

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

For the quarterly period ended: September 30, 2013

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

For the transition period from: \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-29657

**SILVER DRAGON RESOURCES INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or Other Jurisdiction  
of Incorporation)

**33-0727323**  
(I.R.S. Employer  
Identification No.)

**200 Davenport Road  
Toronto, Ontario  
Canada M5R 1J2**

(Address of Principal Executive Office) (Zip Code)

**(416) 223-8500**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company.

Large accelerated filer   
Non-accelerated filer

Accelerated filer   
Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes  No

As of November 28, 2013, there were 267,999,611 shares of common stock outstanding, par value \$0.0001.

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**SILVER DRAGON RESOURCES INC.**  
**INDEX TO FORM 10-Q**  
**FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2013**  
(EXPRESSED IN UNITED STATES FUNDS)

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**SILVER DRAGON RESOURCES INC.**  
**(AN EXPLORATION STAGE COMPANY)**  
**Interim Condensed Consolidated Balance Sheets**  
**(Unaudited)**

**September 30,**    December 31,  
**2013**                      2012

**ASSETS**

**Current assets**

Cash	\$	22,536	\$	13,406
Other receivables (note 5)		45,371		224,700
Deferred costs-current		55,999		55,999
Prepaid expenses		4,965		30,141
<b>Total current assets</b>		<b>128,871</b>		<b>324,246</b>
<b>Deferred costs</b>		<b>56,000</b>		<b>98,000</b>
<b>Plant and equipment, net</b> (note 6)		<b>229,095</b>		<b>335,108</b>
<b>Equity investment</b> (note 7)		<b>3,976,721</b>		<b>4,743,949</b>
<b>Total assets</b>	\$	<b>4,390,687</b>	\$	<b>5,501,303</b>
<b>LIABILITIES AND STOCKHOLDERS' (DEFICIENCY) EQUITY</b>				
<b>Current liabilities</b>				
Accounts payable	\$	758,726	\$	694,043
Accrued liabilities		952,008		586,402
Promissory note payable (note 8)		166,623		166,623
Convertible notes payable (note 9)		3,096,838		2,689,132
Related party payable (note 10)		350,973		189,046
<b>Total liabilities</b>		<b>5,325,168</b>		<b>4,325,246</b>
<b>Capital stock</b> (note 11)				
Preferred stock, \$0.0001 par value, 20,000,000 shares authorized, none issued and outstanding		-		-
Common stock, \$0.0001 par value, 300,000,000 shares authorized (2012 – 300,000,000), 267,999,611 shares issued and outstanding (2012 – 267,999,611 issued and outstanding)		26,915		26,915
<b>Additional paid-in capital</b>		<b>46,569,009</b>		<b>46,569,009</b>
<b>Treasury</b> (550,000 shares)		<b>(209,000)</b>		<b>(209,000)</b>
<b>Deficit accumulated during the exploration stage</b>		<b>(47,402,231)</b>		<b>(45,289,466)</b>
<b>Accumulated comprehensive income</b>		<b>80,826</b>		<b>78,599</b>
<b>Stockholders' (deficiency) equity</b>		<b>(934,481)</b>		<b>1,176,057</b>
<b>Total liabilities and stockholders' (deficiency) equity</b>	\$	<b>4,390,687</b>	\$	<b>5,501,303</b>

Going concern (note 2)

Commitments and contingencies (note 13)

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

**SILVER DRAGON RESOURCES INC.**  
**(AN EXPLORATION STAGE COMPANY)**  
**Interim Condensed Consolidated Statements of Operations and Comprehensive Loss**  
**For the three and nine-month periods ended September 30, 2013 and 2012 and**  
**Cumulative for the period from May 9, 1996 (date of inception) to September 30, 2013**  
**(Unaudited)**

		<b>For the</b>
<b>For the three-month periods</b>	<b>For the nine-month periods</b>	<b>period from</b>
		<b>May 9, 1996</b>

	ended		ended		(date of inception) to
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012	September 30, 2013
<b>Operating expenses</b>					
Exploration	\$ -	\$ -	-	-	\$ 7,174,048
General and administrative	135,672	357,826	935,239	1,320,403	30,515,457
Write-off of Mexican assets	-	-	-	-	3,242,039
<b>Total operating expenses</b>	<b>135,672</b>	<b>357,826</b>	<b>935,239</b>	<b>1,320,403</b>	<b>40,931,544</b>
<b>Loss from operations</b>	<b>(135,672)</b>	<b>(357,826)</b>	<b>(935,239)</b>	<b>(1,320,403)</b>	<b>(40,931,544)</b>
<b>Other (expenses) income</b>					
Gain on disposal of plant and equipment (note 6)	-	-	14,769	-	14,769
Interest expense (note 9)	(210,200)	(450,104)	(360,187)	(1,923,084)	(3,305,453)
Interest income	-	-	-	-	85,553
Loss on settlement	-	-	-	-	(2,195,458)
Net loss on equity investment	(313,916)	(423,513)	(767,228)	(762,687)	(3,241,190)
Forgiveness of debt	-	-	-	-	38,871
Gain on sale of interest in subsidiary	-	-	-	-	1,816,733
(Loss) gain on sale of interest in mining property (note 5)	(64,880)	1,143,371	(64,880)	1,143,371	1,078,491
Non-recurring items	-	-	-	-	(713,269)
<b>Total other expenses</b>	<b>(588,996)</b>	<b>269,754</b>	<b>(1,177,526)</b>	<b>(1,542,400)</b>	<b>(6,420,953)</b>
<b>Loss before income taxes</b>	<b>(724,668)</b>	<b>(88,072)</b>	<b>(2,112,765)</b>	<b>(2,862,803)</b>	<b>(47,352,497)</b>
Provision for income taxes	-	-	-	-	-
<b>Net loss from continuing operations, after tax</b>	<b>(724,668)</b>	<b>(88,072)</b>	<b>(2,112,765)</b>	<b>(2,862,803)</b>	<b>(47,352,497)</b>
Minority interest	-	-	-	-	253,021
Loss from discontinued operations (net of tax)	-	-	-	-	(302,755)
<b>Net loss</b>	<b>(724,668)</b>	<b>(88,072)</b>	<b>(2,112,765)</b>	<b>(2,862,803)</b>	<b>(47,402,231)</b>
<b>Other comprehensive income (loss):</b>					
Foreign exchange (loss) gain	(3,107)	(19,694)	2,227	(48,692)	80,826
<b>Comprehensive loss</b>	<b>\$ (727,775)</b>	<b>\$ (107,766)</b>	<b>\$ (2,110,538)</b>	<b>\$ (2,911,495)</b>	<b>\$ (47,321,405)</b>
<b>Net loss per common share – basic and diluted</b>	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>(0.01)</b>	
<b>Weighted average number of common shares outstanding – basic and diluted</b>	<b>267,999,611</b>	<b>252,084,781</b>	<b>267,999,611</b>	<b>197,752,074</b>	

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

**SILVER DRAGON RESOURCES INC.**  
**(AN EXPLORATION STAGE COMPANY)**  
**Interim Condensed Consolidated Statements of Stockholders' (Deficiency) Equity**  
**For the nine-month period ended September 30, 2013 and year end December 31, 2012**  
**(Unaudited)**

	Common Stock Number of Shares	Amount \$	Additional Paid-in Capital \$	Deficit Accumulated During the Exploration Stage \$	Treasury Stock \$	Accumulated Comprehensive Income (Loss) \$	Total Stockholders' (Deficiency) Equity \$
<b>Balance, December 31, 2011</b>	<b>136,400,449</b>	<b>13,640</b>	<b>43,880,995</b>	<b>(40,050,281)</b>	<b>(209,000)</b>	<b>114,987</b>	<b>3,750,341</b>
Shares issued for cash	700,0000	70	20,930	-	-	-	21,000
Shares issued for services	457,143	46	25,954	-	-	-	26,000
Shares issued on conversion of notes	130,442,019	13,159	1,574,634	-	-	-	1,587,793
Warrants issued for services	-	-	117,925	-	-	-	117,925
Beneficial conversion feature	-	-	948,571	-	-	-	948,571
Accumulated comprehens ive loss	-	-	-	-	-	(36,388)	(36,388)
Net loss, 2012	-	-	-	(5,239,185)	-	-	(5,239,185)
<b>Balance, December 31, 2012</b>	<b>267,999,611</b>	<b>26,915</b>	<b>46,569,009</b>	<b>(45,289,466)</b>	<b>(209,000)</b>	<b>78,599</b>	<b>1,176,057</b>
Accumulated comprehens ive loss	-	-	-	-	-	2,227	2,227
Net loss, 2013	-	-	-	(2,112,765)	-	-	(2,112,765)
<b>Balance, September 30, 2013</b>	<b>267,999,611</b>	<b>26,915</b>	<b>46,569,009</b>	<b>(47,402,231)</b>	<b>(209,000)</b>	<b>80,826</b>	<b>(934,481)</b>

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

**SILVER DRAGON RESOURCES INC.**  
**(AN EXPLORATION STAGE COMPANY)**  
**Interim Condensed Consolidated Statements of Cash Flows**  
**For the nine-month periods ended September 30, 2013 and 2012 and**

**Cumulative for the period from May 9, 1996 (date of inception) to June 30, 2013  
(Unaudited)**

	September 30, 2013	September 30, 2012	For the period from May 9, 1996 (date of inception) through September 30, 2013
<b>Cash flows from operating activities</b>			
Net loss	\$ (2,112,765)	\$ (2,862,803)	\$ (47,402,231)
Net loss from discontinued operations	-	-	302,755
Net loss from continuing operations excluding minority interest	(2,112,765)	(2,862,803)	(47,099,476)
Adjustments for:			
Depreciation	95,338	39,603	757,418
Amortization of deferred costs	42,000	52,584	377,825
Loss (gain) on sale of interest in mining property	64,880	(1,143,371)	(1,078,491)
Gain on disposal of plant and equipment	(14,769)	-	(14,769)
Net loss from equity investment	767,228	762,687	3,241,190
Interest on convertible notes payable	285,206	181,262	430,266
Shares issued for services	-	26,000	8,590,071
Warrants and options issued for services	-	117,925	3,991,090
Amortization of beneficial conversion feature	-	1,726,449	2,337,940
Write-down of mineral rights	-	-	3,411,309
Write-down of assets	-	-	240,063
Other	-	-	(1,630,814)
Changes in non-cash working capital:			
Other receivables	179,329	(1,000,197)	(52,226)
Prepaid expenses	25,176	94,256	78,766
Accounts payable	64,683	149,367	2,395,899
Accrued liabilities	365,606	74,498	921,173
Other	-	-	778,688
<b>Net cash used in operating activities</b>	<b>(238,088)</b>	<b>(1,781,740)</b>	<b>(22,324,078)</b>
<b>Cash flows from investing activities</b>			
Investments in mineral rights	-	-	(1,920,441)
Proceeds from sale of investment	(64,880)	1,164,020	1,099,140
Proceeds on disposal of plant and equipment	14,769	-	14,769
Additional contribution to Sino-Top	-	(799,500)	(5,281,795)
Acquisition of plant and equipment	10,675	(383,342)	(1,352,284)
Other	-	-	4,364,090
<b>Net cash used in investing activities</b>	<b>(39,436)</b>	<b>(18,822)</b>	<b>(3,076,521)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of common stock and warrants	-	21,000	18,168,492
Share issuance costs	-	-	(206,686)
Related party loans payable	161,927	20,448	1,543,895
Repayments of related party payables	-	-	(722,813)
Minority interest	-	-	253,021
Promissory note payable	-	-	516,623
Write-down of promissory note payable	-	-	(350,000)
Issuance of convertible notes payable	122,500	1,809,328	6,154,854
Other	-	-	(59,609)
<b>Net cash provided by financing activities</b>	<b>284,427</b>	<b>1,850,776</b>	<b>25,297,777</b>
<b>Effect of exchange rate on cash</b>	<b>2,227</b>	<b>(48,692)</b>	<b>125,358</b>
<b>Increase in cash</b>	<b>9,130</b>	<b>1,522</b>	<b>22,536</b>

Cash - beginning of period	13,406	114,568	-
Cash - end of period	\$ 22,536	\$ 116,090	\$ 22,536

**Supplemental cash flow information** (note 12)

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

**SILVER DRAGON RESOURCES INC.**  
**(AN EXPLORATION STAGE COMPANY)**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**September 30, 2013 and 2012**  
**(Unaudited)**

**1. Nature of Business and Basis of Presentation**

Silver Dragon Resources Inc. was incorporated on May 9, 1996 in the State of Delaware and its executive office is in Toronto, Canada. It carries out operations in Canada and China. Silver Dragon Resources Inc. and its subsidiary and affiliate (collectively referred to as “Silver Dragon” or the “Company”) are in the exploration stage as defined by Financial Accounting Standards Board’s (“FASB”) Accounting Standard Codification (“ASC”) 915 “Accounting and Reporting For Development Stage Entities”.

The Company’s strategy is to acquire and develop a portfolio of silver properties in proven silver districts globally. To date, the Company has generated no sales and has devoted its efforts primarily to financing, by issuing common shares and convertible debt, and exploring its properties.

The accompanying interim condensed consolidated financial statements of the Company have been prepared following accounting principles generally accepted in the United States (“US GAAP”), and are expressed in United States funds. In the opinion of management, all adjustments necessary for a fair presentation have been included. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements of the Company for the fiscal year ended December 31, 2012 filed in the Company’s Annual Report on Form 10-K/A.

**2. Going Concern and Exploration Stage Activities**

These interim condensed consolidated financial statements have been prepared in accordance with US GAAP applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next twelve months.

At September 30, 2013, the Company had a working capital deficit of \$5,196,297 (December 31, 2012 – \$4,001,000), had not yet achieved profitable operations, incurred a net loss of \$2,112,765 for the nine-month period ended September 30, 2013 (2012 - \$2,862,803), had accumulated losses of \$47,402,231 since its inception, and expects to incur further losses in the development of its business. These factors cast doubt as to the Company’s ability to continue as a going concern, which is dependent upon its ability to obtain the necessary financing to repay liabilities when they come due, and in the long-run is dependent upon achieving profitable operations. Management believes that the Company will be able to obtain additional funds by equity or convertible debt financing; however, there is no assurance of additional funding being available or available on acceptable terms. Realization values may be substantially different from carrying values as shown. These interim condensed consolidated financial statements do not include any adjustments to reflect the future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result if the Company were unable to continue as a going concern.

### **3. Recent Accounting Pronouncements**

There were various accounting standards and interpretations issued during the period ended September 30, 2013, none of which are expected to have a material impact on the Company's consolidated financial position, operations, or cash flows.

### **4. Financial Instruments**

The carrying value of cash, other receivables, accounts payable, accrued liabilities, promissory note payable, convertible notes payable and related party payable approximated their fair value as of September 30, 2013 and December 31, 2012, due to their short-term nature.

#### **Interest and Credit Risk**

In the opinion of management, the Company is not exposed to significant interest or credit risks arising from its financial instruments.

#### **Currency Risk**

While the reporting currency is the United States Dollar, \$74,981 of consolidated expenses for the nine-month period ended September 30, 2013 are denominated in Mexican Pesos; and \$644,833 of consolidated expenses for the period ended September 30, 2013, are denominated in Canadian Dollars. As at September 30, 2013, \$1,117,443 of the net monetary liabilities are denominated in Mexican

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**SILVER DRAGON RESOURCES INC.**  
**(AN EXPLORATION STAGE COMPANY)**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**September 30, 2013 and 2012**  
**(Unaudited)**

### **4. Financial Instruments, continued**

Pesos; and \$536,392 of the net monetary liabilities are denominated in Canadian Dollars. The Company has not entered into any hedging transactions to reduce the exposure to currency risk.

### **5. Other Receivables**

In May 2012, the Company entered into an agreement to sell its investment in Chifeng Silver Dragon & Technologies, Ltd. ("Chifeng") for RMB7.4 million or \$1,164,020. As at September 30, 2013, proceeds of \$31,945 remain outstanding.

During the nine months ended September 30, 2013, the Company was charged RMB400,000 or \$64,880 for additional expenses relating to this sale, which is disclosed in the interim condensed consolidated statements of operations and comprehensive loss under (loss) gain on sale of interest in mining property.

The balance in other receivables consists of sales tax receivable of \$13,426.

### **6. Plant and Equipment, net**



			September 30, 2013	December 31, 2012
	Cost	Accumulated depreciation	Net book value	Net book value
Computer hardware	\$ 40,559	\$ 35,889	\$ 4,670	\$ 5,983
Office equipment	45,720	33,930	11,790	13,831
Leasehold improvements	367,938	155,303	212,635	315,294
	<u>\$ 454,217</u>	<u>\$ 225,122</u>	<u>\$ 229,095</u>	<u>\$ 335,108</u>

During the nine-month period ended September 30, 2013, the Company disposed of certain leasehold improvements which had been fully depreciated, resulting in a gain of \$14,769. The gain is disclosed in the interim condensed consolidated statements of operations and comprehensive loss under gain on disposal of plant and equipment.

## 7. Equity Investment

### Sanhe Sino-Top Resources & Technologies Ltd., China (“Sino-Top”)

The Company owns 40% of Sino-Top, whose assets mainly consist of six exploration properties.

	September 30, 2013
Carrying value of investment at December 31, 2012	\$ 4,743,949
40% share of net loss for the nine-month period ended September 30, 2013	767,228
Carrying value of investment at September 30, 2013	<u>\$ 3,976,721</u>

### Share of loss for the nine-month periods ended September 30:

	2013	2012
Exploration expenses	\$ (582,867)	\$ (624,287)
General and administrative expenses	(184,361)	(138,400)
Share of loss for the period (at 40%)	<u>\$ (767,228)</u>	<u>\$ (762,687)</u>

**SILVER DRAGON RESOURCES INC.**  
**(AN EXPLORATION STAGE COMPANY)**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**September 30, 2013 and 2012**  
**(Unaudited)**

## 7. Equity Investment, continued

### Summarized unaudited financial data of Sino Top for the nine-month periods ended September 30:

	2013	2012
Revenue	\$ -	\$ -
Net loss	\$ (1,918,070)	\$ (1,906,719)
Current assets	\$ 1,306,535	\$ 2,671,638
Total assets	\$ 2,011,955	\$ 3,091,822
Current liabilities	\$ 5,898,497	\$ 6,413,003

Total liabilities

\$ 5,898,497    \$ 6,413,003

### 8. Promissory Note Payable

In 2008, a promissory note was signed with a vendor in the amount of \$166,623 with a carried interest rate of 5% per month, unsecured, and no maturity date. During the nine-month period ended September 30, 2013, the Company incurred interest of \$74,981 (2012 - \$74,980).

### 9. Convertible Notes Payable

Balance, December 31, 2012	\$ 2,689,132
Issued during the nine-month period ended September 30, 2013	122,500
Other charges	285,206
Converted during the nine-month period ended September 30, 2013	-
<b>Balance September 30, 2013</b>	<b>\$ 3,096,838</b>

- (a) In November and December, 2012, the Company entered into letters of agreement with the holders of all of the convertible notes, pursuant to which the Company agreed to pay \$2,689,132 (the "Payoff Amount") on or before March 31, 2013 (the "Payoff Date"), such payment would constitute payment in full of any and all obligations due and owing under the convertible notes and certain other agreements between the parties (collectively, the "Transaction Documents").

In consideration of the foregoing, the lenders agreed, from the date of the letters of agreement through the Payoff Date, to forbear from exercising any right or remedy in respect of the Transaction Documents, including without limitation any right to conversion, right to delivery of shares, right to assignment, purchase right or any remedy arising as the result of any default or event of default. The parties have also agreed to a mutual release of claims, subject to and effective upon receipt and collection of the Payoff Amount as set forth in the letters of agreement. If the Payoff Amount is not paid by the Payoff Date, the lender's agreements shall be deemed cancelled.

In April 2013, the Company extended the Payoff Date from March 31, 2013 to June 30, 2013 and in July and August 2013, the Company extended the Payoff Date from June 30, 2013 to September 30, 2013.

On July 10, 2013 and August 8, 2013, the Company and the lenders entered into second supplemental letter agreements, pursuant to which the lenders agreed to extend the Payoff Date to September 30, 2013. In consideration for the extension to the payoff date, the Company agreed to increase the outstanding balance of certain notes and other obligations to Tonaquint, Inc. ("Tonaquint") by \$30,000, to JMJ Financial ("JMJ") by \$10,000, to Gel Properties, LLC ("Gel") by \$10 and to Asher Enterprises ("Asher") by \$10. All other terms and conditions of the original Letter Agreements remain in full force and effect.

In consideration of the foregoing, the lenders agreed, from the date of the letters of agreement through the Payoff Date, to forbear from exercising any right or remedy in respect of the Transaction Documents, including without limitation any right to conversion, right to delivery of shares, right to assignment, purchase right or any remedy arising as the result of any default or event of default. The parties have also agreed to a mutual release of claims, subject to and effective upon receipt and collection of the Payoff Amount as set forth in the letters of agreement. If the Payoff Amount is not paid by the Payoff Date, the lender's agreements shall be deemed cancelled.

- (b) On June 3, 2013, the Company entered into an Amendment to the original Tonaquint agreements which consist of the note and warrant purchase agreement dated February 15, 2011 with Tonaquint, secured convertible promissory note of the Company in the principal amount of \$2,766,500 (the "Tonaquint Note"), 10 secured notes of Tonaquint in favor of the Company (each, a "Buyer Note") and a warrant to purchase common stock of the Company. Under the Amendment, Tonaquint agreed to accelerate payment of a portion of the amounts payable to the Company under the tenth Buyer Note. The aggregate amount Tonaquint agreed

to accelerate was \$120,000 (the "Payoff Amount"), which the parties agreed was satisfaction in full of the aggregate principal amount owing under the tenth Buyer Note of \$220,000.

The Payoff Amount was payable in two installments. The first payment of \$60,000 was paid upon execution of the Amendment of June 3, 2013. If the Company met all of the Second Payment Conditions at any time during the period beginning July 3, 2013 and continuing until November 30, 2013, Tonaquint would pay the second payment of \$60,000. Although the Company had not yet met all of the Second Payment Conditions, Tonaquint agreed to advance the second payment of \$60,000 on August 2, 2013 and the Company received such payment.

As noted under note 14, Subsequent Events, subsequent to September 30, 2013, the Company was able to obtain extensions on the Payoff Date from September 30, 2013 to March 31, 2014, from the four lenders.

#### 10. Related Party Transactions and Balances

	<u>September 30, 2013</u>	<u>December 31, 2012</u>
Related party payable, non-interest bearing, due on demand and unsecured.	\$ 350,973	\$ 189,046

As at September 30, 2013, unpaid remuneration (management fees), in the amount of \$381,000 (December 31, 2012 - \$138,000) to a company controlled by a director for his services as chief executive officer and to a director providing management services is included in accrued liabilities.

During the nine-month period ended September 30, 2013, the Company incurred \$297,000 (2012 - \$297,000) in management fees paid to a company controlled by a director for his services as chief executive officer and to a director providing management services.

During the nine-month period ended September 30, 2013, the Company incurred \$54,947 (2012 - \$20,460) in rent paid to a company controlled by a director. Included in prepaids is a rental deposit of \$4,965 (2012 - \$5,200).

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**SILVER DRAGON RESOURCES INC.**  
**(AN EXPLORATION STAGE COMPANY)**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**September 30, 2013 and 2012**  
**(Unaudited)**

#### 10. Related Party Transactions and Balances, continued

These transactions were in the normal course of operations and have been recorded at the exchange amounts which the parties believe to be fair value.

#### 11. Capital Stock

##### Warrants

As at September 30, 2013, 13,003,000 warrants were outstanding, having an exercise price between \$0.06 and \$0.50 per share with an average remaining contractual life of 0.55 years.

**Weighted**

	Number of warrants	average exercise price
<b>Balance, December 31, 2012</b>	13,703,000	\$ 0.36
Expired during the nine-month period ended September 30, 2013	(700,000)	(0.29)
<b>Balance, September 30, 2013</b>	<b>13,003,000</b>	<b>\$ 0.37</b>

As at September 30, 2013, the range of exercise prices of the outstanding warrants were as follows:

Range of exercise prices	Number of warrants	Average remaining contractual life	Weighted average exercise price
\$0.06 - \$0.50	13,003,000	.55 years	\$0.37

## 12. Supplemental Cash Flow Information

Issuance of convertible notes payable	September 30, 2013	September 30, 2012	For the period from May 9, 1996 (date of inception) through September 30, 2013
Issuance of convertible notes payable	\$ 122,500	\$ 28,708	\$ 5,037,500
Cash advances	-	135,000	1,794,493
Interest accrued	285,206	181,262	611,528
Notes receivable	-	14,788	(4,952,500)
Cash repayments on notes receivable	-	1,510,000	2,392,143
Deferred charges	-	120,832	807,869
Settlement of notes payable and receivable	-	-	894,087
	<b>\$ 407,706</b>	<b>\$ 1,990,590</b>	<b>\$ 6,585,120</b>

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**SILVER DRAGON RESOURCES INC.**  
**(AN EXPLORATION STAGE COMPANY)**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**September 30, 2013 and 2012**  
**(Unaudited)**

## 13. Commitments and Contingencies

- (a) On December 19, 2011, the Company entered into a three-year lease agreement with a related party for office space, which was amended during the first quarter of 2012 to commence from June 1, 2012 and end on May 31, 2015. The future minimum commitment under the lease obligations for office premises is as follows:

2013	\$ 16,727
2014	66,907
2015	27,878
	<b>\$ 111,512</b>

In addition, the Company is required to pay its proportionate share of realty taxes and certain other occupancy costs under the terms of the lease.

- (b) The Company has committed to provide capital contributions to cover expenses proportionate to its equity interest in Sino-Top.

- (c) The Company's Mexican subsidiary was subjected to irregularities that it was seeking to redress. Legal proceedings were heard and decided on an ex parte basis, without notice to the Company that resulted in its Mexican subsidiary losing title to its mineral assets. In December 2010, the Company became aware of this situation, and took steps through the courts in Mexico to redress the situation. It included a Constitutional Rights Claim before the Federal Court in the City of Durango, premised on procedural irregularities. On May 22, 2012, the Court ruled against the Constitutional Rights Claim. As a result, the Company determined that it will not pursue any further recourse with regard to this matter, and accordingly, will never recover the Mexican Concessions. The Company is working with its legal counsel to dissolve the Mexican subsidiary and during this process the outstanding judgments will be addressed.

#### 14. Subsequent Events

On November 8, 2013, the Company entered into third supplemental letter agreements with each of Gel, JMJ and Asher, pursuant to which each of Gel, JMJ and Asher agreed to extend the Payoff Date for the convertible notes owed to these lenders from September 30, 2013 to March 31, 2014. And, on November 13, 2013, the Company and Tonaquint entered into a third supplemental letter agreement, pursuant to which Tonaquint agreed to extend the Payoff Date for the convertible notes from September 30, 2013 to December 31, 2013. All other terms and conditions of the original Letter Agreements remain in full force and effect.

On November 27, 2013, the Company and Tonaquint entered into a fourth supplemental letter agreement, pursuant to which Tonaquint agreed that, if the Company pays Tonaquint \$2,500,000 by a fixed time on March 31, 2014, such payment would constitute payment in full of any and all obligations due and owing to Tonaquint pursuant to certain convertible notes issued by the Company to Tonaquint and certain other agreements between the parties. All other terms and conditions of the original Letter Agreement remains in full force and effect.

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**SILVER DRAGON RESOURCES INC.**  
**(AN EXPLORATION STAGE COMPANY)**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**September 30, 2013 and 2012**  
**(Unaudited)**

#### 15. Segmented Information

<b>As at September 30, 2013</b>	<b>Corporate</b>	<b>Mexico</b>	<b>China</b>	<b>Total</b>
Equity investment	\$ -	\$ -	\$ 3,976,721	\$ 3,976,721
Total assets	\$ 413,966	\$ -	\$ 3,976,721	\$ 4,390,687
<b>Nine-month period ended September 30, 2013</b>	<b>Corporate</b>	<b>Mexico</b>	<b>China</b>	<b>Total</b>
Revenues	\$ -	\$ -	\$ -	\$ -
Depreciation	\$ (95,338)	\$ -	\$ -	\$ (95,338)
Loss before income tax	\$ (1,270,556)	\$ (74,981)	\$ (767,228)	\$ (2,112,765)
<b>As at December 31, 2012</b>	<b>Corporate</b>	<b>Mexico</b>	<b>China</b>	<b>Total</b>
Equity investment	\$ -	\$ -	\$ 4,743,949	\$ 4,743,949
Total assets	\$ 757,354	\$ -	\$ 4,743,949	\$ 5,501,303

Nine-month period ended September 30, 2012	Corporate	Mexico	China	Total
Revenues	\$ -	\$ -	\$ -	\$ -
Depreciation	\$ (39,603)	\$ -	\$ -	\$ (39,603)
Loss before income tax	\$ (2,020,895)	\$ (79,221)	\$ (762,687)	\$ (2,862,803)

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## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Forward-looking statements

Statements made in this Form 10-Q that are not historical or current facts are "forward-looking statements" made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 ("Exchange Act"), including statements regarding 2013 plans and objectives. Forward-looking statements often can be identified by the use of terms such as "may," "will," "expect," "believe," "anticipate," "estimate," "approximate," or "continue," or the negative thereof. We intend that such forward-looking statements be subject to the safe harbor processes for such statements. We wish to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. Any forward-looking statements represent management's best judgment as to what may occur in the future. However, forward-looking statements are subject to risks, uncertainties and important factors beyond our control that could cause actual results and events to differ materially from historical results of operations and events and those presently anticipated or projected, including, without limitation, those specified in our annual report on Form 10-K. We disclaim any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statement or to reflect the occurrence of anticipated or unanticipated events, except as required by law.

### Available information

We file annual, quarterly, current reports, proxy statements, and other information with the Securities Exchange Commission ("SEC"). You may read and copy documents that have been filed with the SEC at their Public Reference Room, 450 Fifth Street, N.W., Washington, D.C. You may obtain information on the operation of the Public Reference Room by calling the Commission at 1-800-SEC-0330. You can also obtain copies of our SEC filings by going to their website at [www.sec.gov](http://www.sec.gov).

### OVERVIEW

Our primary objective is to explore for silver minerals. Our secondary objective is to locate, evaluate, and acquire other mineral properties, and to finance our exploration through equity or debt financings, asset dispositions, joint ventures or option agreements (or any combination thereof), if and to the extent available.

### CHINESE PROPERTIES

#### Overview

By virtue of our 40% equity interest in Sino-Top Resources & Technologies, Ltd. ("Sino-Top"), we currently have an interest in the following six silver poly-metallic exploration properties owned by Sino-Top, which properties are located in the Erbahuo Silver District in Northern China (Inner Mongolia): Dadi; Laopandao; Aobaotugonao; Shididonggou; Yuanlinzi; and Zhuanxinhu. Prior to July 5, 2012, we also had a 70% interest in Chifeng Silver Dragon Resources & Technologies, Ltd. ("Chifeng"), which owns the Erbahuo property, also located in the Erbahuo Silver District in Northern China (Inner Mongolia).

On May 28, 2012, the Company entered into a definitive agreement to sell its 70% interest in Chifeng, which then owned the Erbahuo silver mine located on the boundary of Wengniute County and Keshiketeng County, Inner Mongolia. The Company sold such interest to Deng Zuoping, a private Chinese investor, for RMB 7.4 million or US\$1,164,020, of which RMB1 million was to be paid within three business days after signing the agreement, RMB5 million was to be paid before July 15, 2012 and RMB1.4 million was to be paid by November 1, 2012. On June 1, 2012, an initial deposit of RMB1.0 million or \$157,300 was received, of which \$12,584 was contributed to Chifeng for expenses incurred until the date of the sale. Concurrently with such payment, we transferred to the purchaser title to our interest in Chifeng. Of the remaining payments, RMB5 million or \$790,980 was paid to the Company during the fourth quarter of 2012, RMB300,000 or \$48,057 was paid in the first quarter of 2013, RMB300,000 or \$48,994 was paid in the second quarter of 2013 and RMB200,000 or \$32,680 was paid in the third quarter of 2013. In the third quarter of 2013, RMB400,000 or \$64,880 was added to the costs in connection with the Chifeng sale and RMB200,000 or \$32,840 remains outstanding as of November 28, 2013.

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Of our remaining six properties, two are currently considered to be material to us: Dadi and Laopandao. We no longer consider Aobaotugounao to be material as a result of Sino-Top having determined, based on the results of work done to date, not to further invest in Aobaotugounao during 2013.

### **General Update on Operations**

Five mineralized zones have been discovered at the Dadi property. Among them, mineralization zones I, II and IV are controlled by adits, transverse drifts, surface trenches, surface drill holes and underground drill holes intensively. The general features of the mineralization zones are as follows:

- Mineralization zone I is located in the central part of the property and is approximately 1000m long with widths ranging from 5m to 60m and with a 310° to 340° strike. Within mineralization zone I, five mineralized bodies are identified. The largest is mineralized body I, which is 350m long, 2.8m wide, and its dip extension reaches 350m.
- Mineralization zone II is located in the northeast part of the property and is approximately 1000m long with width from 5m to 60m and dips to northeast with 60°~70° dip angle. Within mineralization zone II, six mineralized bodies are discovered by surface trenches, surface drill holes, underground drill holes, exploration tunnels at 1,426m (PD2), 1,384m (PD1), and at 1,350m levels. According to estimation, mineralization zone II accounted for 80% of all the polymetallic mineralization at the Dadi Property.
- Mineralized body II is the most important polymetallic body within mineralization zone II. It is of 320°~340° strike with dips to NE with 70°~75° dip angle. On the surface (1,500m elevation), mineralized body II is 300m long and its widest part is 6m at trench TC26-2. At 1,426m level adit (PD1), it is 330m long; at 1,384m level adit, it is 290m long; and at 1,350m level adit, it reaches 550m long. All transverse drifts at each three level tunnels hit mineralized body II, with the widths ranging from 0.5m to 17.4m. Within mineralized body II, massive vein forms and disseminated galena are common.
- Surface drill holes control mineralized body II in the range of 400m along its strike with dipping depths ranging from 130m to 430m. The true thickness of mineralized body II at depth is from 2.9m to 22m, discovered by drilling. The thickest part (20.8m) is discovered by drill hole ZK0801, which is located at exploration line 8.
- Mineralization zone III is located 250m southwest of mineralization zone II. It is approximately 250m long and 1m wide, and controlled by four surface trenches. Its occurrence is NW strike, and it dips to NE25°~75° with dip angle 55°. Mineralization zone IV is located at the central part of the property. On the surface, it is 450m long with width 0.8~7.2m. Its deep part is controlled by tunnel PD4 at 1,329m level and 18 underground drill holes. The controlled length of mineralization zone IV at depth reaches 350m and the width ranges from 0.7m to 5.5m. The dipping depth controlled by underground drilling reaches 140m.
- Mineralization zone V is located between mineralization zones I and II. It is 200m long and consists of 10 mineralized bodies.

In February 2013, a metallurgic test on the Dadi property was completed by Beijing Longxing Shengxuan Technology Investment Co., Ltd., as was commissioned by Inner Mongolia Guangda Mining, Ltd., a wholly owned subsidiary of Sino-Top.

The tunneling project for the 2013 exploration season commenced in early March of this year. As of November 28, 2013, the following was completed:

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- Tunneling and mine development in progress, with approximately 2696.02m tunneling (incl. 1854.42m adit, 225.1m ventilation shaft and 616.5m cutting), and 3,362.22m<sup>3</sup> mine development (tunnel expansion and consolidation) completed current year to date.
  - Drilling in progress, with 358m surface drilling and 2,700m in-pit drilling completed current year to date.

The mining license application is in progress, currently in the environmental appraisal stage

- Preparations underway, including platform and road construction, for sinking a shaft.

### **2013 Program and Capital Budget**

At a meeting of the Sino-Top board on May 9, 2013, the 2013 exploration and work program was established, as follows:

#### *Dadi Property*

- Building a 1,000tpd mill and carrying out a successful test run by year-end 2013.
- Conducting development drifting on mineralization zones I and II at the 1,426m, 1,384m and 1,350m levels, and shaft opening-out below the 1,350m level, so as to make good preparations for mining. The project workload is 5,800m.
- Conducting geological exploration work on the undefined depths of mineralization zones IV and II; conducting drifting on mineralization zone III. The project workload mainly consists of 4,000m drilling and 1,300m tunneling.
- Speeding up the efforts of applying for the mining license, safety production license and various other documents. Seeking to obtain the mining license by year-end 2013.
- Communicating with the design institute to complete the design of the mill and tailings pond as soon as possible.
- Completing land requisition and the construction of ancillary projects such as tailings pond.
- Completing equipment procurement and bidding for infrastructure construction.

#### *Laopandao Property*

- Completing the review and filing of the geological report.
- Obtaining the mining license by year-end 2013.
- Upon obtaining the mining license, Sino-Top intends to sell the Laopandao property (assuming an interested buyer).

#### *Aobaotugounao Property*

- No investment in this property is planned for 2013.
- Sino-Top intends to sell the Aobaotugounao property (assuming an interested buyer).



### *Zhuanxinhu Property*

- Conducting trenching, drilling and tunneling projects to control mineralization zone I, in order to define the occurrence, shape, scale, characteristics and quality changes of mineralized bodies; estimating the Cu-Ag polymetallic mineralization (standards 333+334).
- Conducting trenching project to verify the geochemical anomalies in the southeastern part of the property, in order to define the occurrence, shape, scale, characteristics and quality changes of mineralized bodies; estimating the Cu-Ag polymetallic mineralization (standards 333+334).

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- Main workload: trenching 2,000m<sup>3</sup>, drilling 4,000m (incl. 1,000m for contingency), tunneling 500m (contingency), chemical analysis 500 samples, topographic and geological survey 2km<sup>2</sup>.
  - Drilling in progress, with 3,000 drilling (12 holes) completed current year to date.
  - 450m long Cu-Tin-Ag mineralization zone identified.

### *Yuanlinzi Property*

- Cleaning up the surface trenches that control known mineralized bodies and re-sampling for logging.
- Conducting trenching project to verify the Sn geochemical anomalies in the eastern part of the property and geochemical anomalies in the western part, in order to define the occurrence, shape, scale, characteristics and quality changes of mineralized bodies.
- Main workload: trenching 3,000m<sup>3</sup>, chemical analysis 500 samples.

### *Shididonggou Property*

- Conducting trenching project to verify the geochemical and geophysical anomalies of the property, and drilling project if necessary, in order to define the occurrence, shape, scale, characteristics and quality changes of mineralized bodies; estimate the Cu-Ag mineralization (standards 333+334).
- Main workload: trenching 1,000m<sup>3</sup>, drilling 800m, chemical analysis of 80 samples.
- Land acquisition negotiations with the local government underway in preparation for planned exploration work.
- 617m drilling (3 holes) completed current year to date. One hole intercepted 2.5m thick Pb-Zn-Ag-Cu mineralization.

### *Relocation and Reincorporation*

- Sino-Top has been relocated to Keshiketeng County, Inner Mongolia and the registration process for changing the place of incorporation to Keshiketeng will be completed by year-end 2013.

No assurance can be provided that the foregoing plans and objectives will be achieved.

The board of Sino-Top also established the 2013 capital budget at its May 2013 meeting. All amounts stated in US dollars in this discussion have been converted based on the noon exchange rate reported by the Bank of Canada on May 16, 2013. The total 2013 capital budget was set at RMB97,430,000 (\$15,846,875), of which G&A expenses are RMB5,030,000 (\$818,124), project costs are RMB89,600,000 (\$14,573,335) and exploration expenses are RMB2,800,000 (\$455,417). Given Sino-Top's available cash balance at the beginning of 2013 of RMB7,393,800 (\$1,202,593), the capital requirements for the 2013 program are RMB90,000,000 (\$14,638,394). Our joint venture partner is expected to contribute 55.56%, or RMB50,000,000 (\$8,132,441), and the Company is expected to contribute 44.44%, or RMB40,000,000 (\$6,505,953). The funds of RMB90,000,000 (\$14,638,394) were expected to

be contributed in four installments, with the first payment of RMB10,000,000 (\$1,626,488) expected to be made before May 31, 2013, the second payment of RMB20,000,000 (\$3,252,976) expected to be made before June 30, 2013, the third payment of RMB30,000,000 (\$4,879,465) expected to be made before September 30, 2013, and the fourth payment of RMB 30,000,000 (\$4,879,465) expected to be made before December 31, 2013. The Company has not made the above contributions and as discussed below, we do not currently have sufficient funds to satisfy such capital obligations (see "Liquidity and Capital Resources" for a further discussion). Our interest in Sino-Top may be diluted if we are unable to satisfy these capital obligations.

## **RESULTS OF OPERATIONS**

### **Nine Months Ended September 30, 2013 Compared to Nine Months Ended September 30, 2012**

Net sales were \$nil for both of the nine month periods ended September 30, 2013 and September 30, 2012, as there was no production at any of the properties.

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The net loss for the nine-month period ended September 30, 2013 was \$2,112,765 compared to \$2,862,803 for the same period in the prior year. The decrease is primarily due to reduced interest expense on the convertible notes payable of \$1,562,897, offset by the change in the gain on sale of the Company's interest in the Erbahuo property of \$1,143,371 in the prior period to a loss of \$64,880 in the current period and through an ongoing effort to reduce administrative costs.

The general and administrative expenses decreased from \$1,320,403 for the nine month period ended September 30, 2012 to \$935,239 for the nine month period ended September 30, 2013, primarily the result of a reduction in stock-based compensation expense of \$177,398 as a result of no warrants or stock options being issued during the current period and through an ongoing effort to reduce administrative costs.

Total other expenses decreased significantly for the nine month period ended September 30, 2013 by \$364,874 compared to the same period in the prior year, primarily due to reduced interest expense on the convertible notes payable of \$1,562,897, offset by the change in the gain on sale of the Company's interest in the Erbahuo property of \$1,143,371 in the prior period to a loss of \$64,880 in the current period.

### **Three Months Ended September 30, 2013 Compared to Three Months Ended September 30, 2012**

Net sales were \$nil for both of the three month periods ended September 30, 2013 and September 30, 2012, as there was no production at any of the properties.

The net loss for the three-month period ended September 30, 2013 was \$724,668 compared to \$(88,072) for the same period in the prior year, an increase of \$812,740. The increase in the current period is primarily due to the change in the gain on sale of the Company's interest in the Erbahuo property, as noted above, offset by lower interest expense on the convertible notes payable of \$239,904, a lower net loss on equity investment of \$109,597 and through an ongoing effort to reduce administrative expenses.

The general and administrative expenses reduced by \$222,154 from \$357,826 in the prior period to \$135,672 in the current period, primarily due to a reduction in professional fees, management fees and payroll related expenditures and through an ongoing effort to reduce overall administrative costs.

Total other expenses increased by \$858,750 from \$(269,754) in the prior period to \$588,996 in the current period, primarily due to the change in the gain on sale of the Company's interest in the Erbahuo property of \$1,143,371 in

the prior period to a loss of \$64,880 in the current period, offset by lower interest expense on the convertible notes payable of \$239,904 and a lower net loss on equity investment of \$109,597.

## **LIQUIDITY AND CAPITAL RESOURCES**

Our primary cash requirements are for the exploration and acquisition of mining exploration properties and corporate and administrative costs. At September 30, 2013, we had a working capital deficit of \$5,196,297 (December 31, 2012-\$4,001,000) and cash of \$22,536 (December 31, 2012-\$13,406). During the nine months ended September 30, we spent \$238,088 on operating activities. Our consolidated financial statements have been presented on the basis that we are a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. However, our continuation as a going concern is uncertain and dependent upon our ability to obtain the necessary financing to sustain operations and repay liabilities when they become due, and in the long-run upon achieving future profitable operations.

As discussed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012 (“2012 Form 10-K”), we are currently subject to deferral agreements with our four lenders. Such deferral agreements generally provided that, if we were able to pay an aggregate of \$3,096,838 to the lenders by September 30, 2013, such payments would constitute payment in full of any and all obligations due and owing under our outstanding promissory notes owed to these lenders. In November of 2013, the Company was able to obtain extensions of the Payoff Date from the lenders from September 30, 2013 to March 31, 2014 for Gel Properties, LLC, JMJ Financial, LLC, Asher Enterprises and Tonaquint, Inc.

Management believes that the Company will be able to obtain additional funds by equity or convertible debt financing; however, there is no assurance of additional funding being available or available on acceptable terms. Realization values may be substantially different from carrying values as shown. These interim condensed consolidated financial statements do not include any adjustments to reflect the future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result if the Company were unable to continue as a going concern.

We are also party to a loan facility (the “Travellers Facility”) with Travellers International Inc., an Ontario corporation (“Travellers”), a company controlled by the Company’s President, Chief Executive Officer and Principal Financial and Accounting Officer, Marc Hazout. Under the Travellers Facility, Travellers has made certain historical loans to or for the benefit of the Company and may in the future make future loans to or for the benefit of the Company. As of the date of this filing, the net amount of loans outstanding under the Travellers Facility was CDN\$371,000, or approximately US\$350,224 based on the noon exchange rate reported by the Bank of Canada on November 28, 2013.

Aside from the funds we require to pay our debts, we estimate that we must raise approximately \$7 million over the next 12 months to fund capital requirements and general corporate expenses. We intend to seek to raise such capital through equity or debt financings, asset dispositions, joint ventures or option agreements (or any combination thereof). There can be no assurances that we will be able to raise any such capital. In the event we are unable to timely raise the amount of capital needed to satisfy the debt owing under the aforementioned deferral agreements, we will attempt to negotiate extensions of such agreements. Furthermore, if we are unable to raise sufficient funds to satisfy our debt obligations before a demand for payment by our creditors, and/or if we fail to obtain sufficient funds to satisfy our capital requirements and general corporate expenses, we will need to sell all of our property interests in China (assuming the existence of an interested buyer), refrain from financially contributing to the future operations of Sino-Top, or, as mentioned above, consummate bankruptcy proceedings. In the event of bankruptcy, our creditors would assert claims that could result in the total liquidation of the Company or, failing that, our creditors could acquire control of the Company and our existing stockholders could lose their entire investment.

## **SIGNIFICANT ACCOUNTING POLICIES**

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. These estimates are based on management's best knowledge of current events and actions we may undertake in the future. Significant areas requiring the use of estimates relate to mineral rights, equity investment, plant and equipment, and stock-based compensation. Actual results could differ from these and other estimates. These estimates are reviewed periodically and as adjustments become necessary, they are reported in earnings in the respective period.

We have identified below certain accounting policies that we believe are most important for the portrayal of our current financial condition and results of operations. Our significant accounting policies are disclosed in Note 3 to the Consolidated Financial Statements included in our 2012 Form 10-K.

### **Mineral Rights**

We record our interest in mineral rights at cost. Exploration costs are expensed. Costs associated with acquisition and development of mineral reserves, including directly related overhead costs, are capitalized and are subject to ceiling tests to ensure the carrying value does not exceed the fair value.

Investments in unproven properties and major exploration projects are not amortized until proven reserves associated with the projects can be determined or until impairment occurs. If the results of an assessment indicate that the properties are impaired, the capitalized cost of the property will be added to the costs to be amortized. We presently have no proven reserves. Where estimates of future net cash flows are not available and where other conditions suggest impairment, management assesses whether the carrying values can be recovered. If the carrying values exceed estimated recoverable values, then the costs are written-down to fair values with the write-down expensed in the period.

### **Equity Investment**

Equity investments are entities over which we exercise significant influence but do not exercise control. These are accounted for using the equity method of accounting and are initially recognized at cost net of any accumulated impairment loss. Our share of these entities' profits or losses after acquisition of our interest is recognized in the statement of operations and cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When our share of losses on these investments equals or exceeds the carrying amount of the investment, we only recognize further losses where we have incurred obligations or made payments on behalf of the affiliate.

## **OFF BALANCE-SHEET ARRANGEMENTS**

We do not have any off-balance sheet arrangements or contractual obligations that have had or are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that have not been disclosed in our financial statements.

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## **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not applicable.

## ITEM 4. CONTROLS AND PROCEDURES

### Evaluation of disclosure controls and procedures

Under the supervision and with the participation of our senior management, including our principal executive financial and accounting officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act as of the end of the period covered by this report (the "Evaluation Date"). Based on this evaluation, our principal executive, financial and accounting officer concluded as of the Evaluation Date that our disclosure controls and procedures were not effective as of the Evaluation Date. The material weaknesses in our disclosure control procedures are as follows:

- **Lack of formal policies and procedures necessary to adequately review significant accounting transactions.** The Company utilizes a third party independent contractor for the preparation of its financial statements. Although the financial statements and footnotes are reviewed by our management, we do not have a formal policy to review significant financial accounting transactions and the accounting treatment of such transactions. The third party independent contractor is not involved in the day to day operations of the Company and may not be provided information from management on a timely basis to allow for adequate reporting or consideration of certain transactions.
- **Inadequate financial staffing.** Effective August 31, 2012, our chief financial officer resigned for personal reasons, and our part-time controller was appointed as our new chief financial officer on a part-time basis. Due to the Company's limited financial resources, the position of controller remained vacant. Management has concluded that the aforementioned part-time arrangement of the chief financial officer, without additional financial personnel in support, was not adequate to ensure effective disclosure controls and procedures as of the Evaluation Date.

### Changes in internal controls

Except as described above, there were no changes to the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during our third fiscal quarter ended September 30, 2013 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II: OTHER INFORMATION

### ITEM 1A. LEGAL PROCEEDINGS

None

### ITEM 1B. RISK FACTORS

There have been no material changes to the risk factors set forth in our 2012 Form 10-K.

## ITEM 2. UNREGISTERED SALES OF EQUITY AND USE OF PROCEEDS

During the quarter ended September 30, 2013, the Company borrowed funds under the Travellers Facility in the amount of CDN\$59,500 or approximately US\$56,168 based on the noon exchange rate reported by the Bank of Canada on November 28, 2013. Such transactions were consummated in reliance on Section 4(a)(2) of the United States Securities Act of 1933, as amended.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

We have defaulted under the terms of some or all of our convertible financing arrangements, as disclosed under the heading “Liquidity and Capital Resources” in our 2012 Form 10-K, which discussion is incorporated herein by reference.

### ITEM 4. MINE SAFETY DISCLOSURES

No applicable.

### ITEM 5. OTHER INFORMATION

Not applicable.

### ITEM 6. EXHIBITS

<u>No.</u>	<u>Description of exhibit</u>
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- |     |   |
|-----|---|
| 1.1 | Entry into a Material Definitive Agreement (incorporated by reference to Exhibit 1.01 to Form 8-K filed with the SEC on March 6, 2013).     |
| 2.1 | Entry into a Material Definitive Agreement (incorporated by reference to Exhibit 1.01 to Form 8-K filed with the SEC on April 18, 2013).    |
| 3.1 | Entry into a Material Definitive Agreement (incorporated by reference to Exhibit 1.01 to Form 8-K filed with the SEC on April 30, 2013).    |
| 4.1 | Entry into a Material Definitive Agreement (incorporated by reference to Exhibit 1.01 to Form 8-K filed with the SEC on June 7, 2013).      |
| 5.1 | Entry into a Material Definitive Agreement (incorporated by reference to Exhibit 1.01 to Form 8-K filed with the SEC on July 17, 2013).     |
| 6.1 | Entry into a Material Definitive Agreement (incorporated by reference to Exhibit 1.01 to Form 8-K filed with the SEC on August 8, 2013).    |
| 7.1 | Entry into a Material Definitive Agreement (incorporated by reference to Exhibit 1.01 to Form 8-K filed with the SEC on November 29, 2013). |

[31.1 Certification pursuant to Section 302 of the Sarbanes-Oxley Act](#)

[31.2 Certification pursuant to Section 302 of the Sarbanes-Oxley Act](#)

[32.1 Certification pursuant to Section 906 of the Sarbanes-Oxley Act](#)

### SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

#### SILVER DRAGON RESOURCES INC.

Dated: November 29, 2013

By: /s/ Marc Hazout \_\_\_\_\_  
Marc Hazout, President and Chief Executive Officer  
(principal executive, financial and accounting officer)