AMERICAN VANADIUM CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2014

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 28, 2015. This MD&A should be read in conjunction with the Company's audited consolidated financial statements as at and for the year ended December 31, 2014.

The Company is based in, Vancouver, British Columbia, Canada, and its shares trade on the TSX-Venture Exchange (the "Exchange") under the symbol "AVC" and are quoted on the OTCQX under the symbol "AVCVF".

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 include but are not limited to statements regarding the outcomes and timelines for permitting and mining the Company's mineral reserves, the timelines for successfully developing an off-take market for the Company's mineral reserves, the Company's ability to enter the energy storage market, and its ability to obtain the financing required to maintain its operations. These statements involve a number of known and unknown risks, uncertainties and other factors, such as the Company's actual mineral reserves, the costs required to convert these reserves into high-value vanadium products and the prices obtained for these products; the development of mass energy storage in North America and globally, which itself is dependent on energy prices, adoption rates for storage technologies and governmental climate and energy policies; and the acceptance of the Company's strategy by financial markets. Outcomes other than those assumed herein may cause the actual results, performance or achievements of the company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements.

Company Overview

American Vanadium's mission is to provide safe, reliable, long-duration and long-lived distributed energy storage solutions that meet the needs of communities, enterprises and governments. To achieve this mission, American Vanadium is the Master Sales Agent in North America for the CellCube vanadium redox flow energy system ("CellCube"), produced by Gildemeister Energy Solutions, Cellstrom GmbH ("Gildemeister") of Germany. The CellCube is a commercially available vanadium redox flow battery capable of delivering long-duration energy storage for a broad range of applications, such as renewable energy integration and the reduction of demand charge tariffs levied by utilities.

Complimentary to its CellCube sales initiatives, the Company holds mineral claims at its Gibellini Property (“Gibellini”), a vanadium deposit located in Eureka County, Nevada, which is in the permitting stage. American Vanadium is ultimately seeking to produce vanadium electrolyte from Gibellini to meet the global demand from sales of vanadium redox flow energy storage systems. Because of the early stage of the energy storage market and internal financing constraints, permitting work at Gibellini has been slowed significantly.

In February 2014, the Company announced its first planned CellCube installation with the U.S. Department of Energy’s National Renewable Energy Laboratory (“NREL”) who will evaluate and demonstrate the first CellCube vanadium redox flow energy storage system in North America at its facility in Golden, Colorado. As of the date of this MD&A, the CellCube unit has been installed, but, owing to the Company’s financial position, is not currently being tested.

In April 2014, the Company, jointly with the New York State Energy Research and Development Authority, announced a planned commercial demonstration of a multi-unit system hosted by the Metropolitan Transportation Authority (“MTA”) and the New York City Transit Office of Strategic Innovation and Technology. The installation will be at MTA’s facility at 2 Broadway in downtown Manhattan and is also supported by ConEdison and the Advanced Energy Research Technology Center at Stoney Brook. As of the date of this MD&A, the Company continues to seek government and agency approvals and funding for the installation of this project.

The Company entered into purchase orders to acquire the CellCube units for the NREL and MTA projects, as well as for advance payments on other potential sales, and has made or accrued instalment payments towards these acquisitions. These payments are non-refundable, and title to the units does not transfer to the Company until final payments are made. During 2014, the Company’s financial condition worsened as a result of adverse conditions in capital markets. Further, the execution of the Company’s CellCube sales strategy has taken longer than expected and the Company has not successfully closed any sales. In addition, the Company has not completed the purchase of any of the CellCube units it has ordered because of its financial condition. As a result of the Company, the Company has fully impaired the carrying value of all deposits paid or accrued on CellCube units as at December 31, 2014. Similarly, a significant impairment to the carrying value of Gibellini was recorded as at December 31, 2014.

The Company remains committed to creating value through the longer term integration of vanadium redox flow batteries and global electrolyte sales with Gibellini production; however, additional financing is required to carry out this strategy. Should the Company raise adequate additional financing, it will complete the NREL and MTA demonstrations and will devote more resources to Gibellini permitting, at which point asset carrying values will be reassessed to determine whether the impairments recorded can be fully or partially reversed.

Outlook

The energy storage market is taking longer to develop than anticipated and the difficult capital markets for junior companies has resulted in the Company’s significantly negative working capital position. As a result, the Company has reduced its operating expenditures by delaying the NREL demonstration project, slowing the permitting process and metallurgical initiatives at Gibellini, and reducing headcount and general and administrative costs. The Company’s near-

term focus is to raise sufficient financing that will allow it to pay existing financial obligations, pursue CellCube sales opportunities, maintain its claims in Gibellini, and to fund its ongoing operations.

It is anticipated that initial sales of CellCube units will be a catalyst for additional financing that will be used to for additional sales channel growth or funding for Gibellini permitting. Unless such near-term financing is obtained, the Company will need to take additional actions to reduce costs and to maintain operations. Additionally, the Company may consider opportunities with other participants in the vanadium redox flow battery industry where strategic benefits are identified.

Mineral Property Overview

The Company maintains its holdings in Gibellini through various Net Smelter Royalty advance payments and through staked lode and placer claims. As of the date of this MD&A, the Net Smelter Royalty payments are in arrears and the Company has yet to complete the revised Plan of Operations and Nevada Reclamation Plan (PoO) requested by the Bureau of Land Management ("BLM") and the Nevada Division of Environmental Protection ("NDEP") to obtain state and federal approvals needed to develop the Gibellini project. The PoO details the plan for Gibellini from mine design, to processing facilities, to reclamation and final closure. Importantly, the PoO incorporates numerous product outputs for high-purity vanadium products including electrolyte for the vanadium flow battery market.

The Company had previously commenced work towards all other environmental permits including, but not limited to, the Water Pollution Control Permit, Class II Air Permit, Water and Sewage Systems Permits and Nevada Bureau of Health Permits. Although much of the work has been done, completion of the remaining permit applications, such as the Water Pollution Control Permit, is dependent on securing additional financing. As of the date of this MD&A, limited additional permitting work is planned until sufficient additional financing is raised.

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.

In 2010, a smaller vanadium prospect, Hot Creek, was also acquired by staking 18 claims south of Del Rio. At this time, no further exploration is planned on the Hot Creek or Del Rio prospects.

Impairment of mineral properties

In the year ended December 31, 2014, the Company recognized an impairment charge of $2,111,926 to the carrying value of its mineral properties. The assessment of the carrying value of these properties was generally triggered by unfavourable market conditions for exploration-stage companies and the Company's financial position. The Company does not have sufficient capital to fund near-term metallurgical, permitting and other property initiatives, and has slowed these initiatives significantly during the second half of 2014. Additionally, as at

December 31, 2014, certain property claims payments totalling US$54,000 were outstanding and have been paid subsequently.

Coupled with adverse financing conditions, which have led to reductions in exploration and development activities on the Company's mineral properties, market prices for vanadium have persisted at lower levels than those required for commercial production. As a result, the Company impaired its Gibellini property to a carrying value of $41,637 as at December 31, 2014, representing its estimated minimum fair value less costs to sell based on unobservable (Level 3) valuation inputs and the Del Rio and Hot Creek properties have been impaired to $nil carrying values.

Should the Company obtain adequate financing in the future and should market pricing for vanadium recover, the Company may record a reversal of this impairment in future periods.

Qualified Person

The geological technical data has been reviewed, verified and compiled by Richard A. Graham, P. Geol., who is a "qualified person" for the purpose of National Instrument 43-101, Standards of Disclosure for Mineral Projects.

Selected Annual Information

As an exploration-stage company, American Vanadium does not have any revenues from mining operations, and the Company has not yet achieved any commercial sales of CellCube systems. 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 does not have the funds required to develop its properties and continues to recognize an expense for all exploration and evaluation expenditures incurred.

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

Selected annual information is as follows:

	December 31 2014	December 31 2013	December 31 2012
	$	$	$
Balance Sheet:			
Cash	**78,413**	1,460,897	1,716,318
Total assets	**504,780**	3,841,734	4,648,886
Current liabilities	**2,268,093**	1,490,661	1,271,194
Long-term liabilities	**-**	-	-

	For the year ended December 31	For the year ended December 31	For the year ended December 31
	2014	2013	2012
	$	$	$
Operations:			
Net comprehensive loss	**10,563,541**	8,279,545	7,272,128
Basic and diluted loss per share	**0.18**	0.22	0.25

Total assets

The decrease in total assets as at December 31, 2014 to $505 thousand from $3.8 million as at December 31, 2013 is largely a result of cash expenditures for operating activities of $6.8 million which were largely incurred for exploration and evaluation expenses on Gibellini and for salaries and consulting expenses, as well as a $2.1 million impairment of mineral properties. Additionally, the Company paid for or accrued approximately $1.4 million towards CellCube units which were ultimately impaired during 2014. These reductions to total assets were partially offset by $5.7 million in proceeds from equity financings during 2014.

The decrease in total assets as at December 31, 2013 to $3.8 million from $4.6 million as at December 31, 2012 is a result of cash expenditures for operating activities of $6.5 million which were largely incurred for exploration and evaluation expenses on Gibellini and for salaries and consulting expenses, as well as a $0.6 million impairment of a deferred engineering management deposit and a $0.4 million write-off of certain capitalized water rights. These reductions to total assets were partially offset by $6.8 million in proceeds from equity financings during 2013.

Net comprehensive loss

Net comprehensive loss for the year ended December 31, 2014 was $10.6 million compared with a loss of $8.3 million for the same period in 2013. The increased loss in 2014 is primarily owing to the following:

- A $2.1 million impairment of mineral properties of during the year ended December 31, 2014; no such write-down occurred in the previous year.
- A $1 million impairment of deposits on equipment, and an impairment of prepaid deposits of $412 thousand, both representing amounts paid or accrued for CellCube units.
- A $256 thousand increase in salaries and benefits for salaries earned by additional staff hired in late 2013 and the first half of 2014.
- A $363 thousand increase in stock-based compensation as a result of stock options granted to employees, consultants and directors who joined the Company in the first half of 2014, as well as from certain equity and cash-settled bonus and performance arrangements being paid or accrued.
- A $383 thousand increase in consulting expenses for marketing and business development of CellCube sales in North America.
- A $204 thousand foreign exchange loss for the year ended December 31, 2014, compared to a $48 thousand gain for the same period in 2013.
- A $135 thousand expense for CellCube demonstration costs at NREL for the year ended December 31, 2014, which were not incurred in 2013.

The impact of these cost increases was partially offset by a $1.6 million decrease in exploration and evaluation expenses owing primarily to decreased basic engineering activities during the year ended December 31, 2014 compared with the same period of 2013.

Results of Operations

Select expenses incurred by the Company are as follows:

	For the year ended December 31, 2014	For the year ended December 31, 2013
	$	$
Exploration and evaluation expenses	**2,638,121**	4,284,046
General and administrative expenses:		
Salaries and benefits	**1,427,172**	1,170,307
Consulting	**991,667**	608,055
Stock-based compensation	**717,713**	354,402
Travel	**270,887**	258,703
Office facilities and administrative costs	**206,222**	195,644
Office and sundry	**142,536**	111,991
Audit and legal	**117,039**	151,788
CellCube demonstration	**134,542**	-
Investor relations and shareholder information	**102,941**	148,322
Other	**88,951**	89,612
Total general and administrative expenses	**(4,199,670)**	(3,088,824)
Impairment of mineral properties	**(2,111,926)**	-
Impairment of prepaid deposits	**(412,921)**	-
Impairment of equipment and deposits on equipment	**(1,004,036)**	-
Foreign exchange (loss) gain	**(203,910)**	48,418
Interest income	**7,043**	4,140
Write-off of water rights	**-**	(390,338)
Impairment of deferred engineering management deposit	**-**	(568,895)
Net comprehensive loss	**(10,563,541)**	(8,279,545)

The majority the exploration and evaluation expenses incurred for the years ended December 31, 2014 and December 31, 2013 relate to work conducted on Gibellini. These costs include: $850 thousand (2013 - $1.5 million) for environmental permitting; $750 thousand (2013 - $904 thousand) for metallurgy; $520 thousand (2013 - $295 thousand) for general and administrative costs, labour, and office costs directly related to Gibellini; $253 thousand (2013 – $793 thousand) for engineering, procurement and construction management; $113 thousand (2013 - $116 thousand) for property maintenance; $39 thousand for feasibility study (2013 - $172 thousand recovery); $nil (2013 - $259 thousand) for power; and $nil (2013 - $161 thousand) for water. Other exploration and evaluation expenses for the year ended December 31, 2014 were $113 thousand (2013 - $428 thousand) for various other property expenses.

In addition to exploration and evaluation expenses incurred during the year ended December 31, 2014, the Company also incurred an impairment of its mineral properties of $2.1 million in recognition of general depressed pricing for vanadium, and the difficulty in raising the necessary capital to develop the property.

During the year ended December 31, 2013, a $390 thousand expense on the write-off of certain capitalized water right payments following the cancellation of an agreement for water rights that

were considered unnecessary as the Company has secured other more favourable rights. Also in 2013, the Company recognized a $569 thousand write-off on a deposit previously paid on the commencement of an EPCM contract in 2011, upon the termination of this contract arrangement.

Financial Condition, Liquidity and Capital Resources

As at December 31, 2014, the Company had working capital deficit of $2.0 million, compared to working capital of $143 thousand as at December 31, 2013. The decrease in the Company's working capital during the year ended December 31, 2014 resulted from cash expenditures for mineral exploration and evaluation, CellCube purchase orders and demonstration projects, as well as for general and administrative purposes, which were partially offset by proceeds of two private placements of common shares.

Additional near-term funds will be required to fund the Company's day-to-day expenses, to discharge existing liabilities and to maintain property claims. Additionally, longer-term financing will be required to complete the permitting, process and design, metallurgical, engineering and other development costs for a mine at Gibellini. The Company's ability to raise required funds is dependent on favourable conditions in equity and alternative investment markets, which are volatile and subject to significant uncertainty. The Company will continue to identify alternative sources of financing, but anticipates reliance on equity markets, which include clean technology markets in addition to conventional mining markets, in the near term. Although the Company has been able to access these markets in the past, there is no assurance that it will be able to raise funds on favourable terms in the future.

On March 6, 2014, the Company completed the first tranche of a non-brokered private placement of 10,000,000 common share units at a price of $0.40 per unit for gross proceeds of $4,000,000. Each unit consisted of one common share and one-half of one common share purchase warrant. On May 8, 2014, the Company completed the second tranche of the private placement for an additional 2,500,000 common share units at a price of $0.40 per unit for gross proceeds of $1,000,000. Each unit consisted of one common share and one-half of one common share purchase warrant. On December 30, 2014, the Company completed a non-brokered private placement of 3,560,000 common share units at a price of $0.25 per unit for gross proceeds of $890,000. Each unit consisted of one common share and one-half of one common share purchase warrant.

In addition to the net proceeds from these private placements, $8 thousand was received through the exercise of warrants during the year ended December 31, 2014.

In April 2015, the Company completed a non-brokered private placement of 3,014,285 common share units at a price of $0.07 per unit for gross proceeds of $211,000. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase an additional common share at a price of $0.12 for 12 months.

Fourth Quarter Results

For the fourth quarter of 2014, the Company incurred a consolidated net loss and comprehensive loss of $5.3 million. The most significant expenses incurred during the quarter were the $2.1 million impairment of mineral properties, and a combined $1.4 million in impairments of CellCube units and advances to future CellCube sales. The Company also incurred exploration and evaluation expenses of $541 thousand, which included $170 thousand for environmental permitting and $220 thousand for metallurgical work. Other expenses during the quarter were $341 thousand for salaries and benefits, which included the payment of certain bonus shares earned on reaching certain milestones, $315 thousand for consultants, and $150 thousand for stock-based compensation recorded on stock options granted and vested in the quarter. Other expenses incurred were comparable with other quarters during the year.

Summary of Quarterly Results

A summary of quarterly results for the Company's eight most recent quarters is as follows:

For the Three Months Ended	Exploration and Evaluation[1]	General Expenses[2]	Stock-based Compensation[2]	Interest Income[3]	Net Comprehensive Loss[4]	Basic and Diluted Loss Per Share
	$	$	$	$	$	$
December 31, 2014	540,799	1,023,505	150,718	(316)	5,373,789	0.09
September 30, 2014	679,919	846,158	147,438	(1,116)	1,663,981	0.03
June 30, 2014	582,539	872,983	316,330	(3,389)	1,789,919	0.03
March 31, 2014	834,864	739,311	103,227	(2,222)	1,735,852	0.03
December 31, 2013	2,028,016	1,123,070	306,945	(2,790)	4,007,104	0.10
September 30, 2013	382,295	541,676	29,690	(199)	1,332,815	0.04
June 30, 2013	952,926	551,513	3,672	(534)	1,512,081	0.04
March 31, 2013	920,809	518,163	14,095	(617)	1,427,545	0.04

Explanatory Notes:

1. Exploration and evaluation expense for the periods presented are largely comprised of engineering, procurement and construction management, metallurgical and environmental permitting activities for Gibellini incurred to complete the Plan of Operations and to attend to the on-going permitting process. Costs fluctuate from period to period based on the availability of working capital to fund such work and deadlines for meeting various project and regulatory requirements.
2. General expenses were consistent between the periods ended March 31, 2013 and September 30, 2013. Since September 30, 2013, the Company incurred an increase in costs related to the development of its CellCube sales strategy, which has included additional consulting and staffing costs.

   Related to the increase in staff and consulting levels and additional directors of the Company since September 30, 2013, new stock options were granted, resulting in increases to stock-based compensation. Additionally, the Company has also granted certain employees and consultants shares in the Company, which have also contributed to the increased stock-based compensation expense in and subsequent to the quarter ended December 31, 2013.
3. 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.
4. Net comprehensive loss is typically a result of exploration and evaluation expenses, general expenses and stock-based compensation. However, in the three months ended December 31, 2014, the Company

recorded a $2.1 million impairment of mineral properties as well as $1.4 million in impairments of equipment, deposits on equipment and advances towards future CellCube sales. During the three months ended September 30, 2013, the Company recorded a $390 thousand write-down of water rights and in December 31, 2013, an additional expense was recorded for the $569 thousand write-off of a deposit that had been paid to an EPCM contractor.

Transactions with Related Parties

During the year ended December 31, 2014, a $78,000 (2013 - $78,000) expense was recorded for office facilities, corporate and administrative services provided by Earlston Management Corp. ("Earlston"), a company with officers and directors in common with Company. Additionally, $41,000, recorded as share issuance costs, was paid to Earlston for fees related to a private placement of common shares in the year ended December 31, 2014 (2013 - $nil). As at December 31, 2014, $22,276 is included in accounts payable and accrued liabilities (December 31, 2013 - $8,891) for amounts owing to Earlston.

During the year ended December 31, 2014, a $60,000 expense (2013 - $180,000) was recorded for services provided by Cansource International Ltd., a company jointly controlled by Ron MacDonald, a former director of the Company who resigned during the period. Included in amounts receivable at December 31, 2014 is $nil (December 31, 2013 –$15,750) with this related company.

Included in prepaid expenses as at December 31, 2014 is $10,000 (December 31, 2013 - $10,000) advanced to Bill Radvak, the Chief Executive Officer of the Company for corporate expenses to be incurred on the Company's behalf. Included in accounts payable and accrued liabilities as at December 31, 2014 is $8,193 (December 31, 2013 - $8,271) owing to this officer for travel expense claims.

Included in accounts payable and accrued liabilities as at December 31, 2014 is $12,600 (December 31, 2013 - $15,200) owing to Mike Doyle, the Executive VP, Operations; and $5,996 (December 31, 2013 - $4,057) owing to Ron Espell, the VP, Environmental.

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

	For the Year Ended December 31, 2014	For the year ended December 31, 2013
	$	$
Salaries and benefits	**445,106**	547,945
Consulting fees	**206,072**	170,076
Stock-based compensation recognized	**248,789**	193,219
Total compensation	**899,967**	911,240

Financial Instruments and Risk Management

As at December 31, 2014, the Company's financial instruments are comprised of cash, amounts receivable, reclamation deposits and accounts payable and accrued liabilities. With the exception of cash, all financial instruments held by the Company are measured at amortized cost. The fair values of these financial instruments approximate their carrying value due to their short-term maturities. Fair values of financial instruments are classified in a fair value hierarchy based on the inputs used to determine fair values. The levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

Financial instruments measured at fair value on the balance sheet are summarized in levels of fair value hierarchy as follows:

	Level 1	**Level 2**	**Level 3**
	$	**$**	**$**
Cash	78,413	**-**	**-**

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and interest rate risk.

Currency risk

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

As at December 31, 2014, the Company held $408,617, in net financial liabilities denominated in United States dollars. A prolonged $0.10 increase (decrease) in the value of the Canadian dollar compared with the United States dollar would result in a $40,862 foreign exchange gain (loss) based on United States dollar denominated net financial liabilities as at December 31, 2014. The Company has not hedged its exposure to currency fluctuations as at December 31, 2014

Credit risk

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a working capital deficiency as at December 31, 2014 and additional financing is required for the Company to settle its existing obligations and fund future obligations. As such, the Company is exposed to liquidity risk.

Interest rate risk

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

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Outstanding Share Data

The following securities are outstanding at April 28, 2015:

Common shares issued and outstanding :	66,908,283 [1]
Shares issuable on the exercise of outstanding stock options:	5,707,500
Shares issuable on the exercise of share purchase warrants:	15,522,618

1 The Company has also approved the issuance of up to 1,670,000 shares in settlement of indebtedness to certain arms'-length parties.

Critical Accounting Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates on the resulting effects of the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

Those estimates and judgments considered most significant are as follows:

i. Mineral properties

The measurement, depletion and impairment of mineral properties are based on various judgments and estimates. These include the technical and commercial feasibility of these properties, which incorporates various assumptions for mineral reserves, future mineral prices, and operating and capital expenditures for the properties.

Differences between actual and anticipated reserves, mineral revenues and costs could result in future impairments being recognized.

ii. Reclamation provision

The Company records a reclamation provision for the discounted present value of expected future expenditures, if any, required to environmentally reclaim its mineral properties. The measurement of this provision, if one exists, is based on estimates for the amounts and timing of future cash flows. Differences between actual cash flows and those estimated could result in the reclamation provision being over or understated.

iii. Taxation

Tax provisions are recognized to the extent that it is probable that there will be a future outflow of funds to a taxation authority. Such provisions often require judgment on the treatment of certain taxation matters that may not have been reported to or assessed by the taxation authority at the date of these financial statements. Differences in judgment by the taxation authority could result in changes to actual taxes payable by the Company.

Deferred tax assets are recognized to the extent that it is probable that certain taxable losses or deferred expenditures will be utilized by the Company to reduce future taxes payable. The amount of deferred tax assets recognized, if any, is based on objective evidence that the Company will generate sufficient future taxable income to utilize these deferred assets, as well as the expected future tax rates that will apply to these assets. Changes to the Company's ability to generate sufficient taxable income or changes to enacted tax rates could result in the write-down of deferred tax assets, or the recognition of new deferred tax assets.

iv. Stock-based compensation

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options and share purchase warrants granted. This model requires management to estimate the volatility of the Company's future share price, expected lives of stock options and future dividend yields. Consequently, there is significant measurement uncertainty in the stock-based compensation expense reported.

v. Restricted share units and performance shares

The determination of whether or not the achievement of performance milestones for restricted share units and performance shares is likely requires management to consider factors such as the likelihood of an employee or consultant remaining with the Company until requisite performance is achieved as well as external factors such as government regulations, financial market developments and industry trends which influence the milestones. Additionally, factors internal to the Company, such as the financial and strategic support for the achievement of the milestone must be considered. This determination is subject to significant judgment and changes to any of these factors or management's interpretation thereof, may result in expenses being recognized or previously recognized expense being reversed.

Initial Adoption of New IFRS and Future Changes in Accounting Policies

Adoption of New IFRS

The Company adopted the following new IFRS that became effective for fiscal years starting on January 1, 2014, which did not have a significant impact on the Company`s financial results:

IAS 32, "*Financial Instruments: Presentation*"

IAS 32 was amended to clarify requirements for offsetting financial assets and financial liabilities.

Future Changes in Accounting Policies

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period. These standards have been assessed and are not expected to have a significant impact on the Company's financial statements:

i. IFRS 3, *"Business Combinations"*

IFRS 3 is amended to provide clarification related to (i) contingent consideration in a business combination and (ii) scope exception for joint arrangements. These amendments are effective for fiscal years beginning on or after July 1, 2014.

ii. IFRS 8, *"Operating Segments"*

IFRS 8 is amended to require (i) disclosure of judgments made by management in aggregating segments, and (ii) a reconciliation of segment assets to the entity's assets when segment assets are reported. These amendments are effective for fiscal years beginning on or after July 1, 2014.

iii. IFRS 9, *"Financial Instruments"*

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

iv. IFRS 16, *"Property, Plant and Equipment and IFRS 38, Intangible Assets"*

IFRS 16 and IFRS 38 are amended to classify how gross carrying amount and accumulated depreciation or amortization are treated where an entity uses the revaluation model. These amendments are effective for fiscal years beginning on or after July 1, 2014.

v. IFRS 24, *"Related Party Transactions"*

IFRS 24 is amended to (i) revise definition of "related party" to include an entity that provides key management personnel services to the reporting entity or its parent, and (ii) clarify related disclosure requirements. These amendments are effective for fiscal years beginning on or after July 1, 2014.

Changes in Directors

On April 8, 2014, Ron MacDonald resigned as a director of the Company. Mr. MacDonald served as the Company`s Chairman, and has been replaced in this role by Mr. Whalen.

On June 4, 2014 Robert Catell was appointed as a director of the Company.

At the Company's Annual General Meeting held on July 11, 2014, Oleg Popovsky was appointed as a director of the Company. Additionally, Alan Branham did not stand for re-election as a director, but remains as the Company's qualified person on a consulting basis.

On January 21, 2015, Dr. Kelly Hyslop resigned as a director of the Company.

On February 6, 2015, George T. Hawes resigned as a director of the Company.

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.