



NIPPON DRAGON RESOURCES INC.
RESSOURCES NIPPON DRAGON INC.

Management's Discussion and Analysis 2014

FOR THE FINANCIAL YEAR ENDED SEPTEMBER 30, 2014

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For the year ended September 30, 2014

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Management's Discussion and Analysis

For the year ended September 30, 2014

This report provides a analysis of our results from operations and financial situation. That will help the reader to assess material changes in our results from operation and financial situation for the financial year ended September 30th, 201 in comparison to the same periods of the previous year. This Management Discussion and Analysis Report complies with Rule 51-102A of the Canadian Securities Administrators on continuous disclosure, is intended to supplement our consolidated financial statements. It presents management's point of view on the Company's ongoing activities and its current and past financial results, it gives an indication of its present and future orientations, while elaborating on its financial results and other risks that could have an impact on the Company's business. This Report should be read in conjunction with the interim and annual consolidated audited financial statements and the accompanying notes to the consolidated financial statements. This present MD&A Report was submitted to the audit committee that recommended its adoption by the Board of directors.

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS). These consolidated financial statements have been examined by the auditors of the Company, they include the necessary adjustments required to present fairly, in all material respects, the financial position for the year. All dollar amounts are expressed in Canadian dollars, unless otherwise specified.

Further information about the Company, its properties, projects, annual and quarterly reports are available for consultation on the web site of the Corporation or SEDAR at the following addresses: www.nippondragon.com and www.sedar.com.

CORPORATE INFORMATION AND NATURE OF ITS ACTIVITIES

Nippon Dragon Resources Inc. (formerly Rocmec Mining Corporation Inc. hereafter the "Company") was incorporated under Part 1A of the Companies Act (Québec) on July 18th, 2002 and continued under the Québec Business Corporations Act. Its head office is located 500-7055 Taschereau boulevard, Brossard (Quebec) J4Z 1A7, phone: 450-510-4442, email: info@nippondragon.com. The Company is a public Corporation, listed in the Tier 2 on the TSX Venture Exchange and its shares also trade on the Frankfurt Stock Exchange.

The business of the Company pertains to the exploration and development of its wholly owned and joint-venture mining properties (auriferous bearing and base metal) located in Quebec and Peru. Additionally, the Company has also given itself the mission of introducing its thermal fragmentation mining method within the mining industry in order for it to be recognized and commercialized worldwide. The Company has introduced his technology in South Africa with the help of Maxem Holding, an exclusive distributor.

The majority of its properties contain mineral resources. When further exploration will be incurred on the Rocmec 1, Denain, Courville and Rey Salomon properties, the Company will then determine if these properties contain economically profitable ore resources.

The Board of Directors has a majority of independent directors and is composed of: Kim Yong Nam (Chairman of the board), Andre Savard (President and Chief Executive Officer), Donald Brisebois (vice-president operations and technology), Gerald Desourdy - independent board member, Emile Molgat - independent board member and Paul-A. Girard - independent board member.

Management's Discussion and Analysis

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GOING CONCERN

The Company's consolidated annual financial statements were prepared based on the assumption of an ongoing concern. Consequently, they do not reflect the modifications that would be required in the case of the Company's inability to pursue its activities, to dispose of its interests and repay its debts within the normal course of business. The recoverability of the carrying value of exploration properties is dependent upon the discovery and extraction of economically recoverable reserves and the ability of the Company to raise additional financing to further explore and develop its mineral properties and to achieve commercial production of mineral deposits or the product from the disposition of the properties. Periodically, the Company will require additional financing to continue its operations. Even if the Company has been successful in the past in doing so, there is no assurance that it will manage to obtain additional financing in the future.

During the past year, Maxem Holding, an exclusive distributor, as started to promote the Company's exclusive patented thermal fragmentation mining method in South Africa. The distributor is continuing to familiarize themselves with the Company's equipment and is continually train by our employees. A first contract had been concluded with a mining company.

Generating revenue is the top priority in the corporate strategy which should help reduce its financial obligations and current debts (including debentures and compensation to 2009-2011 Flow through subscribers). With the help of a full service brokerage firm in New York, the Company is attempting to obtain sufficient funding to start mining operations at its Rocmec 1 property that will enable the Company to continue on improving its financial position and also provide a local and accessible showcase for its technology.

The Company intends to meet its financial obligations with the financial vehicles it has at its disposal such as debentures, gold loans and/or equity financing, depending on their availability and the financial needs of the Company.

SELECTED ANNUAL INFORMATION

	Years ended September 30,		
	2014	2013	2012
Current assets	\$ 133,452	\$ 86,367	\$ 259,271
Non-current assets	\$ 9,805,346	\$ 9,756,528	\$ 9,769,531
Total assets	\$ 9,938,798	\$ 9,842,895	\$ 10,028,802
Current liabilities	\$ 13,860,827	\$ 12,179,095	\$ 9,922,714
Non-current liabilities	\$ 140,256	\$ 543,605	\$ 1,300,320
Total liabilities	\$ 14,001,083	\$ 12,722,700	\$ 11,223,061

For the year ended September 30, 2014, increase in total assets is mainly due to an increase in the investment in the joint venture, exploration and evaluation assets, and tax credit and redeemable right receivable. This increase was reduced by the write-off of advances to the joint venture. As for the liabilities, increase of current liabilities and decrease of the non-current liabilities is explained by debts and debentures maturing during the period, without being repaid. Increase in current liabilities is also explained by salaries and fringe benefits payable, accrued interest and a new due to a shareholder.

Management's Discussion and Analysis

For the year ended September 30, 2014

SELECTED ANNUAL INFORMATION (CONT'D)

	Years ended September 30,		
	2014	2013	2012
Share of results in the joint-venture (i)	\$ (218,535)	\$ 42,253	\$ (624,721)
Operating expenses	\$ 1,401,115	\$ 1,753,155	\$ 2,808,903
Contracts income (ii)	\$ 72,481	\$ -	\$ -
Contracts cost (iii)	\$ 100,764	\$ -	\$ -
Financials cost	\$ 889,045	\$ 726,559	\$ 897,287
Net loss	\$ (2,306,315)	\$ (2,478,602)	\$ (3,081,469)
Net loss per share, basic and diluted	\$ (0.0395)	\$ (0.0502)	\$ (0.0775)

i) The proportionate interest of the Company in the joint venture totaling revenue of \$218 535 is accounted for using the equity method.

ii) Earnings from joint operation with Maxem Equipment.

RESULTS, COMPREHENSIVE LOSS AND DEFICIT

For the year ended September 30, 2014, the Company incurred a loss of \$ 2,306,315 compared to \$ 2,478,602 as at September, 30 2013. This improved result is mainly due to gain of \$218,535 on the share of results in the joint venture (loss of \$42,253 in 2013) and a decrease in professional fees from \$545,744 in 2013 to \$203,499 in 2014. The impact of those elements were reduced by the increase of \$413,988 in the following expenses; salaries and fringe benefits (\$103,694), stock-based compensation (\$120,209) ; and interests on debentures and debts (\$190,085). The advances to the joint venture of \$209,250 were also write-off at the end of the year.

Management's Discussion and Analysis

For the year ended September 30, 2014

MINING PROPERTIES AND FUTURE EXPLORATION WORK

Rocmec 1

Infrastructures: The property includes a 100m deep two-compartment shaft, an 844 metres decline allowing access to four levels (50, 90, 110 and 130 metres). On these levels a total of 2,000 metres (drifts and cross-cut drift) were driven. The Rocmec 1 ore body is well defined by diamond drill holes, certain areas were sampled and mined (McDowell vein).

Geology: The mineralization is associated to an East-West sheared system, almost parallel, broken by faults which create slight displacements. Some of the transversal faults are important, causing displacements exceeding 30 metres (ex: El Coco fault). The orientation of the mineralised structures varies from N070° to N090° with a dip of 55° to 80° towards the south. Fractures and tension veins have also developed in close proximity to the sheared zones. They are strongly silicified, very well foliated and are characterized by cataclastic textures with very fine mylonitic grains containing visible or pulverised fragments.

The gold veins on the Rocmec 1 property are quartz-carbonated narrow veins included in an intrusive rock with included quartz or granophyric textures. The narrow veins can be confined in a more competent ground. The high-grade iron ore is most favourable for gold precipitation. These quartz-carbonated narrow veins are normally created in a table and lense shaped structure and are present in the central portion of the sheared zone with a fragile-ductile rocky behaviour parallel to the host structure and slightly oblique. (Hogson, 1989; Poulsen et Robert, 1989).

Since this type of ore body is low in sulphur, the exploration strategy would be oriented towards geological criteria instead of geophysical criteria. It is important to focus on the sheared zones included in the host rock where high-grade iron igneous rock is present. The mapping done by coloured mineralised rock is a simple way to localise the more favourable ore zones.

Mineralization: The gold mineralization at the Rocmec 1 Property is linked to east-northeast, centimetric and metric-wide quartz veins, dipping moderately to steeply to the south, within a kilometre in length by 600 meters wide gabbro to granodiorite intrusive host. There are at least six major vein systems identified on the property; however recent underground work by the Company has confirmed that several veins are likely part of the same system, simply offset by north trending faults. The veins are part of diverging / converging or anastomosing fracture system than includes shearing, alteration (silica, chlorite, sericite, epidote and carbonate) and 2 to 10% disseminated and vein-type pyrite that can attain overall widths in excess of 30 meters.

The best known vein system is termed the McDowell Zone that may include three different vein sets, and has been recognized over a 1,660 meter long strike length, to a 317 meter depth, carrying an average of 6.07 g/t gold capped at 45 g/t over a 0.82 meter horizontal width.

Management's Discussion and Analysis

For the year ended September 30, 2014

MINING PROPERTIES AND FUTURE EXPLORATION WORK (CONT'D)

Table of Resources

Vein/Structure	Classification	Tonnage	Au	Oz	Average	Volume	Surface
			(g r/t)	(31.103 g)	Thickness (m)	(m³)	(m²)
M cDowell	Measured*(M)	73 100	7.33	17 200	0.83	27 100	32 600
	Indicated(I)	159 900	5.99	30 800	0.66	59 200	90 000
	Total (M E I)	233 000	6.41	48 000	0.70	86 300	122 600
	Infe rred	394 200	4.50	57 000	0.74	146 000	197 400
* Historical 2008/2009 mining and b u l k sampling removed from these numbers.							
Shaft	Measured*(M)	20 700	6.68	4 400	0.52	7 700	14 700
	Indicated(I)	116 200	5.79	21 600	0.56	43 000	77 100
	Total (M E I)	136 900	5.92	26 100	0.55	50 700	91 800
	Inferred	253 500	8.24	67 200	0.59	93 900	159 600
Talus	Measured*(M)	31 100	6.24	6 200	0.88	11 500	13 100
	Indicated(I)	79 100	6.50	16 500	0.70	29 300	41 900
	Total (M E F)	110 200	6.43	22 800	0.74	40 800	55 000
	Inferred	215 700	7.57	52 500	0.62	79 900	129 800
Boucher	Indicated	58 700	5.46	10 300	0.86	21 700	25 400
	Inferred	348 100	9.94	111 200	0.91	128 900	141 600
Boucher 2	Indicated	31 500	12.20	12 400	0.57	11 700	20 600
	Inferred	272 900	7.20	63 100	0.92	101 100	110 300
Talus 2	Inferred	18 000	5.28	3 100	1.25	6 700	5 300
Front West	Inferred	8 500	18.41	5 000	0.65	3 100	4 300
T 1 (Ext ru ded Block)	Inferred	600	10.58	200	0.39	200	600
T2	Inferred	500	18.42	3 00	0.33	200	600
T3	Inferred	500	4.36	100	0.35	200	600
Total	Measured (M)	124 800	6.95	27 900	0.77	46 200	60 300
	Indicated (I)	445 400	6.40	91 600	0.65	165 000	255 000
	Total (M E I)	570 300	6.52	119 500	0.67	211 200	315 300
	Inferred	1 512 400	7.40	359 600	0.75	560 100	749 900

* Calculations are in metric units with results rounded to reflect their true estimated nature. Mineral Resources are not Mineral Reserves, since Mineral Reserves have a demonstrable economic viability. Système Géostat International Inc. has verified and is not aware of any environmental, permitting, legal, claim title, taxation, socio-political, marketing or other constraints that could affect the resource estimate.

Management's Discussion and Analysis

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MINING PROPERTIES AND FUTURE EXPLORATION WORK (CONT'D)

The resources were estimated with a minimum horizontal width of 0.3m based on the hypothesis of thermal fragmentation mining. This method of mining is designed for narrow vein type mining.

SGS verified and reviewed most of historical analytical data during its first resource estimation of 2010. The same database was used and updated with the recent underground and surface drill hole data. SGS considers the historical data as adequate.

The western extension of the McDowell and Talus veins/structures near levels 50, 110 and 130 are still open for exploration and infill drilling. Approximately 150m between the McDowell intersection from the Drill hole RS-02 - 09 and the western extension of the level 90 are still available for infill drilling.

The project needs more definition diamond drilling especially over the (Boucher and Boucher 2 structures) before being ready for mining; this can be realized from surface drilling or by underground by existing rehabilitated drifts.

The Rocmec 1 mineral deposit holds sufficient resources to justify additional work on the property including exploration and infill drilling that could lead to a preliminary economic study especially over the Boucher and Boucher 2 Structures. Rocmec should focus on the increase as well as the upgrade of its resources.

Denain

The property is located in Louvicourt, in close proximity to Val-d'Or, is one of the sites on which the company undertook development work in order to evaluate its future potential. The principal vein, referred to as the South vein, has been intercepted on close to 400 metres in length, and identified to a depth of 100 metres. The technical report prepared by a consulting geologist reports measured and indicated resources of 9,570 ounces and inferred resources of 31,185 ounces. Furthermore, another mineralized structure, referred to as the north vein, has been identified but as of yet no resource calculation has been made. The company, Texas T. Minerals Inc. holds a 15% interest in the property.

Courville

For the moment this is at the exploration stage. Very little work is planned for this property during the coming year and Management has not determined when exploration activities will take place.

Management's Discussion and Analysis

For the year ended September 30, 2014

MINING PROPERTIES AND FUTURE EXPLORATION WORK (CONT'D)

Patents

The company owns the exclusive rights to a Canadian patent issued by the Canadian Patent Office. The patent issued to Rocmec International Inc. grants to the company the exclusive rights to utilise its thermal fragmentation technology as per its licensing agreement. The Canadian patent number is 2,495,143. Furthermore the Company owns the rights on following patents:

Country	Patent number	Date obtained
United States	U.S. 6,813,320 7,195,320 B2	July 5, 2005 March 27, 2007
Canada	2,495,143	March 14, 2006
Morocco	27552	October 3, 2006
South Africa	2005-4251	July 14, 2006
Mexico	PA/a/2005/005613	May 25, 2005
Russia	2005120014	June 24, 2006
Australia	2003285235	November 5, 2003
Tanzania	TZ/P/05/00085	June 1, 2005
Brazil	PI0316614-7	November 26, 2003
China	200380104249.7	July 16, 2010
International (PCT)	WO 2009/015468	February 5, 2009

EXPLORATION AND EVALUATION ASSETS

	Balance as at October 1st, 2013	Additions	Tax credits and duties refundable	Impairment	Balance as at September 30, 2014
Denain	\$ -	\$ -	\$ -	\$ -	\$ -
Courville-Maruska	-	-	-	-	-
Rocmec 1					
Mining rights	2,603,982	-	-	-	2,603,982
Exploration and evaluation	6,046,158	112,284	(42,622)	-	6,115,820
	<u>\$ 8,650,140</u>	<u>\$ 112,284</u>	<u>\$ (42,622)</u>	<u>\$ Nil</u>	<u>\$ 8,719,802</u>

Management's Discussion and Analysis

For the year ended September 30, 2014

EXPLORATION AND EVALUATION ASSETS (CONT'D)

	Balance as at October 1st, 2012	Additions	Tax credits and duties refundable	Impairment	Balance as at September 30, 2013
Denain	\$ -	\$ -	\$ -	\$ -	\$ -
Courville-Maruska	-	-	-	-	-
Rocmec 1					
Mining rights	2,603,982	-	-	-	2,603,982
Exploration and evaluation	5,897,017	163,843	(14,702)	-	6,046,158
	<u>\$ 8,500,999</u>	<u>\$ 163,843</u>	<u>\$ (14,702)</u>	<u>\$ Nil</u>	<u>\$ 8,650,140</u>

Capitalized exploration and evaluation assets are as follows:

	2014	2013
Supervision	\$ 70,809	\$ 117,493
Other exploration expenses	41,475	46,350
	<u>\$ 112,284</u>	<u>\$ 163,843</u>

INVESTMENTS IN A JOINT VENTURE

During the previous year, the Company has optioned a gold property, concession Rey Salomon (OFIR mine) located in Peru. It jointly controls the property with another company through their subsidiary Cerro Dorado S.A.C., which is incorporated in Peru. The Company has not disbursed any sum to acquire this exploration and evaluation asset in joint venture. The contribution of the Company to the joint venture includes the use of its patented thermal fragmentation mining method and the equipment for its application. Also, the Company will act as the exploration operator. The joint venture agreement stipulates that for an initial five year term, the split of net revenues generated from the exploitation of this mining property will be 50-50. In subsequent years, the Company will be entitled to 75% of the net revenues generated from the exploitation of the property.

In the partnership agreement that was established in Vaudreuil-Dorion (Quebec), the Company contributes its technology and expertise in mining and development production to OFIR mine; the company partner, Chazel Capital Inc. ("Chazel"), committed itself to bring \$1.2 million (US) required for mine production. Chazel's president, André Savard, is also the president of Nippon Dragon Resources Inc. Thus, the parties have agreed to hold 50% each of voting shares in the joint venture.

Management's Discussion and Analysis

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INVESTMENTS IN A JOINT VENTURE (CONT'D)

On August 26, 2012, the Company partner had reached the amount of \$US 1.2 million of expenditures required for the project OFIR. From this date on, the joint venture supported the expenses incurred by the Company.

On October 18, 2012, the Company and Chazel entered into an addendum (the « Addendum ») to the joint-venture agreement. The Addendum provides for, among other things, the following terms and conditions:

- (i) For an initial period of 7 years, the Company will be entitled to 35% of the profits generated from the Rey Salomon property while Chazel and its financial partners will be entitled to 65% of the profits and ;
- (ii) At the end of the 7-year period, the Company will be entitled to 60% of the profits whereas Chazel will be entitled to 40% of the profits.

The initial period of 7 years will commence once the production at the Rey Salomon property has reached 400 gold ounces per month. Until the commencement of such initial 7-year period, the allocation of the profits generated from the Rey Salomon property will increase gradually from 50% to 65% in the case of Chazel and decrease gradually from 50% to 35% in the case of the »Company pursuant to a schedule provided for in the Addendum that is based on the aggregate amount raised by Chazel as part of the total investment of \$671,750.

Thus, Chazel has agreed to raise \$671,750 and, with the exception of an amount of \$90,000 to be disbursed directly to Rocmec, to invest such amount in the Rey Salomon property in exchange for an additional 15% interest in the project. As at September 30, 2014, Chazel has already disbursed an amount of \$90 000 (\$38,513 as at September 30, 2013) in regards to this agreement.

The Company had the option to buy the 15% interest on or before July 31, 2013, at a price equal to the addition of the two following amounts: (i) \$300,000 being an amount that has already been expended by Chazel and that will be credited from the total amount of \$671,750, and (ii) the portion of the total amount of \$671,750 exceeding \$300,000 that will have been raised by Chazel as of the date on which the Company exercises its option to purchase, carrying a 35% premium. This option has now expired.

Completion of the transaction is subject to the approval of the TSX Venture Exchange. Since the agreement has not yet been approved, the amount of \$90,000 paid by Chazel was not recorded as a sale of interest in the joint venture and is presented as a deposit in current liabilities

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CASH FLOWS

	Years ended September 30,		
	2014	2013	2012
Cash flows from operating activities	(843,202)	\$ (779,404)	\$ (606,809)
Cash flows from investing activities	(92,765)	\$ (203,401)	\$ (132,066)
Cash flows from financing activities	941,022	\$ 1,008,137	\$ 630,295
Net change in cash and cash equivalents	5,055	\$ 25,332	\$ (108,580)
Cash and cash equivalents at beginning of year	51,293	\$ 25,961	\$ 134,541
Cash and cash equivalents at end of year	56,348	\$ 51,293	\$ 25,961

For the year ended September 30, 2014, the **operating activities** used \$843,202 of cash, an increase from the \$779,404 used in the prior year. This is mainly explained by a decreased of non-cash items in the working capital, from \$831,257 in 2013 to \$556,400 in 2014. On the other hand, the negative impact on operating cash flow has improved from \$1,610,661 in 2013 to \$1,389,602 in 2014.

Investing activities used \$92,765 of cash in 2014 compared to \$203,401 in 2013. This is mainly explained by the decrease in exploration and evaluation expenses, as well as the cashing of tax credits of \$14,702 in 2014.

For the year ended September 30, 2014, **the financing activities** have generated a cash flow of \$941,022 compared to \$1,008,137 in 2013. This is mainly explained by a decrease in warrants and shares issued (\$182,322 in 2014 compared to \$556,634 in 2013) as well as a repayment of debentures of \$100,002 in 2014 (none in 2013), compensated by a due to a shareholder of \$396,785 in 2014 (none in 2013).

FINANCIAL POSITION

On September 30, 2014, the total assets of Nippon Dragon Resources Inc. amounted to \$9,938,798 compared to \$9,842,895 as at September 30, 2013. In 2014, an increase in investment in joint venture of \$50,772 can be noted as well as an increase in exploration and evaluation assets of \$69,662 and an increase of \$27,920 in tax credits and redeemable right receivable. On the other hand, property, plant and equipment have decrease of \$71,616, representing the amortization of the year and the disposal of equipment.

Management's Discussion and Analysis

For the year ended September 30, 2014

FINANCIAL POSITION (CONT'D)

The main assets are detailed as follows:

	September 30, 2014	September 30, 2013
ASSETS		
CURRENT		
Cash	\$ 56,348	\$ 51,293
Accounts receivable and other receivables	16,160	1,000
Sales taxes receivable	18,322	19,372
Tax credits and redeemable rights receivable	<u>42,622</u>	<u>14,702</u>
	<u>133,452</u>	<u>86,367</u>
NON CURRENT		
PROPERTY, PLANT AND EQUIPMENT	283,593	355,209
INVESTMENT IN A JOINT VENTURE	801,003	750,231
EXPLORATION AND EVALUATION ASSETS	8,719,802	8,650,140
SECURITY DEPOSITS	<u>948</u>	<u>948</u>
	<u>8,805,346</u>	<u>9,756,528</u>
TOTAL OF ASSETS	<u>\$ 9,938,798</u>	<u>\$ 9,842,895</u>

Management's Discussion and Analysis

For the year ended September 30, 2014

FINANCIAL POSITION (CONT'D)

As at September 30, 2014, liabilities of the Company amounted to \$14,001,083 compared to \$12,722,700 as at September 30, 2013. In 2014, there is an important increase in accounts payable (\$3,256,976 in 2014 compared to \$2,833,576 in 2013), mainly from salaries and fringe benefits payable and accrued interest payable, an increase in long-term debts and debentures (\$3,861,656 in 2014 compared to \$3,643,325 in 2013) and a new due to a shareholder of \$396,785.

The main items composing the liabilities are as follows:

	September 30, 2014	September 30, 2013
LIABILITIES		
CURRENT		
Accounts payable	\$ 3,256,976	\$ 2,833,576
Deposit	90,000	38,513
Loans	20,261	19,934
Subscription received in advance	85,623,	-
Indemnities payable to subscribers	6,289,782	6,187,352
Due to a shareholder, without interest and specific repayment terms	396,785	-
Current portion of long term debts	1,509,969	1,199,720
Current portion of debentures	2,211,431	1,900,000
	13,860,827	12,179,095
NON CURRENT		
Long-term debts	-	13,832
Debentures	140,256	529,773
	140,256	543,605
TOTAL OF LIABILITIES	\$ 14,001,083	\$ 12,722,700

Shareholders' Equity

The shareholders' equity as at September 30, 2014 includes share capital of \$41,717,173 to which is added \$9,927,144 (contributed surplus), \$141,858 (fair value of warrants) and \$776,915 (equity component of convertible debentures), less \$56,625,375 (deficit) for shareholders' deficiency totalling \$4,062,285.

Assets Retirement Obligations

The Company's assets retirement obligations are based on management's estimates of costs to abandon and restore mining assets as well as an estimate of future timing of the costs. An amount of \$2,060 was estimated for the Rocmec 1 site.

Management's Discussion and Analysis

For the year ended September 30, 2014

FINANCIAL POSITION (CONT'D)

Off-Balance Sheet Arrangements, Obligations and Commitments

The company has no off-balance sheet arrangements, nor obligations other than those declared or concluded in the normal course of the Company's business.

Nippon Dragon Resources Inc. is considered as an exploration company. Many external factors influence and should have significant impact on the results of the Corporation and on its financing and capital needs. The Company plans to take measures to meet its obligations in terms of payments of accounts payable and accrued liabilities, interests on the convertible debentures, loans, current portion of long-term debts and convertible debentures. Management intent to continue as they previously did to finance these activities by the issuance of private placements in shares and debentures. Even if the Management has been successful in the past in doing so, Management can't predict if they're going to be successful in the future to raise money and Management believes that the liquidity risk is high.

During the period from October 1, 2013 to September 30, 2014, the Company didn't conclude any flow-through financings (\$44,135 in 2013), issued share capital to settle interests and has converted convertible debentures in share capital. These additional funding to those recorded on September 30, 2013, will be spend for financial obligations. However, additional financing will be required to finance its operating expenses for the next year.

Capital Structure

As at September 30, 2014, the capital structure of the Company was: Common shares (63,471,326), stock options (5,781,667) and warrants (8,451,903).

Source of financing

During the year ended September 30, 2014, the Company completed private placements for a total amount of \$182,322 compared to \$512,499 in the previous year. Issuance cost of shares of \$13,602 (\$14,119 in 2013) were paid during the current year.

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RELATED PARTY TRANSACTIONS

On November 14th, 2011, the Company ratified its offer to acquire the Rey Salomon property in Peru. It subsequently signed a partnership agreement with Chazel Capital Inc. André Savard, who is a director, President and Chief Executive Officer of the Company, is the President and majority shareholder of Chazel Capital Inc. Chazel Capital Inc. and the Company, which were not related parties at the time of the signing of the partnership agreement in November 2011, became so due to the appointment of Mr. Savard as a director, President and Chief Executive Officer of the Company in February 2012. Impartial negotiations for the agreement are conducted under the leadership of the Chairman of the Board with the direct involvement of independent members of the Board of Directors.

Main management is composed of administrators and members of top management.

Remuneration for main management includes:

	Years ended September 30,		
	2014	2013	2012
Salaries and fringe benefits	\$ 339,924	\$ 324,269	\$ 267,375
Capitalized to exploration and evaluation assets	(70,809)	(117,493)	(120,670)
	269,115	206,776	146,705
Stock-based compensation	190,647	156,189	227,568
Total	\$ 459,762	\$ 362,965	\$ 374,273

INFORMATION REGARDING THE ISSUED AND OUTSTANDING SHARES

Changes in the Company's common share capital were as follows:

	September 30, 2014		September 30, 2013	
	Number	Amount	Number	Amount
Share issued				
Balance at beginning of year	53,740,633	\$ 40,873,171	44,961,479	\$ 40,426,344
Paid in cash	1,991,538	182,322	7,566,024	512,499
Debenture conversion	7,319,233	658,731	-	-
Flow-through financing	-	-	655,768	44,315
Issuance of warrants	-	(47,442)	-	(172,481)
Debt settlement	419,922	50,391	557,362	62,674
Balance at end of year	63,471,326	\$ 41,717,173	53,470,633	\$ 40,873,171

Management's Discussion and Analysis

For the year ended September 30, 2014

INFORMATION ON COMPANY'S COMMON SHARE PURCHASE OPTIONS

A summary of changes in the Company's common share purchase options is as follows:

	September 30, 2014		September 30, 2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of year	3,565,000	\$ 0.213	3,868,000	\$ 0.242
Granted	3,355,000	0.120	100,000	0.100
Expired	-	-	(63,000)	(2.200)
Cancelled	(20,000)	1.950	(340,000)	(0.145)
Balance, end of year	6,900,000	0.613	3,505,000	0.213
Options exercisable at the end	5,781,667	\$ 0.169	3,505,000	\$ 0.212

Options granted and exercisable as at September 30, 2014 :

<u>Options granted</u>	<u>Options exercisable</u>	<u>Exercise price</u>	<u>Expiry date</u>
45,000	45,000	\$ 1.90	November 2014
65,000	65,000	\$ 2.00	December 2015
3,335,000	3,335,000	\$ 0.14	June 2017
100,000	100,000	\$ 0.10	April 2018
<u>3,355,000</u>	<u>2,236,667</u>	\$ 0.12	December 2018
<u>6,900,000</u>	<u>5,781,667</u>		

Management's Discussion and Analysis

For the year ended September 30, 2014

INFORMATION ON COMPANY'S COMMON SHARE PURCHASE WARRANTS

A summary of changes in the Company's warrants is as follows:

	September 30, 2014		
	Number of warrants	Weighted average exercise price \$	Fair value allocated
Balance at beginning of year	10,608,695	\$ 0.152	\$ 522,639
Granted	1,913,443	0.156	47,942
Expired	(4,070,235)	(0.216)	(428,223)
Balance at end of year	8,451,903	\$ 0.122	\$ 141,858

	September 30, 2013		
	Number of warrants	Weighted average exercise price \$	Fair value allocated
Balance at beginning of year	18,222,113	\$ 0.319	\$ 1,643,233
Granted	7,597,930	0.121	172,481
Expired	(15,211,348)	(0.336)	(1,293,075)
Balance at end of year	10,608,695	\$ 0.152	\$ 522,639

Warrants outstanding as at September 30, 2014 are as follows:

Number	Exercise price	Expiry date
538,460	\$ 0.245	January 2015
6,000,000	\$ 0.100	May 2015
1,208,936	\$ 0.180	April 2015
704,507	\$ 0.115	July 2016
8,451,903		

Management's Discussion and Analysis

For the year ended September 30, 2014

INFORMATION ON COMPANY'S BROKERS' UNITS OPTIONS

A summary of changes in the Company's brokers' units is as follows:

September 30, 2014			
	Number of units options	Weighted average exercise price \$	Fair value allocated
Balance at beginning of year	-	-	-
Expired	-	-	-
Balance at end of year	NIL	-	NIL

September 30, 2013			
	Number of units options	Weighted average exercise price \$	Fair value allocated
Balance at beginning of year	377,000	0.558	112,970
Expired	(377,000)	(0.558)	(112,970)
Balance at end of year	NIL	0.558	NIL

INTERIM DATA

The financial information chosen for the last nine quarters is as follows:

	<u>30/09/14</u>	<u>30/06/14</u>	<u>31/03/14</u>	<u>31/12/13</u>	<u>30/09/13</u>	<u>30/06/13</u>	<u>31/03/13</u>	<u>31/12/12</u>	<u>30/09/12</u>
Share of result in the joint-venture	46,911	97,652	21,564	52,408	(62,601)	(18,209)	34,341	4,216	29,965
Administrative and general operating expenses	(439,972)	(335,449)	(326,088)	(299,606)	(471,943)	(393,833)	(486,417)	(400,962)	(1,227,513)
Financial costs	(157,606)	(260,657)	(237,749)	(233,033)	(161,202)	(235,887)	(165,745)	(163,725)	(307,759)
Net loss	(785,801)	(498,037)	(542,246)	(480,231)	(672,208)	(647,929)	(596,270)	(562,195)	(1,510,860)
Net loss per share, basic and diluted	(0.013)	(0.008)	(0.010)	(0.0097)	(0.014)	(0.013)	(0.013)	(0.012)	(0.038)

Management's Discussion and Analysis

For the year ended September 30, 2014

INTERIM DATA (CONT'D)

The figures of the past 9 quarters are vastly comparable, with the exception of general administrative and operating expenses for the period ended September 30, 2012 (\$1,227,513). This exception is due to the provision recorded for subscribers' indemnity (\$583,209) and the recorded loss on settlement of debt (\$126,653). The loss in the fourth quarter of 2014 was slightly higher compared to the other quarters, mainly explained by the write-off of advances to the joint venture of \$209,250.

The variation in the share of results in the joint venture is caused by the ratification of the Company's offer to acquire the Rey Salomon property in Peru. Starting September 30, 2012, the value of the investment in a joint venture changes every quarter because its being recorded under the equity method, presenting the Company's share in the net assets of the joint venture.

Highlight of the fourth quarter

On July 31, 2014, the Company completed a \$52,838 private placement by issuing 704,507 units of the Company at a price of \$0.075 per unit, each unit is comprised of one (1) common shares of the Company and one (1) warrant. Each common share purchase warrant entitles its holder thereof to purchase one (1) common share of the Company at a price of \$0.115 per common share for a period of 24 months following the date of issuance. An amount of \$13,987 related to the warrants issued has been recognized. There was no issuance cost.

Fourth quarter

For the 3 months period ending September 30, 2014, the Company has suffered a loss of \$785,801 (\$672,620 in 2013). The increase is mainly due by a write-off of advances to a joint venture (\$209,250), which is partially compensated by the increase in the investment in the joint venture (\$46,911 for the period compared to a loss of \$62,001 in 2013). Moreover, an interest expense of \$53,074 was recorded in order to accrue interests on Company's debentures (see note 3 for the financial statements).

SUBSEQUENT EVENTS

On October 3, 2014, the Company realized private placement of \$ 48,814,664 by issuing 190 units at a price of \$0.075 per unit each unit being comprised of one (1) common share and one (1) common share purchase warrant of the Company. Each common share purchase warrant entitles its holder thereof to purchase one (1) common share of the Company at a price of \$0.115 per common share for a period of 24 months following the date of issuance. An amount of \$14,498 related to the warrants issued has been recognized. There was no issuance cost.

On October 16, 2014, the Company completed the first tranche of a private placement for \$ 660,735 by issuing 8,809,805 units at a price of \$0.075 per unit, each unit comprised of one (1) common share and one (1) common share purchase warrant of the Company. Each common share purchase warrant entitles its holder to purchase one (1) additional common share of the Company at a price of \$0.115 per common share for a period of 24 months following the date of issuance. An amount of \$188,782 related to the warrants issued has been recognized. There was no issuance cost.

Management's Discussion and Analysis

For the year ended September 30, 2014

SUBSEQUENT EVENTS (cont'd)

On November 13, 2014, the Company completed the second tranche of a private placement for \$ 620,046 by issuing 8,267,282 units at a price of \$ 0.075 per unit, each unit comprised of one (1) common share and one (1) common share purchase warrant of the Company. Each common share purchase warrant entitles its holder to purchase one (1) additional common share of the Company at a price of \$ 0.115 per common share for a period of 24 months following the date of issuance. An amount of \$156,460 related to the warrants issued has been recognized. There was no issuance cost.

On December 2, 2014, the Company concluded an exclusive distribution agreement with NDR Japan Co. of Japan for the distribution and the use of its patented thermal fragmentation mining method. No legal entity has been created for the purposes of the agreement, and each company is entitled to 50% of the profits and losses generated by the partnership.

On December 17, 2014, the Company completed the second tranche of a private placement for \$293,688 by issuing 3,915,833 units at a price of \$0.075 per unit, each unit comprised of one (1) common share and one (1) common share purchase warrant of the Company. Each common share purchase warrant entitles its holder to purchase one (1) additional common share of the Company at a price of \$0.115 per common share for a period of 24 months following the date of issuance. An amount of \$71,571 related to the warrants issued has been recognized. There was no issuance cost.

CONTINGENCIES

The Company's operations are regulated by governmental laws and regulations regarding environmental protection. The environmental consequences are hardly identifiable, whether it is the result level, the impact or its deadline. At the present time and to the best knowledge of its management, the Company is in conformity with the laws and regulations. In 2013, a provision of \$2,060 (\$2,060 in 2013) for restoration of the premises is included in the accounts payable. The actual amount might differ from this estimate.

The Company is partly financed by issuance of flow-through common shares. However, there are no guarantees that the funds spent by the Company will qualify as Canadian explorations expenses, even if the Company has taken all the necessary measures to meet its commitment. The refusal of some expenses by the tax authorities would have a negative fiscal impact on investors and the Company and these consequences will only be determinable when such expenses will be denied by tax authorities.

CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that affect the amounts recorded in the consolidated financial statements and notes to consolidated financial statements. Significant estimates include the useful life of property, plant and equipment, the recoverability of mineral properties and deferred exploration and development expenses, tax credits receivable, indemnities payable to subscribers, future income taxes and stock-based compensation. While management believes that these estimates and assumptions are reasonable, actual results could vary significantly.

Management's Discussion and Analysis

For the year ended September 30, 2014

FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Company is exposed to various financial risks resulting from both its operations and its investments activities. The Company's management manages financial risks.

The Company does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

Financial risk

The Company's main financial risk exposure and its financial risk management policies are as follows:

Credit risk

The credit risk is the risk associated with non-payment of financial obligations by the customers of the Company. The Company's maximum exposure to credit risk is limited to the accounts receivable. The credit risk is considered negligible, since the counterparty is a reputable bank with high quality external credit rating. The maximum credit risk is equivalent to the net book value.

Liquidity risk

The liquidity risk is the risk that the Company experiences difficulty honouring commitments related to financial liabilities. The management approach concerning cash management is to ensure, as much as possible, that the Company has the necessary funds to meet its financial obligations at maturity. If considered necessary, management renegotiates extensions to maturity dates to balance the needs in cash and financings.

The Company means to take measures in order to meet its obligations under accounts, payable interest payment on convertible debentures and borrowings and repayment of the short-term part of long-term debts and convertible debentures. Management intends to continue, as was done in the past, to finance its activities by raising funds by private equity investments. Even if it succeeded in financing its activities in the past, management cannot comment on the success of its future fund raising and it believes that the liquidity risk is high.

During the year ended on September 30, 2014, the Company concluded private financing for a total of \$182,322, issued share capital (note 16) to resolve debentures and accrued interest (note 11) and renegotiate terms of debentures to maintain its liquidity (note 15). However, additional financing will be needed to finance its operating expenses for the next year (note 23).

Management's Discussion and Analysis

For the year ended September 30, 2014

FINANCIAL INSTRUMENTS (CONT'D)

The following chart summarizes the Company's financial liabilities as at September 30, 2014:

	Less than a year	Between 1 year and 2 years	More than 2 years
Accounts payable	\$ 3,256,976	\$ -	\$ -
Loans	20,261	-	-
Indemnities payable to subscribers	6,289,782	-	-
Long-term debts	1,509,969	-	-
Debentures	<u>2,211,431</u>	<u>140,256</u>	<u>-</u>
	<u>\$ 13,288,419</u>	<u>\$ 140,256</u>	<u>\$ NIL</u>

Interest rate risk

The interest rate risk is the risk that fair value future cash flows of a financial instrument fluctuate because of the variations in the market interest rates. The loans, funded debt and debentures issued by the Company bear fixed-rate interest and expose it to the risk of fair value variation resulting from fluctuation of rate interest.

Sensitivity analysis of interest rate

A 1% change in the interest rate would not have a significant impact on the results and the Company cash flow.

RISKS AND UNCERTAINTIES

At September 30, 2014, the Company is considered an exploration company. Several external factors influence and can have a significant impact on the results of the Company and its financing needs and capital. The exploration and development of mineral deposits involves significant financial risks without ensuring that exploration campaigns will result in a profitable commercial production. The recoverability of amounts shown for mineral properties and the continuity of the operation depends on the discovery of reserves or resources and economically viable production, maintenance of properties and the ability of the Company to obtain additional funding, if necessary, or sale with profit of said properties. Changes in future conditions could require write-offs in carrying values.

Risk due to the state of the industry:

Exploration and advanced development of mining resources are risky endeavours that even careful planning associated with experience and knowledge cannot eliminate. Even if the discovery and exploitation of mineral resources may be extremely lucrative, only a few sites prospected become profitable mines. Significant expenses may prove to be required to determinate mineral reserves, establish metallurgical processes and built the installations needed to extract and treat the minerals from a particular site.

Management's Discussion and Analysis

For the year ended September 30, 2014

RISKS AND UNCERTAINTIES (cont'd)

Risk due to the uncertainty of title:

Although the Company has obtained title opinions with respect to certain of its properties and has taken reasonable measures to ensure proper title to its properties, there is no guarantee that title to any of its properties will not be challenged or impugned. Third parties may have valid claims underlying portions of the Company's interest.

Risk due to the Governmental regulation:

The activities of the Corporation must respect the multiple laws and regulations which regulate exploration, advanced development and exploitation of mineral resources, the protection of the environment, the acquisition of permits and the authorizations of mining authorities for the work performed. The Corporation believes that its activities are in conformity with all respects of the law. A change in legislation could have a negative impact on the activities of the Corporation.

Uninsured Risks

The Company could become liable for subsidence, pollution and other risks against which it cannot insure itself or chooses not to insure itself due to the high cost of premiums or for some other reason. Payment of such liabilities could decrease or even eliminate the funds available for exploration and mining activities.

Commodity Prices

The market for uranium, gold, diamonds, base metals or other mineral discovered can be affected by factors beyond the Company's control. Commodity prices have fluctuated widely, particularly in recent years. The impact of these factors cannot be accurately predicted

Management's Discussion and Analysis

For the year ended September 30, 2014

FORWARD-LOOKING STATEMENTS – CAUTION

Our report contains « forward-looking statements », not based on historical facts. Forward-looking statements reflect, as at the date of this Management Discussion and Analysis Report, our estimates, forecasts, projections, expectations and beliefs as to future events or results. Forward-looking statements are reasonable estimates, but involve a number of risks and uncertainties, and there can be no assurance that such statements will prove to be accurate. Therefore, actual results and future events could differ materially from those anticipated in such statements. Factors that could cause results or events to differ materially from current expectations expressed or implied by the forward-looking statements include, but are not limited to factors associated with fluctuations in the market price of gold and precious metals, mining industry risks, unexpected geological situations, uncertainty as to calculation of mineral reserves, changes in laws or governmental policies, inability to obtain permits and approval from governmental bodies and requirements of additional financing and the capacity of the Corporation to obtain financing and any other risk associated mining and development.

The Company believes that the assumptions inherent in the forward-looking statements are reasonable, undue reliance should not be placed on these statements, which only apply as of the date of this document.

This management's discussion and analysis contains forward-looking statements reflecting the Company's objectives, estimates and expectations. These statements are identified by the use of verbs such as "believe", "anticipate", "estimate" and "expect" as well as the use of the future or conditional tense. By their very nature, these types of statements involve risk and uncertainty. Consequently, results could differ materially from the Company's projections or expectations.

(S) André Savard

(S) Donald Brisebois

André Savard,
President and CEO

Donald Brisebois
Vice-President Operations & Technology

January 27, 2015