NIPPON DRAGON RESOURCES INC.
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Management's Discussion and Analysis 2016

FOR THE 9 MONTH PERIOD ENDED JUNE 30, 2016

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Nippon Dragon Resources Inc.

(Exploration Stage Company)

Management's Discussion and Analysis

For the nine-month period ended June 30, 2016

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 nine-month period ended June 30, 2016 in comparison to the same period of the previous year. The information contained in this document is dated for August 25, 2016. 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 the functional currency of the Company, 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.

GOING CONCERN

The Company's condensed interim consolidated 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, the ability of the Company to raise additional financing to further explore and to 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. More details regarding the ongoing exploration and financing of the Company are discussed in the section called CASH FLOWS.

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 under the symbol NIP, and its shares also trade on the Frankfurt Stock Exchange. At August 25, 2016, 128,510,079 common shares were in circulation.

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 extraction process allows thermal fragmentation with an accuracy of 2 cm to quickly extract any type of hard rock up to 110 cm wide. With such precision, high grade precious and base metal veins can now be extracted without dilution. The Company has partnerships with entities in South Africa, Japan and Canada as well as 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. Further details related to each property's advancement is presented in section MINING PROPERTIES AND FUTURE EXPLORATION WORK.

GLOBAL PERFORMANCE

Corporate Summary

On March 17, 2016, during its annual meeting, the following individuals have been (re-)elected to the board of directors of the Company to serve as directors until the next annual meeting of shareholders or until their respective successors are duly elected or appointed: Messrs. Donald Brisebois, Paul-A. Girard, Émile Molgat and Nikola Vukovich.

Furthermore, the Board wishes to welcome Mr. Nikola Vukovich as a new director of the Company. Mr. Nikola Vukovich has 30 years of experience as a mining and geological engineer with specialist knowledge of geotechnical engineering, rock mechanic, environmental regulations, mining operations and equipment. He held senior engineering operating and consulting positions where he explored, evaluated, constructed, commissioned and turned over large open pit and underground mining projects. He has a solid record within the mining industry while he has executed large capital projects with major mining companies. From March 2012 until April 2015, Mr. Vukovich was director of China Goldcorp Ltd. and First Iron Group, PLC and was 7 trying to develop project in southern Russia in Kurgan region. He was also Technical Committee Chairman providing business and technical guidelines to executive management. He lead 10,000t/day underground project development and was responsible for cost control, investor relations, marketing, presentations and capital raising.

PricewaterhouseCoopers LLP has been appointed as auditors of the Company for the current financial year to hold office until the next annual general meeting of shareholders.

Financing for the period

On May 19, 2016, the Company announced the closing of a non-brokered private placement. The placement is for 987,400 units of the Company at a price of $0.08 per unit, for aggregate gross proceeds of $78,992. Each unit consists of one (1) common share in the share capital of the Company and one (1) warrant of the Company. Each warrant entitles the holder thereof to purchase one (1) additional common share in the share capital 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 $ 18,539 related to the warrants issued has been recognized. Issuance costs totaling $ 3,709 were incurred.

On June 3, 2016, 100,000 shares were issued following the exercise of stock options at an exercise price of $ 0.10 per common share.

On June 29, 2016, the Company announced the closing of a non-brokered private placement. The placement is for 5,063,782 units of the Company at a price of $0.07 per unit, for aggregate gross proceeds of $ 354,464.78. Each unit consists of one (1) common share in the share capital of the Company and one (1) warrant of the Company. Each warrant entitles the holder thereof to purchase one (1) additional common share in the share capital 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 $ 91,248 related to the warrants issued has been recognized.

Settlement in shares of indemnities payable to subscribers

On May 27, 2016, the Company issued 11,356,008 common shares as part of the lawsuit settlement that was underway in connection with certain indemnities that were payable to certain subscribers. The Company and the plaintiffs offered to settle the proceedings instituted by the plaintiffs without any admission of liability whatsoever, for an aggregate settlement amount of $ 795,000 by issuing common shares of the share capital of the Company at a price of $ 0.07 per debt share. This case is now considered closed.

Partnership with Don Bourgeois, Canada

Discussions are currently underway with several companies in order to pursue mining production work. Those discussions involve many parties and are time consuming since they require that the risks are well assessed and that the economic potential related to the use of thermal fragmentation mining method in their operations is evaluated.

Concerning the work done by our partner Don Bourgeois, the portion connected to the thermal fragmentation was successful, however some of the ore recovery work was laborious resulting in a lack of time to fully complete this phase of work. This demonstrates that the success of the introduction of this mining method must be supported by all parties, regardless of the challenges.

Willcox Project, Arizona

During this quarter, a visit of the mine site was held to explore the possibility for this mining company to use thermal fragmentation on their mining site. Testing is currently underway to allow proper evaluation of the process. Work could be done during the coming months.

Partnership with Material Japan Co. Ltd., Japon

Several demonstrations took place in Japan with potential customers working in the construction industry. Negotiations are underway to proceed with the sale of dragons to these companies.

SUBSEQUENT EVENTS

On August 3, 2016, the Company announced the closing of a non-brokered private placement. The placement is for 6,250,000 units of the Company at a price of $0.08 per unit, for aggregate gross proceeds of $ 500,000. Each unit consists of one (1) common share in the share capital of the Company and one (1) warrant of the Company. Each warrant entitles the holder thereof to purchase one (1) additional common share in the share capital 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.

MINING PROPERTIES AND FUTURE EXPLORATION WORK

The geological information for the property was prepared and summarized by SGS and RMB and associates, consultants from the Company and qualified individuals under regulation 43-101.

Rocmec 1

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.

Over the upcoming steps, an exploration plan will validate our understanding of the mineral deposits. The Company would strongly like to proceed with this plan but requires a substantial investment, which the Company is actively looking for.

Denain

No updates or changes have been made since the last report for this property. The Company envisions two drilling programs in two phases of $ 250,000 each in an effort to verify the gold vein extensions. The Company would also like to move forward with this project but is also dependant on obtaining the required financing, which they are actively seeking.

Courville

For the moment this property is in the exploration stage. No exploration work is planned for this property during the coming year because management has decided to focus their attention on exploration of Rocmec 1.

Patents

All patents received are in force and no new patent has been filed.

Exploration and Evaluation Assets

For the period closed on June 30, 2016, the Company completed $27,360 of expenses related to exploration and evaluation. With these capitalized expenses during the quarter, the asset base of the exploration and evaluation assets grows to $ 8,774,656 ($ 8,749,686 in 2015). No work was done on Denain and Courville Maruska.

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

	June 30, 2016	September 30, 2015
Supervision	$ 12,360	$ 30,900
Other exploration expenses	15,000	10,605
	$ 27,360	$ 41,505

SELECTED INFORMATION

	June 30, 2016	September 30, 2015	September 30, 2014
Exploration and Evaluation assets	$ 8,774,656	$ 8,749,686	$ 8,719,802
Total assets	9,321,107	9,495,981	9,938,798
Current liabilities	8,423,731	9,507,433	13,860,827
Non-current liabilities	-	-	140,256

Nearly all liabilities the Company maintains are included in the current section. The majority of it is composed of indemnities payable to subscribers of $ 1,401,497 ($ 2,527,698 as at September 30, 2015), which are discussed in detail in the Contingencies of this report. The balance of the current liabilities including liabilities and debentures in which the Company has taken on are almost all expired and therefore presented in the current section. The risks associated with the Company defaulting payments is discussed in the CASH FLOWS AND FINANCING SOURCES section of this report.

	Quarters ended June 30		
	2016	2015	2014
Revenue from Joint Operation Contracts	73,826	12,420	27,540
Total Revenues	95,177	66,890	27,540
Contract Costs	67,316	10,563	27,123
Operation Expenses	378,395	346,773	335,449
Net loss	(434,385)	(380,010)	(498,037)
Net loss per share, basic and diluted	(0.0040)	(0.0042)	(0.008)

For 3-month period ended June 30, 2016, the Company realized a loss of $ 434,385 (loss of $ 380,010 in 2015). The variation between both periods can be explained as follows:

- Professional fees are exceptionally high this quarter as legal costs of $ 169,525 related to our former partner in Japan were assumed by the Company in order to avoid further legal costs that would have been even higher. The signature of the new agreement with our new partner Material Japan Co. Ltd should bring revenues that will be important for the Company;

- A decrease in salaries and benefits of $ 21,863 mostly related to the resignation of André Savard as President and CEO on October 6, 2015;

- A decrease in the stock-based compensation expense of $ 65,199 following the decision taken by the Company during the last annual meeting of the shareholders not to issue new share purchase options;

- An increase in income of $ 61,406 from joint operations contracts was recorded in the current quarter. This increase is explained by the fact that this year our South African partner has been active throughout the three months, unlike the previous period in which the revenues came from technology demonstrations to our partner in Japan;

- The gross margin for the quarter decreased from $ 56,327 in 2015 to $ 27,861 in 2016. This deterioration in gross margin is mainly explained by the difference in the source of income between the two quarters. Indeed, for the quarter ended June 30, 2016, income came from partnerships where the Company receives revenues but also assumes expenses. As at June 30, 2015, the Company had received sums from our partnership with Japan following technology demonstrations who incurred very little costs and thus, a better gross margin was recorded.

QUARTERLY DATA

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

	30/06/16	31/03/16	31/12/15	30/09/15	30/06/15	31/03/15	31/12/14	30/09/14
	$	$	$	$	$	$	$	$
Income	95,177	65,490	75,017	58,160	66,890	30,258	43,951	44,941
Net (loss) income and comprehensive (loss) income	(434,385)	(73,977)	(395,286)	(280,611)	(380,010)	(1,167,221)	2,941,308	(785,801)
Net (loss) income per share, basic and diluted	(0.0040)	(0.0007)	(0.0040)	(0.0032)	(0.0042)	(0.0137)	0.0383	(0.013)

The variations of per quarter compared to last year can be explained as follows:

31/12/2014 – Large non-recurring gain of $ 3,525,355 related to the write-off of indemnity to subscribers for flow-through financing between 2009 and 2011.

30/06/2015 – Substantial income generated by the signing of an exclusive agreement for the use of the Company's patented mining method for thermal fragmentation extraction with Safescape in Australia.

30/09/2014 – Substantial loss in relation to the cancellation of the joint venture with Chazel Capital of $ 209,250.

31/03/2015 – Substantial loss in relation to cancellation of participation in joint venture totalling $ 711,003.

30/09/2015 – Loss was reduced by a non-recurring gain of $ 232,729 related to the write-off of indemnities payable to subscribers for flow-through financing between 2009 and 2011;

31/03/16 – Loss was reduced by a non-recurring gain of $ 331,201 related to the write-off of indemnities payable to subscribers for flow-through financing between 2009 and 2011.

CASH FLOWS

	For the nine-month period ended June 30, 2016	June 30, 2015
Cash flows from operating activities	$ (730,237)	$ (1,360,013)
Cash flows from investing activities	$ (12,160)	$ (84,400)
Cash flows from financing activities	$ 691,293	$ 1,646,857
Net change in cash and cash equivalents	$ (51,104)	$ 202,444
Cash and cash equivalents at beginning of period	$ 83,918	$ 56,348
Cash and cash equivalents at end of period	$ 32,814	$ 258,792

For the period ended June 30, 2016, the **operating activities** used $(730,237) of cash, compared to the $(1,360,013) used in the prior year. This variation can be explained by the following elements:

- When we exclude the significant accounting adjustments related to the loss on write-off of investment of $ 711,003 in 2015 and the gain related to debt settlements of $ 3,525,355 in 2015 and of $ 398,199 in 2016, it brings back the administrative and general operating expenses to $ 1,004,680 in 2016 compared to $ 1,238,503 in 2015. The difference between the two periods explains the increase in the use of cash flows.

- The net change in non-cash working capital items went from $(582,600) in 2015 to $ 173,254 in 2016. This important variation mainly stems from the change in accounts payable. Variations between 2014 and 2015 resulted in a decrease in cash of $ (365,374) while there was an increase in cash of $ 107,114 between 2015 and 2016. The marked decrease in accounts payable from September 30, 2014 to June 30, 2015 is explained by significant funding agreements concluded at that time which generated $ 2,175,518 in cash, therefore allowing the Company to settle several amounts due in accounts payable.

Investing activities used $ 12,160 in 2016 compared to $ 84,400 in 2015. The acquisition of property and equipment of $ 83,604 in 2015 consisting of the construction of a new mini dragon explains the variation between the two periods.

For the period ended June 30, 2016, **the financing activities** have generated cash flows of $621,293 compared to $ 1,646,857 in 2015. This variation is mainly explained by the cash position which was deteriorated in 2016 through issuance of shares and warrants in the amount of $ 941,908, while the funds raised this way in 2015 amounted to $ 2,175,518.

At June 30 2016, the Company had $ 32,814 in cash, accounts receivables and other receivables of $ 87,812 and prepaid expenses of $ 76,206. Overall, the Company's working capital remains largely negative and in consequence will not be sufficient to respond to projected liabilities and expenses up to September 30, 2016. The Company will need to obtain supplementary funds in a timely manner to continue exploration and evaluation of the Rocmec 1 property and pay its general administration expenses.

The Company aims to overcome and meet its financial obligations with certain tools at its disposal such as debentures, loans on gold, and/or equity financing depending on needs and availability. The Company will continue to use maximum efforts to obtain financing on the open market to better its cash position.

However, it is important to mention that the Company is in default with several creditors whom have created a first mortgage on the Rocmec 1 property in the amount of $ 1,500,000. Discussions took place with this important creditor and an agreement was signed to demonstrate the good faith of the Company. The interest due were paid and the agreement stipulates that 10 % of all revenues of the Company will be used to pay interests or principal until the Company will be able to pay its debt fully. Despite this agreement, the risk of losing control of Rocmec 1 property is still actual and important.

The Company is currently in default on a debenture payment that is guaranteed by equipment and the exclusive license for thermal fragmentation. If the creditor decides to use his guarantee, the Company will need to halt all operations with its partners. Management has intention to renegotiate the debenture over a longer period, although no certainty of success; the Company does risk losing control of both its equipment and thermal fragmentation license.

OFF-BALANCE SHEET ARRANGEMENTS, OBLIGATIONS AND COMMITMENTS

Asset Retirement Obligations

The obligations related to asset retirement represents an estimation (made by management) of the costs to abandon and restore the active mines of the Company as well as the estimated timing of said expenses. A total of $ 2,060 is estimated for Rocmec 1. Presently, the site is secured under the norms in force and no other fees are planned by the Company. The projected amounts in the statements are ample to respond to current legislation.

Off-Balance Sheet Transactions, Obligations and Commitments

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

RELATED PARTY TRANSACTIONS

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

During the 9-month period ended on June 30, 2016, the Company and one of its joint operations have completed a contract in which the Company has drawn a percentage of the profits. The profits from this agreement for the period amounted to $ 64,866. In addition, the Company has sold equipment to the same joint operation in the amount of $ 9,017. The balance receivable to the joint operation as at June 30, 2016 is $ 62,399.

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

The key management compensation includes:

	For the 3-month period ended June 30, 2016	2015
Salaries and fringe benefits	$ 47,222	$ 81,067
Capitalized to exploration and evaluation assets	(4,120)	(8,240)
	43,102	72,827
Stock-based compensation	3,167	48,152
Professional Services	18,000	18,000
Total	$ 64,269	$ 138,979

An amount of $ 316,424 ($ 230,071 in 2015) due to the Company's management is included within the accounts payables.

EQUITY IN CIRCULATION

The changes in equity capital of the Company is detailed as follows:

	At June 30, 2016	Issued	Exercised	Expired	Cancelled	At August 25, 2016
Shares Issued	122,260,079	6,250,000	-	-	-	128,510,079
Stock Options Issued	6,765,000	-	-	-	-	6,765,000
Warrants Issued	43,839,096	6,250,000	-	-	-	50,089,096

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 2016, a provision of $2,060 ($2,060 in 2015) 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.

Following flow-through financing agreements entered into with subscribers in 2009-2010-2011, the Company committed to incur $5,888,560, $ 1,899,704 and $ 839,950 in Canadian Exploration Expenses ("CEE") before the 31st of December in 2010, 2011 and 2012 respectively. However; the Company only completed $ 1,139,591 at December 31, 2010 and $ 62,135 at December 31, 2011 and $ 120,670 at December 31, 2012. Consequently, a balances remain of $ 4,749,000 in 2010, $ 1,838,000 in 2011 and $ 719,300 in 2012 that were renounced but not incurred. Amended renunciation forms were filed with tax authorities and will consequently mean that new notice of assessment will be sent to subscribers and as a result, the Company recorded $ 3,142,000 & $ 1,204,500 & $ 540,809 in years 2010-12 respectively as a provision for an indemnity payable and an expense for the same amount was recorded in earnings. In addition, the Company also recorded at the same date a provision for Income taxes Part XII.6 and XII.14 payable relating to exploration expenses renounced but not incurred. Refer to Note 9 of the Financial Statements for more information on the subject. However, the Company determined that without legal obligations, only the subscribers with a specific clause of obligation would be maintained on the books, for a total of $ 2,527,698, representing a write-off of $ 3,758,084. The Company could face claims from other subscribers. However, the Company cannot estimate how many subscribers were subject to tax assessments related to these flow-through financings.

Regarding flow-through financing of 2009, a group of investors had filed a lawsuit with the Superior Court of Quebec for an approximate amount of $1,126,201. The amount has been debated in Court for a long time and management deemed that the amount recognized as an indemnity payable to subscribers as stated in the consolidated statement of financial position was adequate. On April 6, 2016, the Company and the plaintiffs have proposed to settle the proceedings instituted by the plaintiffs, without any admission of liability whatsoever, for an aggregate settlement amount of $ 795,000 by issuing common shares of the share capital of the Company at a price of $ 0.07 per debt share. On May 27, 2016, the shares were issued and therefore the case is now considered closed.

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 listed in the Consolidated Financial Statements 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.

It is noted that there was no accounting method change by the Company over the quarters shown in the annual statements of September 30, 2015.

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.

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 2015). 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.

Between October 1st, 2015 and June 30, 2016, the Company concluded private financing for a total of $ 941,908. However, more financing will be necessary to enable the Company to finance next year's operation expenditures.

The following chart summarizes the Company's financial liabilities as at June 30, 2016:

	Less than a year	Between 1 year and 2 years	More than 2 years
Accounts payable	$ 3,221,815	$ -	$ -
Loans	24,234	-	-
Indemnities payable to subscribers	1,401,497	-	-
Long-term debts	1,500,000	-	-
Debentures	2,276,185		-
	$ 8,423,731	$ Nil	$ 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:

	June 30, 2016	September 30, 2015
Accounts receivable and other receivables	$ 62,399	$ 65,477
Total exposition	$ 62,399	$ 65,477

RISKS AND UNCERTAINTIES

There have been no important changes in relation to risks and uncertainties since the management's annual report dated September 30, 2015.

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

August 25, 2016