

# **Manganese X Energy Corp.**

## **Management's, Discussion and Analysis**

### **December 31, 2016 and 2015**

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#### **GENERAL INFORMATION**

Management's Discussion and Analysis ("MD&A") of the financial position and of the results of operations is the responsibility of management and has been reviewed and approved by the Board of Directors of Manganese X Energy Corp. ("Manganese" or the "Company") on February 28, 2017.

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.

The following discussion and analysis should be read in conjunction with the condensed unaudited consolidated financial statements for the quarter ended December 31, 2016 and the audited consolidated financial statements of Manganese for the twelve-month period ended March 31, 2016 and with the related notes attached thereto. These condensed interim consolidated financial statements have been prepared in accordance with international accounting standards for interim financial reporting under IAS 34.

The Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at April 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Certain comparative figures have been reclassified to conform to the current year's presentation.

The MD&A is provided to enable the reader to assess material changes in financial position and results of operations for the period ended December 31, 2016, in comparison to the corresponding period last year. This MD&A is also intended to supplement and complement the audited consolidated financial statements of Manganese and accompanying notes for the period ended March 31, 2016 and 2015.

The MD&A is prepared in conformity with NI 51-102F1 and unless expressly stated otherwise, all references to dollar amounts are in Canadian dollars.

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#### **FORWARD-LOOKING STATEMENTS**

This MD&A for the quarter ended December 31, 2016 may contain or refer to certain forward-looking statements relating, but not limited to, the Company's expectations, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "intend", "estimate", "may", and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance.

Any forward-looking information that may be presented in this MD&A is identified as such. Statements regarding the adequacy of cash resources to carry out our exploration and development programs or the need for future financing are forward-looking statements. Any forward-looking information is based on current expectations that involve a number of business risks and uncertainties. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from expected results. Current shareholders and prospective investors should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested forward-looking statements.

Shareholders are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur.

There are no events and circumstances that occurred during the period to which the MD&A relates, except those that may be published in the subsequent event section, and the going concern notes and financing, that are reasonably likely to cause actual results to differ materially from material forward-looking information, for a period that is not yet complete and has previously disclosed to the public.

The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.

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#### **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 the Company 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 a 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).

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.

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#### **CORPORATE OVERVIEW**

On December 3, 2010, Numine Resources Ltd. ("Numine") announced that its Qualifying Transaction involving the acquisition of all issued and outstanding securities of Sunset Cove Mining Inc. ("Sunset Cove") was closed under an amalgamation with a wholly owned subsidiary of Numine.

The following individuals were appointed to the Company's board of directors: Lorne Woods, Marc Blais, Jason Mychasiw, Arnaldo T. Leon and Stephen Roebuck. The board appointed Lorne Woods as President and Chief Executive Officer, Marc Blais as Chief Operating Officer, Jacques Arsenault as Chief Financial Officer, and Greta Castillo as General Manager in Peru.

The Company was founded in 2008 by Lorne Woods and Marc Blais to take advantage of the mining and exploration opportunities available in Peru and Quebec, Canada. These are opportunities which Marc Blais came to know about as a result of the contacts he made during his 18 years and counting of doing business in Peru. Together Lorne Woods and Marc Blais have 35 years of experience in managing mining companies and in the financing of private and public companies. They also have access to a handpicked international network of private investors, brokers, portfolio managers and institutional funds.

Marc Blais resigned as Director and Chief Operating Officer on February 15, 2015. On October 2, 2016 the Company accepted the resignation of Lorne Woods as President, CEO and director of the Company, effective immediately. On October 19, 2016 the board of directors of the Company has appointed Martin Kepman as Interim CEO and President. Mr. Kepman is currently a director of the Company and the chief financial officer of Martin Kepman and Associates Inc., a management consulting firm founded in 1982. He has been a financial and business consultant in a variety of industries including mining and has acted as a temporary consulting financial advisor to various private companies.

The following individuals are actually on the Company's board of directors: Martin Kepman, Roger Dahn, Mark Billings and Stephen Roebuck. The board appointed Jacques Arsenault as Chief Financial Officer, and Wasserman Ramsay, Chartered Accountants, as auditors. Shimmy Posen from Garfinkle, Biderman LLP, is the Corporate Secretary and legal advisor.

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.

Manganese is a junior mineral exploration and development company focused on the acquisition and exploration of mineral properties. The Company's strategy is to build value through the acquisition, exploration and development of polymetallic precious metal and graphite properties to the point where they become attractive acquisitions or joint venture targets.

Manganese's project generation strategy is based on acquiring properties in proven mining districts, by going to geological formations where proven mineral exploration and extraction success continues. This means that all of the Company's projects are located near the necessary infrastructure of roads, water and electricity.

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#### ***Carolay Silver Property***

The Company held a 1,124 hectare exploration license on the Carolay Polymetallic Silver Property, located in the region of La Libertad of northern Peru. Due to more than a 50% drop in the price of silver (USD\$47 on March 26, 2011 - USD\$16.47 on April 4, 2015), and additional challenges in securing financial resources, the Company decided to abandon and write-off its investment in the project and move its focus on developing its projects which are located in Canada.

#### ***La Pause Gold Property***

On December 18, 2014 the Company signed a Property Acquisition Agreement with Cartier Resources Inc. to purchase, by way of an option agreement, 100% interest in 54 mining claims located in the La Pause Township of Quebec subject to a 2% Net Smelter Return Royalty. The terms of the option agreement required an issuance of 1,000,000 common shares of the Company upon obtaining all necessary approvals of the TSX Venture Exchange. The shares were issued at price of \$0.05 per share on January 24, 2015. The Company decided to abandon and write-off its investment in the project and move its focus on developing other projects.

#### ***Houlton Woodstock Manganese Property***

On June 28, 2016 the Company announced that it would 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 5<sup>th</sup> day after TSX-Venture Exchange acceptance of the Option agreement and \$100,000 on or before the date which 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 5<sup>th</sup> day after TSX-Venture Exchange acceptance of the Option agreement; a further 1,000,000 shares on or before the 1<sup>st</sup> 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 2<sup>nd</sup> 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 1<sup>st</sup> anniversary of the Effective date of option agreement and an additional \$500,000 on or before the 2<sup>nd</sup> anniversary of the on or before the 2<sup>nd</sup> 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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#### **QUALIFIED PERSON**

Steve Park, P. Geo. and Alain Beauregard P. Geo. (before September 1, 2012) and Mike Dufresne, P. Geo. from Apex Geoscience (from September 1, 2012),

#### **Qualified Persons and QA/QC**

Roger Dahn, B.Sc., P.Geo (New Brunswick), Manganese X Energy's Vice President of Exploration, is designated as the Qualified Person in compliance with National Instrument 43-101 as well as Perry MacKinnon, P.Geo, who is also a Qualified Person regarding the Company's Houlton Woodstock manganese property located in Carleton County, New Brunswick.

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#### FINANCIAL POSITION AND LIQUIDITY

The financial position of Manganese at December 31, 2016 is:

|                              | December 31, 2016 | March 31, 2016 | December 31, 2015 |
|------------------------------|-------------------|----------------|-------------------|
|                              | \$                | \$             | \$                |
| Current assets               | <b>294,250</b>    | 284,107        | 349,130           |
| Non-current assets           | <b>1</b>          | 1              | 37,326            |
| Total assets                 | <b>294,251</b>    | 284,108        | 386,456           |
| Current liabilities          | <b>293,640</b>    | 1,505,865      | 1,712,406         |
| Shareholder's Equity         | <b>611</b>        | (1,221,757)    | (1,325,950)       |
| Total liabilities and Equity | <b>294,251</b>    | 284,108        | 386,456           |
| Working capital              | <b>610</b>        | (1,221,758)    | (1,363,276)       |

Cash at December 31, 2016 was \$226,416 compared to \$274,292 at March 31, 2016. As of December 31, 2016, Manganese had working capital of \$610 compared to a deficit working capital of \$1,221,758 at March 31, 2016.

The Company has been negatively impacted by the challenging financing environment faced by the junior mineral exploration industry. Until recently, the Company has not been able to raise significant capital to pursue its projects to their full potential and was forced to abandon its Carolay Silver project and other projects. The Company currently owns the La Pause Township Property and has an option on the Houlton Woodstock Manganese Property.

In response to this challenging environment the Company has taken and continues to take certain initiatives in an effort to continue to operate, namely:

- Significant cost cutting initiative by reducing personnel
- Spending freeze on most exploration activities
- Debt converted to shares
- Partial conversion of board dues owing to shares in the Company
- Loan to the Company by one of the Officers
- Loan to the Company by two of the Directors
- Securing new equity financing

The Company was able to raise flow-through financing by way of a private placement, which closed December 31, 2015. On June 28, 2016 the Company also announced, that subject to conditional approval from the TSX Venture Exchange it will be closing on up to \$870,000 of units with each unit priced at \$0.005 comprised of one (1) common share and one half (1/2) warrant. The closing was completed on July 18, 2016.

The loan payable is in the amount of \$Nil as at December 31, 2016 (March 31, 2016 - \$100,858), they were unsecured, payable on demand and bear no interest per annum. The Company settled all loans payable during the second quarter (see Capital Resources section for more information).

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Cash flows used in operating activities for the nine-month period ended December 31, 2016, were \$1,073,699 compared to \$39,133 used in the same period ended December 31, 2015. The net loss for the period was \$162,318 in 2016 compared to a loss of \$138,780 in 2015 for the same nine months.

Cash flows used in investing activities for the nine-month period ended December 31, 2016, were \$Nil compared to \$Nil for the same period ended December 31, 2015.

Cash flows from financing activities for the nine-month period ended December 31, 2016, were \$1,025,823 compared to \$386,120 for the same period ended December 31, 2015.

Other current assets (excluding cash) at December 31, 2016 were \$67,834 compared to \$9,815 at March 31, 2016. Other current assets are mainly Canadian sales tax receivable.

The Company owns 5,000,000 shares (evaluated at \$0.02) in B&W Milling Inc. as at December 31, 2016 and March 31, 2016. Summary financial information for the equity accounted investee, not adjusted for the percentage of ownership held by the Company is as follows:

|                          | <b>December 31, 2016</b> | <b>March 31, 2016</b> | <b>December 31, 2015</b> |
|--------------------------|--------------------------|-----------------------|--------------------------|
| <b>Ownership</b>         | 24%                      | 24%                   | 24%                      |
| <b>Total Assets</b>      | \$57,942                 | \$57,942              | \$57,941                 |
| <b>Total Liabilities</b> | \$5,566                  | \$5,566               | \$5,566                  |
| <b>Net Loss</b>          | \$nil                    | (\$202)               | \$(201)                  |

The Company's share of loss in its equity accounted investee for the nine-month period ended December 31, 2016 was \$nil (24% of \$nil).

The reconciliation of the investment is as follows:

|  | <b>\$</b>     |
|--|---------------|
| <b>Balance, beginning day 1</b>        | -             |
| Acquisition cost                       | 100,000       |
| Share of loss of the investee          | (34,316)      |
| <b>Balance March 31, 2014</b>          | <b>65,684</b> |
| Share of loss of the investee          | (28,295)      |
| Balance before adjustment              | 37,389        |
| Amount owing to investee               | (37,388)      |
| <b>Balance March 31, 2015 and 2016</b> | <b>1</b>      |
| Share of loss of the investee          | -             |
| <b>Balance December 31, 2016</b>       | <b>1</b>      |

The loss has not been recorded in these financial statements as the investment is recorded at a nominal amount. The amount owing to investee is non-interest bearing, unsecured and is due on demand.

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The Company did not receive any advances from its associate, B&W Mining Inc. which remain unchanged on December 31, 2016 at \$57,883. Of the total amount owing to associate of \$37,388 has been netted against the investment account in March 31, 2015, bringing the balance to \$1. The balance owed to associate is currently recorded as \$20,495 (\$57,883 less \$37,388). The advances bear no interest and have no fixed terms for repayment. It is expected that this loan from associate will be repaid.

Accounts payable and accrued liabilities were \$273,145 at December 31, 2016 compared to \$1,384,512 at March 31, 2016. Included in the accounts payable and accrued liabilities for this quarter is an amount of \$Nil (March 31, 2016 - \$824,208) due to related parties of the Company. (See Related Party Transactions for additional information). The accounts payable and accrued liabilities are as follows:

|  | <b>December 30, 2016</b> | March 31, 2016 |
|--|--------------------------|----------------|
|  | \$                       | \$             |
| Accounts payable                       | <b>273,145</b>           | 1,043,225      |
| Accrued liabilities (contingency Peru) | -                        | 341,287        |
|  | <b>273,145</b>           | 1,384,512      |

The Company settled various debts of the Company with certain officers, directors and long-term suppliers for an amount of \$905,992 during the period (see Capital Resources section for more information) and the Peruvian's accounts payable in the disposal of the subsidiary.

Shareholders' Equity was positive \$611 at December 31, 2016 compared to negative \$1,221,757 at March 31, 2016. The detail of the Shareholders' Equity is:

|  | <b>December 31, 2016</b> | March 31, 2016 | December 31, 2015 |
|--|--------------------------|----------------|-------------------|
|  | \$                       | \$             | \$                |
| Share capital                          | <b>6,855,342</b>         | 5,293,816      | 7,114,305         |
| Reserves                               | <b>2,308,358</b>         | 2,485,198      | 664,709           |
|  | <b>9,163,700</b>         | 7,779,014      | 7,779,014         |
| Accumulated other comprehensive income | <b>70,305</b>            | 74,935         | 77,544            |
| Deficit                                | <b>(9,233,394)</b>       | (9,075,706)    | (9,182,508)       |
|  | <b>(9,163,089)</b>       | (9,000,771)    | (9,104,964)       |
|  | <b>611</b>               | (1,221,757)    | (1,325,950)       |

The Company has no revenues and relies on equity financing and loans to meet its obligations. The deficits continue to rise, although at a lower rate, due to cost cutting measures due to the Company's difficulty in accessing the capital markets, a condition that has affected the entire junior exploration industry.

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#### **CAPITAL RESOURCES**

##### ***Common shares***

- 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.

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- 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.

#### ***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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**Share purchase warrants**

As at December 31, 2016, the movement in the number of warrants (post consolidation) outstanding and their weighted average exercise prices are as follows:

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

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

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

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**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:

|   | <b>No. of Options<br/>Vested</b> | <b>Weighted Average<br/>Exercise Price (\$)</b> |
|---|----------------------------------|---|
| Balance – March 31, 2014 and 2015                 | 493,000                          | 1.70  |
| Expired   | (16,500)                         | 1.00  |
| Expired   | (190,500)                        | 2.00  |
| <b>Balance – March 31, 2016 and June 30, 2016</b> | <b>286,000</b>                   | <b>1.50</b>                                     |
| 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  |
| <b>Balance – December 31, 2016</b>                | <b>1,550,000</b>                 | <b>0.15</b>                                     |

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:

| <b>Options granted and<br/>exercisable</b> | <b>Weighted Average<br/>Exercise Price (\$)</b> | <b>Expiry dates</b> |
|--|---|---------------------|
| 1,350,000                                  | 0.15  | September 2019      |
| 200,000                                    | 0.15  | November 30, 2019   |
| <b>1,550,000</b>                           | <b>0.15</b>                                     |                     |

# Manganese X Energy Corp.

## Management's, Discussion and Analysis

### December 31, 2016 and 2015

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For the period ended December 31, 2016 the fully diluted share capital of the Company is;

| <b>Outstanding Shares</b> | <b>Warrants &amp; Broker Warrants</b> | <b>Options</b> | <b>Fully Diluted</b> |
|---------------------------|---------------------------------------|----------------|----------------------|
| 40,885,420                | 12,049,067                            | 1,850,000      | 54,784,487           |

The company has 33,491,755 shares outstanding as at December 31, 2016 and 54,784,487 shares on a fully diluted basis. All items disclosed above are post to 10:1 share consolidation as announced on June 28, 2016.

# Manganese X Energy Corp.

## Management's, Discussion and Analysis

### December 31, 2016 and 2015

#### RESULTS OF OPERATIONS

The Company has currently no mining operations to generate sales and revenues. Detail for the three-month period ended December 31, 2016 and 2015 are:

| For the three-month period,                   | 2016             | 2015            | Variance Increase (Decrease) |              |
|---|------------------|-----------------|------------------------------|--------------|
|   | \$               | \$              | \$                           | %            |
| <b>Revenues</b>                               | -                | -               | -                            | 0%           |
| Expenses                                      |                  |                 |                              |              |
| Bank charges                                  | 106              | 330             | (224)                        | -68%         |
| Exploration expenses                          | 382,000          | -               | 382,000                      | -            |
| Foreign exchange (gain) loss                  | -                | (5,240)         | 5,240                        | -100%        |
| Stock based compensation                      | 19,653           | -               | 19,653                       | -            |
| Operating expenses                            | 276,483          | 5,541           | 270,942                      | 4890%        |
| Professional and consulting fees              | 303,610          | 54,499          | 249,111                      | 457%         |
|   | <b>981,852</b>   | <b>55,130</b>   | <b>926,722</b>               | <b>1681%</b> |
| <b>Net loss before other income (expense)</b> | <b>(981,852)</b> | <b>(55,130)</b> | <b>(926,722)</b>             | <b>1681%</b> |
| Other income (expense)                        |                  |                 |                              |              |
| Share loss in an equity accounted investee    | -                | (49)            | 49                           | -100%        |
| Gain on disposal of subsidiary                | -                | -               | -                            | -            |
| Gain on settlement of debts                   | 117,459          | -               | 117,459                      | -            |
| <b>Net loss for the period</b>                | <b>(864,393)</b> | <b>(55,179)</b> | <b>(809,214)</b>             | <b>1467%</b> |
| Other comprehensive loss                      |                  |                 |                              |              |
| Exchange gain on foreign operations           | (528)            | -               | (528)                        | -            |
| <b>Net comprehensive loss</b>                 | <b>(864,921)</b> | <b>(55,179)</b> | <b>(809,742)</b>             | <b>1467%</b> |

Total expenses for the three-month period were \$981,852 at December 31, 2016 compared to \$55,130 for the period in 2015, up by \$926,722. Due to the new financing activities the Company has experienced higher operating costs and professional fees.

Professional and consulting fees were \$303,610 (2015 - \$54,499), up by \$249,111 compared to same period last year. Included in professional and consulting fees are accounting, audit, legal fees, consulting fees and management compensation.

Operating expenses were \$276,483 (2015 - \$5,541), up by \$270,942 compare to the same period last year. Included in operating expenses are mainly investor relations and filing fees to maintain quality information to investors and the capital markets through different information channels as well as the Company's web-site.

Under IFRS, the Company has chosen to expense all costs related to mineral exploration incurred prior to the point of defining a NI 43-101 compliant resource, attaining economic feasibility, and the acquisition of a mining permit. Total exploration cost for the three-month period ended December 31, 2016 was \$382,000 compared to \$Nil, representing 39% of total expenses for the period. Mineral exploration and evaluation expenses on the

# Manganese X Energy Corp.

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### December 31, 2016 and 2015

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.

The Company settled various debts with certain 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 \$158,331.71 to \$40,873 and then further settled the outstanding debt by the issuance of 295,331 common shares. The gain on the settlement of debts was \$117,458.72 (\$158,331.71 less \$40,873).

Detail for the nine-month period ended December 31, 2016 and 2015 are:

| For the nine-month period,                    | 2016               | 2015             | Variance Increase (Decrease) |             |
|---|--------------------|------------------|------------------------------|-------------|
|   | \$                 | \$               | \$                           | %           |
| <b>Revenues</b>                               | -                  | -                | -                            | 0%          |
| Expenses                                      |                    |                  |                              |             |
| Bank charges                                  | 1,367              | 4,161            | (2,794)                      | -67%        |
| Exploration expenses                          | 488,100            | -                | 488,100                      | -           |
| Foreign exchange (gain) loss                  | 19,158             | 1                | 19,157                       | 1915700%    |
| Stock based compensation                      | 58,857             | -                | 58,857                       | -           |
| Operating expenses                            | 330,209            | 13,700           | 316,509                      | 2310%       |
| Professional and consulting fees              | 533,838            | 139,882          | 393,956                      | 282%        |
|   | <b>1,431,529</b>   | <b>157,744</b>   | <b>1,273,785</b>             | <b>808%</b> |
| <b>Net loss before other income (expense)</b> | <b>(1,431,529)</b> | <b>(157,744)</b> | <b>(1,273,785)</b>           | <b>808%</b> |
| Other income (expense)                        |                    |                  |                              |             |
| Share loss in an equity accounted investee    | -                  | (62)             | 62                           | -100%       |
| Gain on disposal of subsidiary                | 345,390            | -                | 345,390                      | -           |
| Gain on settlement of debts                   | 928,451            | -                | 928,451                      | -           |
| <b>Net loss for the period</b>                | <b>(157,688)</b>   | <b>(157,806)</b> | <b>118</b>                   | <b>0%</b>   |
| Other comprehensive loss                      |                    |                  |                              |             |
| Write-off of bank overdraft                   | -                  | 19,026           | (19,026)                     | -100%       |
| Exchange gain on foreign operations           | (4,630)            | -                | (4,630)                      | -           |
| <b>Net comprehensive loss</b>                 | <b>(162,318)</b>   | <b>(138,780)</b> | <b>(23,538)</b>              | <b>17%</b>  |

Total expenses for the nine-month period were \$1,431,529 at December 31, 2016 compared to \$157,744 for the period in 2015, up by \$1,273,785. The main driver for the higher expenses was the payment of \$100,000 for an option on the Company's new manganese property. Due to the new financing activities the Company has also experienced higher operating costs and professional fees. Professional and consulting fees were \$533,838 (2015 - \$139,882), up by \$393,956 compared to same period last year.

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.

Under IFRS, the Company has chosen to expense all costs related to mineral exploration incurred prior to the point of defining a NI 43-101 compliant resource, attaining economic feasibility, and the acquisition of a mining permit.

Total exploration cost for the nine-month period ended December 31, 2016 was \$488,100 compared to \$Nil,

# **Manganese X Energy Corp.**

## **Management's, Discussion and Analysis**

### **December 31, 2016 and 2015**

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representing 34% of total expenses for the period. The expenditure represents a payment for the option of the Houlton Woodstock Manganese Project and related expenses.

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.

The Company settled various debts 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 gain on the settlement of debts was \$810,992 (\$905,992 less \$95,000).

The Company settled various debts with certain 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 \$158,331.71 to \$40,873 and then further settled the outstanding debt by the issuance of 295,331 common shares. The gain on the settlement of debts was \$117,458.72 (\$158,331.71 less \$40,873).

The Company disposed during the period of its Peruvian's subsidiary, the gain on disposal was \$345,390.

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#### SUMMARY QUARTERLY INFORMATION

Selected quarterly information for the most recently completed quarters is presented below in Canadian Currency (\$):

| Quarter ended      | Consolidated |                               |   | Net loss<br>per share<br>(basic) | Net loss<br>per share<br>(fully diluted) | Shares<br>(basic) | Shares<br>(fully diluted) |
|--------------------|--------------|-------------------------------|---|----------------------------------|--|-------------------|---------------------------|
|                    | Revenues     | Net loss<br>for the<br>period | Net<br>comprehensive<br>loss for the period |                                  |  |                   |                           |
|                    | \$           | \$                            | \$  | \$                               | \$                                       | #                 | #                         |
| December 31, 2016  | -            | (864,393)                     | (864,921)                                   | (0.026)                          | (0.016)                                  | 33,491,755        | 54,784,487                |
| September 30, 2016 | -            | 882,189                       | 882,189                                     | 0.032                            | 0.022                                    | 27,542,295        | 39,995,426                |
| June 30, 2016      | -            | (175,484)                     | (179,586)                                   | (0.002)                          | (0.002)                                  | 101,422,956       | 110,240,255               |
| March 31, 2016     | -            | 102,527                       | 104,733                                     | 0.001                            | 0.001                                    | 101,422,956       | 113,210,255               |
| December 31, 2015  | -            | (55,179)                      | (55,719)                                    | (0.001)                          | (0.000)                                  | 101,422,956       | 113,210,255               |
| September 30, 2015 | -            | (65,270)                      | (65,270)                                    | (0.004)                          | (0.003)                                  | 16,109,960        | 19,742,960                |
| June 30, 2015      | -            | (33,082)                      | (18,331)                                    | (0.002)                          | (0.002)                                  | 16,109,960        | 19,742,960                |
| March 31, 2015     | -            | (361,076)                     | (377,112)                                   | (0.022)                          | (0.018)                                  | 16,109,960        | 19,742,960                |
| December 31, 2014  | -            | (132,831)                     | (133,799)                                   | (0.013)                          | (0.012)                                  | 10,439,960        | 11,435,293                |
| September 30, 2014 | -            | (153,598)                     | (156,636)                                   | (0.015)                          | (0.013)                                  | 10,439,960        | 11,804,313                |
| June 30, 2014      | -            | (134,073)                     | (128,140)                                   | (0.013)                          | (0.011)                                  | 10,439,960        | 11,804,313                |

Since mid-2011, the junior mineral exploration industry in general has been struggling to access capital. The TSX-Venture exchange, which is heavily weighted in mining industry, has declined 58%, reflecting the malaise of the industry. In this environment, the Company's focus has been on cost cutting initiatives to minimize expenses until such time as capital markets improve and the Company is able to raise additional funds needed to fund exploration activities.

Expenditure at the Company have been declining over the last eight quarters. The jump in March 31, 2015 quarter is the result of write-offs associated with the Carolay property and an increase in exploration expenditures which are related to the issuance of shares for the acquisition of new mineral exploration properties.

With the market starting to improve in December 2015, the Company was able to secure new financing by closing a private placement for \$426,564 in flow through financing. Also on July 18, 2016 the Company closed for \$870,000 a private placement. Due to these equity financings the shares issued have increased substantially from 16,109,960 from December 31, 2016 to 275,422,950 at the end of the second quarter. Taking into consideration the consolidation of 10:1 the Company had 27,542,295 shares outstanding as at September 30, 2016.

# Manganese X Energy Corp.

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The Company has 33,491,755 shares outstanding as at December 31, 2016 and 40,885,420 shares outstanding as at the date of this report.

The differences between Net Operating Loss and Net Comprehensive Loss are primarily driven with the Foreign exchange gain or loss associated with the Company's Peruvian assets and liabilities. The Peruvian currency has been very volatile and has declined 21% against the Canadian dollar from its high in May to 2011 of 0.336 PNS per Canadian dollar, to its low of 0.406 PNS per Canadian dollar in April 2011 (data from www.XE.com).

#### Results of Operations - Selected Annual Information

| Year Ended March 31             | 2016            | 2015             | 2014             |
|---------------------------------|-----------------|------------------|------------------|
| Net Revenues                    | -               | -                | -                |
| Total Expenses                  | 51,004          | 753,283          | 874,327          |
| <b>Net Loss</b>                 | <b>(51,004)</b> | <b>(781,578)</b> | <b>(861,643)</b> |
| Net Comprehensive Loss          | (34,587)        | (795,687)        | (865,672)        |
| Loss per Common share (Basic)   | 0.000           | (0.049)          | (0.083)          |
| Loss per Common share (Diluted) | 0.000           | (0.040)          | (0.073)          |
| <b>Total Assets</b>             | <b>284,108</b>  | <b>8,194</b>     | <b>123,590</b>   |
| Total Liabilities               | 1,505,865       | 1,579,455        | 1,182,664        |

The Company has restricted its operations starting in 2014. Expenses have dropped substantially over the 3-year period ending March 31, 2016. With the recent improvement of the financial markets, the Company has started raising equity to pursue its projects, as can be seen by the increase of the total assets of the Company to \$284,108 on March 31, 2016 compared to an \$8,194 in the same period in 2015.

#### Additional Disclosures for Venture Issuers without Significant Revenue

|  | La Pause Gold Property | Houlton Woodstock Manganese Property | Total     |
|--|------------------------|--------------------------------------|-----------|
| Exploration Expenditures December 31, 2015   | -                      | -                                    | -         |
| General and Administrative December 31, 2015 | -                      | -                                    | \$157,744 |
| Exploration Expenditures December 31, 2016   | -                      | \$488,100                            | -         |
| General and Administrative December 31, 2016 | -                      | -                                    | \$943,429 |

The exploration expenditures typically include acquisition costs and exploration costs. The Company expensed \$488,100 to secure the option on its Houlton Manganese property. There were no exploration expenses in the same period last year. The Company has also abandoned all its other properties except for the La Pause Gold Property. No expenditures have been made on this project since its acquisition.

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The General and Administration costs include the following Expenses from the statement of Comprehensive Loss: bank charges, operating expense and professional and consulting fees.

#### TRANSACTIONS WITH RELATED PARTIES

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        |
|  | <b>7,500</b> | <b>39,683</b> |

  

| 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        |
|  | <b>62,677</b> | <b>114,683</b> |

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        |
|   | -                 | <b>824,208</b> |

The Company settled during the period all related parties' payables to certain officers, directors and shareholders for the total amount due.

Marc Blais resigned as Director and Chief Operating Officer on February 15, 2015. All fees to Management and Directors were set by the Compensation Committee of the Company. Newhouse Strategic Counsel is the legal services firm of Mr. John Mavridis, solicitor, and member of the Bar of Quebec.

On October 2, 2016 the Company accepted the resignation of Lorne Woods as President, CEO and director of the Company, effective immediately. On October 19, 2016 the board of directors of the Company has appointed Martin Kepman as Interim CEO and President. Mr. Kepman is currently a director of the Company and the chief financial officer of Martin Kepman and Associates Inc., a management consulting firm founded in 1982. He has been a financial and business consultant in a variety of industries including mining and has acted as a temporary consulting financial advisor to various private companies.

# **Manganese X Energy Corp.**

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#### **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.

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#### **CURRENT AND FUTURE CHANGES IN ACCOUNTING POLICY**

##### ***Statement of compliance***

The condensed interim consolidated financial statements have been prepared in accordance with international accounting standards for interim financial reporting under IAS 34.

##### ***Basis of presentation***

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

##### **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

# **Manganese X Energy Corp.**

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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.

#### ***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.

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#### **SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of financial statements requires management to make judgments, estimates and assumptions based on currently available information that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on managements' experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual results could differ from those estimated. By their very nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of future periods could be material.

In the process of applying the Company's accounting policies, management has made the following judgments, estimates, and assumptions which have the most significant effect on the amounts recognized in the consolidated financial statements:

##### ***Share-based -payments***

The Company uses the fair value method of valuing compensation expense associated with the Company's stock option plan. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, expected forfeitures and distribution yield.

##### ***Deferred taxes***

The Company assess the recoverability of deferred income tax assets to make significant estimates related to the expectations of future cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the deferred tax assets and liabilities recorded at the balance sheet date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

##### ***Valuation of equity units in private placements***

The Company uses the fair value method to value any warrants and broker warrants issued in private placements. The fair value assigned to warrants is recorded as a reduction to share capital and an increase to warrants. The fair value assigned to broker warrants is recorded as share issue costs and an increase to warrants. The fair value of each warrant is estimated on the date of the grant using the Black-Scholes warrant-pricing model. Warrant pricing models require the input of highly subjective assumptions, including the expected price volatility and changes in these assumptions can materially affect the fair value estimate.

##### ***Determination of cash generating units***

Cash generating units are identified as the smallest group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Since inception, the Company has not generated cash from operations; its sole potential cash generating unit is its investment in mining property.

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#### ***Depreciation and impairment of property and equipment***

Management estimates the useful life of property and equipment for depreciation purposes. Indicators of impairment are subject to management's evaluation of the impact of various events. From time to time, management may identify immaterial classification errors on the face of the statement of financial position for prior periods which do not change net assets. Where such changes are noted, management will present the corrected reclassified caption on the comparative statement of financial position.

#### ***Impairment of non-financial assets***

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. 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 of the time value of money and the risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

The most significant judgments relates to the calculation of the fair value of the options and warrants. From time to time, management may identify immaterial classification errors on the face of the statement of financial position for prior periods which do not change net assets. Where such changes are noted, management will present the corrected reclassified caption on the comparative statement of financial position.

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#### **RISK AND UNCERTAINTIES**

Manganese's strategy emphasizes developing properties in order to leverage its intellectual property and drive the creation of shareholder value. This strategy has required, and continues to require, significant financings, and is subject to risks associated with mineral prices, mineral resources and operations. Due to the nature of the Company's business, the present stage of development of its mineral resource projects, and the constraints placed upon the Company's ability to move forward by its current liquidity situation, readers should carefully review and consider the financial, environmental and operational risk factors affecting the Company.

#### ***Need for Additional Financing***

The Company currently has no source of operating cash flow, and there is no assurance that additional funding will be available to the Company as and when needed for further exploration and development of its projects, or to fulfill its obligations to its existing creditors. Volatile markets may make it difficult or impossible for the Company to obtain adequate debt or equity financing in the future, or on terms acceptable to the Company. The failure to obtain additional financing could force the Company to liquidate its assets to satisfy creditor claims.

#### ***No Production Revenues***

To date, the Company has not achieved revenue from mining operations. There can be no assurance that significant additional losses will not occur in the near future, or that the Company will be profitable in the future. The amounts and timing of expenditures will depend on the progress of ongoing exploration and development, the results of consultants' analyses and recommendations, and the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, the Company's acquisition of new properties and other factors, many of which are beyond the Company's control. In particular, the Company's operating expenses and capital expenditures may increase in subsequent years as consultants, personnel, and equipment associated with advancing exploration, development and commercial production of its properties are added.

The Company does not expect to receive revenues from mining operations in the foreseeable future. The Company expects to continue to incur losses until such time as its properties enter into commercial production and generate sufficient revenues to fund its continuing operations. There can be no assurance that the Company will generate any revenues or achieve profitability.

#### ***Political and Economic Uncertainties of Operations in Foreign Countries***

Changes in the laws and regulations of foreign countries could have a material adverse impact on the business of the Company in respect of such countries. In particular, foreign currency exchange controls, expropriation of assets and profits, foreign ownership controls, and changes in taxation laws, could negatively affect the Company and its business. At the present time, the Company is pursuing equity in projects located in countries where these conditions may occur.

#### ***Dependence on Management***

The Company's business and operations are dependent on recruiting and retaining the services of a small number of key members of management and qualified personnel. The success of the operations and activities

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of the Company are dependent, to a significant extent, on the efforts and abilities of the management of the Company. Investors must be willing to rely, to a significant extent, on the discretion and judgment of the management of the Company. Furthermore, while the Company believes that it will be successful in attracting qualified personnel and retaining its current management team, there can be no assurance of such success. The Company does not maintain key employee insurance on any of its employees.

#### ***Competition***

The business of the Company is intensely competitive. The Company competes with other mining companies for the acquisition of mineral rich properties that can be developed economically, technical expertise and skilled labour in finding, developing and operating such properties and funding. The Company competes with other mining companies that have greater financial and technical resources and experience. Many competitors not only explore for and mine precious metals, but also conduct refining and marketing operations on a worldwide basis.

Such competition may result in the Company being unable to acquire desired properties, to recruit or retain qualified employees, or to acquire the capital necessary to fund its operations and develop its properties.

The inability of the Company to compete with other mining companies for these resources would have a material adverse effect on the Company's results of operations and business.

#### ***Title of Mineral Property Rights***

Acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral properties may be disputed or impugned. Although the Company has investigated its title to the mineral properties for which it holds concessions, mineral leases, licenses, or which are the subject of joint ventures, there can be no assurance that the Company has valid title to such mineral properties or that its title thereto will not be challenged or impugned. Mineral properties sometimes contain claims or transfer histories that examiners cannot verify. The Company does not carry title insurance with respect to any of its mineral properties in which it currently holds an interest. A successful claim that the Company does not have title to a mineral property could cause the Company to lose its rights to explore or mine that property, likely without compensation for its prior expenditures relating to the property.

#### ***Risks and Hazard Relating to Mineral Exploration and Exploitation***

Mineral exploration and exploitation involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, explosions, tailings impoundment failures, cave-ins, landslides and the inability to obtain adequate machinery, equipment or labour are some of the risks involved in mineral exploration and exploitation activities.

The Company has relied on and may continue to rely on consultants and others for mineral exploration and exploitation expertise. Substantial expenditures are required to establish mineral reserves and resources through drilling, to develop metallurgical processes to extract the metal from the ore and, in the case of some properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining, or to upgrade existing infrastructure. There can be no assurance that the funds required to exploit any mineral reserves and resources discovered by the Company will be obtained on a timely basis or at all. The economics of exploiting mineral reserves and resources discovered by the Company are affected by many factors, many outside the control of the Company, including the cost of operations, variations in the grade of ore mined and metals recovered, price fluctuations in the metal markets, costs of processing equipment, and other factors such as government regulations, including regulations relating to royalties, allowable production, importing and

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exporting of minerals and environmental protection. There can be no assurance that the Company's mineral exploration and exploitation activities will be successful.

#### ***Risks Relating to Government Regulation***

The Company's operations and properties are subject to laws and regulations governing mineral concession acquisition, mine development and prospecting, mining, production, occupational health and safety, labour standards, employment, waste disposal, toxic substances, land use, environmental protection, use of water, exports, taxes, royalties and other matters. It is possible that the Company may not be able to comply with existing and future laws and regulations. In addition, future changes in applicable laws, regulations, agreements or changes in their enforcement or regulatory interpretation could result in changes to the terms of the Company's permits and agreements, which could have a material adverse impact on the Company's current operations and future development projects. The Company may experience increased costs and delays in production as a result of the need to comply with applicable laws, regulations and permits. Permits are subject to the discretion of government authorities and there is no assurance that the Company will be able to obtain all required permits on reasonable terms or on a timely basis.

Any failure to comply with applicable laws and regulations or permits, even if inadvertent, could result in enforcement actions there under, including the loss of the Company's mining concessions, orders issued by regulatory or judicial authorities requiring operations to cease or be curtailed, fines, penalties or other liabilities. The Company may be required to compensate those suffering loss or damage by reason of its mining operations and may have civil or criminal fines or penalties imposed for violations of such laws, regulations and permits.

#### ***Regulations and Permits***

The Company will be required to obtain certain permits in order to carry on operations at its mineral properties. There is no guarantee that such permits, if and when required, will be granted or renewed on terms acceptable to the Company. Furthermore, the Company may be required to obtain additional licenses and permits from various governmental authorities to continue and expand its development and production activities. There can be no guarantee that the Company will be able to maintain or obtain all necessary licences, permits and approvals that may be required for future development, construction and operations.

The Company's activities are also subject to a wide variety of laws and regulations governing health and worker safety, employment standards, waste disposal, protection of the environment, protection of historic and archaeological sites, mine development and protection of endangered and protected species and other matters. The Company is required to have a wide variety of permits from governmental and regulatory authorities to carry out its activities. These permits relate to virtually every aspect of the Company's exploration and exploitation activities. Changes in these laws and regulations or changes in their enforcement or interpretation could result in changes in legal requirements or in the terms of the Company's permits that could have a significant adverse impact on the Company's existing or future operations or projects. Obtaining permits can be a complex, time-consuming process. There can be no assurance that the Company will be able to obtain the necessary permits on acceptable terms, in a timely manner or at all.

The costs and delays associated with obtaining permits and complying with these permits and applicable laws and regulations could stop or materially delay or restrict the Company from continuing or proceeding with existing or future operations or projects. Any failure to comply with permits and applicable laws and

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regulations, even if inadvertent, could result in the interruption or closure of operations or material fines, penalties or other liabilities.

#### ***Uninsurable Risks***

Mineral exploration and exploitation activities involve numerous risks, including unexpected or unusual geological operating conditions, rock bursts, cave-ins, fires, floods, earthquakes and other environmental occurrences and political and social instability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or other reasons. Should such liabilities arise, they could negatively affect the Company's profitability and financial position and the value of the common shares of the Company. The Company does not maintain insurance against environmental risks.

#### ***Inability to Enforce Legal Rights in Certain Circumstances***

In the event a dispute arises in another foreign jurisdiction, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of courts in Canada. Similarly, to the extent that the Company's assets are governed or located outside of Canada, investors may have difficulty collecting from the Company any judgments obtained in the Canadian courts and predicated on the civil liability provisions of securities legislation.

#### ***Exchange Rate Fluctuations***

Exchange rate fluctuations may adversely affect the Company's financial position and results. The Company incurs certain costs in U.S. dollars, Peruvian Nuevo Soles, Euros and British Pounds, while financial results are reported in Canadian dollars. Currency exchange fluctuations may materially adversely affect the Company's future cash flows, results of operations and financial condition. The Company does not currently engage in hedging or have a policy in place for managing or controlling foreign currency risks.

#### ***Share Price Fluctuations***

In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly development stage companies, have experienced wide fluctuations in price that have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that fluctuations in the Company's share price will not occur.

#### ***Conflicts of Interest***

Certain of the Company's directors and officers may serve as directors or officers of other reporting companies, companies providing services to the Company, or companies in whom they may have significant shareholdings. To the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms.

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In accordance with the laws of Canada, the directors of the Company are required to act honestly, in good faith and in the best interest of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at the time.

#### ***Dividends Unlikely***

The Company has not declared or paid any dividends since the date of its incorporation and does not currently anticipate that dividends will be declared in the short or medium term. Earnings, if any, will be retained to finance further development of the Company's business.

#### ***Potential Dilution***

The issue of Common Shares of the Company upon the exercise of outstanding options and warrants will dilute the ownership interest of the Company's current Shareholders. The Company may also issue additional option and warrants or additional Common Shares from time to time in the future. If it does so, the ownership interest of the Company's then current shareholders could also be diluted.

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**OFF-BALANCE SHEET ARRANGEMENTS**

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

Readers are encouraged to read and consider the risk factors, which are incorporated in this MD&A, and additional information regarding the Company, the SEDAR website at [www.sedar.com](http://www.sedar.com).

Signed: "Martin Kepman"

Martin Kepman  
Chief Executive Officer

Manganese X Energy Corp.  
February 28, 2017  
Pointe-Claire, Quebec  
Canada