

STRATEGIC METALS

Your monthly guide to the latest information on the world's strategic metals

SPECIAL REPORT ON MANGANESE

Steel's Most Important Ingredient

As the economic crisis continues to reverberate worldwide, many smart companies and developing nations are taking advantage of the downturn to invest in strategic metals. One such metal continuing to gain interest around the world is manganese for the simple, but important reason that steel cannot be produced without it. That's why this month, we've decided to focus on this little known strategic metal.

WORLD MANGANESE

About 80% of the world's known manganese resources are spread across South Africa and Ukraine. Australia, Brazil, China, Gabon, Ghana, India and Kazakhstan are the other nations that have significant amounts of manganese deposits. The global recession effected a fall in the price and global demand of most commodities and this led to a decline in interest and investment in mining exploration. Africa saw the closure of many mines for all commodities during this period. Fortunately, interest has been rekindled and exploration activities for various commodities such as manganese, coal, gold, chrome, uranium, and base metals are on the rise across Africa.

SOUTH AFRICA – NEW INVESTMENT

South Africa's Industrial Development Corporation (IDC) has announced plans to invest about \$312 million over 2010 in a new manganese mine close to Hotazel in the province of Northern Cape. The mine is expected to produce 3 million tonnes per year of manganese ore and be ready for operations by 2011. The development of the mine is a landmark event as can be gauged from the comments of Ufikile Khumalo,

Divisional Executive (Resources) at IDC. He said, "We haven't had a project like this for a very long time – the last was probably the investments in Foskor in the 1970s and 1980s." While South Africa is a major supplier of manganese to the global market, it has very limited smelting capacity. The Hotazel project will



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include a manganese smelter at Coega in the Eastern Cape. The smelter will utilize about 700,000 tonnes of the sinter plant production and produce about 320,000 tonnes per year of high carbon ferromanganese. The rest of the ore will be exported.

OMAN – NEW ENTRANT ON THE WORLD STAGE

Oman will soon make a foray in the manganese-mining sector. Leading mining company Al Tamman Trading Establishment LLC is all set to develop one of its four promising deposits in Oman's Sharqiya region. Work is expected to begin by mid-August. General Manager Mohammed Salahuddin Khan of the company said, "If the grade of mined ore is low, then we will have it concentrated to a higher grade at a beneficiation plant proposed to be established in the Sohar Industrial Estate." Manganese is believed to exist in abundance in Oman although the metal has not been effectively explored so far.



"We haven't had a project like this for a very long time – the last was probably the investments in Foskor in the 1970s and 1980s."

Ufikile Khumalo
Divisional Executive
(Resources) at IDC

in China since May end this year. Although China's imported manganese ore prices were on the rise during the first two quarters, prices for shipments in July and August have become stable. **China reportedly has a stock of almost 3 million tonnes of manganese ore and this huge stockpile is putting significant pressure on the global manganese ore costs.**

While Japan's consumption of manganese ferroalloys remained almost the same, high carbon ferro-manganese consumption rose by 43.5% and medium and low carbon ferromanganese by 46.4%. The country recorded a large decrease in the import of medium and low carbon ferromanganese over the first quarter of 2010 since its domestic output increased by almost 25%. The spike was because of Nippon Denko's capacity expansion at its Tokushima

plant in December 2008. The higher capacity has influenced the import of both refined manganese and electrolytic manganese.



Marius Kloppers
CEO, BHP Billiton

PRODUCTION GROWTH – BHP BILLITON

Diversified mining company BHP Billiton reported a positive market demand and production in the June quarter this year. **The company's manganese ore production at 1.7 million tonnes recorded a 244% growth over the corresponding period last year while the year ended June**

recorded a 37% increase in manganese ore production over last year with a figure of 6.1 million tonnes.

MANGANESE FERROALLOYS

Manganese ferroalloy prices have been on the decline

SILICOMANGANESE

The price of Indian silicomanganese imported by Japan has fallen by almost \$150 per tonne in comparison to May prices. Japan has asked China to match India's silicomanganese prices since the higher Chinese prices factors in the costs of production. Japan largely imports silicomanganese from India, Kazakhstan and Ukraine. Japan's silicomanganese consumption over the quarter ended June 30, 2010 rose by 9.3% over the same period last year. Although the import of silicomanganese increased, the primary consumers of the metal – electric furnace mills – increased their production by less than 40% over the first quarter of 2010, resulting in domestic consumption increasing by a mere 9.3%.

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China produced 4.264 million tonnes of silico-manganese over the January–May period this year, with May recording a production of 807,000 tonnes. Production in June fell by almost 7% to 753,000 tonnes. With steel makers beginning maintenance activities, the purchase prices naturally fell. Transaction prices continued to fall as traders stopped operations. **Both domestic manganese ore sales and prices fell and export markets remained sluggish as well.**

The Chinese government has revoked the 5% export tax rebate on Chinese manganese metal briquettes and this is expected to raise export prices by \$100–\$120 per tonne. In late June, the government similarly announced that from July 15 onwards, export tax rebates on Chinese steel products would be revoked and this is expected to affect export costs. On the other hand, although production has been progressing favorably, domestic steel prices have fallen.

ELECTROLYTIC MANGANESE

A similar export tax rebate was revoked on the price of Chinese electrolytic manganese metal flakes in August 2005 so the effect of the new revocation on the whole manganese export market will be difficult to ascertain immediately. **With a production figure of about 1.3**

million tonnes per year, China currently produces about 97.44% of the global electrolytic manganese. China's domestic production of electrolytic manganese fell by almost 90% in recent times because of the heavy rains in the nation's Hunan district, which is the main producer of the metal.

USA – COMPANY SEEKING DOMESTIC PRODUCTION

Manganese cannot be substituted by any other metal in steel production and is listed as a vital strategic metal by the US government. The US is not a traditional producer of electrolytic manganese and as such is at the mercy of overseas producers, primarily China. **China has a 20% export duty while the US has a 14% import duty placing average US price of electrolytic manganese at a competitive disadvantage.**

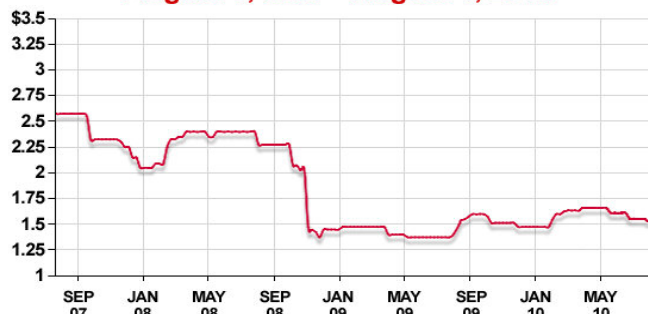


Larry Reaugh
CEO, American Manganese Inc.

Diversified specialty and critical metal company **American Manganese Inc. (TSX.V:AMY)** has strayed from the beaten path and is currently exploring and developing its Artillery Peak Project in Arizona.

The mine has proven manganese resources of over 500,000 tonnes and inferred resources of more than 4.8 million tonnes. The company has so far drilled through 4526.3 meters spread across 53 holes. Commenting on the ongoing drilling of holes 49 to 53, Mr. Larry W. Reaugh, President and Chief Executive Officer of the company said, **"The Artillery Peak manganese mineralization is located within basin filling alluvial fan/playa deposit which typically exhibit large thickness and lateral continuity. According to the US Geological Survey, Bulletin 961, the bedded deposits of the Chapin Wash formation have the potential for hosting immense tonnage of prospective manganese mineralization. The success of this drilling program demonstrates that character and continuity."**

Electro Manganese FOB North America US\$/lb August 1, 2007 - August 1, 2010



Last : \$1.575 August 1, 2010

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CRITICAL

STRATEGIC STOCK

From time to time, we will be featuring companies which are either in the process of producing strategic metals or they are seeking the capital to develop and take their properties to production. This month we present a company which has a large verified NI 43-101 resource located at Artillery Peak, Arizona, USA and are set to potentially become the world's lowest cost producer of Electrolytic Manganese. Therefore, this month's Critical Strategic Stock is:

American Manganese Inc.



LISTED ON: TSX.V: AMY / PINKS: AMYZE.pk

WEBSITE: AmericanManganeseInc.com

SHARE STRUCTURE: (As of April 20th, 2010)
Shares Outstanding: 57,386,820
Warrants & Options: 29,605,237
Fully Diluted: 86,992,057



CRITICAL FACTS YOU SHOULD KNOW

- The Company successfully completed "The Recovery of Manganese from Low Grade Resources: Bench Scale Test Program" prepared by Kemetco Research Inc. of Richmond, British Columbia verifying the process as well as the process design. This work falls within the parameters of the NI 43-101 Preliminary Economic Evaluation.
- A successful 50 plus drill hole program designed to increase NI 43-101 Indicated Resources has been completed. A new NI 43-101 resource study should be completed by early September.
- American Manganese Inc. could potentially become the lowest cost producer of Electrolytic Manganese in the world. Chinese and South African costs average about \$1.00/lb (There is no US production).
- Artillery Peak contains the largest known low grade deposit of Manganese in the South Western United States as published by the US Bureau of Mines. For the first time in the history of Artillery Peak the Manganese District is under the control of one entity, American Manganese Inc.
- China has a 20% export duty on Electrolytic Manganese and the US has a 14% import duty, currently the world price is \$1.26/lb and US price is \$1.53/lb.

ARTILLERY PEAK CURRENT NI 43-101 RESOURCES

	Tonnes	%MN	Mn Pounds
Indicated	10,865,929	4.46	1,068,307,976
Inferred	96,933,724	4.52	9,661,091,721

ARTILLERY PEAK NI 43-101 PRELIMINARY ECONOMIC ASSESSMENT SUMMARY (BASE CASE \$1.10/LB)

Resource	21,240,000 T's @ 4.48% (Total Resource 107,800,000 T's)
Mine Life	17 years
Plant Size	3500 TPD (Can easily be expanded to meet increased demand)
Capital Cost	\$90 million
Strip Ratio	2.5/1 (over 17 year mine life)
Recovery	90%
Manganese Metal Price	\$1.31/lb
Cash Operating Cost	\$0.44/lb Manganese
Break even price, includes capital repayment	\$0.63/lb Manganese

For more information on American Manganese Inc., visit www.AmericanManganeseInc.com

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