

American Manganese Inc.
Management's Discussion and Analysis
For the Year Ended July 31, 2012
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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 fiscal year ended and three-month period ended July 31, 2012. The following should be read in conjunction with the company's audited condensed consolidated financial statements for the year ended July 31, 2012 and 2011

The audited financial statements for the year ended July 31, 2012 and 2011 are the Company's first annual financial statements 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. The financial statements have been prepared in accordance with IAS 1, Presentation of Financial Statements and IFRS 1, First-Time Adoption of International Financial Reporting Standards ("IFRS 1") and the impact of the transition from previous Canadian GAAP to IFRS is explained in the accompanying notes to the financial statements, including the effects of the transition to IFRS on the Company's financial position, equity, comprehensive income and cash flows. 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 November 28, 2012.

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 Debole 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".

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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.

The Company's head office is located at 2A-15782 Marine Drive, White Rock, British Columbia V4B 1E6.

Nature of business

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

Preliminary Feasibility Study - Artillery Peak Project Update

In May 2012, The Company filed a preliminary Prefeasibility Study Report.

A summary from the Report of the pre-tax financial model results is presented below:

Case	IRR (%)	NPV @ 0% (\$US million)	NPV @ 5% (\$US million)	NPV@8% (\$US million)	NPV @ 10% (\$US million)	Pay Back (Years)
3 Year Historical Average Price	7.28	458.4	91.2	(22.9)	(74.4)	10.3
CPM Expected Price Forecast	19.95	1360.0	641.5	402.9	289.4	4.6
CPM Up-side Price Forecast	25.03	1895.3	940.0	623.2	472.3	3.9
CPM Down-side Price Forecast	12.90	785.4	311.0	153.6	79.0	5.9

The project is most sensitive to the price of electrolytic manganese followed by operating costs and capital costs.

As shown in the Report, the total amount of EMM produced over the life of the mine is estimated to be 994,499 tonnes (about 2.19 billion pounds). The average unit production cost of the EMM, after credits from by-product and on-site waste steam power generation, is shown below. The plan incorporates a low waste strip ratio (2.20:1) and higher grade (3.13% Mn) in the first 6 years of operation; followed by the second phase of mining ending in year 10 that has an average grade of 2.68% MN and a waste strip ratio of 2.17:1.

Cost Center	First 6 Year Average EMM Unit Production Cost	Average EMM Unit Production Cost
Mining	\$0.175/lb	\$0.201/lb
Processing	\$0.720/lb	\$0.751/lb
General & Administration	\$0.052/lb	\$0.051/lb
Surface Services	\$0.012/lb	\$0.012/lb
Total	\$0.959/lb	\$1.015/lb

The initial capital cost is estimated at \$477 million, and would be mostly spent over the 2 year engineering, procurement and construction period. The sustaining capital over the contemplated mine life is estimated at approximately \$60 million. Allowances for end of mine life expenditures for waste re-handling, site reclamation, and plant salvage have been made totaling about \$47 million.

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The Report is based on geological work and drilling performed by the Company under the supervision of N. Tribe & Associates Ltd. Tetra Tech developed a geological block model for that portion of the deposit located along the northeast flank of Manganese Mesa that is most amenable to surface mining. The geological block model contains Indicated and Inferred resources estimated as follows:

Category	Cut-off (%Mn)	Tonnes (Millions)	Grade (% Mn)
Indicated Resource	0.5	65.7	2.2
Inferred Resource	0.5	20.4	2.5

From this starting point, a mining plan was developed using waste haul back open pit mining techniques. The open pit has been designed to achieve a mine life of 21 years, and is estimated to contain a Probable Reserve of 45 million tonnes grading 2.46 % Mn. The average stripping ratio (waste tonnes: ore tonnes) is estimated at 2.46:1. A unique feature of the design is that most of the waste rock is disposed of within the mined out areas of the open pit as they become safely available; which minimizes land surface disturbance and hauling costs, while facilitating progressive site reclamation.

The mine production schedule is designed to produce about 50,000 tonnes of electrolytic manganese metal (EMM) annually from a processing plant capable of treating 7,000 tonnes of feed per day. Hydraulic front shovel and rubber-tire front end loading units are matched with 150 tonne mechanical drive haul trucks to provide the back bone of the mining fleet. Drilling, ancillary and support equipment are allocated to meet the requirements of the production schedule.

In August 2012, the Company was notified by the British Columbia Securities Commission BCSC that the Technical Report was deficient.

In September 2012, the Company filed amended technical report with the BCSC.

A summary from the amended technical report and the pre-tax financial model result is presented below:

Case	IRR (%)	NPV @ 0% (\$US million)	NPV @ 5% (\$US million)	NPV@8% (\$US million)	NPV @ 10% (\$US million)	Pay Back (Years)
Base Case: 3 Year Trailing Average Price	7.28	458.4	91.2	(22.9)	(74.4)	10.3
Alternate 1: CPM Expected Price Forecast	19.95	1360.0	641.5	402.9	289.4	4.6
Alternate 2: CPM Up-side Price Forecast	25.03	1895.3	940.0	623.2	472.3	3.9
Alternate 3: CPM Down-side Price Forecast	12.90	785.4	311.0	153.6	79.0	5.9
Alternate 4: 3 Year Trailing Average Price Reduced by 25%	N/A	(386.1)	(380.0)	(371.3)	(364.3)	N/A

As a result of the amended Base Case and Alternate 4 having negative NPV at an 8% discount rate, the project is deemed to be not economic. Accordingly, Section 15 of the Report was amended to show there are no mineral reserves for the Project that meet the CIM definition and consequently the mineral reserves for the Project were retracted. Section 16 of the Technical Report has also been amended to show the indicated resources within the open pit shell that have been used for planning purposes.

Development of Lithium Ion Battery Materials

In May 2012 the Company announced the announced a new contribution agreement with the National Research Council of Canada Industrial Research Assistance Program (NRC-IRAP). With this contribution agreement in place, the Company has retained Kemetco Research Inc. to undertake research in the production of an improved lithium manganese dioxide.

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 patent pending hydrometallurgical process. CMD manufactured with this process eliminates electro winning and the need for any mechanical means of size reduction for the final product.

Artillery Peak Project, Arizona USA

The Artillery Peak project includes 396 unpatented mineral claims covering approximately 7,920 acres, 79 patented mineral claims covering approximately 1,499 acres, and 2 fee simple parcels covering approximately 1,280 acres. The Company acquired 392 of the unpatented claims by staking. The remaining claims were acquired pursuant to the agreements described below.

Purchase Agreement with Primus Resources, L.C.

Pursuant to a Purchase Agreement dated May 31, 2007, the Company purchased 90 unpatented lode claims from Primus Resources, L.C. for US\$96,000 and 1,000,000 shares in the Company. The Purchase Agreement also provides for a 2% net smelter return royalty ("NSR") in favour of the Vendors. The Company has the right to repurchase 1% of the NSR for US\$2,000,000.

Mining Lease and Option Agreements with David Huffman

Pursuant to a Mining Lease and Option to Purchase Agreement dated June 15, 2008, the Company agreed to lease 7 patented claims from David Huffman for a term of 10 years. The agreement provides for annual payments of US\$10,000, and the Company has an option to purchase the claims for an initial purchase price of US\$1,000,000, increasing by US\$20,000 each year. The Company must exercise the option to purchase prior to commencing mining operations on the property.

Pursuant to a further Mining Lease and Option to Purchase Agreement dated July 15, 2008, the Company agreed to lease 18 patented claims and four unpatented claims from David Huffman for a term of 10 years. The agreement provides for annual payments of US\$20,000, and the Company has an option to purchase the claims for an initial purchase price of US\$2,225,000, increasing by 2% each year. The Company must exercise the option to purchase prior to commencing commercial mining operations on the property.

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Lease Agreement with James Lake, Barton Noone, and Peter Noone

Pursuant to the Artillery Peak Agreement dated August 1, 2008, the Company acquired a lease over five fee simple parcels and 10 patented claims from James Lake, Barton Noone, and Peter Noone. The lease has a 10 year initial term and provides for the following payments:

- (i) US\$60,000 upon execution of the lease (paid)
- (ii) US\$80,000 upon 1st anniversary of the lease (paid)
- (iii) US\$100,000 upon 2nd anniversary of the lease (paid)
- (iv) US\$120,000 upon 3rd anniversary of the lease (paid)
- (v) US\$140,000 upon 4th anniversary of the lease (paid)
- (vi) US\$160,000 upon 5th anniversary of the lease
- (vii) US\$180,000 upon 6th anniversary of the lease
- (viii) US\$200,000 upon 7th and each subsequent anniversary of the lease

The leased properties are also subject to a royalty of US\$0.04/lb for manganese, and a net smelter return royalty of 1.5% on all other minerals. The lease payments described above constitute an advance on any royalty payments due to the lessors. The lease is renewable for up to 8 additional ten year terms provided that royalty payments of at least US\$500,000 are made during each preceding term.

Mining Lease Agreement with Arizona Manganese Corporation

Pursuant to a Mineral Lease Agreement dated September 29, 2009, the Company acquired a lease over 43 patented mining claims from Arizona Manganese Corporation. During the initial 20 year term, the Mineral Lease Agreement provides for payments equal to the greater of a 2.25% NSR and the following annual amounts:

- (i) US\$50,000 in year one (paid);
- (ii) US\$55,000 in each of years 2 through year 4; (paid years 2-4)
- (iii) US\$65,000 in each of years 5 through year 10;
- (iv) US\$70,000 in year 11 and each year onwards.

The lease can be renewed for two additional 20 year terms on payment of US\$75,000, adjusted for inflation, for each renewal term.

Lease Agreement with James Lake and Steven Lake

Pursuant to a Lease Agreement dated March 15, 2010, the Company leased three fee simple parcels and one patented claim from James Lake and Steven Lake. The Lease Agreement provides for the following annual payments:

- (i) \$14,000 US upon execution of the Lease Agreement (paid)
- (ii) \$18,000 US upon 1st anniversary of the Lease Agreement (paid)
- (iii) \$22,000 US upon 2nd anniversary of the Lease Agreement (paid)
- (iv) \$39,900 US upon 3rd anniversary of the Lease Agreement
- (v) \$46,500 US upon 4th anniversary of the Lease Agreement
- (vi) \$53,100 US upon 5th anniversary of the Lease Agreement
- (vii) \$59,700 US upon 6th anniversary of the Lease Agreement
- (viii) \$63,300 US upon 7th and each subsequent anniversary of the Lease Agreement

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The leased properties are also subject to a royalty of US\$0.04/lb for manganese, and a net smelter return royalty of 1.5% on all other minerals. The lease payments described above constitute an advance on any royalty payments due to the lessors. The lease is renewable for additional ten year terms provided that advance royalty payments as described above continue to be made.

The lease agreement for this property was signed by only two of the three property owners. As a result, the Company has paid only two-thirds of the above payments. The lease agreement provides for a royalty of US\$0.04/lb for manganese, and a net smelter return royalty of 1.5% on all other minerals.

2012 Mesa and Maggie acquisitions

In 2012, the Company entered into 4 agreements to acquire a 100% 124 acres of patented claims adjacent to the other Artillery claims. The total acquisition cost for these claims was \$81,230 US dollars, and the Company has no further obligations with respect to these claims.

Additional Royalty Obligations

In addition to the royalty and other payments listed above, the Artillery Peak properties are subject to the following royalty interests, which arise under "area of interest" agreements with the vendors of certain of the properties:

- (a) Primus Resources, L.C. is entitled to a 2% net smelter return royalty on all of the Company's other unpatented claims, in addition to those acquired from Primus Resources, L.C.
- (b) James Lake, Barton Noone, and Peter Noone are entitled to a royalty of US\$0.04 per pound of manganese produced from all of the unpatented claims of the Company, apart from the four unpatented claims optioned from David Huffman; and
- (c) James Lake is entitled to a royalty of US\$0.01 per pound of manganese produced from all of the Company's Artillery Peak Properties described above.

Exploration Activities

Between April and June of 2011, the Company completed a drilling program of 80 holes on the Artillery Peak property. The results from the drilling program are included in the technical report of Norman Tribe, P. Eng. dated September 1, 2011 and titled "Mineral Resource Evaluation Report on the Artillery Mountain Manganese Property Mohave County, Arizona, U.S.A." A copy of the report is available on the SEDAR filing service at www.sedar.com

In January 2011, the Company awarded a contract to Kemetco Research Inc. to develop a pilot plant to test the Company's proposed treatment process for ore from the Artillery Peak property. Operation of the pilot plant commenced in August 2011. The results of the liquid solid separation phase of the pilot plant program were reported in the Company's press release dated September 27, 2011, a copy of which is also available on the SEDAR filing service at www.sedar.com.

In January 2011, the Company also awarded a contract to Wardrop, a Tetra Tech Company to conduct a NI 43-101 compliant preliminary feasibility study for Artillery Peak project. Work on the preliminary feasibility study is now completed and NI 43-101 compliant Technical Report has been filed with the regulators on SEDAR filing service at www.sedar.com.

In July 2012, the Company completed and filed Prefeasibility Study Technical Report and NI 43-101 compliant Technical Report has been filed with the regulators on SEDAR filing service at www.sedar.com.

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.

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.

In November 2012, the Company reported that the Geological fieldwork returned encouraging Cu-Ag-Au geochemical values at the Rocher Deboule 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.

Black Prince, Junction Creek, and Olson properties, British Columbia

These properties are manganese exploration properties. These properties cover approximately 704 hectares located in the Alberni and Clinton Mining Divisions of British Columbia. These claims were staked by the Company. The Company owns a 100% interest in each of these properties. The Company does not yet have a NI 43-101 report on the properties, and has not yet conducted any exploration work on the properties.

In June 2012, the Company wrote down the property and no longer has stake in the abovementioned mineral claims.

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.

In May 2011, the Company entered into an option agreement with Rara Terra Capital Corp. ("Rara Terra") where Rara Terra 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 Rara Terra (150,000 received). To acquire the 60% interest, Rara Terra must also spend \$500,000 in exploration expenditures on the property.

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

In September 2011, Rara Terra 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.

Pond property, British Columbia.

The property is a magnesium exploration property. The property covers approximately 913 hectares located in the Golden Mining Divisions of British Columbia. The two claims were acquired during the fiscal year ended July 31, 2008 by the Company for a cash consideration of \$10,000 and by issuing 50,000 common shares of the Company. The Company owns a 100% interest in the Pond Magnesium claims. The Company does not yet have a NI 43-101 report on the properties, and has not yet conducted any exploration work on the properties.

SoCal property, California

In May 2011, the Company entered into a purchase agreement with Elemental Solutions, LLC as to 50% and Lodestar Management Group, LLC as to 50% to purchase a 100% interest in the SoCal manganese unpatented lode mining claims in Imperial County and Riverside, California. The total purchase price was US\$20,000 and 200,000 shares of the Company. The property is subject to a 2% net smelter returns royalty, of which the Company has the right to repurchase 1% for US\$2,000,000.

CONVERSION TO IFRS

The Company adopted IFRS on August 1, 2011, with the conversion date of August 1, 2010 representing the date of the Company's opening IFRS balance sheet. As required by IFRS 1, *First-time Adoption of IFRS*, the Company will apply the IFRS in effect as at July 31, 2012 on a full retrospective basis, except where permitted or required under an IFRS 1 exemption.

Explanation of the Effect of the Transition to IFRS

The following explains the material adjustments to the statement of loss and comprehensive loss of the Company for the year ended July 31, 2011:

a) Loss for the period	
Effect of graded vesting of stock options during the period.	
Net decrease in general and administrative expenses	<u>\$ (5,301)</u>
Effect from translation of US subsidiary	
Net decrease in loss on foreign exchange	<u>\$ (116,700)</u>
Cumulative decrease in loss for the period	<u><u>\$ (122,001)</u></u>
b) Other comprehensive loss	
Effect of translation of US subsidiary	
Net increase in other comprehensive loss	<u><u>\$ 411,686</u></u>

Details and further explanation to conversion is explained in the Company's audited financial statement in note 20.

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SELECTED ANNUAL INFORMATION

The following table shows total revenues, loss, assets, liabilities, and shareholders' deficiency for each of the five most recent fiscal years of the Company. The results of operations from years 2008 to 2010 are stated in accordance with Canadian GAAP and have not been updated to IFRS.

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
(a) Total Revenues	\$ 41,546	\$ 23,271	\$ 331	\$ 2,644	\$ 38,112
(b) Loss:					
i) In Total	\$ 5,616,703	\$ 2,600,568	\$ 1,389,954	\$ 1,689,811	\$ 2,006,178
ii) On a per share basis ⁽¹⁾	\$ 0.05	\$ 0.03	\$ 0.03	\$ 0.04	\$ 0.07
(c) Total Assets	\$11,995,354	\$14,756,126	\$ 4,850,330	\$ 3,744,793	\$ 3,263,437
(d) Total Liabilities	\$ 536,958	\$ 384,583	\$ 123,952	\$ 428,409	\$ 449,669
(e) Total Accumulated Deficit	\$(18,421,080)	\$(12,804,377)	\$(10,204,073)	\$(9,022,973)	\$(7,333,162)

⁽¹⁾ 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, 2012 was \$5,616,703, compared to \$2,600,568 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 increase in the Company's net loss for the fiscal year ended July 31, 2012 was principally due to the increase in the Company's administrative and operating expenses, including increased consulting fees, shareholder communications expenses, share based compensation, and research and development expenses.

The Company recorded a net cash flow decrease of \$561,033 (2011 – (\$659,529)). The decrease in net cash flow is principally a result of lack of equity financing and continued prefeasibility technical report related expenditures.

Analysis of income statement items for the fiscal year ended July 31, 2012

During the fiscal year ended July 31, 2012, the Company incurred consulting fees in the amount of \$505,466 (2011 – \$366,894). The consulting fees consisted of: \$290,478 for consulting firms to conduct a preparatory work for pre-feasibility study for the Company's Artillery Peak Manganese Project (2011 \$145,102). \$123,180 to a consulting company to develop business plans in relation to the Artillery Peak project (2011 - \$79,102); and \$91,808 for consultants to research and arrange business discussions on advancement of Company projects (2011 - \$65,900).

During the fiscal year ended July 31, 2012, the Company incurred shareholder communication expenses in the amount of \$719,888 (2011 - \$562,464) to disseminate company information; participate in tradeshow, and for web-based services. Shareholder communication expenses included \$199,453 (2011-\$288,741) for investor relation services, \$453,446 for multimedia-based company information marketing services (2011-\$208,723), and \$66,989 for tradeshow activities (2011-\$65,000).

During the fiscal year ended July 31, 2012, stock compensation expense of \$1,483,660 (2011 – \$182,210) was recorded under fair value based method, for options vested to directors, officers, employees and consultants. The increase in stock based compensation is due to the vesting of newly granted options.

During the fiscal year ended July 31, 2012, the Company incurred research and development expenses of \$1,473,130 (2011 – \$474,714) for testing work relating to the Company's manganese properties the Artillery Peak Property Group. The Company engaged the services of a laboratory to develop the technology for extraction and recovery of manganese from low grade sources. During the fiscal year the laboratory provided necessary research and data to support the prefeasibility study technical report.

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Analysis of balance sheet items – July 31, 2012

Cash and cash equivalents decreased from \$788,533 as at July 31, 2011 to \$227,500 as at July 31, 2012, principally as a result of lack of private placement financings and increased operating and capital project expenditures. Additional detail on the financings is set out below under “Liquidity and Capital Resources”.

Receivable from related parties increased from \$16,563 as at July 31, 2011 to \$580,384 as at July 31, 2012, principally as a result expenses related to the common office facilities are shared among the companies and are allocated according to the relative amount of office space used by each of the companies. The salary and related costs of common personnel are allocated according to the relative time expended on each company. Included in receivable from related parties at July 31, 2012 is \$559,641 receivable from the related companies (July 31, 2011 - \$4,103). As at July 31, 2012, \$20,743 has been advanced to the President and CEO for expenses (July 31, 2011 - \$12,460). The amount is non-interest bearing, unsecured and has no fixed terms of repayment. Additional information on this item is given below under “*Related party transactions*”.

Project advances in the amount of \$14,684 was recorded during the fiscal year (2011 – \$334,995) in relation to the Company’s Artillery Peak manganese project, to conduct a pre-feasibility study, to perform a market study, and to continue development of the Company’s metallurgical process. These projects have completed in the year ended July 31, 2012 and have accordingly been amortized.

Mineral property interests increased from \$6,604,554 as at July 31, 2011 to \$10,092,780 as at July 31, 2012. Additional information on this item is given below under “*Analysis of mineral property costs*”.

The Company recorded share capital increase from \$22,958,206 as at July 31, 2011 (104,938,605 shares) to \$23,879,554 (108,226,547 shares) as at July 31, 2012, principally as a result of exercise of share purchase warrants and stock options. 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:

Quarter Ended:	31-Jul	30-Apr	31-Jan	31-Oct	31-Jul	30-Apr	31-Jan	31-Oct
Year:	2012	2012	2012	2011	2011	2011	2011	2010
Total Revenues	\$ 16,760	\$ 1,142	\$13,028	\$10,616	\$23,033	\$ 124	\$64	\$50
Loss in Total Per share basis ⁽¹⁾	\$564,940	\$1,325,624	\$2,984,701	\$1,871,318	\$1,296,289	\$721,776	\$403,772	\$300,732
	\$0.005	\$0.01	\$0.03	\$0.02	\$0.02	\$0.008	\$0.004	\$0.004

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

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Analysis of income statement items for the three month period ended July 31, 2012

Net loss for the fourth quarter ended July 31, 2012 was \$564,940, compared to net loss of \$1,296,289 for the prior year fourth quarter. The decrease in Company's net loss for the three-month period ended July 31, 2012 was due principally due to reduced expenses, in consulting fees, shareholder communications expenses, and research and development expenses.

During the three-month period ended July 31, 2012, the Company incurred \$166,217 (2011 – \$282,085) for consulting fees. The Company recorded \$65,200 for consulting firms to gather technical data to support pre-feasibility study for the Company's Artillery Peak Manganese Project (2011 \$150,995), \$47,100 to a consulting company to develop business plans in relation to the Artillery Peak project (2011 - \$31,600), and \$53,917 for consultants to research and arrange business discussions on advancement of Company projects (2011- \$99,490).

During the three-month period ended July 31, 2012, the Company incurred \$96,406 (2011 – \$180,073) for shareholder communications, as a result of increased investor relations activity.

The Company recorded research and development expenses in the amount of \$226,242 (2011 – \$319,239) in the last quarter primarily as a result of expenses from metallurgical testing and process development expenditures.

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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 fiscal years ended July 31, 2012 and 2011.

	Balance		Translation		Balance		Translation		Balance	
	August 1, 2010	Expenditures	adjustments		July 31, 2011	Expenditures	adjustments		July 31, 2012	
a) Rocher Deboule property,										
British Columbia										
Acquisition and staking	\$ 146,047	\$ 4,265	\$ -	\$ -	\$ 150,312	\$ 14,140	\$ -	\$ -	\$ 164,452	
Assays and analysis	45,311	10,261	-	-	55,572	17,183	-	-	72,755	
Camp and supplies	59,504	-	-	-	59,504	-	-	-	59,504	
Drilling	146,826	-	-	-	146,826	-	-	-	146,826	
Geological and geophysical	494,091	25,000	-	-	519,091	34,456	-	-	553,547	
Geologist travel and accommodation	15,940	4,274	-	-	20,214	-	-	-	20,214	
Freight and transport	80,162	419	-	-	80,581	17,056	-	-	97,638	
BC Mining Exploration Tax Credit	(232,929)	-	-	-	(232,929)	(25,664)	-	-	(258,594)	
	\$ 754,953	\$ 44,219	\$ -	\$ -	\$ 799,171	\$ 57,171	\$ -	\$ -	\$ 856,343	
b) Lonnie property,										
British Columbia										
Acquisition and staking	\$ 58,728	\$ -	\$ -	\$ -	\$ 58,728	\$ (4,607)	\$ -	\$ -	\$ 54,121	
Assays and analysis	20	4,508	-	-	4,528	-	-	-	4,528	
Drilling	60,073	-	-	-	60,073	-	-	-	60,073	
Geological and geophysical	40,615	5,300	-	-	45,915	-	-	-	45,915	
Geologist travel and accommodation	-	188	-	-	188	-	-	-	188	
Mineral property option	-	(50,000)	-	-	(50,000)	(6,000)	-	-	(56,000)	
BC Mining Exploration Tax Credit	-	-	-	-	-	(28,480)	-	-	(28,480)	
	\$ 159,435	\$ (40,004)	\$ -	\$ -	\$ 119,432	\$ (39,089)	\$ -	\$ -	\$ 80,343	
c) Pond property,										
British Columbia										
Acquisition and staking	\$ 17,500	\$ 330	\$ -	\$ -	\$ 17,830	\$ 744	\$ -	\$ -	\$ 18,574	
	\$ 17,500	\$ 330	\$ -	\$ -	\$ 17,830	\$ 744	\$ -	\$ -	\$ 18,574	
d) Black Prince, Junction Creek and Olson properties,										
British Columbia										
Acquisition and staking	\$ 4,197	\$ 3,073	\$ -	\$ -	\$ 7,270	\$ (7,270)	\$ -	\$ -	\$ -	
Geological and geophysical	946	-	-	-	946	(946)	-	-	-	
	\$ 5,143	\$ 3,073	\$ -	\$ -	\$ 8,216	\$ (8,216)	\$ -	\$ -	\$ -	

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	Balance		Translation	Balance		Translation	Balance	
	August 1, 2010	Expenditures	adjustments	July 31, 2011	Expenditures	adjustments	July 31, 2012	
e) SoCal property, California								
Acquisition and staking	\$ -	\$ 141,096	-	\$ 141,096	9,645	\$ -	\$ 150,741	
	\$ -	\$ 141,096	-	\$ 141,096	9,645	\$ -	\$ 150,741	
f) Artillery Peak property, Arizona								
Acquisition and staking	\$ 1,344,884	\$ 645,883	\$ (165,150)	\$ 1,825,617	\$ 405,025	\$ 146,853	\$ 2,377,495	
Assays & analysis	158,626	110,282	(21,891)	247,017	51,619	19,897	318,533	
Drilling	1,282,187	867,043	(175,223)	1,974,006	37,314	162,125	2,173,445	
Equipment and rentals	-	33,686	(2,382)	31,303	(24,708)	2,781	9,377	
Geological and geophysical	674,566	743,596	(112,515)	1,305,647	2,422,280	87,279	3,815,206	
Geologist travel and accommodation	119,857	(47,518)	(7,286)	65,053	146,446	4,134	215,633	
Property maintenance	66,866	9,943	(6,643)	70,166	1,160	5,764	77,090	
Other fieldwork	-	-	-	-	-	-	-	
	\$ 3,646,985	\$ 2,362,915	\$ (491,091)	\$ 5,518,809	\$ 3,039,136	\$ 428,834	\$ 8,986,779	
Total	\$ 4,584,016	\$ 2,511,629	\$ (491,091)	\$ 6,604,554	\$ 3,059,391	\$ 428,834	\$ 10,092,780	

LIQUIDITY AND CAPITAL RESOURCES

As at July 31, 2012 the Company had a cash and cash equivalent balance of \$227,500 and working capital of \$1,331,764, compared to a working capital of \$7,726,388 as at July 31, 2011. The decrease in the Company's cash balance and working capital resulted from lack of private placements and continued expenditure on operations and prefeasibility study on Artillery Peak project.

In August 2010, the Company completed a private placement of 2,290,174 units at a price of \$0.18 per unit. The proceeds from the private placement were \$412,231. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one additional common share at a price of \$0.25 per share for a term of two years.

In February 2011, the Company completed a non-brokered private placement of 13,976,961 units at a price of \$0.30 per unit. The proceeds from the private placement were \$4,178,089. Each unit is comprised of one common share in the capital of the Company, plus a two year share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.40 per share until February 9, 2013.

In March 2011, the Company completed a "bought deal" private placement through Laurentian Bank Securities Inc. The private placement consisted of 7,200,000 units of the Company at a price of \$0.70 per unit for total gross proceeds of \$5,040,000. Each unit consisted of one common share of the Company and one-half of one Common Share purchase warrant. Each Warrant entitles the holder to purchase one Common Share at a price of \$0.90 per Common Share for eighteen months from the date of issue. If at any time after the period ending four (4) months plus one (1) day after the Closing Date, the 20-day volume weighted average trading price of the Common shares on the TSX Venture Exchange is equal to or greater than \$1.10, the Company shall have the right, at its option, to accelerate the time of expiry of the Warrants to a date not less than 30 days following the date of notice being given to each holder of Warrants of such early expiry.

On June 8, 2011, the Company issued 200,000 shares on acquisition of the SoCal property. The shares issued were valued at their trading price on the agreement date, for a total value of \$112,000.

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.

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.

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 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 \$35,000 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

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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

<u>Date of financing and planned use of proceeds</u>	<u>Actual use of proceeds</u>
April 22, 2009 Financing: \$162,500 \$162,500 to be used towards general working capital	All funds have been applied as planned
June 12, 2009 Financing: \$1,034,580 \$604,580 to be used towards general working capital \$430,000 towards property maintenance, exploration and metallurgy expenditures	All funds have been applied as planned
February 16, 2010 Financing: \$1,193, 919 \$743,919 to be used towards general working capital \$450,000 towards property maintenance, exploration and metallurgy expenditures	\$743,919 was spent on general working capital. \$450,000 was spent on exploration and metallurgy
June 16, 2010 Financing: \$1,014,900 \$281,920 to be used towards general working capital \$150,000 towards geology and drilling \$50,000 towards metallurgy testing and process design \$220,000 for upcoming BLM fees and option payments to patent holders	\$193, 253 was spent on general working capital. \$146, 000 was spent on exploration and metallurgy. \$50,000 has been spent on metallurgy testing. \$220,000 has been spent to pay for BLM and option payments.
August 10, 2010 Financing: \$412,231 \$412,231 to be used towards general working capital	All funds committed to general working capital
February 10, 2011 Financing: \$4,178,089 \$2,850,000 to be used towards pre-feasibility, pilot plant, drilling, baseline environmental work \$1,343,088 to be used towards general working capital.	All funds committed as per plan
March 8, 2011 Financing: \$5,040,000 \$1,500,000 to be used towards advancing the pre-feasibility study and pilot plant testing. \$980,000 towards advanced environmental and metallurgy studies. \$2,560,000 to be used towards general working capital.	All funds committed as per plan

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OUTSTANDING SHARE DATA

As at July 31, 2012, the Company had 108,226,547 common shares issued and outstanding. As at the date of this report, the Company has 108,226,547 common shares issued and outstanding.

As at July 31, 2012, the Company also had outstanding share purchase warrants to purchase 21,700,748 common shares of the Company. 21,041,420 share purchase warrant entitled the holder to acquire one additional common share at an average price of \$0.50 per share and 659,328 broker warrants entitled the holder to acquire one additional common share at an average price of \$0.66 per share

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

Stock options granted

	For the period ended October 31, 2011	For the period ended July 31, 2011	For the period ended July 31, 2010	For the fiscal year ended July 31, 2009	For the fiscal year ended July 31, 2008
Dividend yield	0%	0%	0%	0%	0%
Expected volatility	121%	140.3%	147.7%-153.8%	162.94%	173.35%
Risk-free interest rate	1.24%	2.00%	2.76% - 2.79%	2.76%	4.08%
Pre-vest forfeiture rate	1.92%	2.11%	2.36-3.32%	0%	0%
Expected lives	5 years	5 years	5 years	5 years	3 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.

In May 2012 the Company received TSX Venture Exchange approval to extend the expiry date of the following warrants:

Prospectus Unit Offering:

# of Warrants (not including Agents Warrants):	4,309,185
Original Expiry Date of Warrants:	June 16, 2012
New Expiry Date of Warrants:	June 16, 2013
Exercise Price of Warrants:	\$0.30

Private Placement:

# of Warrants:	1,990,174
Original Expiry Date of Warrants:	August 11, 2012
New Expiry Date of Warrants:	August 11, 2013
Exercise Price of Warrants:	\$0.25

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

The Company indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law. The Company has acquired and maintains liability insurance for directors and officers of the Company.

The Company shares its office premises with Goldrea Resources Corp. and Nevada Clean Magnesium Inc., companies which share common directors with the Company. In addition, certain personnel are shared between the three companies. Expenses related to the common office facilities are shared among the companies and are allocated according to the relative amount of office space used by each of the companies. The salary and related costs of common personnel are allocated according to the relative time expended on each company.

Included in receivable from related parties at July 31, 2012 is \$559,641 receivable from the related companies (July 31, 2011 - \$4,103).

As at July 31, 2012, \$20,743 has been advanced to the President and CEO for expenses (July 31, 2011 - \$12,460). The amount is non-interest bearing, unsecured and has no fixed terms of repayment.

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:

<u>As at July 31, 2012</u>	<u>2012</u>	<u>2011</u>
Short term benefits	\$ 433,749	\$ 289,499
Post-employment benefits	-	-
Termination benefits	-	-
Share-based compensation	708,197	1,049,900
<u>Carrying amount</u>	<u>\$ 426,249</u>	<u>\$ 1,339,399</u>

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As at July 31, 2012, the following amounts make the related party balances on the Company's balance sheet:

DUE FROM RELATED PARTY	July 31, 2012	July 31, 2011
Larry Reaugh	\$20,742	\$12,460
Goldrea Resources Corp	\$239,937	-
Nevada Clean Magnesium Inc.	\$319,704	\$4,103

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.

Changes in Accounting Policies including Initial Adoption

Adoption of IFRS

The condensed consolidated financial statements of the Company have been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting" and IFRS 1, "First time adoption of International Financial Reporting Standards ("IFRS")" using accounting policies consistent with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC").

The Company adopted IFRS on August 1, 2011, with the conversion date of August 1, 2010 representing the Company's opening IFRS balance sheet. As required by IFRS 1, First-time Adoption of IFRS, the Company has applied the IFRS in effect as at July 31, 2012 on a full retrospective basis, except where permitted or required under an IFRS 1 exemption.

The condensed consolidated financial statements include all of the information required for full annual financial statements and should be read in conjunction with the audited annual consolidated financial statements of the Company as at and for the year ended July 31, 2011 prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The basis of presentation of these condensed interim consolidated financial statements is different to that of the Company's most recent annual financial statements due to the first time adoption of IFRS.

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The impact of the conversion from GAAP to IFRS is explained in note 20 to the condensed interim consolidated financial statements of the Company. Note 10 includes reconciliations of the Company's condensed interim statements of financial position and statements of loss and comprehensive loss for comparative periods prepared in accordance with GAAP and as previously reported to those prepared and reported in these unaudited condensed interim financial

Future accounting changes

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, 2013, 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.

b) 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.

c) 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.

d) 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 1 January 2013, with earlier application permitted. The Company does not expect this standard to have a significant impact on the financial statements.

e) 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.

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, 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.