuable on the exercise of share purchase warrants	2,363,344
Shares contingently issuable through completion of operational milestones	Up to 3,325,000 ¹

- ¹ Up to 3,325,000 of the Company's common shares have been approved for issuance to certain officers, directors or companies related to them based on meeting various operational, strategic and share-price targets. The criteria for issuance are discussed in Note 12 of the Company's condensed consolidated interim financial statements for the nine months ended September 30, 2012.

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.