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

FOR THE 6 MONTH PERIOD ENDED MARCH 31, 2016

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Nippon Dragon Resources Inc.

(Exploration Stage Company)

Management's Discussion and Analysis

For the six-month period ended March 31, 2016

This report provides an analysis of our results from operations and financial situation. That will help the reader to assess material changes in our results from operation and financial situation for the financial year ended March 31, 2016 in comparison to the same periods of the previous year. The information contained in this document is dated for May 27, 2016. This Management Discussion and Analysis Report complies with Rule 51-102A of the Canadian Securities Administrators on continuous disclosure, is intended to supplement our consolidated financial statements. It presents management's point of view on the Company's ongoing activities and its current and past financial results, it gives an indication of its present and future orientations, while elaborating on its financial results and other risks that could have an impact on the Company's business. This Report should be read in conjunction with the interim and annual consolidated audited financial statements and the accompanying notes to the consolidated financial statements. This present MD&A Report was submitted to the audit committee that recommended its adoption by the Board of directors.

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS). These consolidated financial statements have been audited by the auditors of the Company, they include the necessary adjustments required to present fairly, in all material respects, the financial position for the year. All dollar amounts are expressed in the functional currency of the Company, Canadian dollars, unless otherwise specified.

Further information about the Company, its properties, projects, annual and quarterly reports are available for consultation on the web site of the Corporation or SEDAR at the following addresses: www.nippondragon.com and www.sedar.com.

GOING CONCERN

The Company's consolidated annual financial statements were prepared based on the assumption of an ongoing concern. Consequently, they do not reflect the modifications that would be required in the case of the Company's inability to pursue its activities, to dispose of its interests and repay its debts within the normal course of business. The recoverability of the carrying value of exploration properties is dependent upon the discovery and extraction of economically recoverable reserves, the ability of the Company to raise additional financing to further explore and to develop its mineral properties and to achieve commercial production of mineral deposits or the product from the disposition of the properties. Periodically, the Company will require additional financing to continue its operations. Even if the Company has been successful in the past in doing so, there is no assurance that it will manage to obtain additional financing in the future. More details regarding the ongoing exploration and financing of the Company are discussed in the section called CASH FLOWS.

CORPORATE INFORMATION AND NATURE OF ITS ACTIVITIES

Nippon Dragon Resources Inc. (formerly Rocmec Mining Corporation Inc. hereafter the "Company") was incorporated under the Québec *Business Corporations Act* on July 18, 2002. Its head office is located 500-7055 Taschereau boulevard, Brossard (Quebec) J4Z 1A7, phone: 450-510-4442, email: info@nippondragon.com. The Company is a public Corporation, listed in the Tier 2 on the TSX Venture Exchange under the symbol NIP, and its shares also trade on the Frankfurt Stock Exchange. At May 27, 2016, 105,740,289 common shares were in circulation.

The business of the Company pertains to the exploration and development of its wholly owned and joint venture mining properties (auriferous bearing and base metal) located in Quebec. Additionally, the Company has also given itself the mission of introducing its thermal fragmentation mining method within the mining industry in order for it to be recognised and commercialized worldwide. The extraction process allows thermal fragmentation with an accuracy of 2 cm to quickly extract any type of hard rock up to 110 cm wide. With such precision, high grade precious and base metal veins can now be extracted without dilution. The Company has partnerships with entities in South Africa, Japan and Canada as well as an exclusivity distribution agreement in Australia to showcase its technology.

The majority of its properties contain mineral resources. When further exploration will be incurred on Rocmec 1, Denain and Courville properties, the Company will then determine if these properties contain economically profitable ore resources. Further details related to each property's advancement is presented in section MINING PROPERTIES AND FUTURE EXPLORATION WORK.

GLOBAL PERFORMANCE

Corporate Summary

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

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

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

Financing for the period

On February 10, 2016, the Company announced a first tranche of a non-brokered private placement. This first tranche is for 1,676,111 units at a price of $ 0.09 per unit, for a total gross proceeds of $150,850.00. Each unit consists of one (1) common share and one (1) common share purchase warrant of the Company. Each common share purchase warrant entitles its holder to purchase one (1) additional common share of the Company at a price of $ 0.135 per common share for a period of 24 months following the date of issuance. An amount of $ 29,631 related to the warrants issued has been recognized.

On February 17, 2016, 200,000 shares were issued following the exercise of stock options at an exercise price of $ 0.10 per common share.

On March 9, 2016, the Company announced a second and last tranche of a non-brokered private placement. This last tranche is for 1,000,000 units at a price of $ 0.09 per unit, for a total gross proceeds of $90,000.00. Each unit consists of one (1) common share and one (1) common share purchase warrant of the Company. Each common share purchase warrant entitles its holder to purchase one (1) additional common share of the Company at a price of $ 0.135 per common share for a period of 24 months following the date of issuance. An amount of $ 15,000 related to the warrants issued has been recognized.

Settlement in shares of indemnities payable to subscribers

During the annual meeting of shareholders held on March 17, 2016, the shares for debt resolution was approved by approximately 99.63% of the votes cast by the disinterested shareholders of the Company present in person or represented by proxy at the meeting.

Following shareholders' approval on the shares for debt resolution, the Company is going to enter into a shares for debt settlement agreement. Under the terms of the shares for debt settlement agreement, the Company and the plaintiffs have proposed to settle the proceedings instituted by the plaintiffs, without any admission of liability whatsoever, for an aggregate settlement amount of seven hundred and ninety-five thousand dollars ($795,000.00) by issuing common shares of the share capital of the Company at a price of $0.07 per debt share. The debt shares will be subject to a four-month hold period and is subject to the final acceptance of the TSX Venture Exchange. As at March 31, 2016, the shares had still not been issued.

Partnership with Don Bourgeois, Canada

On March 8, 2016, the Company announced the start of thermal fragmentation operations at the Lac Herbin mine owned by QMX Gold Corporation and located near Val d'Or in Abitibi. The work is divided into several phases. The first phase consist in the preparation of all the necessaries accessories for the fragmenting then to the formation of the employees of our distributor. Thereafter the pre-drilled pilot roof holes over the same distance will be fragmented. The challenge is to empty the holes on the floor quickly with and industrial vacuum. Since the work is still preliminary, no gain or loss was recorded by the Company in its financial statements for the period ended March 31, 2016.

Partnership with NDR Japan

On March 29, 2016, the Company announced the signing of a new agreement with Material Japan Co. Ltd. (MJ) for which Mr. Arihito Nishimura is its president. Mr. Nishimura visited Canada on a few occasions and has been interested in the thermal fragmentation method for the past 3 years. He 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 Nippon'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.

SUBSEQUENT EVENTS

On May 19, 2016, the Company announced the closing of a non-brokered private placement. The placement is for 987,400 units of the Company at a price of $0.08 per unit, for aggregate gross proceeds of $78,992. Each unit consists of one (1) common share in the share capital of the Company and one (1) warrant of the Company. Each warrant entitles the holder thereof to purchase one (1) additional common share in the share capital of the Company at a price of $0.12 per common share for a period of 24 months following the closing of the private placement.

MINING PROPERTIES AND FUTURE EXPLORATION WORK

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

Rocmec 1

The Rocmec 1 mineral deposit holds sufficient resources to justify additional work on the property including exploration and infill drilling that could lead to a preliminary economic study especially over the Boucher and Boucher 2 structures. Rocmec should focus on the increase as well as the upgrade of its resources.

Over the upcoming steps, an exploration plan will validate our understanding of the mineral deposits. The Company would strongly like to proceed with this plan but requires an investment of $ 500,000, which the Company is actively looking for.

Denain

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

Courville

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

Patents

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

Exploration and Evaluation Assets

For the quarter ended March 31, 2016, the Company completed $23,240 of expenses related to exploration and evaluation which shows a nice progression from the last 12 months that closed September 30, 2015 where the level of spending was low ($ 41,505 for the whole year) due to adequate financing. With these capitalized expenses during the quarter, the asset base of the exploration and evaluation assets grows to $ 8,770,536 ($ 8,749,686 in 2015). No work was done on Denain et Courville Maruska.

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

	March 31, 2016	September 30, 2015
Supervision	$ 8,240	$ 30,900
Other exploration expenses	15,000	10,605
	$ 23,240	$ 41,505

SELECTED INFORMATION

	March 31, 2016	September 30, 2015	September 30, 2014
Exploration and Evaluation assets	$ 8,770,536	$ 8,749,686	$ 8,719,802
Total assets	9,410,720	9,495,981	9,938,798
Current liabilities	9,312,559	9,507,433	13,860,827
Non-current liabilities	-	-	140,256

Nearly all liabilities the Company maintains are included in the current section. The majority of it is composed of indemnities payable to subscribers of $ 1,401,497 ($ 2,527,698 as at September 30, 2015), which are discussed in detail in the Contingencies of this report. An amount of $ 795,000 has been added this period as of shares to be issued to subscribers relating to the settlement on the debt shares discussed before in this report. This amount will be settle during the next quarter. The balance of the current liabilities including liabilities and debentures in which the Company has taken on are almost all expiring this year and therefore presented in the current section. The risks associated with the Company defaulting payments is discussed in the CASH FLOWS AND FINANCING SOURCES section of this report.

	Quarters ended March 31		
	2016	2015	2014
Revenue from Joint Operation Contracts	65,490	11,700	-
Total Revenue	65,490	30,258	-
Contract Costs	70,487	18,459	-
Operation Expenses	(55,423)	1,170,225	326,088
Net loss	(73,977)	(1,167,221)	(542,246)
Net loss per share, basic and diluted	(0.0007)	(0.0137)	(0.010)

For 3-month period ended March 31, 2016, the Company realized a loss of $ 73,977 (loss of $ 1,167,221 in 2015). The variation between both periods can be explained as follows:

- During the comparative quarter, 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 loss recorded by the Company for the comparative quarter;

- 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 period;

- A decrease in salaries and benefits of $ 25,490 mostly related to the resignation of André Savard as President and CEO on October 6, 2015;

- A decrease in the stock-based compensation expense of $ 80,003 following the decision taken by the Company during the last annual meeting of the shareholders not to issue new share purchase options;

- An increase in income of $ 53,790 from joint operations contracts was recorded in the current quarter. This increase is explained by the fact that this year our South African partner has been active throughout the three months, unlike the previous period in which the revenues came from technology demonstrations to our partner in Japan;

- The gross margin for the quarter decreased from $ 11,799 in 2015 to $ (4,997) in 2016. This deterioration in gross margin is mainly explained by the difference in the source of income between the two quarters. Indeed, for the quarter ended March 31, 2016, income came mostly from the partnership in South Africa, where the Company receives 25% of revenue but also assumes 25% of expenses. As at March 31, 2015, the Company had received sums from our partnership with Japan following technology demonstrations who incurred very little costs and thus, a better gross margin was recorded.

QUARTERLY DATA

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

	31/03/16	31/12/15	30/09/15	31/06/15	31/03/15	31/12/14	30/09/14	31/06/14
	$	$	$	$	$	$	$	$
Income	65,490	75,017	58,160	66,890	30,258	43,951	44,941	27,540
Net (loss) income and comprehensive (loss) income	(73,977)	(395,286)	(280,611)	(380,010)	(1,167,221)	2,941,308	(785,801)	(498,037)
Net (loss) income per share, basic and diluted	(0.0007)	(0.0040)	(0.0032)	(0.0042)	(0.0137)	0.0383	(0.013)	(0.008)

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

30/06/2014 – first quarter where we can see a glimpse of revenues. The revenues started midway through the quarter hence why the revenue total is lower compared to following quarters.

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

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

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

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

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

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

CASH FLOWS

	Quarters Ended			
		March 31, 2016		March 31, 2015
Cash flows from operating activities	$	(251,316)	$	(177,325)
Cash flows from investing activities	$	(541)	$	(13,240)
Cash flows from financing activities	$	240,692	$	(26,853)
Net change in cash and cash equivalents	$	(11,165)	$	(217,418)
Cash and cash equivalents at beginning of period	$	84,043	$	253,844
Cash and cash equivalents at end of period	$	72,878	$	36,426

For the year ended March 31, 2016, the **operating activities** increase to $(251,316) of cash, an increase from the $ (177,325) used in the prior year. This increase can be explained by the following elements:

- The net change in working capital went from $ 209,090 in 2015 to $ 96,481 in 2016. This change comes largely from the change in accounts payable. In 2014-2015, the cash position raise by $ 187,970 compared to 2015-2016 we had an increase of $ 48,291. The large raise in accounts payable between December 31, 2014 and March 31, 2015 is explained by the lack of financing at the time that caused delays in the payment of certain suppliers. It is also possible to note this fact in financing activities that had not been able to generate positive cash flow for this period in 2015.

Investing activities used $ 541 in 2016 comparatively to $ 13,240 in 2015. The collection of a tax credit of $ 6,058 during this quarter in 2016 is the main reason for the variation between the two periods.

For the year ended March 31, 2016, **the financing activities** have generated cash flows of $240,692 compared to $ (26,853) in 2015. This variation is mainly explained by the cash position which was improved in 2016 through issuance of shares and warrants in the amount of $240,850, compare to 2015 where no money had been lifted this way in 2015.

At March 31 2016, the Company had $ 72,878 in cash, accounts receivables and other receivables of $ 76,961 and prepaid expenses of $ 109,895. Overall, the Company's working capital remains largely negative and in consequence will not be sufficient to respond to projected liabilities and expenses up to September 30, 2016. The Company will need to obtain supplementary funds in a timely manner to continue exploration and evaluation of the Rocmec 1 property and pay its general administration expenses.

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

However, it is important to mention that the Company is in default with several creditors whom have created a first mortgage on the Rocmec 1 property in the amount of $ 1,500,000. Although discussions have been ongoing over the past couple months to find a solution for payment, the Company does risk losing control on the property given as collateral. The Company has intention to renegotiate the debenture over a longer period 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.

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

OFF-BALANCE SHEET ARRANGEMENTS, OBLIGATIONS AND COMMITMENTS

Asset Retirement Obligations

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

Off-Balance Sheet Transactions, Obligations and Commitments

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

RELATED PARTY TRANSACTIONS

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

During the 6-month period ended on March 31st 2016, the Company and one of its joint operations have completed a contract in which the Company has drawn 25% of the profits. The profits from this agreement for the quarter amounted to $ 24,391. In addition, the Company has sold equipment to the same joint operation in the amount of $ 4,062. The balance receivable to the joint operation as at March 31, 2016 is $ 71,639.

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

The key management compensation includes:

	For the 3-month period ended March 31,	
	2016	2015
Salaries and fringe benefits	$ 47,222	$ 81,068
Capitalized to exploration and evaluation assets	(4,120)	(8,240)
	43,102	72,828
Stock-based compensation	6,968	49,729
Professional Services	18,000	18,000
Total	$ 68,070	$ 140,557

An amount of $ 299,195 ($ 230,071 in 2015) due to the Company's management is included within the accounts payables.

EQUITY IN CIRUCLATION

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

	At March 31, 2016	Issued	Exercised	Expired	Cancelled	At May 27, 2016
Shares Issued	104,752,889	987,400	-	-	-	105,740,289
Stock Options Issued	6,865,000	-	-	-	-	6,865,000
Warrants Issued	38,996,850	987,400	-	-	-	39,984,250

CONTINGENCIES

The Company's operations are regulated by governmental laws and regulations regarding environmental protection. The environmental consequences are hardly identifiable, whether it is the result level, the impact or its deadline. At the present time and to the best knowledge of its management, the Company is in conformity with the laws and regulations. In 2016, a provision of $2,060 ($2,060 in 2015) for restoration of the premises is included in the accounts payable. The actual amount might differ from this estimate.

The Company is partly financed by issuance of flow-through common shares. However, there are no guarantees that the funds spent by the Company will qualify as Canadian explorations expenses, even if the Company has taken all the necessary measures to meet its commitment. The refusal of some expenses by the tax authorities would have a negative fiscal impact on investors and the Company and these consequences will only be determinable when such expenses will be denied by tax authorities.

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

Regarding flow-through financing of 2009, a group of investors had filed a lawsuit with the Superior Court of Quebec for an approximate amount of $1,126,201. The amount has been debated in Court for a long time and management deemed that the amount recognized as an indemnity payable to subscribers as stated in the consolidated statement of financial position was adequate. On March 17, 2016, the Company and the plaintiffs have proposed to settle the proceedings instituted by the plaintiffs, without any admission of liability whatsoever, for an aggregate settlement amount of $ 795,000 by issuing common shares of the share capital of the Company at a price of $ 0.07 per debt share. As at March 31, 2016, the debt shares had not been issued because of administrative delays so that an amount of $ 795,000 was recorded as shares to be issued to subscribers in the interim consolidated financial position of the Company.

CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that affect the amounts recorded in the consolidated financial statements and notes to consolidated financial statements. Significant estimates listed in the Consolidated Financial Statements include the useful life of property, plant and equipment, the recoverability of mineral properties and deferred exploration and development expenses, tax credits receivable, indemnities payable to subscribers, future income taxes and stock-based compensation. While management believes that these estimates and assumptions are reasonable, actual results could vary significantly.

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

FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Company is exposed to various financial risks resulting from both its operations and its investments activities. The Company's management manages financial risks. The Company does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

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

Credit risk

The credit risk is the risk associated with non-payment of financial obligations by the customers of the Company. The credit risks that faced the Company are principally attributable to collection of its accounts receivable. The amount presented in the financial position as accounts receivable and other receivables is net of an allowance for doubtful accounts of $38,960 ($38,960 in 2015). The collection is held by a Canadian chartered bank in which the management believes the risk of loss is considered minimal, but it is subject to credit risk concentration. The maximum credit risk is equivalent to the book value.

Liquidity risk

The liquidity risk is the risk that the Company experiences difficulty honouring commitments related to financial liabilities. The management approach concerning cash management is to ensure, as much as possible, that the Company has the necessary funds to meet its financial obligations at maturity. If considered necessary, management renegotiates extensions to maturity dates to balance the needs in cash and financings.

The Company intends to take measures in order to satisfy obligations under accounts payable and other liabilities, interest payment on convertible debentures and borrowings and repayment of the short-term part of long-term debts and convertible debentures. Management intends to continue, as was done in the past, to finance its activities by raising funds by private equity investments, loans or debentures. Although the Company succeeded in financing its activities in the past, the management cannot comment on the success of its fundraising in the future and considers that the liquidity risk is high.

Between October 1st, 2015 and March 31, 2016, the Company concluded private financing for a total of $508,450. However, more financing will be necessary to enable the Company to finance next year's operation expenditures.

The following chart summarizes the Company's financial liabilities as at March 31, 2016:

	Less than a year	Between 1 year and 2 years	More than 2 years
Accounts payable	$ 3,320,382	$ -	$ -
Loans	22,323	-	-
Indemnities payable to subscribers	1,401,497	-	-
Shares to be issued to subscribers	795,000		
Long-term debts	1,500,000	-	-
Debentures	2,273,357		-
	$ 9,312,559	$ Nil	$ nil

Interest rate risk

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

Sensitivity analysis of interest rate

A 1% change in the interest rate would not have a significant impact on the results and on the Company's cash flow.

Foreign currency risk

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

	March 31, 2016	September 30, 2015
Accounts receivable and other receivables	$ 71,639	$ 65,477
Total exposition	$ 71,639	$ 65,477

RISKS AND UNCERTAINTIES

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

FORWARD-LOOKING STATEMENTS – CAUTION

Our report contains "forward-looking statements", which are not based on historical facts. Forward-looking statements reflect, as at the date of this Management Discussion and Analysis Report, our estimates, forecasts, projections, expectations and beliefs as to future events or results. Forward-looking statements are reasonable estimates, but involve a number of risks and uncertainties, and there can be no assurance that such statements will prove to be accurate. Therefore, actual results and future events could differ materially from those anticipated in such statements. Factors that could cause results or events to differ materially from current expectations expressed or implied by the forward-looking statements include, but are not limited to factors associated with fluctuations in the market price of gold and precious metals, mining industry risks, unexpected geological situations, uncertainty as to calculation of mineral reserves, changes in laws or governmental policies, inability to obtain permits and approval from governmental bodies and requirements of additional financing and the capacity of the Corporation to obtain financing and any other risk associated mining and development.

The Company believes that the assumptions inherent in the forward-looking statements are reasonable, undue reliance should not be placed on these statements, which only apply as of the date of this document.

This management's discussion and analysis contains forward-looking statements reflecting the Company's objectives, estimates and expectations. These statements are identified by the use of verbs such as "believe", "anticipate", "estimate" and "expect" as well as the use of the future or conditional tense. By their very nature, these types of statements involve risk and uncertainty. Consequently, results could differ materially from the Company's projections or expectations.

(S) Donald Brisebois

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Donald Brisebois
President and CEO

May 27, 2016