

AMERICAN MANGANESE INC.

Consolidated Financial Statements

Years ended July 31, 2017 and 2016

(Expressed in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of American Manganese Inc.

We have audited the accompanying consolidated financial statements of American Manganese Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at July 31, 2017 and 2016 and the consolidated statements of loss and comprehensive loss, cash flows, and changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of American Manganese Inc. and its subsidiaries as at July 30, 2017 and 2016 and their financial performance and their cash flows for the years ended July 30, 2017 and 2016 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about the ability of American Manganese Inc. to continue as a going concern.



CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
November 28, 2017

AMERICAN MANGANESE INC.

Consolidated Statements of Financial Position

As at July 31, 2017 and July 31, 2016

(Expressed in Canadian dollars, unless specifically indicated otherwise)

	July 31, 2017	July 31, 2016
Assets		
Current		
Cash and cash equivalents	\$ 486,088	\$ 78,434
Amounts receivable (Note 6)	66,087	34,986
Prepaid expenses	233,541	34,048
	785,716	147,468
Non-current		
Reclamation deposits	38,772	39,919
Exploration and evaluation assets (Note 8)	5,021,687	5,210,964
Total assets	\$ 5,846,175	\$ 5,398,351
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 374,952	\$ 820,741
Payable to related parties (Note 7b)	7,093	152,382
Total liabilities	382,045	973,123
Equity		
Share capital (Note 9)	\$ 25,772,440	\$ 23,933,531
Prepaid share subscriptions	5,500	-
Share-based payments reserve	4,102,225	3,627,551
Warrants reserve	4,126,613	3,182,502
Accumulated other comprehensive income	2,166,639	2,383,997
Deficit	(30,709,287)	(28,702,353)
Total equity	5,464,130	4,425,228
Total liabilities and equity	\$ 5,846,175	\$ 5,398,351

Nature and Continuance of Operations (Note 1)

Commitments (Note 13)

Subsequent events (Note 16)

The accompanying notes are an integral part of these consolidated financial statements

Approved on behalf of the Board of Directors and authorized for issue on November 28, 2017

Larry W Reaugh

Director

Michael MacLeod

Director

AMERICAN MANGANESE INC.

Consolidated Statements of Comprehensive Loss

For the years ended July 31, 2017 and 2016

(Expressed in Canadian dollars, unless specifically indicated otherwise)

	2017	2016
Expenses		
Administration (Note 10)	\$ 2,003,919	\$ 308,566
Loss from operations	2,003,919	308,566
Finance income	(86)	(32)
Foreign exchange loss	3,101	-
Gain on sale of marketable securities	-	(30,264)
Impairment of mineral properties	-	532,000
Loss for the year	2,006,934	810,270
Other comprehensive loss		
Foreign currency gain (loss) on translation of subsidiary	\$ (217,358)	\$ 3,641
(Realized) unrealized gain on marketable securities	-	(37,400)
Other comprehensive loss for the year	(217,358)	(33,759)
Total comprehensive loss for the year	2,224,292	844,029
Basic and diluted loss per share	\$ (0.01)	\$ (0.01)
Weighted average shares outstanding (basic and diluted)	138,141,848	116,561,154

AMERICAN MANGANESE INC.

Consolidated Statements of Changes in Equity

For the years ended July 31, 2017 and 2016

(Expressed in Canadian dollars, unless specifically indicated otherwise)

	Number of shares	Share capital	Prepaid share subscriptions	Share-based payments reserve	Warrants reserve	Deficit	Accumulated other comprehensive income (loss)	Total equity
	(Note 9)	(Note 9)		(Note 9)	(Note 9)	(Note 9)	(Note 9)	
Balance, July 31, 2015	112,725,880	\$ 23,897,993	\$ -	\$ 3,535,273	\$ 2,997,040	\$ (27,892,083)	\$ 2,417,756	\$ 4,955,979
Share-based compensation	-	-	-	92,278	-	-	-	92,278
Issued for services	1,800,000	27,000	-	-	-	-	-	27,000
Issued pursuant to private placement	10,025,000	200,500	-	-	-	-	-	200,500
Cost of share issuance	-	(6,500)	-	-	-	-	-	(6,500)
Warrants issued with private placement	-	(185,462)	-	-	185,462	-	-	-
Loss for the year	-	-	-	-	-	(810,270)	-	(810,270)
Other comprehensive income (loss) for the period	-	-	-	-	-	-	(33,759)	(33,759)
Balance, July 31, 2016	124,550,880	\$ 23,933,531	\$ -	\$ 3,627,551	\$ 3,182,502	\$ (28,702,353)	\$ 2,383,997	\$ 4,425,228
Share-based compensation	-	-	-	582,032	-	-	-	582,032
Issued pursuant to private placements	15,290,316	2,349,505	-	-	-	-	-	2,349,505
Cost of share issuance	-	(156,843)	-	-	-	-	-	(156,843)
Warrants issued with private placement	-	(1,048,943)	-	-	1,048,943	-	-	-
Issued pursuant to options exercise	2,450,000	284,858	-	(107,358)	-	-	-	177,500
Issued pursuant to warrants exercise	5,509,999	410,332	-	-	(104,832)	-	-	305,500
Prepaid share subscriptions	-	-	5,500	-	-	-	-	5,500
Loss for the year	-	-	-	-	-	(2,006,934)	-	(2,006,934)
Other comprehensive income (loss) for the period	-	-	-	-	-	-	(217,358)	(217,358)
Balance, July 31, 2017	147,801,195	\$ 25,772,440	\$ 5,500	\$ 4,102,225	\$ 4,126,613	\$ (30,709,287)	\$ 2,166,639	\$ 5,464,130

AMERICAN MANGANESE INC.

Consolidated Statements of Cash Flows

For the years ended July 31, 2017 and 2016

(Expressed in Canadian dollars, unless specifically indicated otherwise)

	2017	2016
Cash flows used in operating activities		
Loss for the year	\$ (2,006,934)	\$ (810,270)
Items not affecting cash:		
Impairment of mineral properties	-	532,000
Stock based compensation	582,032	92,278
Gain on sale of marketable securities	-	(30,264)
Shares issued in lieu of cash	-	27,000
Net changes in non-cash working capital items related to operations:		
Amounts receivable	(31,101)	(3,411)
Prepaid expenses	(199,493)	(33,000)
Accounts payable and accrued liabilities	(445,789)	30,980
Payable to related parties	(145,289)	37,574
Net cash used in operating activities	(2,246,574)	(157,113)
Cash flows from (used in) investing activities		
Exploration and evaluation expenditures	(24,310)	(6,217)
Proceeds from sale of marketable securities	-	45,564
Net cash from (used in) investing activities	(24,310)	39,347
Cash flows from financing activities		
Net proceeds from issuance of shares	2,675,662	194,000
Prepaid share subscriptions	5,500	
Net cash from financing activities	2,681,162	194,000
Effect of foreign exchange rates on cash and cash equivalents	(2,624)	-
Increase in cash and cash equivalents	407,654	76,234
Cash and cash equivalents, beginning of the year	78,434	2,200
Cash and cash equivalents, end of the year	\$ 486,088	\$ 78,434

AMERICAN MANGANESE INC.

Notes to the Consolidated Financial Statements

For years ended July 31, 2017 and 2016

(Expressed in Canadian dollars, unless specifically indicated otherwise)

1. Nature and Continuance of Operations

American Manganese Inc. (the “Company”) was incorporated under the laws of British Columbia on July 8, 1987, and is a publicly traded company with its shares listed on the TSX Venture Exchange trading under the symbol “AMY”. The Company is principally engaged in the acquisition, exploration and development of interests in mineral resource projects in British Columbia, Canada and Arizona, USA. To date, the Company has not generated any revenues and is considered to be in the exploration stage.

The address of the Company’s corporate office and principal place of business is Unit 2 – 17942 55th Avenue, Surrey, British Columbia, Canada, V3S 6C8.

These consolidated financial statements comprise the financial statements of American Manganese Inc. and its wholly owned subsidiary, Rocher Manganese Inc., incorporated in the state of Nevada, USA.

The business of exploring and developing mineral resource properties involves a high degree of risk, and there can be no assurance that planned exploration and development programs will result in profitable mining operations. The recoverability of amounts shown for capitalized exploration and development costs is dependent on the ability of the Company to obtain necessary financing to complete the development and future profitable production or, alternatively, upon disposition of such properties at a profit. Changes in future conditions could require material write-downs of the carrying values of exploration and evaluation interests.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements or transfers and may be affected by undetected defects.

The consolidated financial statements have been prepared on a going concern basis which assumes that the Company will continue to realize its assets and discharge its liabilities in the normal course of operations. If the going concern assumption was not appropriate for these financial statements, then potentially material adjustments may be necessary to the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used.

Management estimates that the Company will have adequate funds to meet its corporate, administrative and other obligations during the upcoming July 31, 2018 year-end. The Company has financed its exploration activities and operations through equity issuances and expects to continue to do so to the extent such instruments are issuable under terms acceptable to the Company until such time as its operations provide positive cash flows. However, to continue such exploration activities and operations, additional funding will need to be raised. While the Company has been successful in raising financing in the past, there is no guarantee that the Company will be able to do so in the future.

AMERICAN MANGANESE INC.

Notes to the Consolidated Financial Statements

For years ended July 31, 2017 and 2016

(Expressed in Canadian dollars, unless specifically indicated otherwise)

1. Nature and Continuance of Operations (continued)

If future financing is unavailable, the Company may not be able to meet its ongoing obligations, in which case the realizable value of its assets may decline materially from current estimates and the Company will be required to re-evaluate its plans for expenditures and allocate its resources in a manner that both the Board of Directors and senior management deem to be in Company's best interest. Such a plan may result in significant deviations from the Company's original plans for operations and main business purpose.

As of July 31, 2017, and July 31, 2016, the Company reported the following:

	July 31, 2017		July 31, 2016	
Comprehensive loss for the period	\$	(2,224,292)	\$	(844,029)
Deficit		(30,709,287)		(28,702,354)
Working capital (deficiency)	\$	403,671	\$	(825,655)

These factors indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue operating as a going concern. These consolidated financial statements do not display effect of adjustments, which could be material, to carrying values or classifications of assets and liabilities, which may be required, should the Company be unable to continue operating as a going concern.

2. Basis of Presentation

a) Statement of compliance

These consolidated financial statements were authorized for issue by the Board of Directors on November 28, 2017 and have been prepared in accordance with and in full compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

The Company's disclosures exceed the minimum requirements under IAS 34. The Company has elected to exceed the minimum requirements in order to present the Company's accounting policies in accordance with IFRS and certain additional disclosures required under IFRS.

These consolidated financial statements are stated in Canadian dollars and were prepared under the historical cost convention, except for share-based payment transactions (Note 9e).

b) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the parent Company's functional currency. The functional currency of the Company's subsidiary is the United States dollar ("USD"). The accounts of the subsidiary have been translated to the Canadian dollar in accordance with Note 3(b).

AMERICAN MANGANESE INC.

Notes to the Consolidated Financial Statements

For years ended July 31, 2017 and 2016

(Expressed in Canadian dollars, unless specifically indicated otherwise)

2. Basis of Presentation (continued)

c) Critical accounting estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and contingent liabilities as at the date of the consolidated financial statements, and the reported amount of revenues and expenses during the reporting period. Estimates and judgments 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. Actual results may differ from these estimates.

Key sources of estimation uncertainty

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are as follows:

(i) Measurement and recoverability of the carrying value of exploration and evaluation assets

The Company makes certain estimates and assumptions regarding the recoverability of the carrying values of exploration and evaluation assets. These assumptions are changed when conditions exist that indicate the carrying value may be impaired, at which time an impairment loss is recorded. Management is required to review the carrying value of its exploration and evaluation assets for potential impairment.

Evaluating the recoverability during the exploration and evaluation phase requires judgments in determining whether future economic benefits from future exploitation, sale or otherwise are likely. Evaluation may be more complex where activities have not yet reached a stage which permits a reasonable assessment of the existence of reserves or resources.

As such, it requires management make certain estimates and assumptions about future events or circumstances, but not limited to, the interpretation of geological, geophysical and seismic data, the Company's financial ability to continue exploration and evaluation activities and the impact of the current and future mining processes for potential reserves.

The determination of historical costs applicable to the carrying value of residual exploration property interests, subsequent to their partial impairment or abandonment, is subject to significant estimation uncertainty.

Critical judgements in applying accounting policies

Significant judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

AMERICAN MANGANESE INC.

Notes to the Consolidated Financial Statements

For years ended July 31, 2017 and 2016

(Expressed in Canadian dollars, unless specifically indicated otherwise)

2. Basis of Presentation (continued)

c) Critical accounting estimates and judgments (continued)

(i) Going Concern

The Company's ability to execute its strategy by funding future working capital requirements requires judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances (see Note 1).

(ii) Economic recoverability and probability of future economic benefits of exploration, evaluation and development costs

Management has determined that exploratory drilling, evaluation, development and related costs incurred which have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic information, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently, to all periods presented in these consolidated financial statements and have been applied consistently by the Company and its subsidiary.

a) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned and controlled subsidiary as described in Note 1. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company transactions and balances have been eliminated upon consolidation.

b) Foreign currency

Items included in the financial statements of each consolidated entity are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in the consolidated statements of comprehensive loss.

AMERICAN MANGANESE INC.

Notes to the Consolidated Financial Statements

For years ended July 31, 2017 and 2016

(Expressed in Canadian dollars, unless specifically indicated otherwise)

3. Significant Accounting Policies (continued)

b) Foreign currency (continued)

Assets and liabilities of the subsidiary with a functional currency in US dollars are translated at the period end rates of exchange, and the results of its operations are translated at average rates of exchange for the period. The resulting translation adjustments are included in other comprehensive income and cumulatively within accumulated other comprehensive income.

c) Cash and cash equivalents

Cash and cash equivalents include short-term investments that are readily convertible into cash with original maturities of three months or less.

d) Reclamation deposit

The Company maintains cash deposits, as required by regulatory bodies, as assurance for the funding of decommissioning costs. These funds are restricted to that purpose and are not available to the Company until the reclamation obligations have been fulfilled, and are therefore classified as long term assets.

e) Research and development

Expenditures on research activities undertaken to develop a hydrometallurgical process to extract and recover high purity manganese from lower grade domestic resources within North America are expensed as incurred. Development expenditures are expensed in the period incurred unless the project meets certain strict accounting criteria for deferral and amortization. No development expenditures have met the criteria for deferral to date.

f) Government assistance

The Company is in receipt of funding from the National Research Council of Canadian Industrial Research Assistance Program ("NRC-IRAP") to continue the research and development of its hydrometallurgical process. Funds received under the NRC-IRAP program are credited to research and development expenses in the statement of operations.

The Company is eligible for a refundable tax credit related to eligible exploration expenditures conducted in certain regions of British Columbia. The refundable mining exploration tax credits are recorded as government assistance against exploration and evaluation assets at fair value when there is reasonable assurance that they will be received.

During the fiscal year the Company received \$54,120 towards research and development.

AMERICAN MANGANESE INC.

Notes to the Consolidated Financial Statements

For years ended July 31, 2017 and 2016

(Expressed in Canadian dollars, unless specifically indicated otherwise)

3. Significant Accounting Policies (continued)

g) Exploration and evaluation assets

General exploration and evaluation expenditures incurred prior to acquiring the legal right to explore are charged to the consolidated statements of comprehensive loss as incurred.

The Company's exploration and evaluation assets relate to mineral rights acquired and exploration and evaluation expenditures capitalized in respect of projects that are at the exploration/pre-development stage, which are incurred subsequent to the acquisition of the legal right to explore.

No amortization charge is recognized in respect of exploration and evaluation assets. These assets are transferred to mine development when they are determined to meet certain technical feasibility and commercial viability thresholds as determined by management.

Exploration and evaluation expenditure in the relevant area of interest comprises costs which are directly attributable to:

- Drilling and related costs;
- Professional / technical fees;
- Surveying, geological and geotechnical;
- Land maintenance;
- Sampling and storage; and
- Mineral claims and permits.

Exploration and evaluation expenditures related to an area of interest where the Company has tenure are initially capitalized as incurred and are recorded at cost less impairment.

Exploration and evaluation expenditures also include the costs incurred in acquiring mineral rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects. Capitalized costs, including general and administrative costs, are only allocated to the extent that those costs can be related directly to operations activities in the relevant area of interest.

All capitalized exploration and evaluation expenditures are assessed during each financial reporting period for impairment if facts and circumstances indicate that impairment may exist under IFRS 6 or IAS 36. In circumstances where a property is abandoned, the cumulative capitalized costs relating to that property are written off in the period.

AMERICAN MANGANESE INC.

Notes to the Consolidated Financial Statements

For years ended July 31, 2017 and 2016

(Expressed in Canadian dollars, unless specifically indicated otherwise)

3. Significant Accounting Policies (continued)

h) Impairment of non-financial assets

Non-financial assets are evaluated at the end of each reporting period by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present, the recoverable amount of an asset is evaluated at the level of a cash generating unit ("CGU"), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets, where the recoverable amount of the CGU is the greater of the CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments to the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive loss.

Where an impairment loss subsequently reverses for assets with a finite useful life, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in the statement of comprehensive loss.

i) Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the consolidated statements of comprehensive loss except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current tax

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

AMERICAN MANGANESE INC.

Notes to the Consolidated Financial Statements

For years ended July 31, 2017 and 2016

(Expressed in Canadian dollars, unless specifically indicated otherwise)

3. Significant Accounting Policies (continued)

i) Income taxes (continued)

Deferred tax

Deferred taxes are the taxes expected to be payable or recoverable on the difference between the carrying amounts of assets in the statement of financial position and their corresponding tax bases used in the computation of taxable profit, and are accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities:

- are generally recognized for all taxable temporary differences;
- are recognized for taxable temporary differences arising on investments in subsidiaries except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future; and
- are not recognized on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets:

- are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; and
- are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of an asset to be recovered.

j) Loss per share

Basic loss per share is calculated by dividing profit or loss attributable to ordinary equity holders (numerator) by the weighted average number of ordinary shares outstanding (denominator) during the period. The denominator is calculated by adjusting the shares issued at the beginning of the period by the number of shares bought back during the period, multiplied by a time-weighting factor.

AMERICAN MANGANESE INC.

Notes to the Consolidated Financial Statements

For years ended July 31, 2017 and 2016

(Expressed in Canadian dollars, unless specifically indicated otherwise)

3. Significant Accounting Policies (continued)

j) Loss per share (continued)

Diluted loss per share would be calculated by adjusting the earnings and number of shares for the effects of dilutive options and other dilutive potential units. The effects of anti-dilutive potential units are ignored in calculating loss per share. All options and warrants are considered anti-dilutive when the Company is in a loss position.

k) Segmented reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's President and CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Company manages its business on the basis of one reportable segment under two geographic regions, being Canada and the United States ("USA").

l) Share-based payments

The Company has an equity settled share purchase stock option plan that is described in Note 12. Share-based payments to employees are measured at the fair value of the instruments issued at the grant date using the Black-Scholes pricing model, and are expensed over the vesting period, which is the period over which all of the specific vesting conditions are satisfied. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period.

Share-based payments to non-employees are measured at the fair value of goods or services received, or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The offset to the recorded cost is to share-based payments reserve. Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments reserve is transferred to share capital.

The Share-based payments fair value is determined using an estimated forfeiture rate. Compensation ultimately recognized is revised in subsequent periods to reflect final grant amounts.

AMERICAN MANGANESE INC.

Notes to the Consolidated Financial Statements

For years ended July 31, 2017 and 2016

(Expressed in Canadian dollars, unless specifically indicated otherwise)

3. Significant Accounting Policies (continued)

m) Decommissioning liabilities

The Company records a liability for the reclamation of its exploration and evaluation interests based on the best estimate of costs for site closure and reclamation activities that the Company is legally or constructively required to remediate, and the liability is recognized at the time the environmental disturbance occurs. The resulting costs are capitalized to the corresponding asset. The fair value of the provision for closure and reclamation liabilities is estimated using expected cash flows, based on engineering and environmental reports prepared by third party industry specialists, discounted at a pre-tax rate specific to the liability. The capitalized amount is amortized on the same basis as the related asset. The liability is adjusted for accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows. Significant judgments and estimates are involved in forming expectations of the amount and timing of future site closure and reclamation cash flows. Future restoration costs are reviewed annually.

n) Share capital

The Company records proceeds from share issuances net of issuance costs. Shares issued for consideration other than cash are valued at the quoted price on the date the agreement to issue the shares was reached.

o) Financial instruments

(i) Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. Management determines the classification of its financial assets at initial recognition.

Fair value through profit or loss

Financial assets at fair value through profit or loss are initially recognized at fair value with changes in fair value recorded through the consolidated statements of comprehensive loss. Cash and cash equivalents and short-term investment are included in this category of financial assets.

Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale and that are not classified in any of the other categories. Subsequent to initial recognition at fair value, they are measured at fair value and changes therein are recognized in accumulated other comprehensive income and presented within equity in accumulated other comprehensive income (loss). When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. Marketable securities are included in this category of financial assets.

AMERICAN MANGANESE INC.

Notes to the Consolidated Financial Statements

For years ended July 31, 2017 and 2016

(Expressed in Canadian dollars, unless specifically indicated otherwise)

3. Significant Accounting Policies (continued)

o) Financial instruments (continued)

(i) Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date, and are carried at amortized cost, using the effective interest method, less any impairment. Loans and receivables are comprised of amounts receivable, receivable from related parties, project advances and reclamation deposits.

Impairment of financial assets

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence indicating that one or more events have had a negative impact on the estimated future cash flows of that asset. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

An impairment loss in respect of financial assets measured at amortized cost is calculated as the difference between its carrying amount and the net present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale asset is calculated by reference to its fair value and any amounts in other comprehensive income are transferred to earnings.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Financial assets are de-recognized when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred.

Gains or losses related to impairment or de-recognition are recognized in the statement of comprehensive loss in the period in which they occur. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

AMERICAN MANGANESE INC.

Notes to the Consolidated Financial Statements

For years ended July 31, 2017 and 2016

(Expressed in Canadian dollars, unless specifically indicated otherwise)

3. Significant Accounting Policies (continued)

o) Financial instruments (continued)

(ii) Financial liabilities

The Company classifies its financial liabilities as other financial liabilities. Management determines the classification of its financial liabilities at initial recognition. Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the statement of comprehensive loss over the period to maturity using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Other financial liabilities include accounts payable and accrued liabilities.

(iii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received net of direct issuance costs.

p) Leases

Leases in which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Leases in which the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases, which are recognised as an expense on a straight-line basis over the lease term.

q) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost in the statement of comprehensive loss.

AMERICAN MANGANESE INC.

Notes to the Consolidated Financial Statements

For years ended July 31, 2017 and 2016

(Expressed in Canadian dollars, unless specifically indicated otherwise)

3. Significant Accounting Policies (continued)

r) Share purchase warrants

The Company has adopted the Black Scholes Valuation model with respect to the measurement of warrants issued as private placement units. This method allocates the proceeds received based on the fair value of the warrants, with any remaining value greater than the warrant's fair value being allocated to the common shares. The fair value attributed to the warrants is recorded as contributed surplus. When warrants are exercised, the value is transferred from contributed surplus to capital stock. If the warrants expire unexercised, the related amount remains in contributed surplus.

4. Recent Accounting Pronouncements

Accounting standards issued but not yet effective

Effective for annual periods beginning on or after January 1, 2018:

- IFRS 9, Financial Instruments

The Company has not early adopted this new standard to existing standards and does not expect the impact of this standard on the company's consolidated financial statements to be material.

5. Cash and cash equivalents

Cash and cash equivalents is comprised of cash at banks and on hand. Cash at banks earn interest at floating rates based on daily bank deposit rates.

6. Amounts Receivable and Accounts Payable & Accrued Liabilities

Amounts receivable are all current and include the following:

	July 31, 2017		July 31, 2016
Trade receivable	\$ 22,560		-
GST/HST receivable	\$ 43,527	\$	34,986
	<u>\$ 66,087</u>	<u>\$</u>	<u>34,986</u>

All amounts receivable are current. No allowance is deemed to be required.

AMERICAN MANGANESE INC.

Notes to the Consolidated Financial Statements

For years ended July 31, 2017 and 2016

(Expressed in Canadian dollars, unless specifically indicated otherwise)

6. Amounts Receivable and Accounts Payable & Accrued Liabilities (continued)

Accounts payable & accrued liabilities include the following:

	July 31, 2017		July 31, 2016
Trade Payables	\$ 220,596	\$	389,722
Accrued Severance	134,356		396,019
Other Accruals	20,000		35,000
	<u>\$ 374,952</u>	\$	<u>820,741</u>

During the year ended July 31, 2013 the Company accrued severance payable to directors, officers and management of the Company (Note 7b).

7. 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 as disclosed in Note 1.

b) Transactions with related parties

At July 31, 2017 \$7,093 (July 31, 2016 \$127,760) is payable to the CEO and a director of the Company for accrued salary and expenses, as well as \$nil (2016 - \$24,622) payable to a director of the Company for consulting fees. The amounts are non-interest bearing, unsecured and have no fixed terms of repayment.

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, of which \$134,356 remains in accounts payable and accrued liabilities at July 31, 2017.

c) Compensation of key management personnel

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

	July 31, 2017		July 31, 2016
Short term benefits	\$ 214,950	\$	60,000
Share based compensation	87,723		30,247
	<u>\$ 302,673</u>	\$	<u>90,247</u>

AMERICAN MANGANESE INC.

Notes to the Consolidated Financial Statements

For years ended July 31, 2017 and 2016

(Expressed in Canadian dollars, unless specifically indicated otherwise)

8. Exploration and Evaluation Assets

Rocher Deboule Property, British Columbia	Balance July 31, 2015	Expenditures/ (Recovery)	Translation adjustments	Balance July 31, 2016	Expenditures/ (Recovery)	Translation adjustments	Balance July 31, 2017
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
Geological and geophysical	555,647	4,397	-	560,044	13,980	-	574,024
Travel and 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)
Impairment	-	(532,000)	-	(532,000)	-	-	(532,000)
	\$ 838,594	(527,603)	\$ -	\$ 310,991	13,980	\$ -	\$ 324,970
Lonnie property							
British Columbia							
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
Travel and 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
Artillery Peak property							
Arizona							
Acquisition and staking	\$ 3,173,868	1,821	2,187	3,177,876	10,050	(140,625)	3,047,301
Assays & analysis	414,532	-	425	414,957	-	(18,371)	396,586
Drilling	3,101,475	-	2,140	3,103,615	-	(137,400)	2,966,215
Equipment and rentals	11,770	-	8	11,778	-	(522)	11,256
Geological and geophysical	4,814,488	-	3,321	4,817,809	-	(213,288)	4,604,521
Travel and accommodation	229,721	-	160	229,881	-	(10,177)	219,704
Property maintenance	40,469	-	28	40,497	-	(1,793)	38,704
Other fieldwork	4,659	-	2	4,661	-	(206)	4,455
Impairment	(6,976,494)	-	(4,949)	(6,981,443)	-	309,075	(6,672,368)
	\$ 4,814,488	1,821	\$ 3,322	\$ 4,819,631	10,050	\$ (213,307)	\$ 4,616,374
Total	\$ 5,733,424	(525,782)	\$ 3,322	\$ 5,210,964	24,030	\$ (213,307)	\$ 5,021,687

a) Rocher Deboule property, British Columbia

The Rocher Deboule property consists of mineral claims covering approximately 997.76 hectares near New Hazelton, British Columbia. The Company initially acquired four staked claims consisting of 1,325 hectares in May 2011, and expanded the area of the property through additional staking. The Company owns a 100% interest in the Rocher Deboule property. During the year ended July 31, 2016 the Company allowed 31 of the 33 claims to expire and wrote off estimated costs of \$532,000 incurred in respect to the claims dropped. In November 2017 the Company entered into an option agreement with Liaz Pty Ltd., as disclosed at Note 16.

b) Lonnie property, British Columbia

The Lonnie property is a niobium exploration property which 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.

AMERICAN MANGANESE INC.

Notes to the Consolidated Financial Statements

For years ended July 31, 2017 and 2016

(Expressed in Canadian dollars, unless specifically indicated otherwise)

8. Exploration and Evaluation Assets (continued)

b) Lonnie property, British Columbia (continued)

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 incur \$500,000 in exploration work 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 April, 2013 Echelon terminated the option agreement and transferred all claim blocks back to the Company. The Company owns a 100% interest in the property.

c) Artillery Peak project, Arizona, USA

The Artillery Peak project includes 31 unpatented mineral claims covering approximately 620 acres.

During the year ended July 31, 2015 the Company decided to suspend current exploration on the Artillery Peak Property and wrote 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.

Pursuant to a purchase agreement dated May 31, 2007, the Company purchased 90 unpatented lode claims (of which it currently retains 13) from Primus Resources, L.C. for \$96,000 USD and 1,000,000 common shares of the Company. The purchase agreement also provides for a 2% NSR royalty in favour of the vendors. The Company has the right to repurchase 1% of the NSR for \$2,000,000 USD.

9. Share Capital, Share-Based Payments and Reserves

a) Authorized capital

The authorized share capital consists of an unlimited number of common voting shares without nominal or par value.

AMERICAN MANGANESE INC.

Notes to the Consolidated Financial Statements

For years ended July 31, 2017 and 2016

(Expressed in Canadian dollars, unless specifically indicated otherwise)

9. Share Capital, Share-Based Payments and Reserves (continued)

b) Issued shares

In May, 2016, the Company issued 10,025,000 units. Each unit consists of one common share at \$0.02 per share and one non-transferable share purchase warrant exercisable at \$0.05 per share for a period of 24 month following closing. Finder's fees amounted to \$6,500 and 17,500 non-transferable warrants. All securities issued for this private placement are subject to a four-month hold, expiring September 18, 2016.

In September, 2016, the Company issued 10,068,790 units at a purchase price of \$0.14 per Unit for aggregate gross proceeds of \$1,409,631. Each Unit is comprised of one common share in the capital of the Company and one share purchase warrant. Each Warrant entitles the holder to purchase one Share at a price of \$0.20 during the two years following the Warrant's date of issuance.

In June, 2017, the Company issued 5,221,526 units at a purchase price of \$0.18 per Unit for aggregate gross proceeds of \$939,875. Each Unit is comprised of one common share in the capital of the Company and one share purchase warrant. Each Warrant entitles the holder to purchase one Share at a price of \$0.25 during the two years following the Warrant's date of issuance.

c) Issued warrants

A summary of the changes in the Company's share purchase warrants during the years ended July 31, 2017 and July 31, 2016 are as follows:

	Number of warrants	Weighted average exercise price
Balance outstanding at July 31, 2015	1,233,333	0.05
Granted	10,025,000	0.05
Balance outstanding at July 31, 2016	11,258,333	0.05
Granted	15,290,316	0.22
Exercised	(5,465,833)	0.06
Balance outstanding at July 31, 2017	21,082,816	0.17

As at July 31, 2017, the following common share purchase warrants were outstanding:

Expiry Date	Number of warrants	Exercise price	Weighted average remaining contractual life (years)
May 17, 2018	5,992,500	0.05	0.23
September 2, 2018	9,868,790	0.20	0.51
June 21, 2019	2,318,500	0.25	0.21
June 29, 2019	2,903,026	0.25	0.26
	21,082,816		1.21

AMERICAN MANGANESE INC.

Notes to the Consolidated Financial Statements

For years ended July 31, 2017 and 2016

(Expressed in Canadian dollars, unless specifically indicated otherwise)

9. Share Capital, Share-Based Payments and Reserves (continued)

d) Broker warrants

A summary of the changes in the Company's broker warrants for years ended July 31, 2017 and July 31, 2016 are as follows:

	Number of warrants	Weighted average exercise price
Balance outstanding at July 31, 2015	42,666	0.05
Granted	17,500	0.05
Balance outstanding at July 31, 2016	60,166	0.05
Granted	4,000	0.25
Exercised	(44,166)	0.05
Balance outstanding at July 31, 2017	20,000	0.13

As at July 31, 2017 the following broker warrants were outstanding:

Expiry Date	Number of warrants	Exercise price	Weighted average remaining contractual life (years)
August 27, 2017	16,000	0.05	0.06
June 21, 2019	4,000	0.25	0.38
	20,000		0.44

e) Share-based payments

In November 2016, the Company has adopted an incentive stock option plan, under the rules of the TSX-V pursuant to which it is authorized to grant stock options to executive officers, directors, employees and consultants, enabling them to acquire up to 27,148,600 shares of the Company. Under the stock option plan, the option exercise price of any option granted shall not be less than the discounted market price of the Company's common shares. If options are granted within 90 days of a distribution by prospectus, the minimum exercise price per share is the greater of the discounted market price and the share price paid by investors pursuant to the distribution. For the purposes of the stock option plan, the discounted market price is calculated in accordance with the policies of the TSX-V at the time of the grant of the options. The options may be granted for a maximum term of 5 years and vest 25% on the date of grant and 25% every 6 months thereafter for 18 months. No individual may hold options to purchase common shares of the Company exceeding 5% of the total number of common shares outstanding. Pursuant to the policies of the TSX-V, shares issued upon the exercise of options are restricted from trading during the 4-month period subsequent to the exercise of options.

AMERICAN MANGANESE INC.

Notes to the Consolidated Financial Statements

For years ended July 31, 2017 and 2016

(Expressed in Canadian dollars, unless specifically indicated otherwise)

9. Share Capital, Share-Based Payments and Reserves (continued)

e) Share-based payments (continued)

In December, 2016, the Company entered into stock option agreement granting 600,000 common shares at \$0.24 per share fully paid and non-assessable common shares.

In October, 2016, the Company entered into stock option agreement granting 3,400,000 common shares at \$0.15 per share fully paid and non-assessable common shares.

In April, 2016 the Company entered into stock option agreement granting 9,000,000 common shares at \$0.05 per share fully paid and non-assessable common shares.

The fair value of each option granted is estimated at the time of the grant using Black Scholes option pricing model with weighted average assumptions for grants as follows:

	2017	2016
Dividend yield	0%	0%
Expected volatility	232.88%	216.95%
Risk-free interest rate	0.76%	0.76%
Expected lives	5.00	5.00
Grant date fair value	\$ 0.1536	\$ 0.0195

Stock option transactions for years ended July 31, 2017 and July 31, 2016 are as follows:

	Number of options	Weighted average exercise price
Balance outstanding as at July 31, 2015	5,461,333	\$ 0.49
Granted	9,000,000	\$ 0.05
Expired/cancelled	(533,333)	\$ (0.26)
Balance outstanding as at July 31, 2016	13,928,000	\$ 0.21
Granted	4,000,000	\$ 0.16
Exercised	(2,450,000)	\$ 0.07
Expired/cancelled	(4,628,000)	\$ 0.54
Balance outstanding as at July 31, 2017	10,850,000	\$ 0.09

AMERICAN MANGANESE INC.

Notes to the Consolidated Financial Statements

For years ended July 31, 2017 and 2016

(Expressed in Canadian dollars, unless specifically indicated otherwise)

9. Share Capital, Share-Based Payments and Reserves (continued)

e) Share-based payments (continued)

As at July 31, 2017, the following stock options were outstanding:

Expiry date	Number of options	Exercise price	Weighted average remaining contractual life (years)
April 12, 2021	7,250,000	0.05	2.47
October 26, 2021	3,000,000	0.15	1.17
December 20, 2021	600,000	0.24	0.24
	10,850,000		3.89

f) Share-based payments reserve

The share-based payments reserve is used to recognize the fair value of share options granted to employees, including key management personnel, as part of their remuneration. When options are subsequently exercised, the fair value of such options in share-based payments reserve is credited to share capital.

g) Warrants reserve

The warrants reserve is used to recognize the fair value of warrants issued. When warrants are subsequently exercised, the fair value of such warrants in warrants reserve is credited to share capital.

h) Dilutive common shares

For the period ended July 31, 2017, potentially dilutive common shares relating to relating to share purchase options and warrants outstanding totalling 21,082,816 and 10,850,000 respectively (July 31, 2016 – 10,266,667 and 1,233,333), were not included in the computation of loss per share as the effect would be anti-dilutive.

AMERICAN MANGANESE INC.

Notes to the Consolidated Financial Statements

For years ended July 31, 2017 and 2016

(Expressed in Canadian dollars, unless specifically indicated otherwise)

10. Expenses by Nature

General and administration expenses for the years ended 2017 and 2016 consist of the following:

	2017	2016
Bank charges and interest	\$ 3,777	\$ 791
Consulting fees	10,348	27,500
Filing agent and transfer fees	38,695	15,752
Management fees	18,006	6,900
Office and miscellaneous	37,687	8,154
Office rent	9,300	9,180
Professional fees	101,258	42,585
Research and development	688,323	24,550
Shareholder communications	272,146	18,399
Share-based payments	582,032	92,278
Telephone	3,140	1,607
Travel	24,257	870
Wages and benefits	214,950	60,000
Total	\$ 2,003,919	\$ 308,566

11. Financial Instruments and Financial Risk Management

a) Financial assets and liabilities by category

The Company has designated cash and cash equivalents as fair value through profit or loss, measured at fair value. Changes in the fair values are recorded in net earnings. Amounts receivable, reclamation deposits, and receivable from related parties are designated as loans and receivables, and are measured at amortized cost using the effective interest method. Accounts payable and accrued liabilities are designated as other financial liabilities and are measured initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Management did not identify any material embedded derivatives, which require separate recognition and measurement. The Company had no held-to-maturity financial instruments years ended July 31, 2017 and July 31, 2016.

AMERICAN MANGANESE INC.

Notes to the Consolidated Financial Statements

For years ended July 31, 2017 and 2016

(Expressed in Canadian dollars, unless specifically indicated otherwise)

11. Financial Instruments and Financial Risk Management (continued)

b) Fair value

The fair value of financial instruments is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to quoted market prices, as appropriate, in the most advantageous market for that instrument to which the Company has immediate access. Where quoted market prices are not available, the Company uses the closing price of the most recent transaction for that instrument. In the absence of an active market, fair values are determined based on prevailing market rates for instruments with similar characteristics. The fair value of current financial instruments approximates their carrying values as long as they are short term in nature or bear interest at market rates.

c) Fair value hierarchy

Financial instruments that are held at fair value are categorized based on a valuation hierarchy which is determined by the valuation methodology utilized:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.

Cash and cash equivalents, short-term investment and marketable securities are valued using a market approach based upon unadjusted quoted prices for identical assets in an active market obtained from securities exchanges.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between levels 1, 2 and 3 during the years ended July 31, 2017 and July 31, 2016.

	Fair value at July 31, 2017		
	Level 1	Level 2	Level 3
Financial assets			
Cash and cash equivalents	486,088	-	-
	Fair value at July 31, 2016		
	Level 1	Level 2	Level 3
Financial assets			
Cash and cash equivalents	78,434	-	-

AMERICAN MANGANESE INC.

Notes to the Consolidated Financial Statements

For years ended July 31, 2017 and 2016

(Expressed in Canadian dollars, unless specifically indicated otherwise)

11. Financial Instruments and Financial Risk Management (continued)

d) Financial risk management

The Company's Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in response to the Company's activities. Management regularly monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

In the normal course of operations, the Company is exposed to various risks such as interest rate, foreign exchange, credit and liquidity risks. To manage these risks, management determines what activities must be undertaken to minimize potential exposure to risks. The objectives of the Company in managing risks are as follows:

- Maintaining sound financial condition;
- Financing operations; and
- Ensuring liquidity to all operations.

There have been no changes in risks that have arisen or how the Company manages those risks during the years ended July 31, 2017 and July 31, 2016.

(i) Interest rate risk

The Company's interest rate risk arises primarily from the interest received on cash and cash equivalents, which is invested on a short-term basis to enable adequate liquidity for payment of operational and capital expenditures.

(ii) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash and cash equivalents, reclamation deposits and accounts payable and accrued liabilities that are denominated in US dollars. As at July 31, 2017, total net monetary assets and liabilities denominated in US dollars amounted to a net asset of \$157,277 (\$126,035 USD). Sensitivity to a plus or minus 10% change in the foreign exchange rate would affect net loss and comprehensive loss by less than \$15,727 with all other variables remaining constant.

AMERICAN MANGANESE INC.

Notes to the Consolidated Financial Statements

For years ended July 31, 2017 and 2016

(Expressed in Canadian dollars, unless specifically indicated otherwise)

11. Financial Instruments and Financial Risk Management (continued)

d) Financial risk management (continued)

(iii) Commodity price risk

The value of the Company's exploration and evaluation assets are dependent on the price of manganese and the outlook for this mineral. Market prices for these metals historically have fluctuated widely and are affected by numerous factors outside the Company's control, including but not limited to, levels of worldwide production short term changes in supply and demand, industrial and retail demand, as well as certain other factors related specifically to manganese. If manganese prices decline for a prolonged period below the cost of production, it may not be economically feasible to continue towards production.

(iv) Credit risk

Credit risk is the risk of loss if counterparties do not fulfill their contractual obligations and arises principally from trade receivables. The Company's credit risk is primarily attributable to cash and cash equivalents and amounts receivable. The Company limits its exposure to credit risk on cash and short-term investment as these financial instruments are held with major Canadian and international banks, from which management believes the risk of loss to be remote. Amounts receivable consist primarily of harmonized sales tax due from the Federal Government of Canada. Management believes the credit risk concentration with respect to amounts receivable is remote. The carrying amount of financial assets recorded in the financial statements, net of any allowances, represents the Company's maximum exposure to credit risk.

(v) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages liquidity risk by maintaining cash and cash equivalents. Liquidity requirements are managed based on expected cash flow to ensure there is capital to meet short term and long term obligations. As disclosed in Note 1, the ability of the Company to continue as a going concern is dependent on many factors. The Company's cash and cash equivalents is primarily invested in bank accounts and guaranteed investment certificates which are cashable on demand.

AMERICAN MANGANESE INC.

Notes to the Consolidated Financial Statements

For years ended July 31, 2017 and 2016

(Expressed in Canadian dollars, unless specifically indicated otherwise)

12. Capital Management

The Company classifies its share capital, share-based payments reserve and warrants reserve as capital, which at July 31, 2017 totalled \$34,006,778 (July 31, 2016 - \$30,743,584). When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish qualitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent upon external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate. There were no changes in the Company's approach to capital management during the years ended July 31, 2017 and July 31, 2016. The Company is not subject to any externally imposed capital requirements.

13. Commitments

During the year ended July 31, 2015 the company entered into a contract for office rent which expires November 30, 2017. The following table summarizes the company's total annual obligations under this agreement:

2017		3,120
Total	\$	3,120

14. Segmented Information

The Company operates in one segment – the exploration for and development of mineral property interests. Geographic information for the Company is as follows:

	July 31, 2017		July 31, 2016	
	Canada	USA	Canada	USA
Current assets	\$ 780,700	\$ 5,016	\$ 147,346	\$ 122
Non-current assets	419,313	4,641,146	405,333	4,845,550
Total assets	\$ 1,200,013	\$ 5,431,877	\$ 552,679	\$ 4,845,672
Current liabilities	\$ 382,045	\$ -	\$ 899,032	\$ 74,091
Total liabilities	\$ 382,045	\$ -	\$ 899,032	\$ 74,091

AMERICAN MANGANESE INC.

Notes to the Consolidated Financial Statements

For years ended July 31, 2017 and 2016

(Expressed in Canadian dollars, unless specifically indicated otherwise)

15. Income Taxes

The income tax provision differs from income taxes, which would result from applying the expected tax rate to net loss before income taxes. The difference between the expected income tax expense and the actual income tax provision are summarized as follows:

	2017	2016
Income tax (loss) before income taxes	\$ (2,006,934)	\$ (810,270)
Canadian statutory income tax rate	26.10%	26.31%
Expected income tax expense (recovery)	(523,878)	(213,205)
Differences resulting from:		
Non-deductible items	151,328	162,312
Change in deferred tax assets not recognized	372,550	50,893
Provision for income taxes	\$ -	\$ -

Deferred income taxes reflect the tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes. Deferred tax assets (liabilities) at July 31, 2017 and 2016 are comprised of the following:

	July 31, 2017	July 31, 2016
Deferred income tax assets -		
Canada		
Non-capital loss carry forwards	\$ 3,717,480	\$ 3,337,360
Fixed assets	1,857	1,857
Financing costs	34,187	2,979
Mineral properties	792,970	795,805
	4,546,494	4,138,001
Deferred tax asset not recognized	(4,546,494)	(4,138,001)
Net deferred tax asset	\$ -	\$ -

	July 31, 2017	July 31, 2016
Deferred income tax assets – US		
Non-capital loss carry forwards	\$ 271,200	\$ 276,400
Fixed assets	-	-
Mineral properties	2,908,910	3,042,308
	3,180,110	3,318,708
Deferred tax asset not recognized	(3,180,110)	(3,318,708)
Net deferred tax asset	\$ -	\$ -

AMERICAN MANGANESE INC.

Notes to the Consolidated Financial Statements

For years ended July 31, 2017 and 2016

(Expressed in Canadian dollars, unless specifically indicated otherwise)

15. Income Taxes (continued)

The Company has non-capital loss carryforwards of approximately \$14,298,000 which may be carried forward to apply against deferred year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

2026	\$	96,000
2027		266,000
2028		940,000
2029		1,008,000
2030		1,031,000
2031		2,620,000
2032		4,349,000
2033		1,422,000
2034		555,000
2035		376,000
2036		188,000
2037		1,447,000
Total	\$	14,298,000

The Company has net operating loss carryforwards of approximately \$678,000 which may be carried forward to apply against deferred year income tax for US tax purposes:

2027	\$	5,000
2028		38,000
2029		71,000
2030		68,000
2031		198,000
2032		142,000
2033		72,000
2034		32,000
2035		19,000
2036		18,000
2037		15,000
Total	\$	678,000

Deferred tax assets have not been recognized because at this stage of the Company's development, it is not determinable that deferred taxable profit will be available against which the Company can utilize such deferred income tax assets.

AMERICAN MANGANESE INC.

Notes to the Consolidated Financial Statements

For years ended July 31, 2017 and 2016

(Expressed in Canadian dollars, unless specifically indicated otherwise)

16. Subsequent Events

- In August 2017, the Company closed the third and final tranche of the non-brokered private placement by the issue of 30,555 Units of the Company for proceeds of \$5,500. Each Unit consists of one common share of the Company and one common share purchase warrant. Each warrant will be exercisable to acquire one common share at a price of \$0.25 for the two years following the issuance of the warrant. All securities issued under the private placement, including this third tranche, are subject to a four-month hold period. The Company raised aggregate gross proceeds of \$945,375 through this private placement.
- In November 2017, the Company entered into an option agreement with Liaz Pty Ltd ('Liaz'), an Australian public company, which has since been acquired by Longford Resources Limited ('LRL'), whereby Liaz may earn a 60% interest in the Rocher Deboule property. Consideration consists of an initial payment of \$10,000, an additional payment of \$5,000 or 50,000 shares of LRL; completion of exploration expenditures of \$2,000,000 over four years; and \$10,000 cash plus \$5,000 cash or 50,000 shares of LRL each subsequent year until the 60% interest has been fully earned.
- In November 2017, the Company completed the first tranche of a non-brokered private placement by the issue of 650,222 Units of the Company for gross proceeds of \$117,040. Each Unit consists of one common share of the Company and one common share purchase warrant. Each warrant will be exercisable to acquire one common share at a price of \$0.25 for the two years following the issuance of the warrant.
- Between August and November 2017 the Company received total proceeds of \$30,875 from the exercise of:
 - a) 17,500 share purchase warrants at \$0.05 per share (proceeds of \$875); and
 - b) 600,000 share purchase options at \$0.05 per share (proceeds of \$30,000).