

# **GRAVIS ENERGY CORP.**

## **MANAGEMENT'S DISCUSSION & ANALYSIS**

For the year ended March 31, 2012

### **Overview**

This Management's Discussion and Analysis ("MD&A") of Gravis Energy Corp. (the "Company") has been prepared by management as of July 30, 2012 and should be read in conjunction with the audited financial statements for the year ended March 31, 2012 and related notes, which are prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless otherwise stated. Additional information regarding the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

This MD&A may contain "forward-looking statements" which reflect the Company's current expectations regarding the future results of operations, performance and achievements of the Company. The Company has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as "anticipate," "believe," "estimate," "expect" and similar expressions. The statements reflect the current beliefs of the management of the Company, and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Company to differ materially from those expressed in, or implied by, these statements.

The Company undertakes no obligation to publicly update or review the forward-looking statements whether as a result of new information, future events or otherwise. Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations.

### **Overall Performance**

The Company was originally listed as a Capital Pool Company ("CPC") on the TSX Venture Exchange ("TSX-V"). It completed its initial public offering (the "IPO") on March 12, 2008. The Company's Shares were listed for trading on the TSX-V on March 13, 2008. On November 18, 2008, the Company entered into a letter of intent with Pacific Rim Marble Ltd. ("Pacific Rim"), of Vancouver, British Columbia, to acquire a 100% right, title and interest in and to six limestone mineral tenures located in British Columbia. The acquisition was intended to be the Company's Qualifying Transaction under the TSX-V's policies. The acquisition with Pacific Rim was subsequently terminated on April 7, 2009 at the request of the Company.

On May 25, 2009, trading in the shares of the Company was halted pending dissemination of its news release announcing the Company's intended acquisition of Gravis Capital Corp. (the "Acquisition"). Subsequently the Company applied to list on the CNSX and to delist from trading on the TSX-V. On March 9, 2010, the Company's shares were delisted from the TSX-V. On April 14, 2010, and prior to the commencement of trading on the CNSX, the Company completed the Acquisition and completed the private placement referred to below.

On May 28, 2009, the Company entered into a Share Exchange Agreement (the "Agreement") with GCC and its shareholders to acquire 100% of the issued and outstanding shares of GCC. GCC was incorporated on October 10, 2007 under the Business Corporations Act (British Columbia) and is engaged in a mineral exploration project through a limited partnership. Effective April 14, 2010, the acquisition of GCC was completed through the issuance of 10,404,025 common shares to the shareholders of GCC.

Prior to the acquisition of GCC, the Company was a non-operating Capital Pool Company. The acquisition is a capital transaction in substance and therefore has been accounted for as a recapitalization of the business of GCC. Under recapitalization accounting, GCC is considered the acquirer for accounting and financial reporting purposes, and acquired the assets and assumed the liabilities of the Company. Assets, net of liabilities, acquired of \$61,249 are reported at their carrying amounts. These financial statements include the accounts of the Company since the effective date of the recapitalization being April 14, 2010, and the historical accounts of the business of GCC since inception being October 10, 2007.

**GRAVIS ENERGY CORP.**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**

For the year ended March 31, 2012

A finder's fee of 1,000,000 common shares with a fair value of \$100,000 was paid by the Company in connection with this acquisition.

As a condition to the closing of the Acquisition, the Company completed a non-brokered private placement for net proceeds of \$379,000, which closed on April 14, 2010 (the "Private Placement"). The Company issued 3,790,000 units at a price of \$0.10 per unit. Each unit consisted of one common share and one share purchase warrant entitling the holder to purchase one additional common share at a price of \$0.15 expiring on April 14, 2010.

The Company has a 10% interest in the KEPCO Consortium which includes Korea Hydro & Nuclear Power Co. Ltd., Korea Nuclear Fuel Co. Ltd., Hanwha Corporation and Korea Electric Power Corporation, which consortium has the exclusive right to earn up to a 50% interest in the Waterbury Lake Uranium Property (the "Property") located in the province of Saskatchewan from Fission Energy Ltd. (TSXV: FIS) ("Fission").

As a result of closing the Acquisition, the Company is engaged, through its subsidiary Gravis, in the business of exploring for, with the ultimate goal of developing and producing uranium oxide from the Property. In addition, the Company may explore and develop such other properties and interests as may be subsequently acquired by the Company.

On September 15, 2010, KEPCO Consortium signed an MOU outlining the mutually agreed terms for continuing the Partnership with Fission Energy Corp. The Partnership is to be formed with Fission and the KEPCO Consortium each holding a 50% interest in the Waterbury Lake Project. The Work Plan and Budget shall cover a term of Six years and incur expenditures of C\$10 million per year for a total of C\$30 million. The issuer has been holding 10% interest in the KEPCO Consortium since 2008.

In August 2010, KWULP and Fission Energy Corp. entered into a definitive Limited Partnership Agreement ("WLULP") to further the joint exploration and development of the Waterbury Lake Uranium Property located in Saskatchewan's Athabasca Basin. Each party is responsible for expenditures in accordance with its interest in the partnership and any profits will be distributed to the parties on the same basis.

On April 11, 2011, Fission, a limited partner of KWULP, exercised the Back-In Option available under the WLULP Limited Partnership Agreement. KWULP received \$6,000,000 for the Back-in Option from Fission, accordingly the Company received \$600,000. As a result of the exercise of this option, Fission's interest in WLULP was increased by 10% and KWULP's interest was reduced by 10%. KWULP now holds a 40% interest and Fission now holds 60% in WLULP.

On December 8, 2011, the Company and its limited partners announced that a \$7.3 million winter exploration program, including 25,000m of drilling with three drills, at its flagship 40,256 ha Waterbury Lake uranium project, located in the eastern part of the Athabasca Basin, will commence in early January 2012.

On December 14, 2011, the Company and its limited partners announced that assays have been received from the 49 radioactive boulders discovered during the trenching program carried out during October 2011. The highest grade samples included 31.4% U<sub>3</sub>O<sub>8</sub> and 31.2% U<sub>3</sub>O<sub>8</sub>.

**GRAVIS ENERGY CORP.**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**

For the year ended March 31, 2012

**Results of Operations - For Year Ended March 31, 2011**

For the year ended March 31, 2012, The Company has a net loss of \$107,024 (\$nil per share) compared to \$149,673 (\$0.01 per share) for the year ended March 31, 2011.

**Selected Annual Information**

The following table sets forth selected audited financial information of the Company from the last three completed financial years ended March 31:

	2012	2011	2010
	\$	\$	\$
Total assets	1,594,070	1,780,267	970,152
Net loss	(107,024)	(149,673)	(396,085)
Net loss per share, basic and diluted	—	(0.01)	—

**Revenue**

The Company has not yet generated revenue from its operations.

**Operating Expenses**

Operating expenses for the year ended March 31, 2012 was \$107,024 (2011 - \$149,673). Operating expenses consists primarily of professional and filing fees related to requirements to which the Company is subject as a result of being a reporting issuer listed on the Exchange, costs associated with business development activities and office costs.

Operating expenses for the three month period ended March 31, 2012 was \$22,376 (2011 - \$77,634). Operating expenses consists primarily of professional and filing fees related to requirements, to which the Company is subject as a result of being a reporting issuer listed on the Exchange, costs associated with the Qualifying Transaction, costs associated with business development activities and office costs. Operating costs were less for the three month period ended March 31, 2012, compared to the three month period ended March 31, 2011, largely because the operating expenses incurred during the three month period ended March 31, 2011 included additional costs such as filing fees related to the Qualifying Transaction and costs related to business development activities.

**Net Loss**

Net loss for the year ended March 31, 2012 was \$107,024 (2011 - \$149,673) and for the three month period ended March 31, 2012 was \$22,376 (2011 - \$77,634). The net losses for the twelve and three month periods are associated primarily to the professional and filing fees related to requirements, to which the Company is subject as a result of being a reporting issuer listed on the Exchange. The net loss also included costs associated with the Qualifying Transaction, costs associated with business development activities and office costs.

**GRAVIS ENERGY CORP.**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**

For the year ended March 31, 2012

**Summary of Quarterly Results**

The following is a summary of the Company's financial results for the eight most recently completed quarters.

	<u>March 31, 2012</u>	<u>December 31, 2011</u>	<u>September 30, 2011</u>	<u>June 30, 2011</u>
	\$	\$	\$	\$
Net loss	(22,376)	(28,101)	(13,316)	(43,231)
Net income (loss) per share, basic and diluted	—	—	—	—

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	<u>March 31, 2011</u>	<u>December 31, 2010</u>	<u>September 30, 2010</u>	<u>June 30, 2010</u>
	\$	\$	\$	\$
Total revenues				—
Net income (loss)	77,634	(166,784)	(41,747)	(18,776)
Net income (loss) per share, basic and diluted	—	(0.01)	—	—

**Liquidity and Capital Resources**

As at March 31, 2012, the Company had a working capital deficit of \$34,556 compared to \$127,532 as at March 31, 2011. The net loss of the year ended at March 31, 2012 consists of general and administration expenses.

The Company has insufficient capital to fund operations for the next 12 months. The Company is required to seek additional financing. There can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future.

**Transactions with Related Parties**

During the years ended March 31, 2012 and 2011, the Company was involved in the following related party transactions:

- (a) During the year ended March 31, 2012, the Company incurred management fees of \$12,000 (2011 - \$11,000) to the President of the Company.
- (b) During the year ended March 31, 2012, the Company incurred management fees of \$22,500 (2011 - \$16,500) to the former Chief Financial Officer of the Company.
- (c) During the year ended March 31, 2012, the Company incurred professional fees of \$1,000 (2011 - \$nil) to the Chief Financial Officer of the Company.
- (d) As at March 31, 2012, the Company owed \$6,000 (March 31, 2011 - \$1,000; April 1, 2010 - \$nil) to the President of the Company which is non-interest bearing, unsecured, and due on demand.
- (e) As at March 31, 2012, the Company owed \$6,540 (March 31, 2011 - \$7,783; April 1, 2010 - \$7,783) to the former Chief Financial Officer of the Company which is non-interest bearing, unsecured, and due on demand.
- (f) As at March 31, 2012, the Company owed \$4,029 (March 31, 2011 - \$69,135; April 1, 2010 - \$17,220) to a former director of the subsidiary of the Company which is non-interest bearing, unsecured, and due on demand.

**GRAVIS ENERGY CORP.**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**

For the year ended March 31, 2012

**Financial Instruments**

a. Fair values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's balance sheet as of March 31, 2012 as follows:

	Fair value measurements using			
	Quoted prices in active markets for identical instruments (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs (Level 3) \$	Balance as at March 31, 2012 \$
Assets:				
Cash	878	-	-	878
Amounts receivable	22,210	-	-	22,210
Investment in KWULP	-	-	1,569,982	1,569,982
Investment in KWUC	-	-	1,000	1,000
Total assets measured at fair value	23,088	-	1,570,982	1,594,070

The fair values of other financial instruments, which include amounts receivable, accounts payable and accrued liabilities, and amounts due to related parties, approximate their carrying values to the relatively short-term maturity of these instruments.

b. Credit risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and amounts receivable. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. Deposits held with these institutions may exceed the amount of insurance provided on such deposits. The carrying amount of financial assets represents the maximum credit exposure. Amounts receivable consists of GST/HST receivable due from the Government of Canada.

c. Foreign exchange risk

The Company is not exposed to any significant foreign exchange risk.

d. Interest rate risk

The Company is not exposed to any significant interest rate risk.

e. Liquidity risk

For the year ended March 31, 2012, the Company generated a net operating cash outflow of \$212,371 (2011 - \$154,240). The Company has an accumulated deficit as at March 31, 2012 of \$691,533. As at March 31, 2012, the Company's working capital deficit was \$34,556 (2011 - \$127,532).

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

**GRAVIS ENERGY CORP.**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**

For the year ended March 31, 2012

The Company's activities have been funded through equity financing, and the Company expects that it will continue to be able to utilize this source of financing until it develops cash flows from operations, although current stock market and general economic conditions have made this more difficult. There can be no assurance, however, that the Company will be successful in its efforts. If such funds are not available or other sources of financing cannot be obtained, then the Company will be forced to curtail its activities to a level for which funding is available and can be obtained.

The Company's investment policy is to hold excess cash as cash or in highly liquid, short-term, interest-bearing instruments, such as Government of Canada Treasury bills or debt instruments issued by major Canadian chartered banks, with initial maturity terms of less than one year from the original date of acquisition, selected with regard to the Company's anticipated liquidity requirements.

#### **Fourth Quarter Results**

See summary of quarterly results above.

#### **Transition to IFRS**

##### *First Time Adoption of IFRS*

The Company has adopted IFRS on April 1, 2011 with a transition date of April 1, 2010. Under IFRS 1, "First Time Adoption of International Financial Reporting Standards ("IFRS 1"), the IFRS standards are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under GAAP taken to deficit, with IFRS providing certain optional and mandatory exemptions to this principle.

The Company has elected to apply the following optional exemptions:

##### *Share-based payment transactions*

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2, "Share-based Payment" to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to April 1, 2010.

##### *Fair value as deemed cost*

The Company may elect among two options when measuring the value of its assets under IFRS. It may elect, on an asset by asset basis, to use either historical cost as measured under retrospective application of IFRS or fair value of an asset at the opening balance sheet date. The Company has elected to use historical cost for its assets.

##### *Estimates*

IFRS 1 does not permit changes to estimates previously made. Accordingly, estimates used at the transition date are consistent with estimates made at the same date under Canadian GAAP.

##### *Reconciliation to previously reported financial statements*

The transition from Canadian GAAP to IFRS had no material impact on the Company's statements of financial position as at April 1, 2010 and March 31, 2011 and statements of operations and comprehensive loss, and cash flows for the year ended March 31, 2011.

**GRAVIS ENERGY CORP.**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**

For the year ended March 31, 2012

**Accounting Standards Issued But Not Yet Effective**

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended March 31, 2012, and have not been applied in preparing these financial statements.

- (i) Effective for annual periods beginning on or after July 1, 2011:

*Amendments to IFRS 7, "Financial Instruments: Disclosures"*

Increase in disclosure with regards to the transfer of financial assets, especially if there is a disproportionate amount of transfer transactions that take place around the end of a reporting period.

- (ii) Effective for annual periods beginning on or after July 1, 2012:

*Amendments to IAS 1 "Presentation of Financial Statements"*

In June 2011, the IASB issued amendments to IAS 1 to require companies to group together items within other comprehensive income ("OCI") that may be reclassified to the statement of income. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two separate statements. The amendments are to be applied retrospectively.

- (iii) Effective for annual periods beginning on or after January 1, 2013:

*New Standard IFRS 10, "Consolidated Financial Statements"*

In May 2011, the IASB issued IFRS 10 to replace portions of IAS 27, "Consolidated and Separate Financial Statements" and interpretation SIC-12, "Consolidated - Special Purpose Entities". IFRS 10 incorporates a single model for consolidating all entities that are controlled and revises the definition of control to be "An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the current ability to affect those returns through its power over the investee". Along with control, the new standard also focuses on the concept of power, both of which will include a use of judgement and a continuous reassessment as facts and circumstances change

*New standard IFRS 11, "Joint Arrangements"*

In May 2011, the IASB issued IFRS 11 to replace IAS 31, "Interest in Joint Ventures". The new standard will apply to the accounting for interest in joint arrangements where there is joint control. Joint arrangements will be separated into joint ventures and joint operations. The structure of the joint arrangement will no longer be the most significant factor on classifying a joint arrangement as either a joint operation or a joint venture. Proportionate consolidations will be removed and replaced with equity accounting.

*New standard IFRS 12 "Disclosure of Interest in Other Entities"*

In May 2011, the IASB issued IFRS 12. The new standard includes disclosure requirements about subsidiaries, joint ventures and associates, as well as unconsolidated structured entities and replaces existing disclosure requirements.

*New standard IFRS 13, "Fair Value Measurement"*

IFRS 13 replaces the fair value measurement guidance currently dispersed across different IFRS standards with a single definition of fair value and extensive application guidance. IFRS 13 provides guidance on how to measure fair value and does not introduce new requirements for when fair value is required or permitted. It also establishes disclosure requirements to provide users of the financial statements with more information about fair value measurements.

**GRAVIS ENERGY CORP.**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**

For the year ended March 31, 2012

- (iv) Effective for annual periods beginning on or after January 1, 2015:

Partial replacement of IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for how an entity should classify and measure financial assets that are in the scope of IAS 39. The standard requires all financial assets to be classified on the basis of the entity's business model for managing the financial assets, and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost if two criteria are met: (a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and (b) the contractual cash flows under the instrument solely represent payments of principal and interest. If a financial asset meets the criteria to be measured at amortized cost, it can be designated at fair value through profit or loss under the fair value option, if doing so would significantly reduce or eliminate an accounting mismatch. If a financial asset does not meet the business model and contractual terms criteria to be measured at amortized cost, then it is subsequently measured at fair value. In October 2010, the IASB issued additions to IFRS 9 relating to accounting for financial liabilities. Under the new requirements, an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss.

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on the financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

**Additional Disclosures for Venture Issuers without significant revenue**

An analysis of the material components of the Company's general and administrative expenses is disclosed in the audited annual financial statements for the year ended March 31, 2012 to which this MD&A relates.

**Outstanding Common Share Data**

As of July 30, 2012, the Company has 29,303,303 common shares issued and outstanding.

As at July 30, 2012, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price \$	Expiry date
3,790,000	0.15	April 14, 2012
450,000	0.30	January 31, 2013
<u>4,240,000</u>		

As at July 30, 2012, the Company has 400,000 stock options outstanding which are exercisable at \$0.10 per share expiring on December 5, 2012.



**GRAVIS ENERGY CORP.**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**

For the year ended March 31, 2012

**Subsequent Event**

On May 8, 2012 the Company has entered into a convertible loan agreement with two creditors for an aggregate of \$201,859, which are convertible into securities of the Company as follows: (i) up to \$150,000 may be converted into up to an aggregate of 2,500,000 flow-through common shares in the capital stock of the Company at a rate of \$0.06 per share, at the option of the creditor; and (ii) the balance of \$51,859 may be converted into up to 864,308 non-flow through common shares in the capital stock of the Company at a rate of \$0.06 per share at the option of the creditor.

**Forward looking information**

The MD&A contains forward-looking statements concerning anticipated developments for the Company in future periods. Forward-looking statements often, but not always, contain words such as "believes", "intends", "anticipates", "estimates", "potential" and similar words or statements that certain conditions or results "may", "should" or "could" happen or occur. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or other future events, to be materially different from any future results, performances or achievements or other events expressly or implicitly predicted by such forward-looking statements. The Company's forward-looking statements are based on the expectations and opinions of management on the date that the statements are made and the Company does not assume any obligation to update forward-looking statements if circumstances change. For the above reasons, investors should not place undue reliance on forward-looking statements.

Additional disclosures pertaining to the Company's technical report, management information circulars, material change reports, press releases and other information are available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

On behalf of the Board of Directors,

*"Ruben Verzosa"*

Ruben Verzosa

CEO, President and Director

July 30, 2012