

**American Manganese Inc.**  
**Management's Discussion and Analysis**  
**For the Three – Month Period Ended October 31, 2015**  
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This management's discussion and analysis of American Manganese Inc. (the "Company") contains analysis of the Company's operational and financial results for the three-month period ended October 31, 2015. The following should be read in conjunction with the company's unaudited condensed consolidated interim financial statements for the three-month period ended October 31, 2015 and audited consolidated financial statements for the year ended July 31, 2015 and 2014 which were prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the International Accounting Standards Board ("IASB") in effect as at July 31, 2012. All figures are in Canadian dollars unless otherwise stated.

**FORWARD-LOOKING STATEMENTS**

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, information with respect to the Company's future business plans and strategy, exploration plans, and environmental protection requirements. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" (or "does not expect"), "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" (or "does not anticipate"), or "believes", and other similar words and phrases, or which states that certain actions, events, or results "may", "could", "might", or "will" occur. Forward-looking information is subject to known and unknown risks and uncertainties that may cause the actual results, or performance of the Company to be materially different from those expressed or implied by such forward-looking information. These risks and uncertainties include risk and uncertainties associated with the mining industry and the exploration and development of mineral projects, such as the uncertainty of exploration results, the volatility of commodity prices, potential changes in government regulation, the uncertainty of potential title claims against the Company's projects, and the uncertainty of predicting operating and capital costs. They also include risks and uncertainties that affect the business environment generally, such as international political or economic developments, changes in interest rates and the condition of financial markets, and changes in exchange rates.

Forward-looking information is based on assumptions and expectations which the Company considers to be reasonable, and which are based on management's experience and its perception of trends, current conditions, and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made. Although the Company believes that the assumptions and expectations reflected in such forward-looking information are reasonable, undue reliance should not be placed on forward-looking information. The Company can give no assurance that forward-looking information, or the assumptions and expectations on which it is based, will prove to be correct. American Manganese Inc. does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

**DATE OF REPORT**

The MD&A was prepared with the information available as at December 30, 2015.

**NATURE OF BUSINESS AND OVERALL PERFORMANCE**

**Jurisdiction of incorporation and corporate name**

The Company was incorporated under the *Company Act* (British Columbia) on July 8, 1987 as Navarre Resources Corporation. The Company changed its name to Ameridex Minerals Corp. on June 4, 1998, to Rocher Deboule Minerals Corporation on September 13, 2006, and to American Manganese Inc. on January 20, 2010.

The Company is a reporting issuer in the Provinces of British Columbia and Alberta. The Company's shares presently trade on the TSX Venture Exchange under the symbol "AMY", on the Frankfurt Exchange under the symbol "2AM" and on the pink sheets under the symbol "AMYZF".

The Company has one wholly owned subsidiary, Rocher Manganese Inc., incorporated in the State of Nevada. Rocher Manganese Inc. manages the exploration work on the Company's Artillery Peak property.

In December 2014, the Company's head office relocated to Unit 2 17942 55 Avenue, Surrey, British Columbia V3S 6C8.

## **HIGHLIGHTS**

In November 2015, the Company entered into a Non-Disclosure Agreement with the Critical Materials Institute, operated by the Ames Laboratory, a U.S. Department of Energy National Laboratory.

The agreement allows both parties to exchange certain confidential and proprietary information with each other for the sole purpose of evaluating a possible business transaction and possible research agreements in the area of manganese and recycled lithium-ion batteries.

In October 2015, the Company announced that it has received the “**Chinese Patent No. 201180050306.7**” from the Peoples Republic of China for processing of manganous sulphate-dithionate liquor.

In March 2015, American Manganese Inc. entered into an acquisition agreement with MGX Minerals Inc. (MGX) for MGX to acquire the Company's 100-per-cent interest in 166 contiguous hectares covering a known high-purity silica prospect (the “Koot Claims”). In connection with the acquisition, MGX will issue 100,000 shares to American Manganese Inc. as well as grant the Company and Andris Kikauka (a director of the Company) each a 0.5% net smelter return royalty on any future production.

In August 2014, the Company closed the first tranche of its non-brokered private placement of the Company's units raising \$37,000 for the first tranche through the sale of 1,233,333 units of the Company at a price of \$0.03 per unit. Each Unit is comprised of one common share in the capital of the Company plus a share purchase warrant. Each Warrant entitles the holder to purchase one Share at a price of \$0.05 during the three years following the date of issuance.

## **Nature of business**

The business of the Company is mineral exploration and development. The company's mineral projects are described below.

### ***Artillery Peak Project, Arizona USA***

The Artillery Peak project includes 9 unpatented mineral claims covering approximately 180 acres.

The project also previously included 640 acres of patented surface right that were purchased by the Company in 2011.

During the year ended July 31, 2015 the Company has decided to suspend further exploration on the Artillery Peak Property and has written off a total of \$5,977,294 in deferred costs. The residual balance is based on an estimate of the cumulative hydrometallurgical and related exploration costs incurred in connection with the patented technology which has been developed by the Company.

In October 2012 the Company completed successful production of working lithium ion battery prototypes utilizing chemical manganese dioxide (CMD) generated from Artillery Peak material. These prototypes (button cell batteries) are for test purposes only.

Producing working prototype lithium ion batteries represents a key breakthrough for American Manganese in the continuing development of the Company's patented hydrometallurgical process. CMD manufactured with this process eliminates electro winning and the need for any mechanical means of size reduction for the final product.

In December 2012, the Company reported that it has developed a low-cost, environmentally friendly

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hydrometallurgical process to recover manganese (Mn) from this Manganese Oxide resource located in Arizona, USA. The Company has applied for a patent for their hydrometallurgical process that produces electrolytic manganese metal from this Manganese Oxide deposit, with low energy and water consumption. As a development of the existing process, American Manganese has commissioned this research to determine uses of Artillery Peak manganese resource material to generate high value alternative products. Chemical manganese dioxide (CMD) and lithiated manganese oxide ( $\text{LiMn}_2\text{O}_4$ ) for use in rechargeable batteries were the areas researched.

The research was successful in producing CMD from Artillery Peak resource material with low cation impurities and further avoiding processing steps that are known to introduce metallic impurities in the final product. Cation impurities cause capacity fade, whereas metallic impurities are known to cause catastrophic failures such as fire and explosions in lithium ion batteries. Working rechargeable lithium ion coin cell battery prototypes were produced from the CMD material.

The company received a report describing the results of this research project contracted by American Manganese to Kemetco Research Inc. The test program was partially funded by the Canadian Government through the National Research Council, Industrial Research Assistance Program (NRC-IRAP) for development work conducted over a five month period.

In February 2013, the Company reported that the Company has received the "Notice of Allowance" from the United States Patent and Trade Mark Office for the Company's manganese recovery process. The "Notice of Allowance" is formal documentation indicating that the examination of the invention has been completed by the US Patent and Trademark Office and allowed for issuance as a patent. The Company's attorney completed documentation and submitting fees for formal issuance of the US Patent. "Allowance of this patent is a significant milestone for the Company as the invention is now secured as a key asset that can be exclusively capitalized." The invention is a technical break-through as it enables the recovery of manganese from these low grade multiple surface Manganese Oxide deposit with significantly less energy and environmental impact than conventional processing methods.

In June, 2013 the Company announced that it has received the "**US Patent No. 8460681**" from the United States Patent and Trade Mark Office for the Company's manganese recovery process. The Company intends to continue to explore various commercial opportunities generated by this intellectual property including but not limited to manganese metal or dioxide production from its Artillery Peak claims; technology licensing; potential royalty streaming; and applications for electric vehicle cathode materials recovery and recycling.

The Artillery Peak project includes 9 unpatented mineral claims covering approximately 180 acres. The 36 patented mineral claims covering approximately 698 acre and 8 fee simple parcels covering 1280 acres were returned to the vendors upon the respective anniversary dates (May 31, July 15, August 8) because the holding costs were deemed to be to onerous.

In 2012 the Company purchased 639.81 acres of patented surface, from local owners and real property holders embracing the reserved patented surface estates on 34 patented mining claims.

***Rocher Deboule property, British Columbia***

The Rocher Deboule property consists of mineral claims covering 10,230 hectares near Hazelton, British Columbia. The Company initially acquired 4 staked claims of 1,325 hectares in May 2001, and expanded the area of the property through additional staking. The Company owns a 100% interest in the Rocher Deboule property.

The Company has obtained a NI 43-101 report on the Rocher Deboule property prepared by A.A. Burgoyne, P. Eng., M.Sc., dated December 18, 2007. A copy of the report is also available on the SEDAR filing service at [www.sedar.com](http://www.sedar.com).

In August 2011, the Company conducted a mapping and sampling program at the Rocher Deboule property. The program entailed 22 km of ground magnetometer survey, 841 soil samples, 455 rock samples and 68 silt samples. The fieldwork carried out in 2012 focused on 3 areas of Cu-Ag-Au bearing mineralization.

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In November 2012, the Company reported that the Geological fieldwork returned encouraging Cu-Ag-Au geochemical values at the Rocher Deboile project upper silvertip CK basin stockwork, lower silvertip CK No 2 & 4 veins and a new Iron Oxide Copper Gold (“IOCG”) target south of the historic Victoria vein mine. The results of the program were reported in the Company’s press release dated November 20, 2012, a copy of which is available on the SEDAR filing service at [www.sedar.com](http://www.sedar.com).

***Lonnie property, British Columbia***

The Lonnie property is a niobium exploration property. The property covers approximately 3,477 hectares in the Omineca Mining Division of British Columbia. The Company initially staked mineral claims covering an area of approximately 692 hectares. In October 2007, the Company acquired additional claims covering approximately 2,735 hectares at a cost of \$10,000 and 100,000 shares of the Company.

In September 2010, the Company conducted a geochemical prospecting program on the Lonnie-Virgil occurrence. The results of the program were reported in the Company’s press release dated October 1, 2010, a copy of which is available on the SEDAR filing service at [www.sedar.com](http://www.sedar.com).

In May 2011, the Company entered into an option agreement with Echelon Petroleum Corp. (Formerly Rara Terra Capital Corp. (“Echelon”)) where Echelon has the right to earn a 60% interest in the Lonnie property in exchange for a cash payment of \$60,000 (\$24,603 paid) and issuance of 285,000 common shares of Echelon (150,000 received). To acquire the 60% interest, Echelon must also spend \$500,000 in exploration expenditures on the property.

In 2012, the Company and Echelon agreed to amend the amount due on the first anniversary from \$20,000 to \$4,603 in light of the additional costs incurred by Echelon in exploring the property during the year.

In September 2011, Echelon commenced a trenching and sampling program on the Property. A total of 876 soil samples were collected and analyzed. The results are encouraging, especially for three strongly anomalous zones returning up to 8467 ppm total Rare Earth Elements + Yttrium (TREE+Y) being delineated along a consistent five kilometre long NW trend. Additional anomalous zones have also been located, generally along the same strike trend, and could prove to be extensions of the known zones. Where warranted, anomalies will be followed-up by trenching and drilling programs to begin later this year.

In April, 2013 Echelon terminated the option agreement and transferred all claim blocks to the Company. The Company owns a 100% interest in the property.

***Phosphate property, British Columbia***

In February 2014, the Company acquired by staking two claim blocks totaling 1581.21 hectares (3906.38 acres) in the Ft. Steele Mining Division, located 11.5 km north of Sparwood, BC.

During fiscal 2015 the Company allowed the claims to lapse and wrote-off the balance of mineral property expenditures which had been capitalized in the amount of \$2,767.

***Silica property, British Columbia***

In April 2014, Company acquired by staking the Koot mineral claims located approximately four kilometers east-southeast of Canal Flats, British Columbia, Canada in the Golden Mining Division.

In March 2015, MGX Minerals Inc. acquired the Company’s 100-per-cent interest in 166 contiguous hectares covering a known high-purity silica prospect. In connection with the acquisition, MGX issued 100,000 common shares to AMY at a value of \$18,000 and granted the Company and Andris Kikauka (a director of the Company) each 0.5% net smelter return royalties on any future production

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***Zeolite property, British Columbia***

In May 2014, the Company has acquired by staking the Bromley Creek Zeolite property. The property is located 350 meters northeast of Bromley Creek, 100 meters southeast of Highway 3, and 5.5 kilometres southeast of Princeton BC.

During the fiscal year ended July 31, 2015 the Company wrote off the balance of mineral property expenditures which had been capitalized in the amount of \$74.

**SELECTED ANNUAL INFORMATION**

The following table shows total revenues, loss, assets, liabilities, and shareholders' deficiency for each of the four most recent fiscal years of the Company. The results of operations from years 2012 to 2015 are stated in accordance with accordance with the International Financial Reporting Standards.

|   | <u>2015</u>     | <u>2014</u>    | <u>2013</u>    | <u>2012</u>    |
|---|-----------------|----------------|----------------|----------------|
| (a) Total Revenues                      | \$ 122          | \$ 364         | \$ 2,152       | \$ 41,546      |
| (b) Loss:                               |                 |                |                |                |
| i) In Total                             | \$ 6,118,362    | \$ 473,280     | \$ 2,879,361   | \$ 5,616,703   |
| ii) On a per share basis <sup>(1)</sup> | \$ 0.00         | \$ 0.00        | \$ 0.03        | \$ 0.05        |
| (c) Total Assets                        | \$ 5,860,756    | \$10,009,845   | \$ 9,899,158   | \$11,995,354   |
| (d) Total Liabilities                   | \$ 904,777      | \$ 760,934     | \$ 706,706     | \$ 536,958     |
| (e) Total Accumulated Deficit           | \$ (27,892,083) | \$(21,773,721) | \$(21,300,441) | \$(18,421,080) |

<sup>(1)</sup> Fully diluted loss per share amounts have not been calculated as they would be anti-dilutive

**RESULTS OF OPERATIONS**

Net loss for the fiscal year ended July 31, 2015 was \$6,118,362, compared to \$473,280 for the previous fiscal year. The Company does not generate revenue from operations, and has no revenues other than interest earned on the Company's balances of cash and cash equivalents. Accordingly the Company's net loss for the fiscal year ended July 31, 2015 decreased. Due to lack of financing the Company has significantly reduced its administrative and operating expenses to preserve cash.

The Company recorded a net cash flow decrease of \$1,139 (2014 – \$51,057). The decrease in net cash flow is principally a result of lack of equity financing.

**Analysis of income statement items for the fiscal year ended July 31, 2015**

The Company recorded \$10,299 bank charges and interest this year (2014, \$14,157). The amount mostly includes financing charges on trade accounts payable that have been overdue for payments.

During the fiscal year ended July 31, 2015, the Company expensed \$30,294 (2014, \$65,646), the Company has downsized their office location and moved their office location to take advantage of reduced rent and utility expenses.

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During the fiscal year ended July 31, 2015, the Company incurred wages and benefits in the amount of \$62,044 (2014 – \$101,122). Due to reduced business activity and lack of financing the Company operated on reduced staff. The wages and benefits in the prior year comprised \$60,000 in accrued wages and benefits for the Chief Executive Officer of the Company.

**Analysis of balance sheet items – July 31, 2015**

Cash and cash equivalents decreased from \$3,339 as at July 31, 2014 to \$2,200 as at July 31, 2015, principally as a result of lack of private placement financings and increased operating expenditures. Additional detail on the financings is set out below under “Liquidity and Capital Resources”.

The Company recorded \$52,700 as fair value of 85,000 shares of MGX Minerals Inc..

Mineral property interests decreased from \$9,594,517 as at July 31, 2013 to \$9,940,327 as at July 31, 2014. Additional information on this item is given below under “*Analysis of mineral property costs*”.

The Company reported share capital \$23,866,278 as at July 31, 2014 (111,492,547 shares) to \$23,897,993 (112,725,880 shares) as at July 31, 2015. Additional information on the share issuances is contained under “*Liquidity and Capital Resources*”.

**SELECTED QUARTERLY INFORMATION**

The following table summarizes information derived from the Company’s financial statements for each of the eight most recently completed quarters:

| <b>Quarter Ended:</b>          | <b>31-Oct</b> | <b>31-Jul</b> | <b>30-Apr</b> | <b>31-Jan</b> | <b>31-Oct</b> | <b>31-Jul</b> | <b>30-Apr</b> | <b>31-Jan</b> |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Year:</b>                   | <b>2015</b>   | <b>2015</b>   | <b>2015</b>   | <b>2015</b>   | <b>2014</b>   | <b>2014</b>   | <b>2014</b>   | <b>2014</b>   |
| Total Revenues                 | \$28          | -             | \$ 75         | \$19          | \$28          | \$ 1          | \$ 84         | \$229         |
| Loss in Total                  | (\$7,949)     | \$6,069,043   | \$9,377       | \$15,531      | \$24,411      | \$242,946     | \$87,317      | \$87,907      |
| Per share basis <sup>(1)</sup> | \$0.000       | \$0.000       | \$0.0000      | \$0.000       | \$0.000       | \$0.002       | \$0.0007      | \$0.0008      |

<sup>(1)</sup> Fully diluted loss per share amounts have not been calculated as they would be anti-dilutive

**Analysis of income statement items for the three months period ended October 31, 2015**

Net Gain for the three months period ended October 31, 2015 was \$7,949, compared to net loss of \$24,411 for the prior year three month period.

The increase in Company’s net loss for the period ended October 31, 2015 was principally due to sale of marketable securities..

The Company only incurs expenditures that are absolutely necessary to keep its premises and properties in good standing.

Overall due to lack of financing and working capital deficiency the Company has significantly reduced all expenses and all categories until more capital is raised.

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The following financial data are derived from our consolidated financial statements for three month period ended October 31, 2015.

*Office expenses (2015 – \$63; 2014 – \$3,185)*

The Company has minimal office expenses. Due to lack of financing the discretionary expenses has been reduced significantly to manage cash flow.

*Office rent and property taxes (2015 - \$2,280; 2014 –\$13,897)*

The Company has moved to a small office location and no admin staff. .

**Analysis of balance sheet items for the period ended October 31, 2015**

Cash and cash equivalents increased from \$2,200 as at July 31, 2015 to \$7,419 as at October 31, 2015, 2015.

The Company continues to seek sources of private placement financings and partners' in capital project expenditures. However, the gain in cash was due to sale to marketable securities.

The Company reviewed individual properties for impairment tests based on facts and circumstances available at the time for individual exploration and evaluation assets for impairment as per International Accounting Standard (IAS) 36 and International Financial Reporting Standard (IFRS) 6. The key factors were if there exist potential joint venture, property options opportunity and validity/ renewal of claims.

The Company reviewed its Artillery Peak holding and decided to write off \$5,977,294 and \$2,767 for Phosphate property \$74 for Zeolite property capitalized expenses for expired claims and properties that does not fit the strategic holding for future development.

Additional information on this item is given below under “Analysis of mineral property costs”.

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**Analysis of Mineral Property Costs**

The following table shows a breakdown of the Company's capitalized exploration and development costs for the period ended October 31, 2015 and year ended July 31, 2015, fiscal year ended July 31, 2014 and fiscal year ended July 31, 2013.

|  | Balance<br>July 31, 2014 | Expenditures/<br>(Recovery) | Translation<br>adjustments | Balance<br>July 31, 2015 | Expenditures<br>/<br>(Recovery) | Translation<br>adjustments | Balance<br>October 31,<br>2015 |
|--|--------------------------|-----------------------------|----------------------------|--------------------------|---------------------------------|----------------------------|--------------------------------|
| <b>Rocher Deboule property,<br/>British Columbia</b> |                          |                             |                            |                          |                                 |                            |                                |
| Acquisition and staking                              | \$ 164,452               | -                           | \$ -                       | \$ 164,452               |                                 |                            | 164,452                        |
| Assays & analysis                                    | 73,767                   | -                           | -                          | 73,767                   |                                 |                            | 73,767                         |
| Camp & supplies                                      | 59,504                   | -                           | -                          | 59,504                   |                                 |                            | 59,504                         |
| Drilling   | 146,826                  | -                           | -                          | 146,826                  |                                 |                            | 146,826                        |
| Freight & transport                                  | -                        | -                           | -                          | -                        |                                 |                            | -                              |
| Geological and geophysical                           | 555,647                  | -                           | -                          | 555,647                  |                                 |                            | 555,647                        |
| Geologist travel and<br>accommodation                | 21,197                   | -                           | -                          | 21,197                   |                                 |                            | 21,197                         |
| Freight and transport                                | 97,638                   | -                           | -                          | 97,638                   |                                 |                            | 97,638                         |
| BC Mining Exploration Tax Credit                     | (280,438)                | -                           | -                          | (280,438)                |                                 |                            | (280,438)                      |
|  | \$ 838,594               | -                           | \$ -                       | \$ 838,594               | -                               | \$ -                       | \$ 838,594                     |
| <b>Lonnie property<br/>British Columbia</b>          |                          |                             |                            |                          |                                 |                            |                                |
| Acquisition and staking                              | \$ 54,121                | -                           | \$ -                       | \$ 54,121                |                                 | \$ -                       | \$ 54,121                      |
| Assays & analysis                                    | 4,528                    | -                           | -                          | 4,528                    |                                 |                            | 4,528                          |
| Drilling   | 60,073                   | -                           | -                          | 60,073                   |                                 |                            | 60,073                         |
| Geological and geophysical                           | 45,915                   | -                           | -                          | 45,915                   |                                 |                            | 45,915                         |
| Geologist travel and<br>accommodation                | 186                      | -                           | -                          | 186                      |                                 |                            | 186                            |
| Mineral property option                              | (56,000)                 | -                           | -                          | (56,000)                 |                                 |                            | (56,000)                       |
| BC Mining Exploration Tax Credit                     | (28,480)                 | -                           | -                          | (28,480)                 |                                 |                            | (28,480)                       |
|  | \$ 80,343                | -                           | \$ -                       | \$ 80,343                | -                               | \$ -                       | \$ 80,343                      |
| <b>Silica Property<br/>British Columbia</b>          |                          |                             |                            |                          |                                 |                            |                                |
| Acquisition and staking                              | \$ 710                   | (710)                       | \$ -                       | \$ -                     |                                 |                            |                                |
|  | \$ 710                   | (710)                       | \$ -                       | \$ -                     | \$ -                            | \$ -                       | \$ -                           |
| <b>Phosphate property<br/>British Columbia</b>       |                          |                             |                            |                          |                                 |                            |                                |
| Acquisition and staking                              | \$ 2,767                 | (2,767)                     | \$ -                       | \$ -                     | \$ -                            | \$ -                       | \$ -                           |
|  | \$ 2,767                 | (2,767)                     | \$ -                       | \$ -                     | \$ -                            | \$ -                       | \$ -                           |
| <b>Zeolite property<br/>British Columbia</b>         |                          |                             |                            |                          |                                 |                            |                                |
| Acquisition and staking                              | \$ 74                    | (74)                        | \$ -                       | \$ -                     | \$ -                            | \$ -                       | \$ 0                           |
|  | \$ 74                    | (74)                        | \$ -                       | \$ -                     | \$ 0                            | \$ -                       | \$ 0                           |
| <b>Artillery Peak property<br/>Arizona</b>           |                          |                             |                            |                          |                                 |                            |                                |
| Acquisition and staking                              | \$ 2,652,553             |                             | \$ 521,315.00              | \$ 3,173,868             |                                 |                            | 3,173,868                      |
| Assays & analysis                                    | 344,588                  | 2,152                       | 67,792.00                  | 414,532                  |                                 |                            | 414,532                        |
| Drilling   | 2,592,051                |                             | 509,424.00                 | 3,101,475                |                                 |                            | 3,101,475                      |
| Equipment and rentals                                | 9,838                    |                             | 1,932.00                   | 11,770                   |                                 |                            | 11,770                         |
| Geological and geophysical                           | 4,023,697                |                             | 790,791.00                 | 4,814,488                |                                 |                            | 4,814,488                      |
| Geologist travel and<br>accommodation                | 191,989                  |                             | 37,732.00                  | 229,721                  |                                 |                            | 229,721                        |
| Property maintenance                                 | 33,822                   |                             | 6,647.00                   | 40,469                   |                                 |                            | 40,469                         |
| Other fieldwork                                      | 3,894                    |                             | 765.00                     | 4,659                    |                                 |                            | 4,659                          |
| Impairment   | (834,591)                |                             | (164,609.00)               | (6,976,494)              |                                 |                            | (6,976,494)                    |
|  | \$ 9,017,841             | 2,152                       | \$ 1,771,789               | \$ 4,814,488             | \$ -                            | \$ -                       | \$ 4,814,488                   |
| <b>Total</b>   | <b>\$ 9,940,327</b>      | <b>(1,399)</b>              | <b>\$ 1,771,789</b>        | <b>\$ 5,733,424</b>      | <b>-</b>                        | <b>\$ -</b>                | <b>\$ 5,733,424</b>            |

## **LIQUIDITY AND CAPITAL RESOURCES**

The Company has historically relied upon equity financings to satisfy its capital requirements and will continue to depend heavily upon the capital markets to finance its activities. There can be no assurance the Company will be able to obtain required financing in the future on terms acceptable to Company. The Company anticipates it will need additional capital in the future to finance ongoing exploration and administrative operations, which will be derived from the exercise of stock options and warrants, and/or private placements.

As at October 31, 2015 the Company has 7,419 cash and equivalent balance, ( July 31, 2015 the Company had a cash and cash equivalent balance of \$2,200) and working capital deficiency of \$832,464, compared to a working capital deficiency of \$817,254 as at July 31, 2015. The decrease in the Company's cash balance and increase in working capital deficiency resulted from lack of private placements and continued expenditure on operations and advancement of Company's project.

During the three-month period ended October 31, 2015 and fiscal year ended July 31, 2015; there were no warrants or options exercised.

In August 2014, the Company raised \$37,000 for the first tranche through the sale of 1,233,333 units of the Company at a price of \$0.03 per unit. Each Unit is comprised of one common share in the capital of Company plus a share purchase warrant.

In July 2013, the Company issued 266,000 shares for \$13,300 debt settlement with Steven Lake in connection with property lease payment agreement.

In April, 2013 the Company closed its private placement raising \$150,000 issuing 3,000,000 shares at a price of \$0.05 per unit. Each Unit is comprised of one common share in the capital of the plus a two year share purchase warrant. Each Warrant entitles the holder to purchase one Share at a price of \$0.10 two years from the date of issuance, subject to accelerated exercise if the Shares trade at \$0.15 per Share for 20 consecutive days.

During the fiscal year ended July 31, 2012, 3,234,942 warrants were exercised for proceeds of \$1,006,850 and 53,000 stock options were exercised for proceeds of \$19,228.

In June 2012, the Company granted 700,000 incentive stock options pursuant to its Stock Option Plan to Director, Jan Eigenhuis, who joined the board of directors May 17, 2012. These options are exercisable at a price of \$0.10 per share for a period of five years and are subject to vesting provisions in accordance with the Company's Stock Option Plan. The proceeds from the private placements and warrants are being used principally to advance the development of the Artillery Peak Property Group and for general corporate purposes.

In August 2011, the Company announced that the board of directors has authorized the grant of 4,253,000 incentive stock options pursuant to its stock option plan to directors, officers, employees and consultants of the Company. These options are exercisable at a price of \$0.58 per share for a period of five years and are subject to vesting provisions in accordance with the Company's stock option plan. The Company currently has reduced staff and discretionary expenses to preserve cash.

Excluding exploration costs, the Company's current general and administrative cash expenditures are approximately \$3,400 per month.

The Company is investigating sources of further funding, and anticipates raising additional funds in the next fiscal year. The Company also anticipates that it will continue its exploration program on the Artillery Peak property group as well as focusing additional resources on other aspects of the development of the Artillery Peak Property Group, metallurgy and feasibility studies. The Company does not generate revenue from operations, and has been dependent upon its ability to raise equity capital through the issuance of shares to pay ongoing operating expenses and the costs associated with its exploration and development activities.

**USE OF PROCEEDS FROM FINANCINGS**

| <b><u>Date of financing and planned use of proceeds</u></b>  | <b><u>Actual use of proceeds</u></b> |
|--|--------------------------------------|
| February 10, 2011 Financing: \$4,178,089<br>\$2,850,000 to be used towards pre-feasibility, pilot plant, drilling, baseline environmental work<br>\$1,343,088 to be used towards general working capital.  | All funds committed as per plan      |
| March 8, 2011 Financing: \$5,040,000<br>\$1,500,000 to be used towards advancing the pre-feasibility study and pilot plant testing.<br>\$980,000 towards advanced environmental and metallurgy studies.<br>\$2,560,000 to be used towards general working capital. | All funds committed as per plan      |
| April 22, 2013 Financing: \$150,000<br>\$150,000 to be used towards general working capital  | All funds committed as per plan      |
| August 29, 2014 Financing: \$37,000 to be used towards general working capital   | All funds committed as per plan      |

**OUTSTANDING SHARE DATA**

As at October 31, 2015 the Company had 114,525,880 and as at July 31, 2015 the Company had 112,725,880 common shares issued and outstanding.

As at December 30, 2015, the Company has 114,525,880 common shares issued and outstanding.

In August, 2015 the Company issued 1,800,000 shares at a deemed price of \$0.015 per share as a finder's fee agreement for facilitating a licensing agreement for American Manganese's proprietary hydrometallurgical processes with prospective project development companies.

As October 31, 2015 and at July 31, 2015, the Company also had outstanding share purchase warrants to purchase 1,233,333 common shares of the Company at an average price of \$0.05 per share. 1,233,333 warrants entitled the holder to acquire one additional common share at an average price of \$0.05 per share were granted during the three month period October 31, 2014.

As at October 31, 2015, the Company had outstanding share option to purchase 7,261,333 common share of the Company at an average price of \$0.33 per share. During fiscal year July 31, 2015 2,609,000 options expired without exercise.

As at December 30, 2015 533,333 share options expired without exercise.

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The following table shows information relating to the Company's outstanding stock options.

**Stock options granted**

|                          | <b>For the period<br/>ended<br/>October 31, 2015</b> | <b>For the period<br/>ended<br/>October 31,<br/>2011</b> | <b>For the<br/>period ended<br/>July 31, 2011</b> | <b>For the period<br/>ended<br/>July 31, 2010</b> |
|--------------------------|--|--|---|---|
| Dividend yield           | 0%   | 0%   | 0%  | 0%  |
| Expected volatility      | 246%   | 121%   | 140.3%  | 147.7%-153.8%                                     |
| Risk-free interest rate  | 0.40%  | 1.24%  | 2.00%   | 2.76% - 2.79%                                     |
| Pre-vest forfeiture rate | 2.02%  | 1.92%  | 2.11%   | 2.36-3.32%  |
| Expected lives           | 5 years  | 5 years  | 5 years   | 5 years   |

In December 2010, the Shareholders of the Company passed the adoption of a Shareholders' Rights Plan Agreement. The Rights Plan has been adopted to ensure the fair treatment of all American Manganese shareholders in connection with any possible future take-over bids for the outstanding common shares of the Company. The Rights Plan will provide shareholders with adequate time to properly evaluate and assess a take-over bid without facing undue pressure or coercion. The Rights Plan is similar to the plans adopted by other Canadian companies.

**OFF-BALANCE SHEET ARRANGEMENTS**

The Company does not have material off-balance sheet arrangements.

**RELATED PARTY TRANSACTIONS**

**a) Investment in subsidiaries**

The wholly owned subsidiary of the Company has been incorporated in the USA and is included in these consolidated financial statements.

**b) Transactions with related parties**

As at October 31, 2015 \$107,688 and as at July 31, 2015, \$114,808 has been reported as payable to related parties. (July 31, 2014 - \$55,079).

At July 31, 2015, \$90,185 (2014 - \$55,079) is payable to the CEO and a director of the Company for accrued salary, as well as \$24,622 (2014 - \$24,622) payable to a director of the Company for consulting fees. The amounts are non-interest bearing, unsecured and has no fixed terms of repayment.

In July 2013, the Company recorded \$319,785 bad debt from Nevada Clean Magnesium Inc. for shared expenses and overhead as well as common directors with American Manganese Inc. from 2011 through 2013.

In October 2012, the Company terminated all employment contracts due to budgetary and financial constraint. The Company calculated severance compensation based on employment contract and length of service as per British Columbia Employment Standards Act. During the fiscal year ended July 31, 2013 the Company recorded compensation liabilities in the amount of \$396,019, the balance of which is included in accounts payable and accrued liabilities. Accrued severance for directors, officers, and management will be paid when the Company undertakes a debt settlement or a major financing.

**c) Compensation of key management personnel**

The Company's key management personnel have authority and responsibility for overseeing, planning, directing and controlling the activities of the Company and consist of the Company's Board of Directors and the Company's Executive Leadership Team. The Executive Leadership Team consists of the CEO and President, a Director and Chief Operating Officer.

Total compensation expense for key management personnel and the composition thereof, is as follows:

|                     | <b>Period Ended<br/>October 31, 2015</b> | <b>Fiscal Year Ended<br/>July 31, 2015</b> |
|---------------------|--|--|
| Short term benefits | \$ -                                     | \$ 60,000                                  |

*Participation in private placement*

Paul Hildebrand, a director of the Company, acquired 100,000 units at \$0.20 per unit in the private placement completed by the Company in February 2010, 277,777 units at \$0.18 per unit in the private placement completed by the Company in August 2010 and 50,000 units at \$0.30 per unit in the private placement completed by the Company in February 2011.

Michael Macleod, an officer of the Company, acquired 50,000 units at \$0.20 per unit in the private placement completed by the Company in February 2010 and 250,000 units at \$0.18 per unit in the private placement completed by the Company in August 2010.

**CRITICAL ACCOUNTING ESTIMATES**

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments and share-based payments and other equity-based payments, the value of the premium included in flow-through share issuances and the estimated useful life and recoverability of equipment. Actual results may differ from those estimates and judgments.

**Recent Accounting Pronouncements**

*Recently Adopted Accounting Pronouncements*

The following IFRS standards were adopted by the Company during the year ended July 31, 2015:

**a) IFRS 10 – Consolidated Financial Statements**

IFRS 10, 'Consolidated Financial Statements' was issued in May 2011 and will supersede the consolidation requirements in SIC-12 'Consolidation – Special Purpose Entities' and IAS 27 'Consolidated and Separate Financial Statements' effective for annual periods beginning on or after January 1, 2013, with early application permitted. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an

entity should be included within the consolidated financial statements of the parent company. The standard also provides additional guidance to assist in the determination of control where this is difficult to assess. The Company is currently assessing the impact of this standard.

**b) IFRS 11 – Joint Arrangements**

IFRS 11, 'Joint Arrangements' was issued in May 2011 and will supersede existing IAS 31, 'Joint Ventures' effective for annual periods beginning on or after January 1, 2013, with early application permitted. IFRS 11 provides for the accounting of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard also eliminates the option to account for jointly controlled entities using the proportionate consolidation method. The Company does not expect this standard to have a significant impact on the financial statements.

**c) IFRS 12 – Disclosure of Interests in Other Entities**

IFRS 12, 'Disclosure of Interests in Other Entities' was issued in May 2011 and is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company does not expect this standard to have a significant impact on the financial statements.

**d) IFRS 13 – Fair Value Measurement**

IFRS 13, 'Fair Value Measurement' was issued in May 2011 and sets out in a single IFRS a framework for measuring fair value. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This definition of fair value emphasizes that fair value is a market-based measurement, not an entity-specific measurement. In addition, IFRS 13 also requires specific disclosures about fair value measurement. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company is currently assessing the impact of this standard.

*Future Accounting Pronouncements*

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company:

**a) IFRS 9 – Financial Instruments**

IFRS 9, 'Financial Instruments' was issued in November 2009 as the first step in its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets that must be applied starting January 1, 2015, with early adoption permitted. The IASB intends to expand IFRS 9 during the intervening period to add new requirements for classifying and measuring financial liabilities, de-recognition of financial instruments, impairment and hedge accounting. The Company is currently assessing the impact of this standard.

## **RISK FACTORS RELATING TO THE COMPANY'S BUSINESS**

As a company active in the mineral resource exploration and development industry, American Manganese Inc. is exposed to a number of risks.

### *Exploration Stage Operations*

The Company's operations are subject to all of the risks normally incident to the exploration for and the development and operation of mineral properties. Mineral exploration is a business of high inherent risk. Most exploration programs fail to locate a body of commercial ore. All exploration and mining programs face a risk of unknown and unanticipated geological conditions, and promising indications from early results may not be borne out in further exploration work. Few properties which are explored are ever developed into producing mines. A mineral exploration program often requires substantial cash investment, which can be lost in its entirety if it does not result in the discovery of a commercial ore body. The commercial viability of a mineral deposit is dependent on a number of factors, some of which are the particular attributes of the deposit, such as size, grade and proximity to infrastructure, as well as metal prices. Most of these factors are beyond the control of the Company. Mineral exploration involves risks which even a combination of careful evaluation, experience, and knowledge cannot eliminate.

In addition, even if the Company is successful in locating a commercial ore body, there is no assurance that the Company will be able to bring such an ore body into commercial production. Development of a producing mine generally requires large capital investment and numerous permits from government regulatory agencies. There is no assurance that the funds required to exploit mineral reserves and resources discovered by the Company will be obtained on a timely basis or at all. There is also no assurance that the Company will be able to obtain the government permits required to exploit a commercial ore body. The costs and time involved in the permitting process may also delay the commencement of mining operations, or make the development of a producing mine uneconomic.

If the Company is able to bring an ore body into commercial production, operating mines also face substantial operating risks, which include, but are not limited to, unusual or unexpected geological conditions, formation pressures, fires, power outages, labour disruptions, flooding, explosions, tailings impoundment failures, cave-ins, landslides and inability to obtain adequate machinery, equipment or labour.

If the Company is unsuccessful in its attempts to locate a commercial ore body and to commence commercial production, the Company may seek to transfer its property interests or otherwise realize value, or may even be required to abandon its business and fail as a going concern.

### *Competition*

The mining industry is intensely competitive in all of its phases, and the Company competes with other companies with greater technical and financing resources than itself with respect to acquire properties of merit, and the recruitment and retention of qualified employees and other persons to carry out its mineral exploration activities. Competition in the mining industry could adversely affect the Company's prospects for mineral exploration in the future.

### *Financial Markets*

The Company is dependent on the equity markets as its sole source of operating working capital and the Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for the investor support of its projects.

### *Environmental and Government Regulation*

Mining and exploration activities are subject to various laws and regulations relating to the protection of the environment, historical and archaeological sites and endangered and protected species of plants and animals. The Company has implemented safety and environmental measures designed to comply with government regulations,

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and to ensure safe, reliable and efficient operations in all phases of its operations. In addition, the Company maintains liability and property insurance, where reasonably available, in such amounts it considers prudent. However, the Company may become subject to liability for hazards against which it cannot insure or which it may elect not to insure against because of high premium costs or other reasons. In addition, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing the operations and activities of the Company or more stringent implementation thereof could have a substantial adverse impact on the Company.

*Title to Properties*

While the Company has investigated the title to all of the properties for which it holds concessions or other mineral leases or licenses or in respect of which it has a right to earn an interest, the Company cannot guarantee that title to such properties will not be challenged or impugned. The Company can never be certain that it will have valid title to its mineral properties. Mineral properties sometimes contain claims or transfer histories that examiners cannot verify, and transfers under foreign law are often complex. The Company does not carry title insurance on its properties. A successful claim that the Company or its option partner does not have title to a property could cause the Company to lose its rights to that property, perhaps without compensation for its prior expenditures relating to the property.

*Foreign Currency*

A portion of the Company's expenses are incurred in foreign currencies. Fluctuations in the exchange rate between the Canadian dollar and such other currencies may have a material effect on our business, financial condition and results of operations. The Company does not hedge against foreign currency fluctuations.

**ADDITIONAL INFORMATION**

Additional information about the Company is available at the website of the System for Electronic Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://www.sedar.com).