NIPPON DRAGON RESOURCES INC.

Management's Discussion and Analysis 2016

FOR THE FINANCIAL YEAR ENDED SEPTEMBER 30, 2016

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Nippon Dragon Resources Inc.

Management's Discussion and Analysis
For the year ended September 30, 2016

This report provides an analysis of our results from operations and financial situation which will help the reader to assess material changes in results from our operations and financial situation for the financial year ended September 30, 2016 in comparison to the previous year. The information contained in this document is dated as January 19, 2017. This Management Discussion and Analysis Report ("MD&A") 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 Nippon Dragon Resources Inc.'s (the "Company") 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 annual consolidated audited financial statements. This present MD&A report was submitted to the audit committee that recommended its approval by the Board of directors on January 19, 2017.

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 and presentation currency of the Company, which is the Canadian dollar, 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 Company or SEDAR at the following addresses: www.nippondragon.com and www.sedar.com.

GOING CONCERN

The accompanying consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. Management is aware in making its assessment of material uncertainties related to events and conditions that lend a significant doubt upon the Company's ability to continue as a going concern and accordingly, the appropriateness of the use of IFRS applicable to a going concern, as described in the following paragraph. These consolidated financial statements do not reflect the adjustment to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary were the going concern assumption not appropriate. These adjustments could be material.

Given that the Company has not yet found a mineral property containing mineral deposits that are economically recoverable, the Company has not yet generated any income or cash flows from its mining properties. The Company generates revenues from its thermal fragmentation technology distribution, but these are not sufficient to ensure the sustainability of the Company. As at September 30, 2016, the Company has accumulated a deficit of $54,014,436 and has a working capital deficiency of $5,187,826.

Management considers that these funds are insufficient for the Company to continue operating. Any future funding shortfall may be met in a number of ways, including the issuance of new equity instruments, cost reductions and other measures such as the renegotiation of its debts and debentures or the disposal of mining properties. While management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future, that such sources of funding or initiatives will be available to the Company or that they will be available on terms acceptable to the Company. If management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in these consolidated financial statements.

CORPORATE INFORMATION AND NATURE OF ITS ACTIVITIES

Nippon Dragon Resources Inc. 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 Company, listed in the Tier 2 on the TSX Venture Exchange and its shares also trade on the Frankfurt Stock Exchange. At January 19, 2017, 142,289,553 common shares were outstanding.

The Company specializes in the exploration of metal in mining sites located in Quebec. In addition, the Company's mission is to introduce thermal fragmentation technology in the mining industry to enable the commercialization of this technology. 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 agreements with entities in South Africa, Canada and Japan, and an exclusive distribution agreement in Australia to showcase its technology.

One of its properties, Rocmec 1, contains 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 OF 2016

Corporate Summary

On October 6, 2015, Mr. Andre Savard 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 was promoted as the new President and CEO effective on this same date.

On March 17, 2016, during its annual meeting, the following individuals were (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: Donald Brisebois, Paul-A. Girard, Émile Molgat and Nikola Vukovich. Mr. Nikola Vukovich is 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 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 trying to develop project in southern Russia in Kurgan region. He was also the 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 was appointed as auditors of the Company for the current financial year to hold office until the next annual general meeting of shareholders.

Fiscal Year Financing

The financing activities undertaken this year allowed the Company to generate positive cash flows. The table below presents a summary of financings that were concluded between October 1, 2015 and January 19, 2017.

Financing Date	Common Shares Issued	Total Financing Value ($)
November 25, 2015	3,345,000	267,600
February 10, 2016	1,676,111	150,850
March 9, 2016	1,000,000	90,000
May 19, 2016	987,400	78,992
June 29, 2016	5 063 782	354,465
August 3, 2016	6 250 000	500,000
TOTAL September 30 2016 :	**18,322,293**	**$1,441,907**
October 4, 2016	3,476,250	278,100
November 22, 2016	3,333,334	250,000
December 23, 2016	4,572,400	342,930
TOTAL January 19, 2017:	**29,704,277**	**$2,312,937**

In addition, 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 agreed 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 share.

Some stock options and warrants were also exercised providing the Company with cash of $48,898.

Highlights on agreements

Au Consolidated Inc., Arizona

On September 6, 2016, the Company announced that it has entered into a gold production agreement with Au Consolidated Inc. ("AC"), a company located in Arizona. Nippon will conduct thermal fragmentation operations on selected high grade narrow surface veins at AC's property located in Cochise County, near Willcox, Arizona, United States.

The initial term of the agreement will terminate once 2,000 gold ounces have been extracted from the selected surface veins. Recovered gold ounces will be shared on an 80/20 ratio. Nippon will be entitled to 80% of the gold ounces whereas AC will be entitled to 20% of the gold ounces produced.

On September 12, 2016, the Company announced that it had secured funding for this gold production agreement. Funding was secured via a Forward Gold Purchase Agreement with European buyers. Nippon sold 1,200 units at $900 per unit, each unit representing one (1) gold ounce. The Company intends to complete delivery of the gold ounces to the buyers no later than 14 months following on site mobilization, which was schedule at the time in September 2016. Project management has made changes to work flow operations causing a delay in the treatment of the mineralised ore. In essence, the changes pertain to having the mineralised ore treated on-site instead of shipping the ore to a smelter. Work to complete the installation is progressing well and should be completed in mid-January 2017. Start-up and commissioning of the Company's mobile treatment plant should begin soon after with the first ore treated in early February 2017.

With the addition of the Company's treatment plant, the original agreement between the parties was modified to add an additional 1,000 ounces to the 2,000 ounces previously planned. The additional 1,000 ounces of gold recovered will be shared based on a ratio of 60/40. The Company will be entitled to 60% of the gold ounces and AC will be entitled to 40% of the production. Once the gold production as stipulated in the agreement is reached, a long-term agreement or sale of the Company's thermal fragmentation unit(s) and the Company's treatment plan may be negotiated between the parties.

MaXem Holdings, South Africa

The Company pursued over the year, its exclusive distribution agreement with MaXem in South Africa for the distribution and the use of its patented thermal fragmentation mining method. MaXem has been working with a mining company for more than 18 months. A new phase is in preparation at a different mine site owned by this mining company. MaXem will need to sign a new agreement before starting the project, the negotiations are progressing well per our distributor.

Material Japan Co. Ltd., Japan

On March 29, 2016, the Company announced the signing of a new agreement with Material Japan Co. Ltd. ("MJ"). Management of MJ visited Canada on a few occasions and has been interested in the thermal fragmentation method for the past 3 years. MJ is very active in Japan within the construction industry and is convinced that the thermal fragmentation method can be profitably implemented in Japan. The signing of this new agreement nullifies previous agreements for Japan and MJ becomes the Company's exclusive agent, replacing NDR Japan, which ceased its activities due to financial difficulties.

Japan remains a strategic location for the Company especially with regards to the construction industry. MJ is already in contact with companies that may have a definite interest in employing the thermal fragmentation method. The thermal unit (Dragon) currently on site in Japan will facilitate the understanding of the method and enable targeted demonstrations on specific projects. The mining component is still moving forward, however financing of these projects remains challenging.

Don Bourgeois, Canada

On November 25, 2015, the Company ratified its exclusive agreement with mining contractor, Don Bourgeois and Sons Inc. for usage and distribution of Nippon's exclusive and patented thermal fragmentation mining method. The agreement now includes all of Canada. Both parties will have similar responsibilities pertaining to the promotion, showcasing and implementation of the technology. Don Bourgeois and Sons will maintain separate accounting records for the usage of the thermal fragmentation mining method within its mining contracts, equipment leasing contracts and/or other types of contracts. Net profits will be equally shared between the parties. Additionally, Don Bourgeois and Sons will be responsible for supplying all the equipment required to undertake such contracts. No income from this agreement was recorded during the year ended September 30, 2016.

Other projects, Canada

In the summer of 2016, the Company did work in two different mines to evaluate the possibility of using fragmented holes as a slot raise. We believe there is potential however, more work is needed to better evaluate the cost and the type of carrier we need for the thermal fragmentation to improve its mobility.

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 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.

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 named 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.

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Table of Resources

Vein/Structure	Classification	Tonnage	Au	Oz	Average	Volume	Surface
			(g r/t)	(31.103 g)	Thickness (m)	(m 3)	(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.,3,9	200	600
T2	Inferred	500	18.42	300	0.,3,3	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.

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 Canada inc. ("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 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 Company`s management focused a large part recently towards the promotion of its thermal fragmentation mining method technology around the world, which explains why the investments in exploration and evaluation expenses have been very low since the past few years.

The work on the Rocmec 1 property during 2016 was focussed on the potential discovery of new mineralised zones. The work conducted was done under the supervision of Donald Brisebois, the Company's president and CEO and required a significant amount of planning and travel on his part.

Over the upcoming steps, an exploration plan will validate our understanding of the mineral deposits. The Company would strongly like to proceed with this step but it requires an investment of at least $ 500,000. During the year, the Company obtained a quote to update their 43-101 report. As soon as the funds will be secured, the Company will proceed with the update. The funds will be concentrated around the 2 Boucher structures at depth and east-west extensions. The goal is to update the actual resources and possibly increase the total gold resources in general.

Denain

The property which 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.

The location of the project (near Val d'Or) and the ease of access are two significant advantages. The Company envisions two drilling programs in 2 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 Maruska

For the moment this is at the exploration stage. Very little work is planned for this property during the coming year because management has decided to focus their attention on exploration of Rocmec 1.

Exploration and Evaluation Assets

For the year ended September 30, 2016, the Company was only able to execute $31,480 worth of exploration and evaluation work relative to Rocmec 1 ($41,505 in 2015). The majority of the funds raised during 2016 were employed to reduce the Company's debt load, thereby avoiding collection issues. No work was done on the Denain and Courville Maruska properties.

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

	2016	2015
Supervision	$ **16,480**	$ 30,900
Other exploration expenses	**15,000**	10,605
	$ **31,480**	$ 41,505

RECENT HIGHLIGHTS

On October 4, 2016, the Company completed of a non-brokered private placement of 3,476,250 units of the Company at a price of $0.08 per unit, for aggregate gross proceeds of $ 278,100. Each unit consists of one (1) common share in the share capital of the Company and one (1) warrant. 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. As at September 30, 2016, the Company had already received $186,000 in regards to this private placement.

On October 26, 2016, the Company mobilized its 75 t/d flotation plant on Au Consolidated Inc.'s ("AU") property. With the addition of the Company's treatment plant, the original agreement between the parties was modified to add an additional 1,000 ounces to 2000 ounces previously planned. The additional 1,000 ounces of gold recovered will be shared based on a ratio of 60/40. The Company will be entitled to 60% of the gold ounces and AU will be entitled to 40% of the gold ounces produced.

On November 22, 2016, the Company completed of a non-brokered private placement of 3,333,334 units of the Company at a price of $0.075 per unit, for aggregate gross proceeds of $250,000. Each unit consists of one (1) common share in the share capital of the Company and one (1) warrant. 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.

On December 14, 2016, the Company has reached a settlement with Desjardins-Innovatech for the repayment of an outstanding debenture totalling $249,995 plus accrued interest of $42,829 as at November 30, 2016. The settlement includes a cash payment of $125,000 and the remaining balance of $124,995 plus accrued interest of $42,829 through the issuance of 2,397,490 common shares of the Company at a price of $0.07 per share. The financing fees due were paid in cash at closing.

On December 23, 2016, the Company completed a non-brokered private placement of 4,572,400 units of the Company at a price of $0.075 per unit, for aggregate gross proceeds of $342,930. Each unit consists of one (1) common share in the share capital of the Company and one (1) warrant. 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.

SELECTED ANNUAL INFORMATION

The following data is presented as at or for the years ended September 30, 2016.

	As at or for the years ended September 30,		
	2016	2015	2014
Exploration and Evaluation assets	**$ 8,778,776**	$ 8,749,686	$ 8,719,802
Total assets	**10,472,900**	9,495,981	9,938,798
Current liabilities	**6,412,753**	9,507,433	13,860,827
Non-current liabilities	**-**	-	140,256
Revenue from Joint Operation Contracts	**-**	88,531	72,481
Revenue from distribution of Thermal Fragmentation Technology	**145,377**	96,509	-
Total Revenue	**145,377**	201,155	72,481
Contract Costs	**322,090**	98,426	105,764
Net income (loss)	**1,578,114**	1,113,466	(2,306,315)
Net income (loss) per share, basic and diluted	**0.0144**	0.0127	(0.0395)

Since its incorporation, the Company has never paid cash dividends on its outstanding common shares. Cash dividend is unlikely to be paid in the near future.

Nearly all liabilities of the Company are current. They are comprised of prepaid gold sales of $1,080,000 (none in 2015) and of indemnities payable to subscribers of $720,080 ($2,527,698 in 2015), which are discussed in detail in the Contingencies section of this report. The balance of the current liabilities includes debts and debentures that have all matured, but have not been repaid, and therefore are presented in the current section. During the fourth quarter of 2016, the Company de-recognized the $1.5 million debenture and its related accrued interest. The transaction resulted in a gain on de-recognition of the debenture and related interests of $2,638,860. The risks associated with the Company defaulting payments is discussed in the CASH FLOWS section in this report.

OPERATING RESULTS

For the year ended September 30, 2016, the Company realized a net income of $1,578,114 (net income of $1,113,466 in 2015). The difference in the results between the two periods can be explained with the following factors:

Indemnities payable to subscribers:

- Following the settlement of the lawsuit surrounding the indemnities payable to subscribers, the Company settled for $795,000 a lawsuit which initially amounted to $1,126,201. Consequently, a non-recurring gain on settlement of debt of $331,201 was recorded in the Company's results for the current year;

- In light of the above-mentioned settlement, the Company reviewed its provisions for indemnities payable for the remaining subscribers which have not contacted the Company for damages or filed lawsuits whatsoever and adjusted the provision in the fourth quarter of 2016 based on management's best estimate, including all available information and recent developments resulting in a reversal of provision of $681,417;

- During the previous year, the Company proceeded with the write-off of indemnities payable to subscribers in connection with flow-through financing made between 2009 and 2011. This write-off was carried out following the receipt of a legal opinion to the effect that the Company had no obligation to compensate subscribers legally, except for those who had signed a subscription notice with a clause in this regard specifically. Therefore, a non-recurring gain on radiation of indemnities to subscribers of $3,758,084 was recorded in the books.

Non-routine transactions:

- During the fourth quarter of 2016, the Company de-recognized the $1.5 million debenture and its related accrued interest. Despite multiple attempts by management to establish contact with the debenture holder since the expiry in 2012, the debenture holder has not been in contact with the Company at any time after the expiry of the debenture. The de-recognition was justified by a legal opinion from the Company's counsel confirming that based on local laws and regulations, on the time elapsed since the expiry and with the absence of contact, the debenture could be de-recognized along with accrued interest. As mentioned previously, the transaction resulted in a gain on de-recognition of the debenture and related interests of $2,638,860;

- During the comparative year, the Company recorded a loss on write-off of the interest in a joint venture following its decision to withdraw itself from the partnership in a joint venture formed with the company Cerro Dorado in Peru. This non-recurring loss of $711,003 had an important impact of the net result recorded by the Company for the comparative year.

Operating results:

- Contrary to 2015 where revenues from Australia and Japan were more significant, revenues during 2016 mainly originated from contracts with our partner in South Africa. The activities from the South African region substantially increased from the prior year. However, the facts and circumstances changed in the way the activities were carried out and as such, the presentation in the consolidated financial statements was adjusted to reflect the substance of the operations. The revenues recorded in the year ended September 30, 2016 represent the Company's share of the net profits generated by the contracts, whereas in 2015, the Company accounted its proportionate share of the joint operation revenues and expenses;

- The gross margin decreased from $102,729 in 2015 to $(176,713) in 2016. The decreased margin can be explained by the work performed in connection with the gold production agreement with Au Consolidated Inc. The revenues from said agreement will be recognized once the gold ounces are produced and delivered. However, a significant portion of the costs relating to the installation, commissioning and start-up of the plant on the mining site were incurred as at September 30, 2016, which contributes to the decrease of the gross margin of the Company;

- Decrease in salaries and benefits of $284,495 mostly relate to the resignation of André Savard as President and CEO on October 6, 2015 and to the decision taken by the Company during the last annual meeting of the shareholders not to issue new share purchase options;

- Increase in professional fees of $142,792 as important legal costs related to the signature of various agreements, including the partnership in Japan, were paid by the Company. The signature of the new agreement with our new partner Material Japan Co. Ltd should bring revenues that will be important for the Company;

QUARTERLY DATA

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

	30/09/16	30/06/16	31/03/16	31/12/15	30/09/15	30/06/15	31/03/15	31/12/14
	$	$	$	$	$	$	$	$
Income	82,517	34,407	8,273	20,180	58,160	66,890	30,259	43,951
Net income (loss)	2,481,762	(434,385)	(73,977)	(395,286)	(280,611)	(380,010)	(1,167,221)	2,941,308
Net income (loss) per share, basic and diluted	0.0197	(0.0040)	(0.0007)	(0.0040)	(0.0032)	(0.0042)	(0.0137)	0.0383

The main changes in quarterly results compared to the previous year quarters are explained as follows:

31/12/14 – Important income recorded in connection with a non-recurring gain of $3,525,355 relating to the write-off of indemnities due to subscribers for flow-through financing between 2009 and 2011;

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

30/09/15 - Loss decreased compared to the other quarters in connection with a non-recurring gain of $232,729 related to the write-off of indemnities due 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;

30/06/16 – Loss was increased compared to the other quarters in connection with important professional fees incurred relating to the signature of various agreements.

FOURTH QUARTER

During the fourth quarter of 2016, an important income was recorded in connection with a non-recurring gain of $2,638,860 related to the de-recognition of a debenture and its related accrued interests and in connection with a non-recurring gain of $681,417 related to the write-off of indemnities due to subscribers for flow-through financing between 2009 and 2011 following the revision of the Company's estimate. If it was not for these non-recurring gains, the Company would have incurred a loss of $838,515 for this quarter compared to a loss of $280,611 in the fourth quarter of 2015. This variation is mainly explained by the important costs incurred for the installation and the mobilization on site in Arizona. Furthermore, the travelling and promotion expenses have increased by $81,819 in this quarter compared to last year since management had to travel a lot to Arizona to set up the mining site.

CASH FLOWS

	Years ended September 30,		
	2016	2015	2014
Cash flows used in operating activities	**$ (432,842)**	$ (1,785,575)	$ (843,202)
Cash flows used in investing activities	**$ (191,165)**	$ (177,824)	$ (92,765)
Cash flows from (used in) financing activities	**$ 1,373,767**	$ 1,990,969	$ (941,022)
Net change in cash and cash equivalents	**$ 749,760**	$ 27,570	$ 5,055
Cash and cash equivalents at beginning of year	**$ 83,918**	$ 56,348	$ 51,293
Cash and cash equivalents at end of year	**$ 833,678**	$ 83,918	$ 56,348

For the year ended September 30, 2016, the **operating activities** used $(432,842) of cash compared to $(1,785,575) used in the prior year. This variation can be explained by the following elements:

- An amount of $1,080,000 was received during 2016 in connection with the Company entering into prepaid gold sales for the delivery of approximately 1,200 units, each unit consisting of one (1) ounce of gold at a price of $900 per unit;

- As André Savard resigned in October 2015, the Company saved significantly on salaries and benefits for the year 2016;

- The net change in working capital decreased from $213,050 in 2016 to $(85,216) in 2015. This significant change comes largely from the change in accounts payable. The gold production agreement with Au Consolidated generated high expenses near year-end 2016, expenses which increased accounts payable significantly as at September 30, 2016 compared to 2015.

Investing activities used $191,165 in cash in 2016 compared to $177,824 in 2015. The activities consisted mainly in the purchase of new equipment and have been very similar throughout the two years. It has been difficult for the Company to finance its investing activities such as exploration and evaluation expenses. The Company is still looking for a major financing in order to invest massively on its property Rocmec 1.

For the year ended September 30, 2016, **the financing activities** have generated cash flows of $1,373,767 compared to $1,990,969 in 2015. This variation is explained by a decrease in warrants and shares issued which generated $1,441,909 in 2016 compared to $2,180,018 in 2015.

At September 30 2016, the Company had $833,678 in cash, $216,000 in cash in escrow, accounts receivables and other receivables of $73,786, sales tax receivable of $52,092 and prepaid expenses of $49,371. 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, 2017. 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 equity financing depending on needs and availability.

The funding researches continue to look good for the upcoming year as three private placements totalling $871,030 have been closed from September 30, 2016 up to the date of this MD&A.

The Company will continue to use maximum efforts to obtain financing on the open market to improve its cash position.

However, it is important to mention that the Company is in default with one creditor whom have created a first mortgage on the Rocmec 1 property in the amount of $1,471,807 ($1,500,000 in 2015). Although discussions have been ongoing over the past several months to find a solution for payment, the Company does risk losing control on the property given as collateral. During the year, the Company renegotiated with the lender and both parties agreed that 10% of the Company' proceeds from all of its operations, as well as private placements, would be used to pay the accrued interest and principal of the debt. Even with this renegotiation in an effort to take advantage of the extra time to find a suitable partner to develop a portion of the property, there still is no guarantee of success and a risk does exist that the control of Rocmec 1 property could be lost.

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 Company 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, prepaid gold sales, 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.

RELATED PARTY TRANSACTIONS

The related parties include key management personnel and key management's companies.

During the year 2015, two 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,		
	2016	2015	2014
Salaries and fringe benefits	**$ 188,887**	$ 480,048	$ 482,489
Capitalized to exploration and evaluation assets	**(16,480)**	(30,900)	(70,809)
	172,407	449,148	411,680
Stock-based compensation	**19,069**	182,033	234,643
Professional fees - Guimond Lavallée inc.[1]	**81,720**	72,000	72,000
Total	**$ 273,226**	$ 703,181	$ 718,323

[1] Guimond Lavallée is considered as a related party as Vanessa Guimond which is partner at the firm, is also acting as the CFO of the Company.

SHARES AND EQUITY INSTRUMENTS OUTSTANDING

The changes in shares, warrants and options outstanding of the Company is detailed as follows:

	At September 30, 2016	Issued	Exercised	Expired	At January 19, 2017
Shares Issued	128,510,079	13,779,464	-	-	142,289,553
Stock Options Issued	6,765,000	-	-	-	6,765,000
Warrants Issued	49,384,589	13,779,464	-	(21,640,610)	41,523,443

CONTINGENCIES

The Company's operations are regulated by governmental laws and regulations regarding environmental protection. The environmental consequences are hardly identifiable. 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.

Following flow-through financing agreements entered into with subscribers between 2009 and 2011, the Company committed to incur Canadian Exploration Expenses ("CEE") before specific deadlines which the Company did not respect. Consequently, exploration expenses renounced to investors had not been incurred in CEE. Amended renunciation forms have been filed with tax authorities and will consequently mean that new notices of assessment were or could have been sent to subscribers for taxation years 2009 to 2011. In this respect, the Company recorded between September 2010 and 2012 indemnities payable to subscribers and its related interests payable. In the year ended September 30, 2015, by virtue of the absence of valid indemnification provisions in the subscription agreements, it was determined by the Company that only the indemnities related to subscriptions containing a specific compensation clause would be retained in the books and as such, $3,758,084 of provision was written off. In May 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 proceedings were settled for an aggregate settlement amount of $795,000. The Company could be subject to claims by other subscribers. Management is unable to determine the amount since it is impossible to determine the number of subscribers who have been subject to tax assessments on these flow-through financings.

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 Note 5 of the consolidated financial statements include the going concern, the exploration and evaluation assets, the other provisions and contingent liabilities and the classification of joint arrangements. While management believes that these estimates and assumptions are reasonable, actual results could vary significantly.

Furthermore, a full description of the accounting methods used by the Company are listed in the consolidated annual financial statements of September 30, 2016 in Note 4. It is noted that there was no accounting method change by the Company over the quarters shown in the annual consolidated financial statements of September 30, 2016.

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 exposure of the Company towards financial risk and its policies towards managing them are described in the consolidated annual financial statements of September 30, 2016 in Note 18.

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

Credit risk

Credit risk is the risk associated with non-payment of financial obligations by the customers of the Company. The credit risks that face the Company are principally attributable to collection of its accounts receivable. The amount presented in the consolidated statement of financial position as accounts receivable and other receivables is net of an allowance for doubtful accounts of nil ($38,960 in 2015). The cash balances are held by a Canadian chartered bank about which 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

Liquidity risk is the risk that the Company experiences difficulty honouring commitments related to financial liabilities. The Company manages its liquidity risk by using budgets that enable it to determine the amounts required to fund its operations and administrative expenses. The Company also ensures that it has sufficient working capital available to meet its day-to-day commitments. As at September 30, 2016 the Company had cash of $833,678 ($83,918 as at September 30, 2015) to settle current liabilities of $ 6,412,753 ($9,507,433 as at September 30, 2015). Management estimates that such funds will not be sufficient for the Company to continue as a going concern (Note 2 of the consolidated financial statements). Any funding shortfall may be met in the future in a number of ways including but not limited to, the issuance of new equity instruments, further expenditure reductions or other measures. While management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Company or that they will be available on terms which are acceptable to the Company. If management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in these consolidated financial statements.

As at September 30, 2016 and 2015, all of the Company' liabilities including debts and debentures had maturities of less than one year.

Interest rate risk

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

A 1% change in the interest rate would have an impact of approximately $23,000 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 and liabilities is denominated in South African rand and in US dollar. 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:

	2016	2015
Accounts receivable and other receivables	**$ 58,763**	$ 65,477
Accounts payable	**218,418**	-
Net exposure	**$ 159,655**	$ 65,477

RISKS AND UNCERTAINTIES

At September 30, 2016, 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.

Financial Risk and Going Concern Risk

The Company is an exploration and evaluation company and has limited source of revenue. The Company has to raise funds on a regular basis to continue operations. The Company relies upon its ability to secure significant additional financing to meet the minimum capital required to successfully complete the projects and continue as a going concern. Even if the Company succeeded in obtaining financing in the past, there can be no assurance that it will be able to do so in the future, that adequate funding will be available to the Company or that the terms of such financing will be favourable. The Company may be required to delay discretionary expenditures if such additional financing cannot be obtained on reasonable terms, which could result in delay or indefinite postponement of exploration and evaluation projects and may result in a material adverse effect on the Company's results of operation and its financial condition. In addition, as mentioned previously in this report, the lack of financing could result in the loss of control of Rocmec 1 property as it has been given as collateral to one important creditor and the Company is actually in default with payments.

The audited consolidated financial statements of the Company do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern. There is no assurance that any assumptions of management of the Company regarding the ability to continue as a going concern will remain accurate or that the Company will in fact be able to continue as a going concern. Note 2 of the audited consolidated financial statements for the year ended September 30, 2016 reflects this uncertainty.

Volatility Risk of the Financial Market

During the last few years, the securities markets have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that fluctuations in price will not occur. It may be anticipated that the price of the Company's common shares will be subject to market trends generally, notwithstanding any potential success of the Company in creating value in its exploration assets, and its price will be affected by such volatility.

As a result of the extreme volatility occurring in the financial markets, investors are moving away from assets they perceive as risky to those they perceive as less so. Companies like Nippon are considered risky assets and as mentioned above are highly speculative. The volatility in the markets and investor sentiment may make it difficult for the Company to access the capital markets to raise the capital it will need to fund its current level of expenditures. The Company was still able to obtain financing for over 1.4 million dollars through equity financing for the year ended September 30, 2016 which proves that the Company continues to attract investors on the financial markets.

Dilution Risk of Common Shares

During the life of the Company's outstanding stock options and warrants granted under its share based compensation plans, the holders are given an opportunity to profit from an increase in the market price of the common shares with a resulting dilution in the interest of shareholders. The holders of stock options may exercise such securities at a time when the Company may have been able to obtain any needed capital by a new offering of securities on terms more favourable than those provided by the outstanding options. The increase in the number of common shares in the market, if all or part of these outstanding options were exercised, and the possibility of sales of these additional shares may have a depressive effect on the price of the common shares.

Furthermore, the Company will require additional funds to fund further exploration. If the Company raises additional funding by issuing additional equity securities, such financing may dilute the holdings of the Company's shareholders

Risk inherent in the Industry

Mineral exploration and development involve several risks which experience, knowledge and careful evaluation may not be sufficient to overcome. Large capital expenditures are required in advance of anticipated revenues from operations. Many exploration programs do not result in the discovery of mineralization; moreover, mineralization discovered may not be of sufficient quantity or quality to be profitably mined. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, explosions, tailings impoundment failures, cave-ins, landslides and the inability to obtain adequate machinery, equipment or labour are some of the risks involved in the conduct of exploration programs and the operation of mines.

The commercial viability of exploiting any metal deposit is dependent on a number of factors including infrastructure and governmental regulations, in particular those respecting the environment, price, taxes, and royalties. No assurance can be given that minerals of sufficient quantity, quality, size and grade will be discovered on any of the Company's properties to justify commercial operation.

Numerous external factors influence and may have significant impacts on the operations of the Company and its financing needs. Significant expenses may be necessary in order to establish ore reserves, develop metallurgical processes and to construct mining and processing facilities on the particular sites.

Technological risk

The thermal fragmentation mining method is a technological innovation and, for all technological innovations, there is a risk that the new technology won't be as effective as expected.

However, research and development over the past years has led to confirmation of the effectiveness of the thermal fragmentation mining method. This has been concretely demonstrated and proven through the implementation and usage in both South Africa and Canada. We therefore consider the technological risk as negligible. As for the risk of being plagiarized, the Company has valid patents across the world and makes sure to maintain them.

Protection of our intellectual property

We rely, in part, on trade secrets, copyrights and contractual restrictions, such as confidentiality agreements, patents and licences to establish and protect our proprietary rights. These may not be effective in preventing a misuse of our technology or in deterring others from developing similar technologies. We may be limited in our ability to acquire or enforce our intellectual property rights in some countries. Litigation related to our intellectual property rights could be lengthy and costly and could negatively affect our operations or financial results, whether or not we are successful in defending a claim.

Our ability to penetrate new markets

We are leveraging our knowledge, experience and best practices in thermal fragmentation mining method to penetrate the mining industry.

As we operate in this market, unforeseen difficulties and expenditures could arise, which may have an adverse effect on our operations, profitability and reputation.

Commercial risk

To be a commercial success, a technological advance must offer its potential users a way to use it in a context that is economically sustainable.

Our exclusive distributor has been operating with the technology, under contract that includes a non-disclosure agreement, with a major mining company for the past 24 months. We therefore consider the commercial risk as limited.

Doing business in foreign countries

We have agreements with companies in multiple countries which include selling our thermal fragmentation mining method. As a result, we are subject to the risks of doing business internationally, including geopolitical instability.

These are the main risks we are facing:
- Change in laws and regulations;
- General changes in economic and geopolitical conditions and;
- Complexity and corruption risks of using foreign representatives and consultants.

Political instability

Political instability in certain regions of the world may be prolonged and unpredictable. A prolongation of political instability could lead to delays or cancellation of projects in which we have invested significant resources. Other geo-political risks will change over time and the Company must respect any applicable sanctions and controls applied in the countries in which we carry on business. It is possible that in the markets we serve, unanticipated political instability could impact our operating results and financial position.

Risks related to Resources Estimates

The mineral resources identified on properties are estimates only, and no assurance can be given that the estimated resources are accurate or that the indicated level of minerals will be produced. Such estimates are, in large part, based on interpretations of geological data obtained from drill holes and other sampling techniques. Actual mineralization or formations may be different from those predicted. Accordingly, such resource estimates may require revision as more drilling or other exploration information becomes available or as actual production experience is gained. Further, it may take many years from the initial phase of drilling before production is possible, and during that time the economic feasibility of exploiting a discovery may change.

Further, resources may not have demonstrated economic viability and may never be extracted by the operator of a property. It should not be assumed that any part or all of the mineral resources on properties constitute or will be converted into reserves. Market price fluctuations of the applicable commodity, as well as increased production and capital costs or reduced recovery rates, may render the proven and probable reserves on properties unprofitable to develop at a particular site or sites for periods of time or may render reserves containing relatively lower grade mineralization uneconomic. Moreover, short-term operating factors relating to the reserves, such as the need for the orderly development of ore bodies or the processing of new or different ore grades, may cause reserves to be reduced or not extracted. Estimated reserves may have to be recalculated based on actual production experience.

Any of these factors may require the operators to reduce their reserves and resources, which may result in a material and adverse effect on the Company's future results of operation and financial condition if one or more of its projects were to go in production.

Risks of Property Title

Although the Company has taken steps to verify title to the property on which it is conducting exploration and in which it is acquiring an interest in accordance with industry standards for the current stage of exploration and evaluation of such property, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, aboriginal claims and noncompliance with regulatory requirements.

Permits & Licenses

The Company's operations may require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

Environmental & Other Regulations

The laws, regulations and other measures present now, or in the future can result in fees, asset acquisitions, restrictions or additional delays for the Company that we cannot forecast for. The environmental requirements are constantly being re-evaluated and could become stricter, which could harm the Company's ability to obtain the most value from its properties. Before production can begin on a property, the Company needs to obtain approvals from environmental & regulatory boards. There is no guarantee that the approvals will be obtained or be obtained in a timely manner. The cost related to assessing changes in government regulations may reduce the profitability of the operation or altogether prevent a property from being developed. The Company maintains an environmental management system including operational plans and practices and considers that it is in material compliance with the existing environmental legislation.

Mining Law and Governmental Regulation

The Company's activities entail compliance with the applicable legislation or review processes and the obtaining of land use and all other permits, and similar authorizations of future overall mining operations are subject to the constraints contained in such legislation. The Company believes that it is in compliance in all material respects with such existing laws. Changing government regulations may, however, have an adverse effect on the Company.

Although the Company continues to ensure that its exploration projects receive support from concerned municipals authorities and other stakeholders, amendments to various governmental regulations might affect its exploration projects.

In addition, current political and social debate on the distribution of mining wealth in Québec and elsewhere may result in increased mining taxes and royalties, which could adversely affect the Company's business and mining operations.

Taxes

The refundable credit for resources and credit on duties refundable for losses (the "tax credits") for the current period and prior periods are measured at the amount the Company expects to recover from the tax authorities as at the closing date. However, uncertainties remain as to the interpretation of tax rules and the amount and timing of the recovery of such tax credits. Accordingly, there may be a significant difference between the recorded amount of tax credits receivable and the actual amount of tax credits received following the tax authorities' review of issues whose interpretation is uncertain. However, given the uncertainty inherent in obtaining the approval of the relevant tax authorities, the amount of tax credits that will actually be recovered or the amount to be repaid, as well as the timing of such recovery or repayment, could differ materially from the accounting estimates, which would affect the Company's financial position and cash flows.

Litigation

All industries, including mining, are subject to legal claims that can be with and without merit. Defense and settlement costs can be substantial, even for claims that have no merit. Notably, the recent litigation with the indemnity to subscribers is an example of an unfavorable situation for the Company in terms of cash flow and financial situation.

Potential litigation may arise with respect to a property in which the Company is in the process of evaluating as a strategic investment and/or holds an interest directly or indirectly in an exploring, developing and/or operating mineral property now or in the future.

The Company might not generally have any influence on the litigation nor will it necessarily have access to data. In case where that litigation results in the cessation or reduction of production from a property (whether temporary or permanent), it could have a material and adverse effect on the Company's results of operations and financial condition. The litigation process is inherently uncertain, so there can be no assurance that the resolution of a legal proceeding will not have a material adverse effect on our future cash flow, results of operations or financial condition.

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.

Dependence on key personnel

The development of the Company's business is and will continue to be dependent on its ability to attract and retain highly qualified management and mining personnel. The Company faces competition for personnel from other mining companies.

Conflicts of interest

Certain directors of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith to the best interests of the Company, and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter.

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 Company 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 19, 2017