

MANGANESE X ENERGY CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NINE MONTH-PERIOD ENDED DECEMBER 31, 2016 AND 2015

UNAUDITED

(Expressed in Canadian dollars)

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Notice of Disclosure of Non-auditor review of the Condensed Interim Financial Statements

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company for the interim periods ended December 31, 2016 and 2015 have been prepared in accordance with international accounting standards for interim financial reporting under IAS 34. The accompanying unaudited condensed interim consolidated financial statements are the responsibility of the Company's management.

The Company's independent auditors, Wasserman Ramsay, Chartered Accountants, have not performed a review of these interim financial statements in accordance with the standards established for a review of condensed interim financial statements by an entity's auditor.

February 28, 2017

/s/ Martin Kepman

Chief Executive Officer

MANGANESE X ENERGY CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Unaudited, expressed in Canadian dollars)

As at,	December 31, 2016	March 31, 2016 (audited)
	\$	\$
ASSETS		
Current assets		
Cash & cash equivalents (note 6)	126,046	1,909
Cash - restricted flow-through funds (note 6)	100,370	272,383
Receivables and other (note 7)	67,834	9,815
	294,250	284,107
Non-current assets		
Investment in associate (note 8)	1	1
Total assets	294,251	284,108
LIABILITIES		
Current liabilities		
Bank indebtedness	-	-
Accounts payable and accrued liabilities (note 9)	273,145	1,384,512
Due to associate (note 10)	20,495	20,495
Loan payable (note 11)	-	100,858
Total Liabilities	293,640	1,505,865
SHAREHOLDERS' EQUITY		
Share capital (note 12)	6,855,342	5,293,816
Reserves	2,308,358	2,485,198
Accumulated other comprehensive income	70,305	74,935
Deficit	(9,233,394)	(9,075,706)
Total shareholders' equity	611	(1,221,757)
Total liabilities & shareholders' equity	294,251	284,108

Going concern (Note 2) and subsequent events (Note 21)

The Company's board of directors approved these condensed interim consolidated financial statements on February 28, 2017.

APPROVED BY THE BOARD OF DIRECTOR

Signed "Martin Kepman" Director

Signed "Mark Billings", Director

The accompanying notes form an integral part of the condensed interim consolidated financial statements

MANGANESE X ENERGY CORP.
CONSENSUED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2016 AND 2015
(Unaudited, expressed in Canadian dollars)

	SHARE CAPITAL		RESERVES	ACCUMULATED OTHER COMPREHENSIVE		TOTAL
	#	\$		INCOME (LOSS)	DEFICIT	
Balance, as at March 31, 2015	16,109,960	4,947,025	2,447,898	58,518	(9,024,702)	(1,571,261)
Net income (loss) for the period	-	-	-	19,026	(37,357)	(18,331)
Balance, as at June 30, 2015	16,109,960	4,947,025	2,447,898	77,544	(9,062,059)	(1,589,592)
Net income (loss) for the period	-	-	-	-	(65,270)	(65,270)
Balance, as at September 30, 2015	16,109,960	4,947,025	2,447,898	77,544	(9,127,329)	(1,654,862)
Private placements	85,312,996	346,791	37,300	-	-	384,091
Net income (loss) for the period	-	-	-	-	(55,179)	(55,179)
Balance, as at December 31, 2015	101,422,956	5,293,816	2,485,198	77,544	(9,182,508)	(1,325,950)
Net income (loss) for the period	-	-	-	(2,609)	106,802	104,193
Balance, as at March 31, 2016	101,422,956	5,293,816	2,485,198	74,935	(9,075,706)	(1,221,757)
Net income (loss) for the period	-	-	-	(4,102)	(175,484)	(179,586)
Balance, as at June 30, 2016	101,422,956	5,293,816	2,485,198	70,833	(9,251,190)	(1,401,343)
Consolidation 10:1	(91,280,661)	-	-	-	-	-
Private placements	15,500,000	373,484	323,816	-	-	697,300
Stock options issued	-	-	39,204	-	-	39,204
Settlement of debts	1,900,000	95,000	-	-	-	95,000
Net income (loss) for the period	-	-	-	-	882,189	882,189
Balance, as at September 30, 2016	27,542,295	5,762,300	2,848,218	70,833	(8,369,001)	312,350
Acquisition of Houlton property	1,200,000	162,000	-	-	-	162,000
Proceeds received from share subscriptions	-	330,656	-	-	-	330,656
Stock options issued	-	-	19,653	-	-	19,653
Settlement of debts	295,331	40,873	-	-	-	40,873
Warrants exercised	4,454,129	559,513	(559,513)	-	-	-
Net income (loss) for the period	-	-	-	(528)	(864,393)	(864,921)
Balance, as at December 31, 2016	33,491,755	6,855,342	2,308,358	70,305	(9,233,394)	611

The accompanying notes form an integral part of the condensed interim consolidated financial statements

MANGANESE X ENERGY CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2016 AND 2015
(Unaudited, expressed in Canadian dollars)

For the period ended December 31,	Three months ended		Nine months ended	
	2016	2015	2016	2015
	\$	\$	\$	\$
Revenues	-	-	-	-
Expenses				
Bank charges	106	330	1,367	4,161
Exploration expenses	382,000	-	488,100	-
Foreign exchange (gain) loss	-	(5,240)	19,158	1
Stock based compensation	19,653	-	58,857	-
Operating expenses	276,483	5,541	330,209	13,700
Professional and consulting fees	303,610	54,499	533,838	139,882
	981,852	55,130	1,431,529	157,744
Net loss before other income (expense)	(981,852)	(55,130)	(1,431,529)	(157,744)
Other income (expense)				
Share loss in an equity accounted investee	-	(49)	-	(62)
Gain on disposal of subsidiary	-	-	345,390	-
Gain on settlement of debts	117,459	-	928,451	-
Net income (loss) before income taxes	(864,393)	(55,179)	(157,688)	(157,806)
Deferred income tax expense	-	-	-	-
Net income (loss) for the period	(864,393)	(55,179)	(157,688)	(157,806)
Other comprehensive loss				
Write off on bank overdraft	-	-	-	19,026
Exchange gain (loss) on foreign operations	(528)	-	(4,630)	-
Net comprehensive income (loss)	(864,921)	(55,179)	(162,318)	(138,780)
Loss per share - basic & diluted	(0.026)	(0.005)	(0.005)	(0.014)
Weighted average number of shares outstanding	33,491,755	10,142,296	33,491,755	10,142,296

The accompanying notes form an integral part of the condensed interim consolidated financial statements

MANGANESE X ENERGY CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2016 AND 2015
(Unaudited, expressed in Canadian dollars)

For the nine-month period ended December 31,	2016	2015
	\$	\$
Cash used in operating activities		
Net income (loss) for the period	(162,318)	(138,780)
<i>Adjustments for items not involving cash:</i>		
Share of loss in an equity accounted investee	-	63
Gain on settlement of debts and loans	(928,451)	-
Gain on disposal of subsidiary	(345,390)	-
Stock based compensation	58,857	-
Issuance of shares for property acquisition	162,000	-
Issuance of shares for debts settlement	95,000	-
<i>Changes in non-cash working capital items:</i>		
Receivables and other	(58,019)	6,233
Bank indebtedness	-	(18,801)
Accounts payable and accrued liabilities	104,622	112,152
	(1,073,699)	(39,133)
Cash used in investing activities		
	-	-
	-	-
Cash flows from financing activities		
Proceeds from issue of shares (net)	697,300	383,908
Proceeds received from share subscriptions	330,656	-
Loans	(2,133)	2,212
	1,025,823	386,120
Effect of exchange rate changes on cash		
	-	(1)
Increase (decrease) in cash and cash equivalents	(47,876)	346,988
Cash and cash equivalents, beginning of the period	274,292	-
Cash and cash equivalents, end of the period	226,416	346,988
Supplemental information:		
Cash & cash equivalents	126,046	346,988
Cash - restricted flow-through funds	100,370	-
Cash and cash equivalents, end of the period	226,416	346,988

The accompanying notes form an integral part of the condensed interim consolidated financial statements

MANGANESE X ENERGY CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
NINE-MONTH PERIOD ENDED DECEMBER 31, 2016 AND 2015
(Unaudited, expressed in Canadian dollars)

1. GENERAL INFORMATION

Manganese X Energy Corp. ("Manganese" or the "Company") was incorporated as a private company by Certificate of Incorporation issued pursuant to the provisions of the British Columbia Business Corporation Act on December 4, 2007. On December 3, 2010, the Company changed its name from Numine to Sunset Cove Mining Inc. On December 1, 2016, the Company changed its name from Sunset Cove Mining Inc. to Manganese X Energy Corp. The principal activities of Manganese and its subsidiaries are to acquire and advance high potential mining prospects located in North America with the intent of supplying value added materials to the lithium ion battery and other alternative energy industries.

The Company's shares are listed under the symbol MN (formerly: SSM) on the TSX Venture Exchange. The registered office of the Company is located at 146 Bd. Brunswick, Pointe-Claire, Quebec, Canada.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company on February 28, 2017.

2. GOING CONCERN DISCLOSURE

The business of mining exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values. Although Manganese has taken steps to verify title to the properties on which it is conducting exploration and 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, aboriginal claims and non-compliance with regulatory requirements.

Several adverse conditions and events cast substantial doubt upon the validity of this assumption. Manganese is not currently generating any revenue from its operations. For the nine-month period ended December 31, 2016, the Company recorded a net comprehensive loss of \$162,318, including an exceptional gain on debt settlement of \$928,451 and a gain on disposal subsidiary of \$345,390 (December 31, 2015 – a loss of \$138,780), and had an accumulated deficit of \$9,233,394 (March 31, 2016 - \$9,075,706). The Company, at December 31, 2016, has working capital of \$610 mainly due to the settlement of debts during the first quarter (March 31, 2016 – deficit working capital of \$1,221,758).

Its ability to continue as a going concern is uncertain and is dependent upon its ability to fund its working capital, complete the development of its explorations, and eventually to generate positive cash flows from operations. Management plans to explore all alternatives possible, including joint ventures, debt and equity financings, and merger opportunities.

These condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

MANGANESE X ENERGY CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
NINE-MONTH PERIOD ENDED DECEMBER 31, 2016 AND 2015
(Unaudited, expressed in Canadian dollars)

3. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE WITH IAS 34

Statement of compliance

These condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The management in accordance with IAS 34, Interim Financial Reporting, effective as of December 31, 2016, has prepared these condensed interim consolidated financial statements of the Company.

In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. Operating results for the nine-month period and three-month period ended December 31, 2016 may not be indicative of the results that may be expected for the year ending March 31, 2017.

The condensed interim consolidated financial statement of the Company has been prepared using historical costs and fair values of certain items. Items measured at fair value include cash held in foreign currencies, warrants, and share based payments. Certain comparative figures have been reclassified to conform to the current year's presentation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Readers should refer to the March 31, 2016 annual audited consolidated financial statements for the accounting policies used in the preparation of these condensed interim consolidated financial statements. The IASB continues to amend and add to current IFRS standards and interpretations with several projects underway.

Accordingly, the accounting policies adopted by the Company for the Company's IFRS annual consolidated financial statements will be determined as at March 31, 2017. In the event that accounting policies adopted at March 31, 2017 differ materially from the accounting policies used in the preparation of these Financial Statements, these Financial Statements will be restated to retrospectively account for the application of those policies adopted at March 31, 2017.

Basis of consolidation

The subsidiaries are fully consolidated from the date of acquisition and continue to be consolidated until the date control over the subsidiaries ceases. The condensed interim consolidated financial statements of the Company include the accounts of its 100% wholly owned subsidiaries, 7712898 Canada Inc. located in Canada. Minera Manganese Del Peru SAC (“Minera”) located in Peru was disposed during this period. All significant inter-company transactions and balances have been eliminated upon consolidation.

Investments subject to significant influence

Investments over which the Company exercises significant influence are accounted for using the equity method. The equity method is basis of accounting for investments whereby the investment is initially recorded at cost and the carrying value, adjusted thereafter to include the investor's pro rata share of post-acquisition earnings of the investee, as computed by the consolidation method. Profit distributions receivable from an investee reduce the carrying value of the investment. The Company's investment in B&W Milling Inc. is accounted for under this method.

MANGANESE X ENERGY CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
NINE-MONTH PERIOD ENDED DECEMBER 31, 2016 AND 2015
(Unaudited, expressed in Canadian dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional and presentation currency

The presentation and functional currency of the Company is the Canadian dollar.

Foreign operations – Assets and liabilities of foreign operations whose functional currency is other than the Canadian dollar are translated into Canadian dollars using exchange rates in effect at period-end. Revenues and expenses, as well as cash flows, are translated using the average exchange rates for the period. Translation gains or losses are recognized in OCI.

5. CHANGES IN ACCOUNTING POLICIES

Future accounting changes

IFRS 7 Financial Instruments: Disclosure

In August 2015, the IASB published IFRS 7 “Financial Instruments: Disclosure”, that requires disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Specific disclosures are required in relation to transferred financial assets and a number of other matters. The amendment is effective January 1, 2017 with early adoption permitted. The Company has not yet adopted this standard and management has not yet determined the impact of this standard.

IFRS 9 Financial Instruments

In July 2014, the IASB published IFRS 9 to replace IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). The improvements introduced by IFRS 9 include a logical model for financial asset classification and measurement, a single, forward-looking ‘expected loss’ impairment model based on expected credit losses, and a substantially-reformed approach to hedge accounting. This standard applies to fiscal years beginning on or after January 1, 2018; early adoption is permitted. The Company has not yet determined the effect of the adoption of this standard on its consolidated financial statements.

IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures

The amendments to IFRS 10 “Consolidated Financial Statements” (IFRS 10) and IAS 28 “Investments in associates and joint ventures” (IAS 28) deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. The amendments are effective for annual periods beginning on or after January 1, 2016. The Company has not yet determined the effect of the adoption of this standard on its consolidated financial statements.

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16, “Leases”. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (lessee) and the supplier (lessor). IFRS 16 will cancel and replace the previous leases Standard, IAS 17, “Leases”, and related interpretations. IFRS 16 will be effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 is also applied. The Company has not yet determined the effect of the adoption of this standard on its consolidated financial statements.

MANGANESE X ENERGY CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
NINE-MONTH PERIOD ENDED DECEMBER 31, 2016 AND 2015
(Unaudited, expressed in Canadian dollars)

5. CHANGES IN ACCOUNTING POLICIES (continued)

Future accounting changes (continued)

IAS 1 Presentation of Financial Statements

In December 2014, the IASB issued amendments to IAS 1, clarifying guidance on the concepts of materiality and aggregation of items in the financial statements, the use and presentation of subtotals in the statements of net income or loss and comprehensive income or loss, and providing additional flexibility in the structure and disclosures of the financial statements to enhance understandability. The amendments are effective for condensed interim periods beginning on or after January 1, 2016. Early adoption is permitted. These amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures. The Company intends to adopt these amendments in its consolidated financial statements for the condensed interim period beginning on January 1, 2017. The Company has not yet determined the effect of the adoption of this standard on its consolidated financial statements.

IAS 7 Statement of cash flows

On January 29, 2016, the IASB published an amendment to IAS-7 "Statement of Cash Flows". The amendment "Disclosure Initiative" clarifies that changes in liabilities arising from financing activities, including cash and non-cash changes, shall be disclosed in the Statement of Cash Flows. The provisions of this amendment will apply to financial statements beginning on or after January 1, 2017. Early adoption is permitted. The Company has not yet determined the effect of the adoption of this standard on its consolidated financial statements.

IAS 16 Property, plant and equipment and IAS 38 Intangible assets

Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets'. This amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generate by an activity that includes the use if an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It also clarifies that revenue is not an appropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The amendments are effective from January 1, 2016. The Company intends to adopt these amendments in its consolidated financial statements for the condensed interim period beginning on January 1, 2017. The Company has not yet determined the effect of the adoption of this standard on its consolidated financial statements.

MANGANESE X ENERGY CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
NINE-MONTH PERIOD ENDED DECEMBER 31, 2016 AND 2015
(Unaudited, expressed in Canadian dollars)

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are as follows:

	December 31, 2016	March 31, 2016
	\$	(audited) \$
Cash Canadian banks	117,084	1,909
Cash foreign banks	4,611	-
Cash Canadian in-trust banks	104,721	272,383
	226,416	274,292

The Company raised \$426,565 in flow-through funds in the prior year-end. Of this amount, \$100,000 remains restricted to be spend on Canadian Exploration Expenditures as at December 31, 2016.

7. RECEIVABLES AND OTHER

The accounts receivable are as follows:

	December 31, 2016	March 31, 2016
	\$	(audited) \$
Sales tax receivable	63,834	9,365
Other receivables	4,000	450
	67,834	9,815

8. INVESTMENT IN AN EQUITY ACCOUNTED INVESTEE

The Company's investment in its equity accounted investee as at December 31, 2016 was \$1 (December 31, 2015 - \$1). Summary financial information for the equity accounted investee is as follows:

The Company owns 5,000,000 shares in B&W Milling Inc.as at December 31, 2016 and 2015. Reconciliation of the investment is as follows:

	\$
Balance March 31, 2015	1
Share of loss of the investee	-
Balance March 31, 2016	1
Share of loss of the investee	-
Balance December 31, 2016	1

MANGANESE X ENERGY CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
NINE-MONTH PERIOD ENDED DECEMBER 31, 2016 AND 2015
(Unaudited, expressed in Canadian dollars)

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The accounts payable and accrued liabilities are as follows:

	December 31, 2016	March 31, 2016 (audited)
	\$	\$
Accounts payable	273,145	1,043,225
Accrued liabilities (contingency Peru)	-	341,287
	273,145	1,384,512

Accounts payable includes an amount of \$Nil (March 31, 2016 - \$824,208) due to related parties (see Note 14). The Company settled various debts of the Company with certain officers, directors and long-term suppliers for an amount of \$905,992 during the year (see note 12). The Company accounted a gain on disposal of \$345,390 (accrued liabilities) due to the disposal of its subsidiary in Peru during the year.

10. DUE TO ASSOCIATE

The Company received no advances during the nine-month period ended December 31, 2016 from B&W Mining Inc. The balance owing is \$57,883 (\$57,883 - March 31, 2016). The advances bear no interest and have no fixed terms for repayment. Of the total amount of \$57,883 owing to associate an amount of \$37,388 has been netted against the investment account creating a net balance of \$20,495.

11. LOANS PAYABLE

The loan payable to an Officer is in the amount of \$Nil, as at December 31, 2016 (March 31, 2016 - \$27,225), was unsecured, payable on demand and bear interest at 6.5% per annum.

The loan payable to a Director is \$Nil, as at December 31, 2016 (March 31, 2016 - \$7,633), was unsecured, payable on demand and bear interest at 6.5% per annum.

The loan payable to a Director is in the amount of \$Nil, as at December 31, 2016 (March 31, 2016 - \$1,000), was unsecured, payable on demand and bear no interest per annum.

The loans payables to different entities are in the amount of \$Nil, as at December 31, 2016 (March 31, 2016 - \$65,000), were unsecured, payable on demand and bear no interest.

The Company settled all loans payable during the year (see note 12).

MANGANESE X ENERGY CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
NINE-MONTH PERIOD ENDED DECEMBER 31, 2016 AND 2015
(Unaudited, expressed in Canadian dollars)

12. SHARE CAPITAL

A Authorized share capital:

An unlimited number common share, without par value:

B1 Common Shares Issued

- a) On December 23, 2015, the Company announced that it was granted a Partial Revocation Order of the Cease Trade Order ("CTO") by the BCSC. The original CTO was issued to the Company on August 6, 2015 for failure to file the Company's audited financial statements. Under the Partial Revocation order the Company arranged a private placement of 85,312,996 common flow-through (the "Shares") at a price of \$0.005 per Share for aggregate gross proceeds of \$426,564.98 (the "Offering"). The Agent was paid commission equal to 8% of the proceeds raised under the Offering and corporate finance fees equal to 2% of the proceeds raised (total paid \$42,565). The Agent will also receive Agent's warrants equal to 10% of the Shares issued. Each Agent's warrant will entitle the Agent to purchase one common share at the offering price for a period of 24 months. The subscribers were advised of the Partial Revocation order and other conditions. Of the total amount of the financing, \$37,300 was allocated to the value of the warrants issued with the balance of \$324,189 included with common shares. The warrants issued were valued using a Black-Scholes valuation model with the following inputs; expected volatility of 216%, risk free rate of interest of .48%, dividend yield of 0% and an expected life of 2 years.
- b) On September 16, 2016, Manganese announced that the TSX Venture Exchange has accepted for filing the documentation with respect to a previously announced private placement for the Issuance of 15,500,000 Units of the Company at \$0.05 on a post-consolidated basis (with each Unit being comprised of one (1) common share and one half (1/2) warrant), with each whole warrant giving the warrant-holder the right to purchase one (1) common share for \$0.10 for a period of three (3) years from the date of closing. The warrants expire on July 15, 2019. There is a statutory hold period on the Units, which expires on November 16, 2016, being four months and a day from closing. First Republic Capital Corporation acted as Agent for the Company and received 1,424,000 post-consolidation broker warrants, entitling them to purchase up to 1,424,000 Units at a price of \$0.05 per Unit, and Canaccord Genuity received 126,000 post-consolidation broker warrants entitling them to purchase up to 126,000 Units at a price of \$0.05 per Unit. The broker warrants expire on July 15, 2018. The gross proceeds of this financing, being \$775,000, will be used for general corporate purposes and the development of the Company's projects, in particular, the Houlton Woodstock Manganese project as announced on June 28, 2016.

The fair value of the 7,750,000 Unit warrants at issue date was \$249,538, as calculated using a relative fair value method based on the Black-Scholes option pricing model with the following assumptions: a 36 months expected average life; share price of \$0.05; 130% expected volatility; risk free interest rate of 0.51%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the warrants. The fair value of the 1,550,000 Unit broker warrants at issue date was \$49,898, as calculated using a relative fair value method based on the Black-Scholes option pricing model with the following assumptions: a 24 months expected average life; share price of \$0.05; 130% expected volatility; risk free interest rate of 0.51%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the warrants.

MANGANESE X ENERGY CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
NINE-MONTH PERIOD ENDED DECEMBER 31, 2016 AND 2015
(Unaudited, expressed in Canadian dollars)

12. SHARE CAPITAL (continued)

B1 Common Shares Issued (continued)

- c) The TSX Venture Exchange also approved during the quarter the settlement of various debts of the Company with certain officers, directors and long-term suppliers. Pursuant to various agreements entered with such creditors, the Company obtained the agreement of the creditors that they reduce their debt from \$905,992.46 to \$95,000 and then further settled the outstanding debt by the issuance of 1,900,000 Units with each Unit being comprised of one (1) common share and one half (1/2) warrant, with each whole warrant giving the warrant-holder the right to purchase one (1) common share for \$0.10 until July 15, 2019.

The fair value of the 950,000 warrants at issue date was \$24,380, as calculated using a relative fair value method based on the Black-Scholes option pricing model with the following assumptions: a 24 months expected average life; share price of \$0.05; 130% expected volatility; risk free interest rate of 0.51%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the warrants.

- d) On November 30, 2016, the Company announced that the TSX Venture Exchange has accepted the filing documentation relating to the Company's agreement to earn a 100% interest, from Globex Mining Enterprises Inc. (GMX-TSX, G1M-Frankfurt, GLBXF-OTCQX International), in the Houlton Woodstock Manganese Property located in Carleton County, in the Province of New Brunswick. The Company has issued 1,200,000 common shares (see note 13) to the vendors and the finder's fee common shares immediately. All securities issued by the Company in connection with the transaction are subject to a statutory four-month hold period.
- e) In connection with the Company's effort to restructure, the Company has also negotiated debt settlement agreements with various creditors. \$147,665 of outstanding debts were extinguished through the issuance of 295,331 shares at a deemed price of \$0.50 per share. The common shares issued were subject to a four-month hold period.
- f) A total of 4,454,129 warrants were exercised during the period, the Company issued 4,454,129 common shares for warrants exercised.
- g) During the quarter, the Company received an amount of \$330,656 for a private placement closed after the end of the December 31, 2016 quarter.

B2 Share Consolidation

At the Company's annual general meeting on April 21, 2016, the shareholders approved the consolidation of its common shares based on one (1) new common share for every ten (10) previously issued common shares. On June 28, 2016, the Company announced that it would be proceeding with consolidation. Once finalized, this consolidation had result in 33,491,755 common shares issued and outstanding as at December 31, 2016.

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12. SHARE CAPITAL (continued)

C Share purchase warrants

The movement in the number of warrants (post consolidation) outstanding and their weighted average exercise prices are as follows:

	Warrants #	Weighted average exercise price \$
Balance - March 31, 2014	920,332	1.04
Warrants expired	(48,979)	1.80
Warrants expired	(369,020)	1.00
Warrants expired	(332,333)	1.00
Private placement	2,970,000	0.10
Balance - March 31, 2015	3,140,000	0.15
Warrants Expired	(170,000)	(1.00)
Private Placement	8,531,299	0.01
Balance - March 31, 2016	11,501,299	0.03
Warrants expired	(2,970,000)	(0.10)
Balance June 30, 2016	8,531,299	0.01
Consolidation 10:1	(7,678,170)	-
Private Placement	10,075,000	0.10
Settlement of debts	950,000	0.10
Balance September 30, 2016	11,878,129	0.10
Warrants exercised	(4,454,129)	
Balance December 31, 2016	7,424,000	0.10

As at December 31, 2016, the outstanding share purchase warrants were as follows:

Exercise price	Number outstanding and exercisable	Weighted average remaining contractual life (years)	Expiry
\$0.10	6,474,000	2.6	July 2019
\$0.10	950,000	2.6	July 2019
	7,424,000	2.6	

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12. SHARE CAPITAL (continued)

D Stock options

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock, less an applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of 5 years and vest at the discretion of the board of directors. The option activity, under the share option plan and information concerning outstanding and exercisable options is as follows:

	No. of Options Vested	Weighted Average Exercise Price (\$)
Balance – March 31, 2014 and 2015	493,000	1.70
Expired	(16,500)	1.00
Expired	(190,500)	2.00
Balance – March 31, 2016 and June 30, 2016	286,000	1.50
Expired	(286,000)	1.50
Issuance	1,350,000	0.15
Balance – September 30, 2016	1,350,000	0.15
Issuance	200,000	0.15
Balance – December 31, 2016	1,550,000	0.15

The fair value of the 1,350,000 stock options at the issue date (September 29, 2016) was \$39,204, as calculated using a relative fair value method based on the Black-Scholes option pricing model with the following assumptions: a 36 months expected average life; share price of \$0.05; 130% expected volatility; risk free interest rate of 0.51%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the warrants.

The fair value of the 200,000 stock options at the issue date (November 30, 2016) was \$19,653, as calculated using a relative fair value method based on the Black-Scholes option pricing model with the following assumptions: a 36 months expected average life; share price of \$0.135; 130% expected volatility; risk free interest rate of 0.51%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the warrants.

As at December 31, 2016 stock option issued and outstanding are as follows:

Options granted and exercisable	Weighted Average Exercise Price (\$)	Expiry dates
1,350,000	0.15	September 2019
200,000	0.15	November 30, 2019
1,550,000	0.15	

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13. EXPLORATION PROPERTIES

Mineral exploration and evaluation expenses on the properties may be subject to exploration and/or mining restrictions. At the date of this report, management is not aware of any restrictions to its exploration activities.

Houlton Woodstock Manganese Property

On June 28, 2016 the Company announced that it will be entering into an option agreement with Globex Mining Enterprises. The Company having met certain conditions of a previously concluded agreement announced the conclusion of an option agreement for a manganese property in the province of New Brunswick. Pursuant to the agreement, it had agreed to issue up to 4 million shares of its share capital and pay up to \$200,000 in order to acquire a 100% interest in the property, details as follows:

- i) Pay \$200,000 in cash to the vendor as follows: \$100,000 on or before the 5th day after TSX-Venture Exchange acceptance of the Option agreement and \$100,000 on or before the date that is 12 months from the Effective date of the option agreement. The cash payments are a firm obligation and must be made even in the event the Company chooses not to complete the option agreement.
- ii) Issue 4,000,000 post consolidation shares as follows: 1,000,000 shares on or before the 5th day after TSX-Venture Exchange acceptance of the Option agreement; a further 1,000,000 shares on or before the 1st anniversary of the Effective date of the option agreement (these first two share issuance are a firm commitment); and a further 2,000,000 shares on or before the 2nd anniversary of the Effective date of the option agreement.
- iii) Spend \$1,000,000 in exploration expenditures on the property as follows: \$500,000 on or before the 1st anniversary of the Effective date of option agreement and an additional \$500,000 on or before the 2nd anniversary of the on or before the 2nd anniversary of the Effective date of the option agreement.
- iv) Deliver to the Vendor a Preliminary Economic Assessment (“PEA”) drawn up in accordance with then current professional standards.

The Company made the first cash payment of \$100,000 on April 28, 2016.

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14. RELATED PARTY TRANSACTIONS AND BALANCES

In addition to share issuances, transactions with related parties were as follows:

For the three-month period ended December 31,	2016	2015
	\$	\$
Legal fees paid to a company controlled by a shareholder	-	2,183
Management fees charged by officers	7,500	37,500
	7,500	39,683

For the nine-month period ended December 31,	2016	2015
	\$	\$
Legal fees paid to a company controlled by a shareholder	37,500	2,183
Management fees charged by officers	25,177	112,500
	62,677	114,683

Amounts payable to related parties included in the non-current liabilities and in the accounts payable and accrued liabilities were as follows:

Included in the accounts payable and accrued liabilities	December 31, 2016	March 31, 2016
	\$	\$
Consulting fees due to a company controlled by an officer	-	51,100
Legal fees due to a company controlled by a shareholder	-	103,169
Compensation payable to directors	-	124,000
Compensation payable to officers	-	545,939
	-	824,208

The Company settled during the quarter all related parties payables to certain officers, directors and shareholders for the total amount due (see note 12).

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15. EARNINGS PER SHARE (“EPS”)

(a) Basic EPS

Basic EPS is computed by dividing net loss for a period by the weighted average number of common shares outstanding during that period.

(b) Diluted EPS

Diluted EPS is computed by dividing net loss for a period by the diluted number of common shares. Diluted common shares includes the effects of instruments, such as share options, which could cause the number of common shares outstanding to increase.

The Company reported net losses for the periods ended December 31, 2016 and 2015; the Company has accordingly presented basic and diluted EPS, which are the same, on a single line in the statements of comprehensive loss. Diluted loss per share did not include the effect of share purchase options and warrants as they were anti-dilutive

16. SEGMENTATION INFORMATION

The Company operates in one reportable operating segment, being the acquisition and exploration of mineral property interests and in Canada only since the disposal of its subsidiary in Peru during the last quarter. The total assets and the capital assets identifiable with these geographic areas are as follows:

	December 31, 2016	March 31, 2016	December 31, 2015
	\$	\$	\$
Canada	294,251	284,108	386,456
Peru	-	-	-
Total assets	294,251	284,108	386,456
Canada	(293,640)	(1,164,578)	(1,354,701)
Peru	-	(341,287)	(357,705)
Total liabilities	(293,640)	(1,505,865)	(1,712,406)
Canada	(162,318)	(34,587)	(138,780)
Peru	-	-	-
Net income (loss)	(162,318)	(34,587)	(138,780)

17. DISPOSAL OF SUBSIDIARY

During the period, the Company changed its focus from exploration in Peru to acquiring and advancing high potential mining prospects located in North America. As a result, the Company disposed of its Peruvian subsidiary to an arm's length party for a nominal amount. As a result, the Company recognized a gain on disposal of \$345,390 with the intent of supplying value added materials to the lithium ion battery and other alternative energy industries.

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18. CAPITAL MANAGEMENT

The Company considers its capital structure to include net residual equity of all assets, less liabilities. The Company currently manages its capital structure and makes adjustments to it, based on cash resources expected to be available to the Company, in order to support the planned exploration and development of mineral property interests. Management has not established a quantitative capital structure. Capital needs are reviewed on a regular basis by management relative to the stage of development of the business entity.

The Company currently is dependent on externally provided equity financing to fund its future exploration activities. In order to carry out planned exploration and development and fund administrative costs, the Company will allocate its existing capital and plans to raise additional amounts as needed through equity and related party advances if available management reviews the capital management approach on an ongoing basis and believes that this approach is reasonable for the current state of the markets and exploration industry.

The Company and its subsidiary are not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange (“TSXV”) which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of December 31, 2016, the Company may not be compliant with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the years.

19. FINANCIAL INSTRUMENTS

At December 31, 2016, the Company's financial instruments include cash and cash equivalents, other receivable, related party receivables, accounts payable and loan payable for which there are no differences in the carrying values and fair values, due to their short-term nature. The types of risk exposures are detailed below.

The Company is required to classify fair value measurements using a hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is as follows:

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

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

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

Cash and cash equivalents are measured using Level 1 inputs. The warrant liability is measured using Level 2 inputs.

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20. FINANCIAL RISK FACTORS

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow and fair value interest rate risk); credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of the financial market and seeks to minimize potential adverse effects on the Company's financial performance. The Company does not use derivative financial instruments to hedge these risks.

Market risk

Foreign exchange risk; the Company's subsidiaries are exposed to financial risks that arise from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Company realized a substantial portion of its operations in Peruvian Nuevo Soles ("PNS") and U.S. currency before the disposal of its Peruvian's subsidiary during this quarter. The Company does not hold derivative financial instruments to manage the fluctuation of exchange rate risk. The following presents the accounts that were expose to foreign exchange volatility:

	PNS	Total Can\$ Equivalent
December 31, 2016		
Accounts payable and accrued liabilities	-	-
March 31, 2016		
Accounts payable and accrued liabilities	873,302	341,287
December 31, 2015		
Accounts payable and accrued liabilities	873,302	357,705

The company recorded a foreign exchange loss of \$4,630 related to its foreign operations for the nine-month period December 31, 2016.

Cash flow and fair value interest rate risk: The Company is expose to fluctuation in its future cash flows arising from changes in interest rates through its variable rate financial assets and liabilities. Other liabilities negotiated at a fixed rate expose the Company to fair value interest rate risk. The Company does not hold any interest bearing debt.

Commodity price risk: while the value of the Company's core mineral resource is related to the price of precious metals, the Company currently does not have any operating mines and hence does not have any hedging or other commodity based risks in respect of its operational activities. Precious metal prices have historically fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial and retail demand, central bank lending, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand because of speculative hedging activities, and certain other factors. Adverse movements in the prices of precious metals may also negatively affect the Company's ability to raise capital and meet its financial commitments.

Credit risk

Credit risk arises from cash with banks and financial institutions. The Company reduces this risk by dealing with creditworthy financial institutions. Credit risk is the risk that one party to a financial instrument will fail to discharge

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an obligation and cause the other party to incur a financial loss. The Company is subject to concentrations of credit risk through cash, and receivables.

20. FINANCIAL RISK FACTORS (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuance. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. The liquidity risk for the Company is considered high.

21. SUBSEQUENT EVENTS

- (a) On January 13, 2017, Manganese announced a non-brokered private placement financing to raise up to \$1,200,000. The offering is comprised of 4,000,000 units of the Company at a price of \$0.15 per unit to raise aggregate proceeds of up to \$600,000 and 4,000,000 "flow-through" shares at a price of \$0.15 per FT shares to raise aggregate proceeds of \$600,000. Each unit will consist of one common share in the capital of the Company and one common share purchase warrant. Each warrant will entitle its holder to purchase one additional common share at an exercise price of \$0.25 for a period of 24 months from the closing date of the private placement. On January 31, 2017, Manganese announced that the Company has expanded its non-private placement financing as previously announced on January 13, 2017, from \$1,200,000 to \$1,425,000, of which \$974,050.05 has already closed on January 25, 2017. The Company now intends to issue an additional 3,000,000 FT Shares, at a price of \$0.15 per FT Share, for total gross proceeds of \$450,000.
- (b) On January 25, 2017, Manganese announced it has completed an initial tranche of the previously disclosed non-brokered private placement financing consisting of 4,387,000 units at a price of \$0.15 per unit for gross proceeds of \$658,050.00 and 2,106,667 "flow-through" shares at a price of \$0.15 per FT Shares for gross proceeds of \$316,000.05. The Company proposes to close a second tranche of the financing in February 2017, which will consist of up to 1,506,333 FT shares at a price of \$0.15 per FT shares for maximum proceeds of \$225,949.95.
- (c) On February 23, 2017, The Company granted 400,000 incentive stock options to various Directors and members of Technical & Marketing Advisory Board. The options are exercisable at \$0.21 per option for a period of 3 years from the date of grant and have no vesting conditions. The options were issued under the terms of the Company's Stock Option Plans.
- (d) On February 23, 2017, Manganese announced that it has completed the final tranche of the previously disclosed non-brokered private placement financing announced on January 13, 2017. This tranche consisted of 3,000,000 "flow-through" shares at a price of \$0.15 per FT Shares for gross proceeds of \$450,000.00. All securities issued in connection with the financing are subject to a four-month hold period from the date of issuance in accordance with applicable securities laws.