NIPPON DRAGON RESOURCES INC.
RESSOURCES NIPPON DRAGON INC.

Management's Discussion and Analysis 2015

FOR THE FINANCIAL YEAR ENDED SEPTEMBER 30, 2015

500-7055 TASCHEREAU BOULEVARD, BROSSARD (QUEBEC) J4Z 1A7 TELEPHONE: (450) 510-4442 FAX: (450) 510-9901

Nippon Dragon Resources Inc.
(Exploration Stage Company)

Index

For the year ended September 30, 2015

Corporate information and nature of its activities	1
Going concern	2
Selected annual information	2
Results, comprehensive income (loss) and deficit	3
Mining properties and future exploration work	4
Exploration and evaluation of assets	9
Investment in a joint venture	10
Cash flows	12
Financial position	12
Related party transactions	16
Information on issued and outstanding shares	16
Information on the Company's common share purchase options	17
Information on the Company's common share purchase warrants	18
Interim data	19
Subsequent events	20
Contingencies	20
Critical accounting estimates	21
Financial instruments	21
Risks and uncertainties	23
Forward-looking statements – Caution	24

Nippon Dragon Resources Inc.

(Exploration Stage Company)

Management's Discussion and Analysis

For the year ended September 30, 2015

This report provides an 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 30, 2015 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 audited 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 the Québec *Business Corporations Act* on July 18, 2002. 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. 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 recognised and commercialized worldwide. The Company has partnerships with entities in South Africa and Japan, and an exclusivity distribution agreement in Australia to showcase its technology.

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

The Board of Directors is composed of: Mr. Kim Yong Nam (Chairman), André Savard (President and Chief Executive Officer) Donald Brisebois (Vice-President Operations and Technology), Mr. Gerald Desourdy – independent board member, Emile Molgat - independent board member and Paul-A. Girard - independent board member. Changes in the composition of the Board will come into effect following the resignations of Mr. André Savard and Mr. Gérald Désourdy in October 2015.

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 rise 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, the mining contractor Don Bourgeois & Sons Inc. continued to promote the Company's exclusive patented thermal fragmentation mining method in Quebec and Ontario. Discussions are underway with various groups that have shown an interest. Also, an exclusive distribution agreement has been concluded with Safescape, a company in Australia to which the Company has shipped two thermal units (mini dragons) during the year. In Japan, the Company has made numerous rock burst demonstrations with the help of its partner NDR Japan Co. in order to promote the thermal fragmentation method in this region. A second working phase is also in motion in South Africa with the partner Maxem and a mining client.

Generating revenue is the top priority in the corporate strategy which should help reduce its financial obligations and current debts. 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,		
	2015	2014	2013
Current assets	**$ 363,376**	$ 133,452	$ 86,367
Non-current assets	**$ 9,132,605**	$ 9,805,346	$ 9,756,528
Total assets	**$ 9,495,981**	$ 9,938,798	$ 9,842,895
Current liabilities	**$ 13,265,517**	$ 13,860,827	$ 12,179,095
Non-current liabilities	**$ -**	$ 140,256	$ 543,605
Total liabilities	**$ 13,265,517**	$ 14,001,083	$ 12,722,700

For the year ended September 30, 2015, total assets variation is mainly due to the write-off of the investment in a joint venture and the increase in accounts receivable and prepaid expenses. As for the liabilities, decrease of current liabilities and non-current liabilities is explained by the conversion of the due to a shareholder into common shares.

SELECTED ANNUAL INFORMATION (CONT'D)

	Years ended September 30,		
	2015	2014	2013
Share of results in the joint venture	**$ -**	$ (218,535)	$ 42,253
Operating expenses	**$ (1,587,329)**	$ 1,396,115	$ 1,753,155
Contracts income	**$ 88,531**	$ 72,481	$ -
Distribution income from thermal fragmentation technology	**$ 96,509**	$ -	$ -
Contracts cost	**$ 93,843**	$ 105,764	$ -
Financials cost	**$ 527,383**	$ 889,045	$ 726,559
Net loss	**$ (2,644,618)**	$ (2,306,315)	$ (2,478,602)
Net loss per share, basic and diluted	**$ (0.0301)**	$ (0.0395)	$ (0.0502)

RESULTS, COMPREHENSIVE INCOME (LOSS) AND DEFICIT

For the year ended September 30, 2015, the net loss totaled $2,644,618 compared to a net loss of $2,306,315 as at September 30, 2014. The variation is explained by the write-off of the investment in a joint venture with Chazel Capital totaling $711,003 ($nil in 2014). The variation is also due to a gain on the write-off of accounts payable of $70,932 ($nil in 2014) and a gain on write-off of a due to a shareholder of $73,785 ($nil in 2014). In addition, interest on debentures and debt decreased by $330,089 and there was an increase of $363,173 in the following expenses; salaries and fringe benefits ($93,069), travelling and promotion ($186,499) and professional fees ($83,605).

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.

MINING PROPERTIES AND FUTURE EXPLORATION WORK (CONT'D)

Table of Resources

Vein/Structure	Classification	Tonnage	Au (g r/t)	Oz (31.103 g)	Average Thickness (m)	Volume (m^3)	Surface (m2)
McDowell	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
	Inferred	394 200	4.50	57 000	0.74	146 000	197 400
* Historical 2008/2009 mining and bulk 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 (Extruded Block)	Inferred	600	10.58	200	0.39	200	600
T2	Inferred	500	18.42	300	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.

MINING PROPERTIES AND FUTURE EXPLORATION WORK (CONT'D)

The resources were estimated with a minimum horizontal with of 0.3 m 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 surfaces 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 Maruska

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.

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	PIO316614-7	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, 2014	Additions	Tax credits and duties refundable	Impairment	Balance as at September 30, 2015
Denain (a)	$ -	$ -	$ -	$ -	$ -
Courville Maruska (b)	-	-	-	-	-
Rocmec 1 (c)					
Mining rights	2,603,982	-	-	-	2,603,982
Exploration and evaluation	6,115,820	41,505	(11,621)	-	6,145,704
	$ 8,719,802	$ 41,505	$ (11,621)	$ Nil	$ 8,749,686

EXPLORATION AND EVALUATION ASSETS (CONT'D)

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

Capitalized exploration and evaluation assets during the year are as follows:

	2015	2014
Supervision	$ **30,900**	$ 70,809
Other exploration expenses	**10,605**	41,475
	$ **41,505**	$ 112,284

INVESTMENT IN A JOINT VENTURE

During the 2012 fiscal year, the Company has optioned a gold property, concession Rey Salomon (OFIR mine) located in Peru. It jointly controlled the property with another company through their subsidiary Cerro Dorado S.A.C., which was 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 included the use of its patented thermal fragmentation mining method and the equipment for its application. Also, it was agreed that the Company would act as the exploration operator. The joint venture agreement stipulated 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 would have been 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's contributed its technology and expertise in mining and development production to OFIR mine; the Company's partner, Chazel Capital Inc. ("Chazel") chaired by André Savard, which was also at that time the President of Nippon Dragon Resources Inc., committed itself to bring $1.2 million (US) required for mine production. Thus, the parties had agreed to hold 50% each of voting shares in the joint venture.

INVESTMENT IN A JOINT VENTURE (CONT'D)

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

On February 17, 2015, the Company decided to withdraw from the joint venture with Chazel Capital for the development of the Rey Solomon mining project in Peru to focus on canvassing the implementation of the thermal fragmentation in the region. Following this decision, the company is released from any financial responsibilities, legal and environmental past, present and future of the venture Cerro Dorado SAC. Participation in the joint venture in the consolidated financial position was removed and all components connected to it.

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

(i) For an initial period of 7 years, the Company would have been entitled to 35% of the profits generated from the Rey Salomon property while Chazel and its financial partners would have been entitled to 65% of the profits and ;

(ii) At the end of the 7 year period, the Company would have been entitled to 60% of the profits whereas Chazel would have been entitled to 40% of the profits.

The initial period of 7 years was to begin once the production at the Rey Salomon property had 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 would 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 was based on the aggregate amount raised by Chazel as part of the total investment of $671,750.

Thus, Chazel had agreed to raise $671,750 and, with the exception of an amount of $90,000 to be disbursed directly to the Company, to invest such amount in the Rey Salomon property in exchange for an additional 15% interest in the project.

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 had already been expended by Chazel and that would be credited from the total amount of $671,750, and (ii) the portion of the total amount of $671,750 exceeding $300,000 that would have been raised by Chazel as of the date on which Nippon Dragon Resources Inc. exercised its option to purchase, carrying a 35% premium. This option has now expired.

Completion of the transaction was subject to the approval of the TSX Venture Exchange. Therefore, the amount of $90,000 disbursed by Chazel was not accounted for as a sale of interest in the joint venture as the transaction hadn't yet been approved and was presented in the current liabilities. The Company decided to withdraw from the joint venture with Chazel Capital, and in this context, was released from repaying the deposit.

CASH FLOWS

	Years ended September 30,		
	2015	2014	2013
Cash flows from operating activities	**$ (1,785,575)**	$ (843,202)	$ (779,404)
Cash flows from investing activities	**$ (177,824)**	$ (92,765)	$ (203,401)
Cash flows from financing activities	**$ 1,990,969**	$ (941,022)	$ 1,008,137
Net change in cash and cash equivalents	**$ 27,570**	$ 5,055	$ 25,332
Cash and cash equivalents at beginning of year	**$ 56,348**	$ 51,293	$ 25,961
Cash and cash equivalents at end of year	**$ 83,918**	$ 56,348	$ 51,293

For the year ended September 30, 2015, the **operating activities** used $(1,785,575) of cash, an increase from the $(843,202) used in the prior year. This change is mainly explained by non-cash items in the working capital, which went from $546,400 in 2014 to $85,216 in 2015. This change is due to an increase in accounts receivable, prepaid expenses and by a decrease in accounts payable.

Investing activities used $177,824 in cash in 2015 compared to $92,765 in 2014. This is mainly explained by the decrease in exploration and evaluation expenses. During the year 2015, the Company has devoted itself to the introduction of the thermal fragmentation method in the mining industry throughout the world, which explains the decrease in exploration and evaluation costs. The acquisition of property and equipment for $172,799 during the year ($nil in 2014) also contributed significantly to fund outflows in investing activities.

For the year ended September 30, 2015, **the financing activities** have generated cash flows of $1,990,969 compared to $(941,022) in 2014. This variation is explained by an increase in warrants and shares issued which generated $2,180,018 in 2015 compared to $182,322 in 2014. The Company is actively seeking funding sources to overcome its ongoing cash requirements which were mostly filled in 2015 by the issuance of equity instruments.

FINANCIAL POSITION

On September 30, 2015, the total assets of Nippon Dragon Resources Inc. amounted to $9,495,981 compared to $9,938,798 as at September 30, 2014. In 2015, an increase in investment in property, plant and equipment of $99,326 can be noted as well as an increase in exploration and evaluation assets of $29,884, an increase in accounts receivable and other receivables of $63,539 and an increase of $161,454 in prepaid expenses. On the other hand, tax credits and redeemable rights receivable have decreased by $24,859 and there is also a decrease in the investment in a joint venture of $801,003 due to its write-off.

FINANCIAL POSITION (CONT'D)

The main assets are detailed as follows:

	September 30, 2015	September 30, 2014
CURRENT ASSETS		
Cash	**$ 83,918**	$ 56,348
Accounts receivable and other receivables	**79,699**	16,160
Sales tax receivable	**20,542**	18,322
Prepaid expenses	**161,454**	-
Tax credits and redeemable rights receivable	**17,763**	42,622
	363,376	133,452
NON CURRENT ASSETS		
Property, plant and equipment	**382,919**	283,593
Investment in a joint venture	**-**	801,003
Exploration and evaluation assets	**8,749,686**	8,719,802
Security deposits	**-**	948
	9,132,605	9,805,346
	$ 9,495,981	$ 9,938,798

FINANCIAL POSITION (CONT'D)

As at September 30, 2015, liabilities of the Company totaled $13,265,517 compared to $14,001,083 as at September 30, 2014. In 2015, there is a decrease in accounts payable ($3,191,200 in 2015 compared to $3,256,976 in 2014), mainly from trade accounts payable and accrued interest payable, as well as a decrease in deposits ($nil in 2015 compared to $90,000 in 2014) and the repayment of the due to a shareholder of $396,785.

The main items composing the liabilities are as follows:

	September 30, 2015	September 30, 2014
LIABILITIES		
CURRENT		
Accounts payable	**$ 3,191,200**	$ 3,256,976
Deposit	**-**	90,000
Loans	**20,833**	20,261
Subscription received in advance	**-**	85,623,
Indemnities payable to subscribers	**6,285,782**	6,289,782
Due to a shareholder, without interest nor specific repayment terms	**-**	396,785
Current portion of long term debts	**1,500,000**	1,509,969
Current portion of debentures	**2,267,702**	2,211,431
	13,265,517	13,860,827
NON CURRENT		
Long-term debts	**-**	-
Debentures	**-**	140,256
	-	140,256
TOTAL OF LIABILITIES	**$ 13,265,517**	$ 14,001,083

Shareholders' Equity

The shareholders' equity as at September 30, 2015 includes share capital of $44,023,670 to which is added $10,293,200 (contributed surplus), $540,112 (fair value of warrants) and $703,087 (equity component of convertible debentures), less $ 59,329,605 (deficit) for shareholders' equity totalling ($3,769,536).

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.

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.

From October 1st, 2014 to September 30, 2015, the Company didn't conclude any flow-through financing (none in 2014), issued share capital to settle interests and has converted convertible debentures in share capital. This additional funding to those recorded on September 30, 2014, will be spent for financial obligations. However, additional financing will be required to finance its operating expenses for the next year.

Capital Structure

As at September 30, 2015, the capital structure of the Company was: Common shares (98,315,278), stock options (8,430,000) and warrants (32,992,239).

Source of financing

During the year ended September 30, 2015, the Company completed private placements for a total amount of $2,378,018 compared to $182,322 in the previous year. Issuance cost of shares of $59,612 ($13,602 in 2014) was paid during the current year.

RELATED PARTY TRANSACTIONS

The related parties include key management personnel, key management's companies, the joint venture and the joint operation described below.

During the year 2015, two of the main directors of the Company subscribed for a total of 950,000 units of the Company at a price of $0.08 for total gross proceeds of $76,000 under the first tranche of the private placement conducted on April 15, 2015.

Key management personnel includes the directors and officers of the Company.

The key management compensation includes:

	Years ended September 30,		
	2015	2014	2013
Salaries and fringe benefits	**$ 480,048**	$ 482,489	$ 462,240
Capitalized to exploration and evaluation assets	**(30,900)**	(70,809)	(117,493)
	449,148	411,680	344,747
Stock-based compensation	**182,033**	234,643	156,189
Total	**$ 631,181**	$ 646,323	$ 500,936

INFORMATION ON ISSUED AND OUTSTANDING SHARES

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

	September 30, 2015		September 30, 2014	
	Number	Amount	Number	Amount
Share issued				
Balance at beginning of year	**63,471,326**	**$ 41,717,173**	53,740,633	$ 40,873,171
Paid in cash	**31,078,796**	**2,378,018**	1,991,538	182,322
Debenture conversion	**-**	**-**	7,319,233	658,731
Issuance of warrants	**-**	**(550,967)**	-	(47,442)
Exercise of common share purchase options	**300,000**	**65,100**	-	-
Exercise of warrants	**3,230,000**	**390,830**	-	-
Debt settlement	**235,156**	**23,516**	419,922	50,391
Balance at end of year	**98,315,278**	**$ 44,023,670**	63,471,326	$ 41,717,173

INFORMATION ON THE COMPANY'S COMMON SHARE PURCHASE OPTIONS

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

	September 30, 2015		September 30, 2014	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Balance, beginning of year	**6,900,000**	**0.163**	3,565,000	$ 0.213
Granted	**3,475,000**	**0.099**	3,355,000	0.120
Exercised	**(300,000)**	**(0.120)**	-	-
Expired	**(45,000)**	**(1.900)**	-	-
Cancelled	**-**	**-**	(20,000)	(1.950)
Balance, end of year	**10,030,000**	**0.134**	6,900,000	0.163
Options exercisable at the end	**8,430,000**	**0.144**	5,781,667	$ 0.169

Options granted and exercisable as at September 30, 2015:

Options granted	Options exercisable		Exercise price	Expiry date
65,000	65,000	$	2.00	December 2015
200,000	100,000	$	0.085	April 2017
3,335,000	3,335,000	$	0.14	June 2017
100,000	100,000	$	0.10	April 2018
3,355,000	3,055,000	$	0.12	December 2018
3,275,000	1,775,000	$	0.10	January 2020
10,330,000	8,430,000			

INFORMATION ON THE COMPANY'S COMMON SHARE PURCHASE WARRANTS

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

	2015		
	Number of warrants	**Weighted average exercise price**	**Fair value allocated**
Balance at beginning of year	**8,451,903**	**$ 0.122**	**$ 141,858**
Granted	**31,078,796**	**0.117**	**550,967**
Exerciced	**(3,230,000)**	**(0.100)**	**(67,830)**
Expired	**(3,308,460)**	**(0.124)**	**(84,883)**
Balance as at September 30, 2015	**32,992,239**	**$ 0.119**	**$ 540,112**

	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 as at September 30, 2014	8,451,903	$ 0.122	$ 142,358

Warrants outstanding as at September 30, 2015 are as follows:

Number	**Exercise price**	**Expiry date**
1,208,936	$ 0.180	April 2016
704,507	$ 0.115	July 2016
664,190	$ 0.115	October 2016
8,809,805	$ 0.115	October 2016
8,267,282	$ 0.115	November 2016
3,915,833	$ 0.115	December 2016
6,890,436	$ 0.120	Mai 2017
2,531,250	$ 0.120	July 2017
32,992,239		

INTERIM DATA

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

	30/09/15 $	30/06/15 $	31/03/15 $	31/12/14 $	30/09/14 $	30/06/14 $	31/03/14 $	31/12/13 $	30/09/13 $
Share of result in the joint venture	-	-	71,504	(71,504)	46,911	97,652	21,564	52,408	(62,601)
Income	58,160	53,440	43,709	43,951	44,911	27,540	-	-	-
Contracts cost	(18,470)	(14,947)	(22,843)	(37,583)	(78,641)	(27,123)	-	-	-
Administrative and general operating expenses	(379,606)	(348,956)	(463,601)	(395,166)	(439,972)	(335,449)	(326,088)	(299,606)	(471,943)
Financial costs	(195,636)	(113,141)	(110,002)	(108,604)	(157,606)	(260,657)	(237,749)	(233,033)	(161,202)
Net loss	(535,552)	(400,028)	(1,162,534)	(546,504)	(785,801)	(498,037)	(542,246)	(480,231)	(672,208)
Net loss per share, basic and diluted	(0.0061)	(0.0044)	(0.0136)	(0.0071)	(0.013)	(0.008)	(0.0100)	(0.0097)	(0.014)

The figures of the last nine (9) quarters are comparable. Income was recorded from June 30, 2014 in connection with contracts from joint operations and the exclusive thermal fragmentation technology distribution agreement. Significant changes recorded in net loss as at March 31, 2015 are due to the write-off of the investment in a joint venture that generated a loss on investment write-off of $711,003.

Highlight of the fourth quarter

On July 15, 2015, the Company completed the first tranche of a private placement totaling $202,500 by issuing 2,531,250 units at a price of $0.08, each unit consisting of one (1) common share the Company and one (1) warrant. Each warrant entitles the holder to acquire one (1) additional common share of the Company at a price of $0.12 per common share for a period of 24 months following the issue date of the voucher. An amount of $18,409 related to the warrants issued was recorded. Issuance costs of $1,076 were incurred.

SUBSEQUENT EVENTS

On October 6, 2015, the Company announced that Mr. Andre Savard has resigned as President and CEO of Nippon Dragon Resources Inc. In addition, Mr. Gerald Desourdy resigned as director of the Board of Directors of the Company. Mr. Donald Brisebois has been appointed by the Board to assume the duties and act as President and CEO.

On October 28, 2015, the Company issued 200,000 shares following the exercise of stock options at an exercise price of $0,085 per common share.

On November 25, 2015, the Company announced the ratification of the exclusivity agreement with the mining contractor, Don Bourgeois and Sons Inc. for the use and distribution of Nippon's patented and exclusive thermal fragmentation process. The agreement was ratified in order to include all of Canada. Each party will have similar responsibilities with regards to the promotion, demonstration and implementation of the technology. Don Bourgeois and Sons Inc. will maintain separate accounting books for the use of the thermal fragmentation included in its contracts, equipment leases and / or other types of contracts. Net profits will be shared equally between the parties. In addition, Don Bourgeois and Sons Inc. will be responsible for providing all the necessary equipment for the contracts.

On November 25, 2015, the Company also announced the completion of the first tranche of a private placement without any intermediary. This first tranche totals 3,345,000 Nippon units at a price of $0.08 per unit for total gross proceeds of $267,600. Each unit consists of one (1) common share of the Company and one (1) warrant. Each warrant entitles the holder to acquire one (1) additional common share of the Company at a price of $0.12 per common share for a period of 24 months following the closing of the private placement. An amount of $77,637 related to the warrants issued was recorded.

On November 26, 2015, 16,500 shares were issued following the exercise of stock options at an exercise price of $0.12 per common share.

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 2015, a provision of $2,060 ($2,060 in 2014) 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.

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 credit risks that faced the Company are principally attributable to collection of its accounts receivable. The amount presented in the financial position as accounts receivable and other receivables is net of an allowance for doubtful accounts of $38,960 ($38,960 in 2014). The collection is held by a Canadian chartered bank in which the management believes the risk of loss is considered minimal, but it is subject to credit risk concentration. The maximum credit risk is equivalent to the 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 intends to take measures in order to satisfy obligations under accounts payable and other liabilities, 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, loans or debentures. Although the Company succeeded in financing its activities in the past, the management cannot comment on the success of its fundraising in the future and considers that the liquidity risk is high.

During the year ended on September 30, 2015, the Company concluded private financing for a total of $2,378,018, issued share capital (Note 15) to settle debentures and accrued interest (Note 10) and has renegotiated the terms of certain debentures in order to maintain its level of liquidity (Note 14). However, more financing will be necessary to enable the Company to finance next year's operation expenditures (Note 22).

FINANCIAL INSTRUMENTS (CONT'D)

The following chart summarizes the Company's financial liabilities as at September 30, 2015:

	Less than a year	Between 1 year and 2 years	More than 2 years
Accounts payable	$ 2,461,538	$ -	$ -
Loans	20,833	-	-
Indemnities payable to subscribers	6,285,782	-	-
Long-term debts	1,500,000	-	-
Debentures	2,267,702		-
	$ 12,535,855	$ NIL	$ NIL

The following table 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	$ 2,518,961	$ -	$ -
Loans	20,261	-	-
Indemnities payable to subscribers	6,289,782	-	-
Long-term debts	1,509,969	-	-
Debentures	2,211,431	140,256	-
	$ 12,550,404	$ 140,256	$ NIL

Interest rate risk

The interest rate risk is the risk that fair value future cash flows of a financial instrument fluctuates 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 on the Company's cash flow.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. A portion of the Company's financial assets is denominated in South African rand. Consequently, certain financial assets are exposed to currency fluctuations. Most of the Company's operations are conducted in Canadian dollars. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. The financial assets denominated in South African rand, translated into Canadian dollars at the closing rate, which expose the Company to currency risk are:

	2015	2014
Accounts receivable and other receivables	**$ 65,477**	$ 15,160
Total exposition	**$ 65,477**	$ 15,160

RISKS AND UNCERTAINTIES

At September 30, 2015, 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.

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.

FORWARD-LOOKING STATEMENTS – CAUTION

Our report contains "forward-looking statements", which are 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) Donald Brisebois

Donald Brisebois
President and CEO

January 28, 2016