NIPPON DRAGON RESOURCES INC.

Management's Discussion and Analysis 2017

FOR THE FINANCIAL YEAR ENDED SEPTEMBER 30, 2017

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Nippon Dragon Resources Inc.

Management's Discussion and Analysis
For the year ended September 30, 2017

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, 2017 in comparison to the previous year. The information contained in this document is dated as December 21, 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 was approved by the Board of directors on December 21, 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 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, 2017, the Company has accumulated a deficit of $56,025,745 and has a working capital deficiency of $5,812,883.

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, 2000. 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 Tier 2 publicly listed Company, its shares trade on the TSX Venture Exchange under the symbol NIP and also on the OTCQB exchange under the symbol RCCMF.

The Company's mission is to introduce and commercialize the thermal fragmentation process within the mining industry. As such, the Company's main focus during the year was the deployment of the process on selected vein structures on a major project located in Arizona. The extraction process allows to quickly extract any type of hard rock up to 110 cm wide with an accuracy of 2 cm. With such precision, high grade precious and base metal veins can now be extracted with minimal dilution. The Company has an agreement with an entity in Japan, and exclusive distribution agreements in Australia, Canada and South Africa.

In addition, the Company specializes in the exploration of precious metals in mining sites located in Quebec. One of its properties, Rocmec 1, contains mineral resources. When further exploration will be conducted on Rocmec 1, Denain and Courville properties, the Company will then determine if these properties contain economically profitable ore resources. Additional details pertaining to the properties are presented in the section titled Mining properties and future exploration work.

GLOBAL PERFORMANCE OF 2017

Highlights on agreements

Au Consolidated Inc. ("AU"), Arizona

History of the agreement

On September 6, 2016, the Company announced that it had entered into a gold production agreement with AU. in which the Company will conduct thermal fragmentation operations on selected high grade narrow surface veins at AU's property located in Cochise County, near Willcox.

The initial term of the agreement was supposed to be terminated once 2000 ounces of gold had been extracted from selected veins. Recovered ounces would be shared on an 80/20 ratio in favor of the company.

Updates 2016-2017

In October 2016, the Company started thermal fragmentation operations and had trainers on-site who taught the basics of the mining process to AU's employees. Multiple pilot holes previously drilled by AU greatly helped setting up the operations. The Company mobilized its 75 tpd flotation plant on AU's property. The installation and commissioning was completed during the month of November 2016. With the addition of the treatment plant, the original agreement between the parties was modified to add an additional 1000 ounces to the 2000 ounces previously agreed upon. The additional 1000 recovered ounces will be shared on a 60/40 ratio in favor of the Company. As of today, more than 100 tons is stored at the mill site to be used for the mill start-up.

During the second quarter of 2017 the mill start-up was completed. However the employees supplied by AU were inexperienced, resulting in a start-up period longer than expected. The Company took action and now has 2 trained employees that are capable of properly operating the technology without supervision. The Company also realized that the gold concentrate initially extracted did not reach the quality needed to be sold on the open market and a group of specialists are currently looking into the matter.

The Company noticed during the second quarter that the pilot holes were not precisely drilled within the vein structure. It was decided to mobilise an additional thermal unit to drill other pilot holes. By drilling its own pilot holes, the Company is assured of the precision needed to fragment the vein, thereby attaining a higher rate of production.

At the end of the second quarter, AU's geologist located a new vein structure, called HV.

In the third quarter of 2017, the Company continued to use the treatment plant, however the focus was put on the Knelson gravimetric concentrator (equipment to recover free gold). After several adjustments and considering that the feed was low grade, the Knelson is now tuned to process higher-grade material. The thermal fragmentation process continues and the Company mobilized the drill unit in June 2017 on the VH vein.

During April 2017, the Company sold the treatment plant to AU which resulted in a gain on disposal of $65,707. The treatment plant was not used by the Company. Furthermore, the sale of the treatment plant earned the Company $180,000 USD benefitting its working capital in addition to releasing itself from debts owed to suppliers totalling $290,418 USD.

In the last quarter of 2017, the treatment plant was plagued by various problems and it was determined after detailed inspections that the cause of these problems were related to a misalignment of its base. Work to rectify the problem will be completed once the operations are ready to be restarted. All on-site activities were postponed until the joint-venture between Val d'Or Resources Corporation ("VRC") and the financing group is completed, scheduled for early 2018.

MaXem Holdings ("MaXem"), South Africa

The Company pursued its exclusive distribution agreement with MaXem in South Africa for the distribution and usage of its patented thermal fragmentation mining process. MaXem has been working with a mining company for more than 2 years. The first agreement between MaXem and the mining company ended on December 31, 2016. A new agreement was concluded during the year between MaXem and the aforementioned company who has been employing the thermal fragmentation process for the past two years. MaXem will support the company's employees who will operate the thermal fragmentation mining process. On October 17, 2017, the Company renewed its agreement with MaXem pertaining to the usage of the thermal fragmentation process for the next three (3) years. The new agreement includes a monthly royalty fee plus a monthly rental fee per lance-burner head employed.

Material Japan Co. Ltd., Japan

Japan remains a strategic location for the Company especially with regards to the construction industry. Over the course of the 2017 financial year, discussions took place, however no contracts were finalized.

Don Bourgeois, Canada

The exclusive agreement with mining contractor, Don Bourgeois and Sons Inc. is still in effect, however no contracts were concluded during the year ended September 30, 2017.

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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, 2016 and December 21, 2017.

Financing Date	Common Shares Issued	Warrants Issued	Total Financing Value ($)
October 4, 2016	3,476,250	3,476,250	278,100
November 22, 2016	3,333,334	3,333,334	250,000
December 23, 2016	4,572,400	4,572,400	342,930
August 11, 2017	4,818,200	4,818,200	240,910
TOTAL September 30 2017 :	**16,200,184**	**16,200,184**	**$ 1,111,940**
November 22, 2017	11,700,072	12,168,072	585,004
TOTAL December 21 2017:	**27,900,256**	**28,368,256**	**$ 1,696,944**

In addition, on December 14, 2016, the Company 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 included 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.

On January 30, 2017, the Company entered into a loan agreement for a short term financing of $100,000 with a third party. The loan is in the form of a one-year unsecured and non-convertible loan, bearing interest at ten percent (10%) per year. Interest totalling $10,000 was paid in advance upon the signing of the loan agreement. The Company is also granting to the lender 1,000,000 non-transferable common share purchase warrants, each warrant grants to its holder the right to purchase one common share of the Corporation at a price of $0.085 per share for a period of twelve months from the date of signing the loan agreement. On March 14, 2017, all of the warrants were exercised in order to purchase 1,000,000 common shares of the Company for a total gross proceeds of $85,000.

On June 14, 2017, the Company issued 1,520,396 common shares at a price of $0.07 per share as interest payments on outstanding debentures. The amount of interest totals $106,426 and represents accumulated interest at March 31, 2017.

On January 17, 2017, the Company entered into an agreement with Diagnos Inc. to generate exploration targets on the Rocmec 1 and Denain properties. The agreement totals $70,000 plus the related sales taxes. The Company has paid the full amount on August 25, 2017 by issuing 1,238,192 common shares at a price of $0.065 per common share for a total of $80,481 representing the value of the services received.

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 width 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 Company's management focused a large part of its efforts on the mobilization of the flotation plant in Arizona and towards the promotion of its thermal fragmentation mining process around the world, which explains why investments in exploration and evaluation expenses have been minimal over past few years. However, the Company entered into an agreement with Diagnos to use their CARDS software on their Rocmec 1 and Denain mining sites, in order to gather and compile data of the surrounding areas that will enable the Company to generate additional and more precise exploration targets.

On August 1, 2017, the Company entered into a joint-venture agreement with Val d'Or Resources Corporation ("VRC"). The joint venture will become in effect once VRC secures funding in the amount of $16,200,000 (not effective September 30, 2017) that will be dedicated to the Rocmec 1 and Denain properties. As a result of the joint-venture, VRC will hold 49% of the Company's subsidiary Rocmec Gold inc. (formerly Rocmec Technologies inc) while the Company will hold the remaining 51%. As at September 30, 2017, the funds were not secured by VRC and as such, the Company still owned 100% of its subsidiary.

Respectively on September 22 and 27, 2017, the following claims and mining properties were transferred from the Company into Rocmec Gold inc. as per the joint-venture agreement:

100% of Rocmec 1 and its related claims
85 % of Denain and its related claims

Near term activities and objectives of the joint-venture include an exploration programme to validate the understanding of the mineral deposits of the two Boucher structures both at depth and the east-west extensions. Proceeds will be employed to re-activate the Rocmec 1 project, including paying off its first rank mortgage and a drill programme to further increase its mining resources with an updated NI43-101 report. Also included is dewatering of the site, installation of all the surface services and the commencement of development work on the various levels. The beginning of the programme is dependent on the weather in this northern part of Quebec and is conditional to the closing of the financing from VRC.

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 exploration 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 an exploration drill programme on the property and securing a NI43-101 report. The above-mentioned joint venture agreement will allow the Company to move forward with this plan. This exploration program is subject to financing and is planned for beginning of January 2018 and will test both the north and south zones.

Courville Maruska

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

Exploration and Evaluation Assets

For the year ended September 30, 2017, the Company expended $107,034 in exploration and evaluation work relative to Rocmec 1 ($31,480 in 2016). The majority of the funds raised during 2017 were employed for the project in Arizona with AU and for the installation of the treatment plant. No work was conducted on the Denain and Courville properties. Considering the joint-venture agreement with VRC, the Company expects significant investments in exploration expenses for the upcoming year.

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

		2017		2016
Supervision	$	**8,240**	$	16,480
Other exploration expenses		**98,794**		15,000
	$	**107,034**	$	31,480

RECENT HIGHLIGHTS

On November 22nd 2017, the Company completed a non-brokered private placement for $585,004 by issuing 11,700,072 units at a price of $0.05 per unit. 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 $0.075 per common share for a period of 24 months following the closing of the private placement. Issuance costs consisting of 468,000 warrants were incurred for the above mentioned private placement. Each warrant entitles the holder to purchase one (1) common share in the share capital of the Company at a price of $0.075 per common share for a period of 24 months following the closing of the private placement.

The Company has paid $58,500 on November 29, 2017 to one creditor that holds a first mortgage on the Rocmec 1 property for settlement of accrued interest.

SELECTED ANNUAL INFORMATION

	As at or for the years ended September 30,		
	2017	2016	2015
Exploration and Evaluation assets	**$ 8,879,219**	$ 8,778,776	$ 8,749,686
Total assets	**9,378,785**	10,472,900	9,495,981
Current liabilities	**5,950,076**	6,412,753	9,507,433
Revenue from Joint Operation Contracts	**-**	-	88,531
Revenue from distribution of Thermal Fragmentation Technology	**98,645**	145,377	96,509
Total Revenue	**111,388**	145,377	201,155
Contract Costs	**808,714**	322,090	98,426
Net income (loss)	**(2,011,309)**	1,578,114	1,113,466
Net income (loss) per share, basic and diluted	**(0.0142)**	0.0144	0.0127

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.

All liabilities of the Company are current. They are comprised of prepaid gold sales of $1,080,000 ($1,080,000 in 2016) and of indemnities payable to subscribers of $501,876 ($720,080 in 2016), 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 or mature within one year, but have not been repaid, and therefore are presented in the current section. The risks associated with the Company defaulting payments is discussed in the CASH FLOWS section in this report.

Contract costs are significantly higher in 2017 compared to comparative year as the investments in thermal fragmentation and drilling incurred by the project in Arizona. The total costs for thermal fragmentation technology distribution totals $782,734 in 2017 compared to $274,853 in 2016.

OPERATING RESULTS

For the year ended September 30, 2017, the Company realized a net loss of $2,011,309 (net income of $1,578,114 in 2016). The difference in the results between the two periods can be explained by the following factors:

Indemnities payable to subscribers:

-The indemnities payables to subscribers from remaining flow-through placements of 2009 were written off during the year 2017 as the legal delay for recourse against the Company has now expired. As such, a provision of $218,204 was reversed in the current year;

- Following the settlement of the lawsuit in 2016 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 previous year;

- In light of the above-mentioned settlement, the Company reviewed in 2016 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. This reversal being non recurrent, it explains partly why the Company had a net income in 2016 compared to a net loss in 2017;

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 2016, in a gain on de-recognition of the debenture and related interests of $2,638,860. No such gain was recognized in 2017;

Operating results:

- Contrary to 2016 where revenues from our partner MaXem were more significant, revenues during 2017 were significantly lower as the new agreement between MaXem and the mining company was under negotiation for a large part of the year and as such, the operations had stopped in the meantime. The revenues recognized in 2017 come from thermal fragmentation demonstrations as all the efforts of the Company were concentrated on the project in Arizona and the installation of the treatment plant;

- The gross margin decreased from $(176,713) in 2016 to $(697,326) in 2017. The decreased margin can be explained by the work performed in connection with the gold production agreement with AU. The costs for drilling pilot holes have been significant in 2017, while the Company has not generated any income with this agreement yet. The project in Arizona started in September 2016 which explains why the costs of contracts in the previous year were significantly lower and explains the decrease in the margin of $507,881;

- Increase in salaries and benefits of $126,749 mostly related to hiring of a new employee that previously was a subcontractor for the Company. This increase in salaries and benefits is however compensated by a decrease in professional fees of $188,793 that is mostly explained by the same reason;

QUARTERLY DATA

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

	30/09/17	30/06/17	31/03/17	31/12/16	30/09/16	30/06/16	31/03/16	31/12/15
	$	$	$	$	$	$	$	$
Income	55,641	-	4,804	50,943	82,517	34,407	8,273	20,180
Net income (loss)	(287,944)	(457,561)	(652,093)	(613,711)	2,481,762	(434,385)	(73,977)	(395,286)
Net income (loss) per share, basic and diluted	(0.0019)	(0.0032)	(0.0046)	(0.0046)	0.0197	(0.0040)	(0.0007)	(0.0040)

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

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;

30/09/16 – An important income amount 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. This variation is mainly explained by the significant costs incurred for the installation and on-site mobilization in Arizona;

31/12/16 – Loss was increased during the first quarter of 2017 compared to the other quarters mostly due to the important costs incurred for drilling of pilot holes and for thermal fragmentation costs in Arizona. The revenues have not started for this project, but the costs are significant;

31/03/17 - The contract with the South African partner ended in the second quarter of 2017 and a new contract was under negotiations. As a result, distribution revenues from thermal fragmentation technology have decreased compared to previous quarters since the operations were put on hold while the negotiations were on-going. In addition, the extraction of ounces of gold for the project in Arizona has not yet begun, but costs continue to be incurred, resulting in an increase in net loss;

30/06/17 – Losses decreased during the quarter ended June 30, 2017 due to the fact that mostly all costs related to drilling of the pilot holes and thermal fragmentation operations in Arizona have been incurred during the previous quarters. The Company also sold the treatment plant to the partner located in Arizona during this quarter, which generated a gain on disposal;

FOURTH QUARTER OF 2017

During the fourth quarter of 2017, an income was recorded in connection with a non-recurring gain of $218,205 related to the write-off of indemnities due to subscribers for flow-through financing of the year 2009 as the legal delay for recourse against the Company is now expired. As such, a provision of $218,205 was reversed in the fourth quarter of the year. In the comparative period in 2016, the Company de-recognized a debenture and its related accrued interests of $2,638,860, and wrote-off indemnities due to subscribers for flow-through financing between 2009 and 2011 for an amount of $681,417 creating net income of $2,481,762. If it was not for these non-recurring gains, the Company would have incurred a loss of $506,149 for this quarter compared to a loss of $838,515 in the fourth quarter of the comparative year. This variation is mainly explained by the decrease in costs incurred in professional fees and in travelling and promotion.

CASH FLOWS

	Years ended September 30,					
		2017		2016		2015
Cash flows used in operating activities	**$**	(1,207,529)	$	(432,842)	$	(1,785,575)
Cash flows used in investing activities	**$**	(414,300)	$	(191,165)	$	(177,824)
Cash flows from (used in) financing activities	**$**	793,751	$	1,373,767	$	1,990,969
Net change in cash and cash equivalents	**$**	(828,078)	$	749,760	$	27,570
Cash and cash equivalents at beginning of year	**$**	833,678	$	83,918	$	56,348
Cash and cash equivalents at end of year	**$**	5,600	$	833,678	$	83,918

For the year ended September 30, 2017, the **operating activities** used $(1,207,529) of cash compared to $(432,842) used in the prior year. This variation can be explained by the following elements:

- A non-recurring 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. None in 2017;

- If the non-recurring gains were not considered in 2017 neither in 2016, the net loss in 2017 would have been $2,295,221 compared to a net loss of $2,144,138 in 2016. The difference of $151,083 between the two years is mainly due to the significant costs incurred for the project in Arizona;

- The net change in working capital increased from $213,050 in 2016 to $896,592 in 2017. This significant change comes largely from the change in cash in escrow as the money was released in accordance with the agreements, and from the accounts payable. The gold production agreement with AU generated significant expenses in 2017, expenses which increased the accounts payable as at September 30, 2017 compared to 2016.

Investing activities used $414,300 in cash in 2017 compared to $191,165 in 2016. An amount of $621,165 was spent by the Company in 2017 on the treatment plant. However, as discussed previously in this MD&A, the treatment plant was sold to AU during the year and the sale of the treatment plant earned the Company $180,000 USD benefitting its working capital. A generator was also sold during 2017 for an amount of $55,000 USD. It has been difficult for the Company to finance its investing activities such as exploration and evaluation expenses. However, the joint-venture agreement with VRC should bring the required financing for the upcoming year.

For the year ended September 30, 2017, **the financing activities** have generated cash flows of $793,751 compared to $1,373,767 in 2016. This variation is explained by a decrease in warrants and shares issued or to be issued which generated $925,937 in 2017 compared to $1,627,909 in 2016. An amount of $210,000 on repayment of debenture in 2017 was also used from financing activities.

At September 30 2017, the Company had $5,600 in cash, accounts receivables and other receivables of $91,139, sales tax receivable of $27,473 and prepaid expenses of $12,981. 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, 2018. The Company will need to obtain supplementary funds in a timely manner to pay its general administration expenses and to pursue the project of gold production in Arizona.

The Company aims to overcome and meet its financial obligations with certain tools at its disposal such as equity financing depending on availability.

Funding perspectives continue to bode well for the upcoming year as a major private placement totalling $585,004 was been closed on November 22, 2017. Furthermore, the joint-venture agreement with VRC should bring funding for the upcoming year.

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 has holds a first mortgage on the Rocmec 1 property in the amount of $1,440,541 ($1,471,807 in 2016). It has been agreed by both parties that part of the funds secured by VRC for the joint-venture purposes will be used to pay off the totality of the mortgage. In the meanwhile, the Company still risks losing control on the property given as collateral. As a temporary solution, the Company and the lender both agreed that 10% of the Company's 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 close the joint-venture agreement, 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, interest payments, 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.

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

The key management compensation includes:

	Years ended September 30,		
	2017	2016	2015
Salaries and fringe benefits	**$ 188,887**	$ 188,887	$ 480,048
Capitalized to exploration and evaluation assets	**(8,240)**	(16,480)	(30,900)
	180,647	172,407	449,148
Stock-based compensation	**-**	19,069	182,033
Professional fees - Guimond Lavallée inc.[1]	**74,835**	81,720	72,000
Total	**$ 255,482**	$ 273,226	$ 703,181

[1] Guimond Lavallée is considered as a related party as Vanessa Guimond who 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, 2017	Issued	Exercised	Expired	At December 21, 2017
Shares Issued	150,866,341	11,700,072	-	-	162,566,413
Stock Options Issued	4,330,000	-	-	-	4,330,000
Warrants Issued	34,522,477	12,168,072	-	(3,345,000)	43,345,549

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 2017, a provision of $2,060 ($2,060 in 2016) 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 2010 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 2010 and 2011. In this respect, the Company recorded 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, and other provisions and contingent liabilities. 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, 2017 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, 2017.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash in escrow, accounts receivable and other receivables, accounts payable, loans, indemnities payable to subscribers, debts, and debentures. The Company's financial instruments and risk management disclosure can be found in Note 18 of the audited consolidated financial statements for the year ended September 30, 2017. For the three and twelve month periods ended September 30, 2017, no material changes were identified in respect of the Company's risk management. Details of changes in financial instruments can be found in Note 18 of the consolidated financial statements.

RISKS AND UNCERTAINTIES

At September 30, 2017, 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.

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 one million dollars through equity financing for the year ended September 30, 2017 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 process. 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 licenses 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 process 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 2 years. 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

December 21, 2017