RESSOURCES NIPPON DRAGON INC.

NIPPON DRAGON RESOURCES INC.

Management Discussion & Analysis

FOR THE THREE MONTH PERIOD ENDED DECEMBER 31, 2014

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Nippon Dragon Resources inc.
(Exploration Stage Company)

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For the three month period ended December 31, 2014

This report provides a review and analysis of our financial situation and results from operations. This will help the reader to assess material changes in our financial situation for the three month period ended December 31, 2014 in comparison to the corresponding period of the previous year. This Management Discussion and Analysis Report complies with Rule 51-102A of the Canadian Securities Administrators on continuous disclosure and is intended to supplement our condensed interim consolidated financial statements. It presents the management's point of view on the Company's ongoing activities as well as an outlook of the activities planned for the coming months and also elaborates on its financial results and risks that may impact the activities of the Company. This Report should be read in conjunction with the interim and annual consolidated financial statements and the accompanying notes to consolidated financial statements and the related management's discussions and analysis when necessary.

The condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and on the basis of conventions and accounting methods used to prepare the most recent annual financial report. The consolidated financial statements have been prepared by an accounting firm working for the Company. 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. the "Company" (formely Rocmec Mining Corporation), was incorporated under Part 1A of the Companies Act (Québec) and continued under the Quebec Business Corporation Act on July 18th, 2002. Its head office is located 500-7055 boulevard Taschereau, Brossard, Quebec, J4Z 1A7, phone: 450-510-4442, email: info@rocmec.com. The Company is a public Corporation, listed as a Tier 2 issuer 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 recognised and commercialized worldwide. The Company has partnerships with entities in South Africa and Japan to showcase its technology.

The majority of its properties contain mineral resources. When further exploration will be incurred on 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: Mr. Kim Yong Nam (Chairman), Andre 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.

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 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 quarter, 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. In addition, a thermal unit (Dragon) was sent to our partner NDR Japan Co. in Japan to promote the thermal fragmentation method in this region. Implementation is also ongoing in South Africa with our partner MAXEM.

Generating revenue is the top priority in the corporate strategy which should help in reducing its financial obligations and current debts. The Company is trying to obtain sufficient funding to start mining operations at its Rocmec 1 property, thus allowing the Company to continue on improving its balance sheet and also providing a local and accessible showcase for its technology.

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

HIGHLIGHTS OF CURRENT QUARTER

On October 3, 2014, the Company realized private placement of $49,814 by issuing 664,190 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. Issuance costs of $3,223 were incurred.

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. Issuance costs of $3,024 were incurred.

HIGHLIGHTS OF CURRENT QUARTER (cont'd)

On December 2, 2014, the Company concluded an exclusive agreement with NDR Japan Co. from Japan for the distribution and the use of its patented method of extraction by thermal fragmentation. No legal entity was created for the purposes of the agreement, and each company is entitled to 50 % of the profits and the 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. Issuance costs of $1,432 were incurred.

On 31 December 2014, the Company has written off parts of the indemnities to subscribers. It was determined by the Company that, since the statutory limitation period of three years has expired, indemnities to subscribers who have not asked for compensation as of December 31, 2014, would be written off. A total of $3,529,355 in indemnities, including accrued interest, were written off during the period.

SELECTED INFORMATION

		December 31 2014		September 30, 2014		September 30, 2013
Current assets	$	381,669	$	133,452	$	86,367
Non current assets		9,731,649		9,805,346,	$	9,756,528
Total assets		10,113,318		9,938,798$	$	9,842,895
Current liabilities		9,497,800		13,860,827	$	12,179,095
Non current liabilities		100,002		140,256	$	543,605
Total liabilities	$	9,597,802	$	14,001,083	$	12,722,700

During the three-month period ended December 31, 2014, the Company completed private placements for a total of $1,624,284 which has allowed the Company, to reimburse unpaid wages and accrued interests on debts and debentures. The Company has also partly written off the indemnities payable to subscribers.

SELECTED INFORMATION (cont'd)

	3-month period ended Decembber 31		
	2014	2013	2012
Contract income	$ 39,700	$ -	$ -
Share of results in the joint venture(i)	(71,504)	52,408	4,216
Operating expenses	3,098,205	(299,606)	(400,962)
Financial costs	(102,458)	(233,033)	(163,725)
Net income (loss)	2,941,308	(480,231)	(562,195)
Net income (loss) per share, basic and diluted	$ 0.0383	$ (0.0097)	$ (0.0120)

i) For the three month period ended December 31, 2014, the proportionate interest in the joint venture totaling a loss of $71,504 is accounted for using the equity method.

LOSS, COMPREHENSIVE LOSS AND DEFICIT

During the 3-month period ended December 31, 2014, net income totaled $2,941,308 $ compared to a loss of $480,231 for the corresponding period in 2013. This important variation comes from the write off of the indemnities payable to subscribers totaling $3,525,355. Excluding this write off, the loss of the period would have been $584,047, representing an increase of $103,816 compared to the same period in 2013. This difference is mainly explained by the share of results in the joint venture which is a loss of $71,504 as at December 31, 2014 (compared to revenue of $52,408 as at December 31, 2013).

MINING PROPERTIES AND FUTURE EXPLORATION WORK

Press releases of technical nature submitted by the Company are approved by Mr. Bryan S. Osborn P. Geo, Qualified Person (QP) according to NI43-101 regulations.

Rocmec 1

A surface exploration program for 2014 is being developed taking account of new data obtained during exploration work on the property in 2013. Emphasis will be placed on the Boucher structure, results of which will eventually be added to resource calculations of the Company's current NI43-101. Management maintains its efforts in finding financing that would help start production of some of the resources identified in our geological report.

Rey Salomon

The property is being developed without any financial contribution from the Company. The Company has the mandate to operate the mine with its thermal fragmentation mining method. Work completed on the property is related to the development of adits in order to evaluate mineral contents. The Company does not dispose of resources necessary to increase the pace of the explorations and will complete a profitability analysis as soon as possible. At the moment, the minerals extracted from the adits finance the costs of the work in progress. The Company's proportionate interest in the joint-venture for the three month period ended December 31, 2014 totals $(71,504).

MINING PROPERTIES AND FUTURE EXPLORATION WORK (cont'd)

Denain
There have been neither changes nor any development on the property since the last report. No exploration expenditures are planned for the property in the short term.

Courville
There have been neither changes nor any development on the property since the last report. No exploration expenditures are planned for the property in the short term.

Patents
All the patents that have been granted are in force and no new patent requests have been made.

EXPLORATION AND EVALUATION ASSETS

	Balance as at October 1st, 2013	Additions	Tax credits and duties refundable	Impairment	Balance as at December 31, 2014
Denain (a)	$ -	$ -	$ -	$ -	$ -
Courville Maruska (b)	-	-	-	-	-
Rocmec 1(c)	-	-	-	-	-
Mining rights	2,603,982	-	-	-	2,603,982
Exploration and evaluation	6,115,820	15,665	-	-	6,131,485
	$ 8,719,802	$ 15,665	$ Nil	$ Nil	$ 8,735,467

	Balance as at October 1st, 2012	Additions	Tax credits and duties refundable	Impairment	Balance as at September 30, 2013
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

EXPLORATION AND EVALUATION ASSETS (cont'd)

Deferred exploration and development expenses capitalized are as follows:

	December 31, 2014	September 30, 2014
Supervision	$ 10,300	$ 70,809
Technical services	5,365	41,475
	$ 15,665	$ 112,284

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 SAC, which is incorporated in Peru. The Company has not disbursed any sum to acquire this investment. 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 contributed its technology and expertise in mining and development production; the company partner, Chazel Capital inc. ("Chazel"), committed itself to bring $US 1.2 million required for mine production. Thus, the parties have agreed to hold 50% each of voting shares in the joint venture.

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.

INVESTMENTS IN A JOINT VENTURE (cont'd)

Thus, Chazel has 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. As at December 31, 2014, Chazel has already disbursed an amount of $90,000 in regards to this agreement ($90,000 as at September 30, 2014) .

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 in now expired.

The closing 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 participation and is presented as a deposit in current liabilities.

Also, in order to proceed to the next step, estimated costs of $2,000,000 are needed. The implementation of the plan is therefore subject to the closing of a financing on which management is actively working, but no closing date has yet been considered.

CASH FLOWS

		Three month period ended December 31 2014		Three month period ended December 31 2013
Cash flows from operating activities	$	(1,035,333)	$	(387,365)
Cash flows from investing activities		(15,665)		(22,723)
Cash flows from financing activities		1,248,494		410,483
Net change in cash and cash equivalents	$	197,496	$	395
Cash and cash equivalents at beginning of period		56,348		51,293
Cash and cash equivalents at end of period	$	253,844	$	51,688

For the three months ending December 31, 2014, cash flows used in **operating activities** was $(1,035,333) compared to $(387,365) $ in 2013. This is mainly explained by the change in working capital items of ($ 839,770) for the period compared to $ 410,483 in 2013. This variation is explained by the payment of unpaid wages and accrued interests on debts and debentures using cash flow from private placements.

For the 3-month period ending December 31, 2014, cash flows used in **investing activities** were $ 15,665 compared to $ 22,723 in 2013. This variation is due to a decrease in assets exploration and evaluation expenses for the period.

CASH FLOWS (cont'd)

For the 3-month period ending December 31, 2014, **financing activities** generated cash flows of $1,248,494 compared to $410,483 in 2013. This increase is due to private financing completed during the period totaling $1,624,284 and offset by the reimbursement of debentures ($100,002) and the payment of accrued interest on debts and debentures ($233,634).

FINANCIAL POSITION

As at December 31, 2014, the total assets of the Company amounted to $10,113,318 compared to $9,938,798 as at September 30, 2014. The results are essentially the same for both periods except for the write off of indemnities payable to subscribers. The main assets are detailed as follows:

	December 31, 2014	September 30, 2014
CURRENT ASSETS		
Cash	$ 253,844	$ 56,348
Accounts receivable and other receivables	26,051	16,160
Sales taxes receivable	31,652	18,322
Prepaid expenses	27,500	-
Tax credit receivable	42,622	42,622
	381,669	133,452
NON CURRENT ASSETS		
Property, plant and equipment	266,683	283,593
Investment in a joint venture	729,499	801,003
Exploration and evaluation assets	8,735,467	8,719,802
Security deposits	-	948
	9,731,649	9,805,346
TOTAL ASSETS	$ 10,113,318	$ 9,938,798

FINANCIAL POSITION (cont'd)

The main items composing the liabilities are:

		December 31, 2014		September 30, 2013
CURRENT LIABILITIES				
Accounts payable and other liabilities	$	2,552,602	$	3,256,976
Deposit		90,000		90,000
Loans		20,584		20,261
Subscription received in advance		-		85,623
Indemnity payable to subscribers		2,760,427		6,289,782
Due to a shareholder without interest and specific repayment term		376,279		396,785
Current portion of debt		1,500,000		1,509,969
Current portion of debentures		2,197,908		2,211,431
	$	9,497,800	$	13,860,827
NON CURRENT LIABILITIES				
Debentures		100,002		140,256
TOTAL LIABILITIES	$	9,597,802	$	14,001,083

Shareholders' Equity

The shareholders' equity as at December 31, 2014 includes the share capital of $42,910,146 to which is added $573,169 (accounting value for the warrants), $776,915 (equity component of convertible debentures) and $9,947,032 (contributed surplus), less $53,691,746 (deficit) for net equity totalling $515,516.

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 the Rocmec 1 site. Currently, the site is secured as per current standards and no additional costs have been planned by the Company. The amounts recorded in the consolidated financial statements are amply sufficient to meet the requirements of current legislation.

Off-Balance Sheet Arrangements, Obligations and Commitments

The company has neither off-balance sheet arrangements nor obligations other than those declared or concluded in the normal course of the Company's business.

Capital Structure

The company's capital structure consists of an unlimited number of common shares and an unlimited number of privileged shares that may be issued in series.

FINANCIAL POSITION (cont'd)

Capital Structure (cont'd)

As at December 31, 2014, the capital structure of the Company was: common shares (85,128,436), stock options (6,295,834), and warrants (30,109,013).

Source of financing

During the three month period ended December 31, 2014, the Company has issued common shares for a value of $1,624,284 .

RELATED PARTIES TRANSACTIONS

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

Remuneration for main management includes:

	3-month period ended December 31	
	2014	2013
Salaries and fringe benefits	$ 81,067	$ 88,499
Capitalized to exploration and evaluation assets	(10,300)	(20,600)
	70,767	67,899
Stock-based compensation	12,775	54,239
Total	$ 83,542	$ 122,138

INFORMATION REGARDING THE ISSUED AND OUTSTANDING SHARES

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

	December 31, 2014		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	21,657,110	1,624,284	1,991,538	182,322
Debentures conversion	-	-	7,317,233	658,731
Value granted to warrants	-	(431,311)	-	(47,442)
Debt settlement	-	-	419,922	50,391
Balance at end of year	85,128,436	$ 42,910,146	63,471,326	$ 41,717,173

INFORMATION ON COMPANY'S COMMON SHARE PURCHASE OPTIONS

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

	December 31, 2014		September 30, 2014	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of the period	6,900,000	$ 0.163	3,565,000	$ 0.213
Granted	-	-	3,355,000	0.120
Expired	(45,000)	(1.900)	-	-
Cancelled	-	-	(20,000)	(1.950)
Balance, end of the period	6,855,000	$ 0.151	6,900,000	$ 0.163
Options exercisable at the end	6,295,834	$ 0.152	5,781,667	$ 0.169

INFORMATION ON COMPANY'S COMMON SHARE PURCHASE OPTIONS (cont'd)

Options granted and exercisable as at December 31, 2014:

	Granted options	Exercisable options	Exercise price	Expiration date
(a)	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
	3,355,000	2,795,834	$ 0.12	December 2018
	6,855,000	6,295,834		

(a)Stock options granted at an exercise price of $0.10 before consolidation while the market value was $0.035.

INFORMATION ON COMPANY'S COMMON SHARE PURCHASE WARRANTS

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

	December 31, 2014		
	Number of warrants	Weighted average exercise price	Fair value allocated
Balance as at October 1st, 2014	8,451,903	$ 0.122	$ 141,858
Granted	21,657,110	0.115	431,311
Expired	-	-	-
Balance as at December 31, 2014	30,109,013	$ 0.117	$ 573,169

	September 30, 2014		
	Number of warrants	Weighted average exercise price	Fair value allocated
Balance as at October 1st, 2013	10,608,695	$ 0.152	$ 522,639
Granted	1,913,443	0.156	47,442
Expired	(4,070,235)	(0.216)	(428,223)
Balance as at September 30, 2014	8,451,903	$ 0.122	$ 141,858

INFORMATION ON COMPANY'S COMMON SHARE PURCHASE WARRANTS (cont'd)

Warrants outstanding as at December 31, 2014 are as follows:

Number of warrants	Exercise price	Expiration date
538 460	$ 0.245	January 2015
6 000 000	$ 0.100	May 2015
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	October 2016
30 109 013		

INTERIM DATA

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

	31/12/14	30/09/14	30/06/14	31/03/14	31/12/13	30/09/13	30/06/13	31/03/13	31/12/12
	$	$	$	$	$	$	$	$	$
Share of results in the joint venture	(71,504)	46,911	97,652	21,564	52,408	(62,601)	(18,209)	34,341	4,216
General and administrative expenses	3,098,205	(439,972)	(335,449)	(326,088)	(299,606)	(471,943)	(393,833)	(486,417)	(400,962)
Financial costs	(102,458)	(157,606)	(260,657)	(237,749)	(233,033)	(161,202)	(235,887)	(165,745)	(163,725)
Net income (loss)	2,941,308	(785,801)	(498,037)	(542,246)	(480,231)	(672,208)	(647,929)	(596,270)	(562,195)
Net income (loss) per share, basic and diluted	0.0383	(0.013)	(0.008)	(0.0100)	(0.0097)	(0.014)	(0.013)	(0.013)	(0.012)

The amounts of the last 9 quarters are vastly comparable with the exception of administrative and general expenses for the period ended December 31, 2014 ($3,098,205). This significant variation is explained by the write off of indemnities payable to subscribers ($3,525,355). The loss for the fourth quarter of 2014 was slightly higher compared to other quarters of the year, due to the advance to the joint venture of $209,250 which was written off.

INTERIM DATA (cont'd)

The variation in the share of the joint venture is caused by the ratification of the Company's offer to acquire the Rey Salomon property in Peru. Starting December 31, 2012, the share in the joint venture changes every quarter because of it being recorded under the equity method, presenting the Company's share in the net assets of the joint venture. For the first time, as at June 30, 2013, a loss of $18,209 was recorded in regards to a decrease in the net assets of the joint venture.

Finance charges remained constant across quarters. Thoses charges are slightly higher in 2014 since the accrued interests on debentures are increasing.

CONTINGENCIES

i) The Company's operations are governed 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. As at December 31, 2014, a provision of $2,060 ($2,060 as at September 30, 2014) for restoration of the premises is included in the accounts payable and accrued liabilities. The actual amount might differ from this estimate.

ii) 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.

SUBSEQUENT EVENTS

On January 27, 2015, the Company granted a total of 3,275,000 common share purchase options to directors, officers and employees. These options have an exercise price of $ 0.10 per common share and an exercise period of 5 years.

On February 17, 2015, the Company decided to withdraw from the joint venture with Chazel Capital for the development of Rey Salomon mining project in Peru to focus its efforts on the implementation of its thermal fragmentation mining method in the region. As a result, the Company frees itself of all financial, legal and environmental responsibilities, past, present and future, related to the Cerro Dorado SAC joint venture (note 9). Investment in a joint venture and all related components will be written-off in the next quarter.

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 fixed assets, the recoverability of mineral properties and exploration expenses and deferred development tax credits receivable, indemnity 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 Company's maximum exposure to credit risk is limited to the accounts receivable. The credit risk for funds held for exploration 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 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. 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 3-month period ended on December 31st 2014, the Company concluded financing amounted for a total of $1,624,284 in order to maintain its level of liquidity. However, more financing will be necessary to enable the Company to finance next year's operation expenditures.

FINANCIAL INSTRUMENTS (CONT'D)

The following table presents the Company's debt's terms as at December 31, 2014:

	Less than a year	Between 1 year and 2 years	More than 2 years
Accounts payable	$ 2,552,602	$ -	$ -
Loans	20,584	-	-
Indemnity payable to subscribers	2,760,427	-	-
Long-term debts	1,500,000	-	-
Debentures	2,237,494	100,002	-
	$ 9,071,107	$ 100,002	$ Nil

Interest rate risk
The interest rate risk is the risk that the fair value of future cash flows of a financial instrument fluctuates because of changes in market interest rates. Loans, long-term debt and debentures issued by the Company bear interest at a fixed rate thus exposing it to the risk of changes in fair value arising from interest rate fluctuations

Interest rate analysis

A 1% change in interest rates would not have a material impact on the results and the cash flows.

RISKS AND UNCERTAINTIES

There have been no important changes in relation to risks and uncertainties since the management's annual report dated 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. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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
André Savard, President

(S) Donald Brisebois
Donald Brisebois, Vice-President Operations & technology

Date: February 27, 2015