

**Form 51 – 102F3
Material Change Report**

1. Name and Address of Company

Nippon Dragon Resources Inc. (“**Nippon Dragon**”)
500-7055 Taschereau Boulevard
Brossard, Québec
J4Z 1A7

2. Date of Material Change

August 30, 2021.

3. News Release

Nippon Dragon issued a news release with respect to the material change described below on September 1, 2021.

4. Summary of Material Change

Nippon Dragon has signed a project acquisition agreement (the “**Agreement**”) dated August 30, 2021 with Orminex Limited for the acquisition (the “**Transaction**”) by Orminex of Nippon Dragon’s interest in the Rocmec 1 and Denain projects (the “**Projects**”).

5. Full Description of Material Change

Nippon Dragon has signed the Agreement dated August 30, 2021 with Orminex Limited for the acquisition by Orminex of the Projects.

In consideration for the sale of the Projects, Orminex will pay a cash consideration of CAD\$5,000,000 (the “**Purchase Price**”), payable in three installments over the course of one year with CAD\$2,000,000 payable on closing of the Transaction (the “**Commencement Date**”), CAD\$1,500,000 payable six months from the Commencement Date, and CAD\$1,500,000 payable twelve months from the Commencement Date.

Nippon Dragon will retain title to the Projects until Orminex has completed payment of the Purchase Price in full, with transfer deeds being executed and held with a third-party escrow agent until such time. In addition to the Purchase Price, Orminex has agreed to pay to Nippon Dragon an additional CAD\$1,085,000 to fund Nippon’s ongoing exploration program on the Denain exploration project, which is scheduled to be fully completed before payment of the Purchase Price, with such funds to be deployed based on the discretion of Orminex.

Furthermore, Orminex will deliver to Nippon Dragon 4,500 ounces of physical gold to be delivered on an agreed upon schedule based on the production activities of Orminex, and in all cases no later than 48 months of the Commencement Date. This component of the Transaction will be used by Nippon Dragon to deliver gold to its gold lenders. Moreover, Nippon Dragon will be entitled to a 1% net smelter royalty on revenue received from certain individual veins present on the Projects, including the Boucher vein. Orminex shall have the ability to purchase one-half of this royalty for CAD\$1,000,000.

The Transaction would constitute a “Reviewable Transaction” in accordance with TSX Venture Exchange (the “**TSXV**”) Policy 5.3 – *Acquisitions and Dispositions of Non-Cash Assets*, and therefore remains subject to the review and approval of the TSXV. Moreover, as the sale of the Projects would constitute a sale of substantially all of the assets of Nippon Dragon, it is subject to shareholder approval. Accordingly, the Transaction shall require the approval of 66 2/3% of Nippon Dragon’s shareholders at an annual and special meeting intended to be held on October 28, 2021 (the “**Meeting**”), where the shareholders will be asked to vote to approve of the Transaction and matters ancillary thereto. It should be noted that there are no finders fee payable in connection with the Transaction.

In connection with the Transaction, Nippon Dragon has agreed to discharge two encumbrances affecting the Projects.

On the Commencement Date, in consideration for the following, Groupe RM2C (“**RM2C**”) has agreed to discharge its security registered against title to the Rocmec project (the “**RM2C Transaction**”), Nippon Dragon shall:

- pay to RM2C an amount of CAD\$580,541.00 from the proceeds of the Transaction to repay the outstanding amount of its secured loan; and
- convert an amount of \$100,000 of the secured loan into units of Nippon Dragon (the “**Units**”) at a price of \$0.05 per Unit, with each Unit being comprised of one common share and one common share purchase warrant (each a “**Warrant**”) of Nippon Dragon. Each Warrant shall entitle its holder to acquire one common share of Nippon Dragon for the price of \$0.075 per common share, for a period of 24 months following the Commencement Date.

The RM2C Transaction remains subject to the approval of the TSXV; and

Secondly, Nippon Dragon entered into a joint venture reimbursement agreement (the “**Reimbursement Agreement**”) with Material Japan Inc. (“**MJ**”), pursuant to which it has agreed to terminate its joint venture (the “**JV**”) on the Project, in exchange for Nippon reimbursing MJ’s CAD\$2,500,000 cash contribution to the Projects. By way of context, pursuant to a joint venture agreement between Nippon Dragon and MJ, dated March 15, 2019, as amended, MJ and the Vendor previously agreed to each participate in the profits resulting from (i) production activities on the Denain project, on the basis 60% and 40%, respectively; and (ii) production activities on the Rocmec project, on the basis 49% and 51%, respectively. The Reimbursement Agreement effectively terminates the joint venture, and, in consideration therefor, Nippon Dragon will, on the Commencement Date:

- make a cash payment of CAD\$25,000 to MJ;
- in lieu of payment of an amount of CAD\$500,000, issue 10,000,000 common shares of the Nippon Dragon to MJ, at a deemed price of \$0.05 per common share;
- as to the balance to the JV contribution of MJ in an amount of CAD\$1,975,000, issue to MJ a three-year convertible debenture (the “**Debenture**”) for the same amount bearing interest at an annual rate of 5%, payable quarterly. The terms of the Debenture provide that, (i) during the first year, Nippon Dragon has the option to only pay the accrued interest on a quarterly basis; (ii) if the Debenture has not been repaid in full by the end of the first year, Nippon Dragon shall make a minimum quarterly payment of

CAD\$123,436.50 plus interest during the second year of the term of the Debenture; (iii) if the Debenture has not been repaid in full by the end of the second year, MJ shall have the right to either (a) continue to receive cash payments under the convertible debenture until the expiry of the term of the Debenture; or (b) immediately convert the balance of the amount owed into common shares of Nippon Dragon at a deemed price per share of \$0.10 per share.

The issuance of the Debentures, and the terms thereof, remains subject to the approval of the TSXV, and of the approval of the disinterested shareholders of Nippon Dragon at the Meeting.

Until such time as the Purchase Price has been paid in full and title to the Projects has been transferred, Orminex will be granted operational control over the Projects. For a period of 48 months following the Commencement Date, Nippon Dragon will be granted access to certain areas of the Projects to enable Nippon Dragon to further demonstrate its patented “thermal fragmentation” technology (“**Dragon Technology**”). Nippon Dragon may extract product from the existing stockpile (estimated at approximately 3,000 tonnes) on the Rocmec project (with no maximum on the amount which may be extracted) and to retain 100% of any revenue received on the sale product so extracted (less any costs incurred by Orminex in relation to such extraction, if any), in return for granting Orminex a net smelter royalty of 10% on any gold extracted from the projects after the first 900 ounces.

6. Reliance on subsection 7.1(2) or (3) of National Instrument 51-102

Not applicable.

7. Omitted Information

Not applicable.

8. Executive Officer

The executive officer who can answer questions regarding this report is Mr. Jean-Yves Thérien, Interim President and Chief Executive Officer of Nippon. Mr. Thérien can be reached at (514) 668-2244.

9. Date of Report

September 9, 2021.