# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

# FORM 10-Q/A

**(Amendment No. 1)**

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

For the quarterly period ended: **March 31, 2012**

[ ] **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**<br>(State or Other Jurisdiction of Incorporation) | **33-0727323**<br>(I.R.S. Employer Identification No.) |

**5160 Yonge Street, Suite 803**
**Toronto, Ontario Canada**
**M2N 6L9**
(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 [X]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Date 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 [X] 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 [ ] | Accelerated filer [ ] |
| Non-accelerated filer [ ] | Smaller reporting company [X] |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).
Yes [ ] No [X]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of May 07, 2012 there were 176,751,338 shares of common stock outstanding, par value $0.0001.



## EXPLANATORY NOTE

Silver Dragon Resources Inc. (the "Company" or "we" or "Silver Dragon") is filing this Amendment No. 1 to its Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2012 (this "Amendment") to (i) revise the disclosure in our original Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 (the "Original Form 10-Q") in order to comply with Industry Guide 7 promulgated by the United States Securities and Exchange Commission (the "SEC"), (ii) include restated financial statements for the periods ended March 31, 2012 and 2011 (the "Financial Restatement", and the original financial statements included in the Original Form 10-Q being referred to herein as the "Original Financials"), (iii) make corresponding changes to other disclosures, (iv) provide additional disclosures that were required to be disclosed in our Original Form 10-Q, and (v) enhance overall readability and organization. As a result of the Company's discovery of a number of errors in the Original Financials, the Company determined that changes were needed to the Original Financials. Specifically, the Original Financials contained errors in connection with the Company's convertible financing arrangements, including the following:

- in connection with a convertible financing arrangement, the Company had recorded certain secured and collateralized promissory notes that either became effective subsequent to March 31, 2012 or have not become effective, as if they were effective before March 31, 2012; and
- default provisions within certain notes payable agreements were in violation resulting in the requirement to recognize penalties and interest as the case may be, and which had not been recognized by the Company.

For more information concerning the Financial Restatement, please refer to Note 4 to the financial statements for the periods ended March 31, 2012 and 2011 included in this Amendment, and Note 5 to the financial statements for the years ended December 31, 2011 and 2010 included in Amendment No. 1 to our Annual Report on Form 10-K, which is being filed concurrently herewith.

In addition, we are including in this Amendment (i) currently dated certifications from our principal executive, financial and accounting officer, as required, in Exhibits 31.1 and 31.2, (ii) additional exhibits and (iii) updated signature pages. Except as expressly set forth herein, this Amendment does not otherwise revise or restate the Original Form 10-Q. Accordingly, this Amendment should be read in conjunction with the Company's filings with the SEC subsequent to the filing of the Original Form 10-Q.

**SILVER DRAGON RESOURCES INC.**

**INDEX TO FORM 10-Q/A**

**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2012**

**RESTATED**

(EXPRESSED IN UNITED STATES FUNDS)





**PART I: FINANCIAL INFORMATION**
**ITEM 1. FINANCIAL STATEMENTS**

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

| | March 31, 2012 (Restated - note 4) | December 31, 2011 Restated |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash | **$ 68,959** | $ 114,568 |
| Other receivable | **26,845** | 12,474 |
| Notes receivable (note 6) | **1,304,485** | 2,277,500 |
| Deferred expenses | **87,479** | 75,500 |
| Prepaid expenses | **45,868** | 99,458 |
| **Total current assets** | **1,533,636** | 2,579,500 |

| | | |
|---|---|---|
| **Notes receivable** (note 6) | **800,000** | 975,000 |
| **Deferred expenses** | **140,000** | 154,000 |
| **Plant and equipment, net** (note 7) | **229,970** | 43,762 |
| **Equity investment** (note 8) | **4,964,643** | 4,328,143 |
| **Total assets** | **$ 7,668,249** | $ 8,080,405 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| **Current liabilities** | | |
| Accounts payable | **$ 581,908** | $ 526,270 |
| Accrued liabilities | **346,264** | 346,579 |
| Promissory note payable (note 9) | **166,623** | 166,623 |
| Convertible notes payable (note 10) | **2,467,357** | 3,290,592 |
| **Total liabilities** | **3,562,152** | 4,330,064 |
| **Capital stock** (note 12) | | |
| Preferred stock, $0.0001 par value, 20,000,000 shares authorized, none issued and outstanding | **-** | - |
| Common stock, $0.0001 par value, 300,000,000 shares authorized (2011 – 300,000,000), 169,803,092 shares issued and outstanding (2011 – 136,400,449 issued and outstanding) | **16,981** | 13,640 |
| **Additional paid-in capital** (note 12) | **45,728,102** | 43,880,995 |
| **Treasury** (550,000 shares) | **(209,000)** | (209,000) |
| **Deficit accumulated during the exploration stage** | **(41,529,302)** | (40,050,281) |
| **Accumulated comprehensive income** | **99,316** | 114,987 |
| **Stockholders' equity** | **4,106,097** | 3,750,341 |
| **Total liabilities and stockholders' equity** | **$ 7,668,249** | $ 8,080,405 |
| **Going concern** (note 2) | | |
| **Commitments and contingencies** (note 14) | | |

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-month periods ended March 31, 2012 and 2011 and**
**Cumulative for the period from May 9, 1996 (date of inception) to March 31, 2012**
**(Unaudited)**

| | **March 31, 2012 (Restated - note 4)** | March 31, 2011 | **For the period from May 9, 1996(date of inception) to March 31, 2012 (Restated - note 4)** |
|---|---|---|---|
| **Operating expenses** | | | |
| Exploration | **$ –** | $ – | $ 7,174,048 |
| General and administrative | **506,655** | 588,601 | 28,437,031 |
| Write-off of Mexican assets | **–** | – | 3,242,039 |
| **Total operating expenses** | **506,655** | 588,601 | 38,853,118 |

| | | | |
|---|---|---|---|
| **Loss from operations** | **(506,655)** | (588,601) | (38,853,118) |
| **Other (expenses) income** | | | |
| Interest expense and loss on settlement | **(844,838)** | (93,835) | (2,446,633) |
| Interest income | **10,987** | – | 96,540 |
| Net loss on equity investment | **(138,515)** | (52,261) | (1,418,692) |
| Forgiveness of debt | **–** | – | 38,871 |
| Gain on sale of interest of subsidiary | | – | 1,816,733 |
| Non-recurring items | **–** | **–** | **(713,269)** |
| **Total other expenses** | **(972,366)** | (146,096) | (2,626,450) |
| **Loss before income taxes** | **(1,479,021)** | (734,697) | (41,479,568) |
| Provision for income taxes | **–** | – | – |
| Net loss from continuing operations, after tax | **(1,479,021)** | (734,697) | (41,479,568) |
| Minority interest | – | – | 253,021 |
| Loss from discontinued operations (net of tax) | – | – | (302,755) |
| **Net loss** | **(1,479,021)** | (734,697) | (41,529,302) |
| **Other comprehensive loss** | | | |
| Foreign exchange (loss) gain | **(15,671)** | (24,165) | 99, 316 |
| **Comprehensive loss** | **$ (1,494,692)** | $ (758,862) | $ (41,429,986) |
| **Net loss per common share - basic and diluted** | **$ (0.01)** | $ (0.01) | |
| **Weighted average number of common shares outstanding-basic and diluted** | **150,721,007** | 100,130,353 | |

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' Equity**
**For the three-month periods ended March 31, 2012 and year end December 31, 2011**
**(Unaudited)**

| | Common Stock | | Additional | Deficit | Treasury | Accumulated | Total |
|---|---|---|---|---|---|---|---|
| | Number of Shares | Amount $ | Paid-in Capital $ | Accumulated During the Exploration Stage $ | Stock $ | Comprehensive Income (Loss) $ | Stockholders' Equity $ |
| **Balance, December 31, 2010** | **98,728,017** | **9,873** | **39,641,412** | **(36,054,080)** | **(209,000)** | **21,354** | **3,409,559** |
| Shares issued for cash | 2,812,500 | 281 | 249,719 | - | - | - | 250,000 |
| Shares issued for services | 1,490,000 | 149 | 174,426 | - | - | - | 174,575 |
| Shares issued on conversion of notes | 27,736,036 | 2,774 | 1,352,849 | - | - | - | 1,355,623 |
| Shares issued for settlement of debt | 5,883,896 | 588 | 434,085 | - | - | - | 434,673 |
| Shares cancelled | (750,000) | (75) | (83,550) | - | - | - | (83,625) |
| Warrants issued for cash | - | - | 80,389 | - | - | - | 80,389 |
| Warrants issued for services | - | - | 373,695 | - | - | - | 373,695 |
| Shares issued on financing | 500,000 | 50 | 24,950 | - | - | - | 25,000 |
| Share issuance costs | - | - | (8,750) | - | - | - | (8,750) |
| Beneficial conversion feature | - | - | 1,641,770 | - | - | - | 1,641,770 |
| Accumulated comprehensive loss | - | - | - | - | - | 93,633 | 93,633 |
| Net loss, 2011 | - | - | - | (3,996,201) | - | - | (3,996,201) |
| **Balance, December 31, 2011 Restated** | **136,400,449** | **13,640** | **43,880,995** | **(40,050,281)** | **(209,000)** | **114,987** | **3,750,341** |
| Shares issued for services | 457,143 | 46 | 25,954 | - | - | - | 26,000 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Shares issued on conversion of notes | 32,945,500 | 3,295 | 1,023,361 | - | - | - | 1,026,656 |
| Warrants issued for services | - | - | 117,925 | - | - | - | 117,925 |
| Beneficial conversion feature | - | - | 679,867 | - | - | - | 679,867 |
| Accumulated comprehensive loss | - | - | - | - | - | (15,671) | (15,671) |
| Net loss, 2012 | - | - | - | (1,479,021) | - | - | (1,479,021) |
| **Balance, March 31, 2012 (Restated – note 4)** | **169,803,092** | **16,981** | **45,578,102** | **(41,529,302)** | **(209,000)** | **99,316** | **4,106,097** |

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 three-month periods ended March 31, 2012 and 2011 and**
**Cumulative for the period from May 9, 1996 (date of inception) to March 31, 2012**
**(Unaudited)**

| | **March 31, 2012 (Restated - note 4)** | March 31, 2011 | **For the period from May 9, 1996(date of inception) through March 31, 2012 (Restated - note 4)** |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net loss | **$ (1,479,021)** | $ (734,697) | $ (41,529,302) |
| Net loss from discontinued operations | **-** | - | 302,755 |
| Net loss from continuing operations excluding minority interest | **(1,479,021)** | (734,697) | (41,226,547) |
| Adjustments for: | | | |
| Depreciation | **11,288** | 16,019 | 583,241 |
| Net loss from equity investment | **138,515** | 52,261 | 1,418,692 |
| Interest on convertible notes payable | **58,083** | 4,800 | 203,143 |
| Shares issued for services | **26,000** | 19,300 | 8,590,071 |
| Warrants and options issued for services | **117,925** | 129,085 | 3,991,090 |
| Amortization of beneficial conversion feature | **273,966** | 29,516 | 821,269 |
| 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 receivable | **(14,371)** | - | (103,017) |
| Prepaid expenses | **53,590** | - | 53,590 |
| Deferred expenses | **2,021** | 26,071 | 315,935 |
| Accounts payable | **55,637** | 22,649 | 2,219,080 |
| Accrued liabilities | **(315)** | 54,994 | 315,429 |
| Other | - | - | 778,688 |
| **Net cash used in operating activities** | **(756,682)** | (380,002) | (20,018,778) |
| **Cash flows from investing activities** | | | |
| Investments in mineral rights | **-** | **-** | (1,920,441) |
| Additional contribution to Sino-Top | **(775,015)** | **-** | (4,426,570) |
| Acquisition of plant and equipment | **(197,495)** | - | (1,178,981) |

| | | | |
|---|---|---|---|
| Other | **-** | - | 4,364,090 |
| **Net cash used in investing activities** | **(972,510)** | **-** | (3,161,902) |
| **Cash flows from financing activities** | | | |
| Proceeds from issuance of common stock and warrants | **-** | **-** | 18,147,492 |
| Share issuance costs | **-** | **-** | (206,686) |
| Related party loans payable | - | **-** | 1,192,922 |
| Repayments of related party payables | **-** | (167,686) | (722,813) |
| Minority interest | - | - | 253,021 |
| Promissory note payable | - | **-** | 516,623 |
| Write-down of promissory note payable | - | **-** | (350,000) |
| Issuance of convertible notes payable | **1,699,254** | 553,840 | 4,334,841 |
| Other | **-** | - | (59,609) |
| **Net cash provided by financing activities** | **1,699,254** | 386,154 | 23,105,791 |
| **Effect of exchange rate on cash** | **(15,671)** | (24,165) | 143,848 |
| **(Decrease) increase in cash** | **(45,609)** | (18,013) | 68,959 |
| **Cash - beginning of period** | **114,568** | 96,563 | - |
| **Cash - end of period** | **$ 68,959** | $ 78,550 | $ 68,959 |

**Supplemental cash flow information** (note 13)

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**
**March 31, 2012 and 2011**
**(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, Mexico 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”), are expressed in United States funds, and pursuant to the regulations of the Securities and Exchange Commission (“SEC”) for interim condensed financial statements. 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 restated consolidated financial statements of the Company for the fiscal year ended December 31, 2011 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 March 31, 2012, the Company had working capital deficit of $2,028,516 (December 31, 2011 – $1,750,564), has not yet achieved profitable operations, incurred a net loss of $1,479,021 for the three-month period ended March 31, 2012 (2011 -$734,697), has accumulated losses of $41,529,302 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 March 30, 2012, none of which are expected to have a material impact on the Company's consolidated financial position, operations, or cash flows.





**4. Restatement Correction of Errors**

The following schedule summarizes the impact of the restatement:

**Interim Condensed Consolidated Balance Sheet**

| | March 31, 2012 As Previously Reported $ | Adjustments $ | March 31,, 2012 As Restated $ | Notes |
|---|---|---|---|---|
| Notes receivable – current | 1,020,595 | 283,890 | **1,304,485** | (c), (d) |
| Notes receivable – long term | 1,800,000 | (1,000,000) | **800,000** | (a) |
| Total assets | 8,384,359 | (716,110) | **7,668,249** | |
| Accrued liabilities | 516,793 | (170,529) | **346,264** | (b) |
| Convertible notes payable | 3,417,383 | (950,026) | **2,467,357** | (a), (b), (c),(d) |
| Total liabilities | 4,682,707 | (1,120,555) | **3,562,152** | |
| Additional paid-in capital | 45,249,736 | 478,366 | **45,728,102** | (c) |
| Deficit accumulated during the exploration stage | (41,455,381) | (73,921) | **(41,529,302)** | (a), (c),(d) |
| Stockholders' Equity | 3,701,652 | 404,445 | **4,106,097** | |
| Total liabilities and stockholders' equity | 8,384,359 | (716,110) | **7,668,249** | |

**SILVER DRAGON RESOURCES INC.**
**(AN EXPLORATION STAGE COMPANY)**
**Notes to the Interim Condensed Consolidated Financial Statements**
**March 31, 2012 and 2011**
**(Unaudited)**

**4. Restatement Correction of Errors**, continued

### Interim Condensed Consolidated Statement of Operations and Comprehensive Loss

| | March 31, 2012 As Previously Reported $ | Adjustments $ | March 31,, 2012 As Restated $ | Cumulative As Restated $ | Notes |
|---|---|---|---|---|---|
| Interest expense | (751,526) | (93,312) | **(844,838)** | (2,446,633) | (c),(d) |
| Total other expenses | (879,054) | (93,312) | **(972,366)** | (2,624,450) | |
| Loss before income taxes | (1,385,709) | (93,312) | **(1,479,021)** | (41,479,568) | |
| Net loss | (1,385,709) | (93,312) | **(1,479,021)** | (41,529,302) | |
| Comprehensive loss | (1,401,380) | (93,312) | **(1,494,692)** | (41,429,986) | |

There were no changes to earnings per share as a result of the adjustments.

### Interim Condensed Consolidated Statement of Cash Flow

| | March 31, 2012 As Previously Reported $ | Adjustments $ | March 31, 2012 As Restated $ | Cumulative As Restated $ | Notes |
|---|---|---|---|---|---|
| Cash flows from operating activities | | | | | |
| Net loss | **(1,385,709)** | (93,312) | **(1,479,021)** | (41,529,302) | (c) |
| Net loss from continuing operations excluding minority interest | **(1,385,709)** | (93,312) | **(1,479,021)** | (41,226,547) | (c) |
| Adjustments for: | | | | | |
| Amortization of beneficial conversion feature | **253,915** | 20,051 | **273,966** | 821,269 | (c) |
| Changes in non-cash working capital: | | | | | |
| Accrued liabilities | **22,290** | (22,605) | **(315)** | 315,429 | (b) |
| Net cash used in operating activities | **(660,816)** | (95,866) | **(756,682)** | (20,018,778) | |
| Cash flows from financing activities: | | | | | |
| Issuance of convertible notes payable | **1,603,388** | 95,866 | **1,699,254** | 4,334,841 | (a), (b), (c) |
| Net cash provided by financing activities | **1,603,388** | 95,866 | **1,699,254** | 23,105,791 | |





**4. Restatement Correction of Errors**, continued

(a) On April 19, 2011, the Company recorded and disclosed the closing of a convertible financing agreement with a privately held investment firm. The total planned funding was executed through a series of five secured and collateralized promissory notes receivable to the Company and five convertible promissory notes payable to the investor.
The Company had recorded two of the secured and collateralized promissory notes as if they were effective before March 31, 2012 as opposed to when they became effective, subsequent to March 31, 2012.
The Company reversed $1,000,000 of secured and collateralized promissory notes receivable that were not yet executed.

(b) The Company reclassified accrued interest of $170,529 from accrued liabilities to convertible notes payable to better reflect the payable balance.

(c) Default provisions within certain notes payable agreements were in violation resulting in the requirement to recognize penalties and interest as the case may be, and which had not been recognized by the Company to comply with the agreed upon terms and conditions as set out in the respective notes payable agreements.
The Company recorded $168,383 (2011 - $148,912) for a default of certain terms and covenants of a note payable by the Company having occurred on March 1, 2011 and requiring an increase in the stated interest rate from 5% to 12% per annum.
The Company reversed $7,463 to correct interest on a certain note payable relating to 2011.
The Company reversed $68,543 (2011 - $66,014) of interest on two notes payable that were not executed prior to March 31, 2012.
The Company reversed $1,050,000 of convertible promissory notes payable that were not yet executed.
An adjustment of $350,000 and $50,000 was made by the Company to de-recognize the associated beneficial conversion features and deferred financing charges, respectively, on the notes payable which were treated as if effective before December 31, 2011.
An adjustment of $138,541 (2011 - $109,375) and $19,792 (2011 - $11,459) was made by the Company to reverse the accretion recorded on the above mentioned beneficial conversion features and deferred financing charges which were treated as if effective before March 31, 2012.
The Company adjusted for beneficial conversion features in the amount of $678,366 (2011 - $188,570) not properly recognized on the passing of certain contingencies. The accretion of $65,850 (2011 - $26,008) was recorded in conjunction with the beneficial conversion feature.
The Company reversed interest of $52,110 on the settlement of debt on January 31, 2012.

(d) On February 10, 2012, the Company entered into two convertible notes payable and a promissory notes receivable agreements that were not previously recorded. Accordingly, the Company increased the notes receivable by $336,000, convertible notes payable by $186,000, additional paid-in capital by $150,000 and expensed $21,917 to interest.





**5. Financial Instruments**

The carrying value of cash, other receivable, current portion of notes receivable, accounts payable, accrued liabilities, promissory note payable, current portion of convertible notes payable and related party payables approximated their fair value as of March 31, 2012 and December 31, 2011 due to their short-term nature. Management believes that the carrying value of the non-current portion of convertible notes payable and notes receivable approximates their fair value using the present value method.

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, $27,788 of consolidated expenses for the three-month period ended March 31, 2012 are denominated in Mexican Pesos; and $230,050 of consolidated expenses for the year ended December 31, 2011, are denominated in Canadian Dollars. As at March 31, 2012, $787,579 of the net monetary liabilities are denominated in Mexican Pesos; and $43,409 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.

**6. Notes Receivable**

| | March 31, 2012 | December 31, 2011 |
|---|---|---|
| Secured Buyer Notes | **$ 493,485** | $ 1,677,500 |
| Promissory Notes | **436,000** | 250,000 |
| Secured and Collateralized Promissory Note | **1,175,000** | 1,325,000 |
| Total Notes Receivable | **2,104,485** | 3,252,500 |
| Less: Current Portion | **(1,304,485)** | (2,277,500) |
| Long-Term Notes Receivable | **$ 800,000** | $ 975,000 |

On January 31, 2012**,** the Company agreed to modify the terms of certain secured buyer notes receivable which were due between November 15, 2011 and April 15, 2012 in exchange for $800,000 as payment in full of the amounts owed pursuant to certain secured buyer notes receivable. The note due on April 15, 2012 was partially redeemed. The Company recorded a loss on settlement of $394,967 on the transaction.

On February 10, 2012, the Company issued a convertible redeemable note payable (note 10). In consideration the Company received a promissory note receivable for $200,000, bearing interest at 6% per annum and secured by assets pledged as collateral. $100,000 of principal under this note receivable was due and payable on September 1, 2012 and the balance of $100,000 of principal and accrued interest was due and payable on November 1, 2012.

7. **Plant and Equipment, net**

| | Cost | Accumulated depreciation | March 31, 2012 Net book value | December 31, 2011 Net book value |
|---|---|---|---|---|
| Computer hardware | $ 40,559 | $ 32,655 | $ **7,904** | $ 8,543 |
| Office equipment | 45,720 | 29,294 | **16,426** | 17,290 |
| Leasehold improvements | 393,163 | 187,523 | **205,640** | 17,929 |
| | $ 479,442 | $ 249,472 | $ **229,970** | $ 43,762 |





**8. Equity Investment**

**Sanhe Sino-Top Resources & Technologies Ltd., China**

The Company owns 40% of Sino-Top, whose assets mainly consist of six exploration properties. Erbahuo, a seventh exploration property is controlled by Sino-Top owned by Chifeng Silver Dragon Resources and Technology, Ltd. ("Chifeng"), which is a wholly-owned subsidiary of Sino-Top. The Company has a 21% net interest in the after-tax profits of the Erbahuo Silver Project through a third party mining arrangement.

| | | March 31, 2012 |
|---|---|---|
| Carrying value of investment at December 31, 2011 | $ | **4,328,143** |
| Additional investment and advances | | **775,015** |
| 40% share of net loss for the three-month period ended March 31, 2012 | | **(138,515)** |
| Carrying value of investment at March 31, 2012 | $ | **4,964,643** |

**Share of loss for the three-month period ending March 31:**

| | | **2012** | | 2011 |
|---|---|---|---|---|
| Exploration expenses | **$** | **(87,689)** | $ | (30,963) |
| General and administrative expenses | | **(50,826)** | | (21,298) |
| Share of loss for the year (at 40%) | **$** | **(138,515)** | $ | (52,261) |

**Summarized unaudited financial data of Sino Top for the three-month period ending March 31:**

| | | **2012** | | 2011 |
|---|---|---|---|---|
| Revenue | **$** | **-** | $ | - |
| Net loss | **$** | **(346,289)** | $ | (130,653) |
| Current assets | **$** | **2,895,896** | $ | 1,661,003 |
| Total assets | **$** | **3,340,861** | $ | 2,102,611 |
| Current liabilities | **$** | **5,670,299** | $ | 5,797,359 |
| Total liabilities | **$** | **5,670,299** | $ | 5,797,359 |

**9. 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 three-month period ended March 31, 2012, the Company incurred interest of $24,993 (2011 - $24,993).





**10. Convertible Notes Payable**

| | | **Secured Convertible Promissory Note** | | **Convertible Redeemable Note** | | **Convertible Promissory Note** | | **Convertible Notes** | | **Total** |
|---|---|---|---|---|---|---|---|---|---|---|
| Balance, December 31, 2010 | $ | - | $ | - | $ | - | $ | 170,000 | $ | 170,000 |
| Issued | | 2,500,000 | | 768,000 | | 2,000,000 | | 300,000 | | 5,568,000 |
| Deferred Financing Costs | | | | | | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Capitalized | 266,500 | 32,000 | 100,000 | - | 398,500 |
| Value attributable to | | | | | |
| Warrants | (189,132) | - | - | - | (189,132) |
| Beneficial Conversion | | | | | |
| Feature, net of accretion | (352,239) | (247,322) | (561,458) | (33,286) | (1,194,305) |
| Interest Accrual | 177,304 | 5,467 | 45,986 | 2,065 | 230,822 |
| Converted | (185,381) | (318,100) | (392,086) | (340,000) | (1,235,567) |
| Unamortized Financing Costs | (285,246) | (19,700) | (152,780) | - | (457,726) |
| **Balance, December 31, 2011 (Restated)** | **$ 1,931,806** | **$ 220,345** | **$ 1,039,662** | **$ 98,779** | **$ 3,290,592** |
| Issued | - | 336,000 | - | 93,500 | **429,500** |
| Deferred Financing Costs | | | | | |
| Capitalized | - | 14,000 | - | - | **14,000** |
| Cancelled | - | - | - | - | **-** |
| Warrant accretion | 15,131 | - | - | - | **15,131** |
| Beneficial Conversion | | | | | |
| Feature, net of accretion | (434,780) | (20,731) | 58,333 | (8,724) | **(405,902)** |
| Interest Accrual | 19,471 | 13,333 | 17,695 | 715 | **51,214** |
| Converted | (438,019) | (81,900) | (393,652) | (55,000) | **(968,571)** |
| Accretion of Financing Costs | 22,819 | 2,325 | 16,249 | - | **41,393** |
| **Balance, March 31, 2012 (Restated – note 4)** | **$ 1,116,428** | **$ 483,372** | **$ 738,287** | **$ 129,270** | **$ 2,467,357** |





**10. Convertible Notes Payable,** (continued)

On January 27, 2012, the Company issued a convertible note payable in the principal amount of $42,500. The convertible note payable bears interest at the rate of 8% per annum, is due October 30, 2013, and is unsecured. The convertible note payable is convertible into common stock, at the lender's option, at a 30% discount to the average of the three lowest closing prices of the common stock during the 10 trading day period prior to conversion.

On January 31, 2012, the Company recognized a beneficial conversion feature in the amount of $489,796, upon the funding of the third to eighth tranches of the notes receivable.

On February 10, 2012, the Company issued a convertible redeemable note payable in the principal amount of $150,000. As consideration the Company received cash. The convertible redeemable note payable bears interest at the rate of 6% per annum, is due February 10, 2014, and is unsecured. On February 10, 2012, the Company defaulted on certain terms of the convertible redeemable note payable which required the Company to reserve a bank of 12,000,000 shares. The default called for an increase to the interest rate from 6% to 24% per annum.

On February 10, 2012, the Company issued a convertible redeemable note payable in the principal amount of $200,000. As consideration the Company received a promissory note receivable (note 6). The convertible redeemable note payable bears interest at the rate of 6% per annum, is due February 10, 2014, and is unsecured. On February 10, 2012, the Company defaulted on certain terms of the convertible redeemable note payable which required the Company to reserve a bank of 12,000,000 shares. The default called for an increase to the interest rate from 6% to 24% per annum.

On March 15, 2012, the Company issued a convertible note payable in the principal amount of $51,000. The convertible note payable bears interest at the rate of 8% per annum, is due December 12, 2012, and is unsecured. The convertible note payable is convertible into common stock, at the lender's option, at a 30% discount to the average of the three lowest closing prices of the common stock during the 10 trading day period prior to conversion.

**11. Related Party Transactions and Balances**

During the three-month period ended March 31, 2012, the Company incurred $92,315 (2011 - $81,000) in management fees paid to a company controlled by a director for his services as chief executive officer.

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.

**12. Capital Stock**

On February 3, 2012, the Company issued 357,143 shares of the Company's restricted common stock for legal services rendered, for fair value of $20,000.

On February 15, 2012, the Company issued 100,000 shares of the Company's restricted common stock for services rendered, for fair value of $6,000.

On March 22, 2012, the Company issued 2,225,000 common share purchase warrants to directors and employees for services rendered at an exercise price of $0.06 exercisable for a period of three years from the date of issuance, for fair value of $117,925.

During the three-month period ended March 31, 2012, the Company issued 17,138,219 shares pursuant to the conversion of a note of $438,020 principal and $53,200 interest (note 10).

During the three-month period ended March 31, 2012, the Company issued 1,522,690 shares pursuant to the conversion of a note of $81,900 principal and $2,683 interest (note 10).





**12. Capital Stock,** continued

During the three-month period ended March 31, 2012, the Company issued 12,394,552 shares pursuant to the conversion of a note of $329,590 principal and $64,063 interest (note 10).

During the three-month period ended March 31, 2012, the Company issued 1,890,039 shares pursuant to the conversion of a note of $55,000 principal and $2,200 interest (note 10).

**Warrants**

As March 31, 2012, 24,553,000 warrants were outstanding, having an exercise price between $0.06 and $1.25 per share with an average remaining contractual life of 1.81 years.

| | Number of warrants | Weighted average exercise price |
|---|---|---|

| | | | |
|---|---|---|---|
| **Balance, December 31, 2011** | 22,978,000 | $ | 0.49 |
| Issued during the three-month period ended March 31, 2012 | 2,225,000 | | 0.06 |
| Expired during the three-month period ended March 31, 2012 | (650,000) | | (0.92) |
| **Balance, March 31, 2012** | **24,553,000** | **$** | **0.43** |

As at March 31, 2012, 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 - $1.00 | 23,553,000 | 1.85 years | $ 0.40 |
| $1.01 - $1.25 | 1,000,000 | 0.70 years | $ 1.25 |





### 13. Supplemental Cash Flow Information

**Issuance of convertible notes payable**

| | **March 31, 2012** | March 31, 2011 | For the period from May 9, 1996(date of inception) through March 31, 2012 |
|---|---|---|---|
| Issuance of convertible notes payable | $ **-** | $ 2,120,000 | $ 4,190,000 |
| Cash advances | **93,500** | 500,000 | 1,751,993 |
| Interest accrued | **39,547** | - | 270,369 |
| Notes receivable | **331,905** | (2,000,000) | (3,770,595) |
| Cash repayments on notes receivable | **1,100,000** | - | 1,950,000 |
| Deferred charges | **134,302** | (66,160) | (121,578) |
| | **$ 1,699,254** | $ 553,840 | $ 4,270,189 |

### 14. Commitments and Contingencies

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

| | |
|---|---|
| 2012 | $ 35,769 |
| 2013 | 61,319 |
| 2014 | 61,319 |
| 2015 | 25,549 |
| | $ 183,956 |

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) In December 2010, shareholders of the Company received a letter from a shareholder which contained two items. The first was a copy of a legal proceeding filed in China and the second was a letter making certain allegations regarding the Company and its management. The legal proceeding was filed by two shareholders and sought to invalidate the Company's sale in 2008 of 50% of Sanhe Sino-Top Resources & Technologies, Ltd. The Company believes that the legal proceeding was frivolous and wholly without merit. The sale in question was made to a Chinese government-owned entity, after the receipt of approval by the Ministry of Commerce in China.

The second item was a letter written by a purported "Minority Shareholder Committee," claiming that it had initiated the proceeding. The letter alleged that the Company and its management had engaged in various improper and illegal activities. The Company, on several occasions, through its legal counsel in several countries, had asked that individual to cease and desist, and subsequently filed a Writ of Summons in the High Court of the Hong Kong Special Administrative Region, Court of First Instance claiming damages for libel, an injunction and other relief. On May 4, 2011, judgment was given in favor of the Company for damages for libel, malicious falsehood, interest and costs, with amounts to be assessed by the court.

On April 18, 2012 the Company announced that a lawsuit filed against Silver Dragon Resources Inc., Marc Hazout, Hao Guoqiang, Zhou Lin, Beijing and Shengda Zhenxing Industrial Ltd. (collectively, the "Defendants") in the No.2 Intermediate People's Court of Beijing City (the "Beijing Court") has been formally withdrawn by the plaintiffs Yang Jingxian and Chen Jinghan (collectively, the "Plaintiffs") and formally approved by the Beijing Court.

The official approval was handed out by the Beijing Court on April 12, 2012.





**14. Commitments and Contingencies,** continued

(d) The Company's Mexican subsidiary has been subjected to irregularities that it is 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 has taken steps through the courts in Mexico to redress the situation. It has commenced a Constitutional Rights Claim before the Federal Court in the City of Durango, premised on procedural irregularities. The court proceedings are continuing in Mexico.

**15. Subsequent Events**

On April 10, 2012, the Company issued 700,000 shares of the Company's restricted common stock to an accredited investor pursuant to a private placement at $0.03 per unit, for fair value of $21,000.

On May 16, 2012, the Company issued a convertible promissory note payable in the principal amount of $42,500. The convertible note payable bears interest at 8% per annum, is due February 21, 2013, and is unsecured. The convertible note payable is convertible into common stock, at the lender's option, at a 30% discount to the average of the three lowest closing prices of the common stock during the 10 trading day period prior to conversion.

On April 25, 2012, the Company entered into an amendment to cancel the convertible promissory note payable that was issued on April 19, 2011 and the $375,000 receivable.

On April 26, 2012, the Company issued a convertible promissory note payable in the principal amount of $525,000. As consideration the Company received a $500,000 secured and collateralized promissory note receivable. The convertible promissory note payable bears interest one time at the rate of 5% on the principal amount and is due April 26, 2015. The convertible promissory note payable is convertible into common stock, at the lender's option at a 25% discount on the average of the three lowest closing prices during the 20 trading day period prior to conversion. The secured and collateralized promissory note receivable bears interest at a one time charge of 5.25%, due April 26, 2015.

In May 2012, the Company entered into an agreement to sell its 70% beneficial interest in Chifeng to a private Chinese investor for RMB7.4 million or $1,164,020 of which RMB6.0 million or $943,306 was received.

On June 15, 2012, the Company settled a convertible redeemable note payable and a promissory note receivable on a net basis that were issued December 15, 2011 in the amount of $250,000.

On July 16, 2012, the Company entered into a forbearance agreement to commence the settlement process of certain notes receivable and convertible promissory notes payable.

On July 16, 2012, the Company entered into a standstill agreement to commence the settlement process of certain notes receivable and convertible promissory notes payable.

On August 22, 2012, the Company issued 15,776,225 common shares pursuant to the conversion of a convertible promissory note payable of $42,500 principal and $1,700 interest.

On August 23, 2012, the Company agreed with an investor to accelerate two payments of $60,000 for a total of $120,000 in exchange for redeeming $200,000 of notes receivable. $100,000 of the note receivable that was due on May 15, 2012 was redeemed with the remaining balance due on or before September 22, 2012.

On September 17, 2012 the SEC imposed a temporary trading suspension on the Company.

On October 4, 2012, Company agreed with an investor to redeem the outstanding balance on the note receivable with two payments of $30,000, subject to certain conditions. $30,000 of the note receivable was redeemed and the remaining balance was not paid due to the conditions not being met. In addition, the Company entered into a forbearance agreement to commence the settlement process of certain notes receivable and convertible promissory notes payable.





**15. Subsequent Events**, continued

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 agrees to pay $2,869,133 (the "Payoff Amount") on or before March 31, 2013 (the "Payoff Date"), such payment will constitute payment in full of any and all obligations due and owing under the convertible note 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.

After the period ended March 31, 2012, the Company issued 20,500,000 common shares pursuant to the conversion of a note of $75,924 principal and $54,416 interest (note 10).

After the period ended March 31, 2012, the Company issued 8,850,008 common shares pursuant to the conversion of a note of $28,500 principal (note 10).

After the period ended March 31, 2012, the Company issued 33,848,246 common shares pursuant to the conversion of a note of $280,097 principal (note 10).

After the period ended March 31, 2012, the Company issued 34,326,765 common shares pursuant to the conversion of a note of $117,500 principal and $4,700 interest (note 10).

In April 2013, the Company extended the Payoff Date from March 31, 2013 to June 30, 2013.





### 16. Segmented Information

The Company uses a management approach for determining segments. The management approach designates the internal organization that is used by management for making operating decisions and assessing performance as the source of the Company's reportable segments. The Company's management reporting structure provides for only one segment: exploration of mines.

The regions and countries in which the Company had identifiable assets and revenues are presented in the following table. Identifiable assets are those that can be directly associated with a geographic area.

| **As at March 31, 2012 (Restated - note 4)** | **Corporate** | **Mexico** | **China** | **Total** |
|---|---|---|---|---|
| Equity investment | $ - | $ - | $ 4,964,643 | $ 4,964,643 |
| Notes receivable | $ 2,104,485 | $ - | $ | $ 2,104,485 |
| Total assets | $ 2,703,606 | $ - | $ 4,964,643 | $ 7,668,249 |

| **Three-month period ended March 31, 2012 (Restated - note 4)** | **Corporate** | **Mexico** | **China** | **Total** |
|---|---|---|---|---|
| Revenues | $ - | $ - | $ - | $ - |
| Depreciation | $ 11,288 | $ - | $ - | $ 11,288 |
| Loss before income tax | $ (1,312,718) | $ (27,788) | $ (138,515) | $ (1,479,021) |

| **As at December 31, 2011 Restated** | **Corporate** | **Mexico** | **China** | **Total** |
|---|---|---|---|---|

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Equity investment | $ | - | $ | - | $ | 4,328,143 | $ | 4,328,143 |
| Notes receivable | $ | 3,252,500 | $ | - | $ | - | $ | 3,252,500 |
| Total assets | $ | 3,751,665 | $ | 597 | $ | 4,328,143 | $ | 8,080,405 |

| **Three-month period ended March 31, 2011** | | **Corporate** | | **Mexico** | | **China** | | **Total** |
|---|---|---|---|---|---|---|---|---|
| Revenues | $ | - | $ | - | $ | - | $ | - |
| Depreciation | $ | 16,019 | $ | - | $ | - | $ | 16,019 |
| Loss before income tax | $ | (654,034) | $ | (28,402) | $ | (52,261) | $ | (734,697) |



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

### Forward-looking statements

Statements made in this Form 10-Q/A 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"). These 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. 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.

### Available information

We file annual, quarterly, current reports, proxy statements, and other information with the 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.

### 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 and development through equity financing, by way of joint venture or option agreements or through a combination of both, if and to the extent available.

### CHINESE PROPERTIES

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. We also have 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). However, pursuant to a cooperation agreement between Chifeng and a partner, such partner assumed responsibility for mine operations among other things, at the Erbahuo silver mine in exchange for a 70% interest of the net profits and payable taxes of the Erbahuo silver mine. Consequently, Chifeng only has a 30% interest of the net profit after taxes (except for the income tax payable by such partner) of the Erbahuo silver mine.

Of these seven properties, Dadi, Laopandao and Erbahuo are material to us. Subsequent to March 31, 2012, we also determined that Aobaotuguonao is material to us.

On February 21, 2012, Sanhe Sino-Top Resources & Technologies, Ltd., renewed its business license on February 15, 2012. The license was issued by the Industrial and Commercial Administration Agency of Sanhe City, China, extending the business operating period to March 24, 2023 and increasing the registered capital to US$ 7,270,000.

The business license scope covers the exploration and development of deposits of copper, lead, zinc, silver, gold and associated metals, and sales of developed products.

*General Update on Operations*

At Dadi, the 2012 exploration program includes 4,000 meters (incl. 1,000 meters contingency) drilling, 3,000 meters tunneling, and 500 meters trenching. At Laopandao, the 2012 exploration program includes 4,000 meters (incl. 1,000 meters contingency) drilling, 700 meters tunneling and 500 meters trenching. At Aobaotugounao, the 2012 exploration program includes 4,000 meters drilling and 5,000 meters trenching. In total, Sino-Top's budget for the following is: Dadi: RMB21.3 million; for Laopandao: RMB3.8 million; for Aobaotugounao: RMB3.43 million; for others: RMB3.57 million; for G&A: RMB4,745,000, for a total budget of RMB 36,845,000 (US$5.8 million). Shengda and Silver Dragon invest at a ratio of 5:4, i.e. Shengda shares approximately 55.56% in the budget, and Silver Dragon 44.44% . If Silver Dragon is not contributing at a level of 44.44%, the parties to the Sino-Top joint venture shall re-determine the profit distribution proportion before either of the parties makes additional capital contribution.



*Dadi Update*

Exploration work in respect of the 2012 program at Dadi commenced on February 24, 2012, focusing on underground drifting (face drilling) and underground drilling. As of March 31, 2012, seven underground drill holes had been completed with a total drilling length of 1,039 meters. In addition, underground drifting, including transverse drifts CM08, CM12 and CM14 at the 1,350m level and PD4CM02, PD4CM06, PD4CM08 in tunnel PD4, was also completed. The total tunneling length was 692.8 meters, including ore drifts, transverse drifts and transportation tunnels. At present, 149 samples from drill core and channel sampling within the transverse drifts have been analyzed.

Highlights from the 2012 drilling program completed thus far at Dadi are as follows:

- The current season's work commenced in February 2012, with most of the activity focused on underground drilling and drifting (face drilling).
- Seven underground drill holes and six underground transverse drifts were completed to define mineralization zones I, II and IV. A total of five mineralization zones have been discovered at Dadi, of which, zones I, II and IV haven been the main targets for this year's exploration work.
- Samples were collected from drill holes and transverse drifts at Dadi: three transverse drifts at 1,350 meters showed silver-lead-zinc mineralization in mineralization zone II; and one transverse drift revealed silver-lead-zinc mineralization in mineralization zone IV. Three underground drill holes showed silver-lead-zinc mineralization.

- According to assay results, four of the completed underground drill holes (ZK0808, ZK0308, ZK0702, and ZK0901) have revealed significant Silver-Lead-Zinc mineralization.
- The four underground drill holes located in the 1,384m level PD1 tunnel at exploration lines No. 3, No. 7 and No. 9 at Dadi further define mineralization zones I and II, at deeper levels.
- Two mineralized intervals at Dadi have been discovered at the underground drill hole ZK0808: azimuth 220°, dip angle 86°, drilling length 120m. One is from 61.5m to 63m interval and the second interval is from 97.5m to 100.5m.
- Four intervals at Dadi hit silver, lead and zinc mineralization at underground drill hole ZK0702: azimuth 220°, dip angle 85°, drilling length 71.5m; the first interval is from 58.5m to 60.0m , the second and the third intervals are from 63m to 66m, and the fourth interval is from 67.5m to 69m. Additionally, in intervals from 45.65m to 70.0m, the rocks are strongly altered and assay results show most of the samples reaching industrial grades or near cutoff grades of lead and zinc. These results demonstrate a significant concentration of lead and zinc mineralization.
- Three samples taken at Dadi from intervals from 56.4m to 60.6m, at underground drill hole ZK0901: azimuth 220°, dip angle 87°, drilling length 72m show relatively strong zinc mineralization and weak silver and lead mineralization.
- Based on assay results for underground dill hole ZK0308 at Dadi: azimuth 220°, dip angle 86°,drilling length 120.85m, one sample (from 84m to 85.5m interval) reveals mineralization.

*Erbahuo Silver Mine Update*

An explosives magazine is expected to be renovated in 2012. Gravel and dirt roads have been constructed on the property and are in good condition. Over 5,000 meters of tunneling have been completed. The total cost incurred to date, is RMB9.5 million. We do not anticipate any future expenditure by Chifeng Silver Dragon or the Company with respect to this property, since operations have been outsourced to Guangxi. The source of power is the state grid. The source of water is water wells on the property.

No mineralized material has been processed to date due to delays in development of the property, primarily as a result of delays in obtaining permits for the explosives magazine and low temperatures. Production is not expected to commence until temperatures rise above ten degrees centigrade to permit development of the property.



**MEXICO**

We previously reported in our Amendment No. 1 to our Annual Report on Form 10-K/A for the year ended December 31, 2011 (“Amended 2011 10-K/A”) that we had lost title to 15 mining concessions in Cerro las Minitas (“Mexican Concessions”), and that we were taking steps through the courts in Mexico to redress the situation, including asserting a constitutional rights claim before the Federal Court in the City of Durango.

**RESULTS OF OPERATIONS**

**Three Months Ended March 31, 2012 Compared to Three Months Ended March 31, 2011**

Net sales were $nil for both of the three month periods ended March 31, 2012 and March 31, 2011, as there was no production at any of the properties.

The net loss for the three-month period ended March 31, 2012 was $1,479,021 compared to $734,697 for the comparative three month period in the prior year. This increase in the current period is primarily due to increased financing expenses as a result of the convertible notes payable.

The general and administration expenses were consistent with the prior year at $506,655 in the current period compared to $588,601 in the prior period.

Total other expenses increased significantly for the three months ended March 31, 2012 of $972,366 compared to the same period in 2011 of $146,096, primarily due to interest incurred on the convertible notes payable issued subsequent to June 30, 2011.

Interest expenses increased significantly from $93,835 in the prior period to $844,838 in the current period as a result of the issuance and conversion of convertible notes payable. Loss on equity investment increased from $52,261 in the prior period to $138,515 in the current period; due to current exploration.

**LIQUIDITY AND CAPITAL RESOURCES**

Our primary cash requirements are for the exploration and acquisition of mining exploration properties and corporate and administrative costs. At March 31, 2012, we had working capital deficit of $2,028,516 and cash on hand of $68,959, and at December 31, 2011, we had working capital deficit of $1,750,564 and cash on hand of $114,568. During the three months ended March 31, 2012, we contributed $775,015 to Sino-Top for exploration purposes, and spent $197,495 on leasehold improvements. We spent $756,682 on operating activities.

We closed a number of financings pursuant to which we issued shares of Common Stock and warrants. See "Part II Item 2 –"Sales of Unregistered Securities during 2012" below. We also entered into, modified or continued to have outstanding a number of convertible financing arrangements. As of March 31, 2012, we were in breach or default under the covenants for some or all of such arrangements. Depending upon the financing arrangement, a default may mean that the lender is entitled to default interest, acceleration of amounts due and/or other special rights, to impose additional penalties against us, and/or to refrain from taking certain actions such as advancing additional funds to us or converting existing indebtedness into equity.

Should one or more of our creditors seek or demand payment, we do not have the resources to pay or satisfy any such debts. Thus, we face a risk of bankruptcy. In addition to having insufficient cash to pay our debts, we have insufficient funds to support our planned business operations. To pay our debts and to fund any future operations, we require significant new funds, which we may not be able to obtain. For more information regarding our convertible financing arrangements, see the financial statements included in this quarterly report and the financial statements and management's discussion and analysis included in the Amended 2011 10-K/A.

Aside from the funds we require to pay our debts, we estimate that we must raise approximately $2 million over the next 12 months to fund capital requirements and general corporate expenses. We have reduced this estimate from the $5 million stated in the Amended 2011 10-K/A because management now believes that project funding may be available in China. If we fail to obtain 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 certain or 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, go into 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 Amended 2011 10-K/A.

**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 unproved properties and major exploration projects are not amortized until proved 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.

## 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 chief executive officer and chief financial 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 chief executive officer and chief financial officer concluded as of the Evaluation Date that such disclosure controls and procedures were not effective as of the Evaluation Date. This determination was a result of management becoming aware that material events had occurred in Mexico for several years prior to the Evaluation Date that were not reported to management on a timely basis. For a discussion of these events, please refer to our Amended 2011 10-K/A under the heading "*Item 1 – Description of Business – Cerro las Minitas*"**.**

In connection with the preparation of this Amendment, we conducted a further evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of 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 also not effective as of the Evaluation Date. The material weaknesses in our disclosure control procedures are as follows:

1. ***Lack of formal policies and procedures necessary to adequately review significant accounting transactions.***
   The Company utilizes a third party independent contractor and part-time staff 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 and part-time staff are 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.
2. ***Lack of understanding of SEC disclosure obligations.*** Our management did not have a sufficient understanding of our SEC disclosure obligations, including our obligation to comply with Industry Guide 7.
3. ***Insufficient involvement of legal counsel.*** We did not involve external counsel sufficiently in the review of our SEC filings to mitigate such deficiency.

**Changes in internal controls**

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 first fiscal quarter ended March 31, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.



**PART II: OTHER INFORMATION**

**Item 1A. Legal Proceedings.**

Mexico

We previously reported in our Amended 2011 10-K/A that we had lost title to the Mexican Concessions and we were taking steps through the courts in Mexico to redress the situation, including asserting a constitutional rights claim before the Federal Court in the City of Durango.

China

On April 18, 2012 the Company announced that a lawsuit filed against the Company, Marc Hazout, Hao Guoqiang, Zhou Lin, Beijing and Shengda Zhenxing Industrial Ltd. in the No.2 Intermediate People's Court of Beijing City (the "Beijing Court") had been formally withdrawn by the plaintiffs Yang Jingxian and Chen Jinghan and formally approved by the Beijing Court.

**Item 1B. Risk Factors**

There have been no material changes to the risk factors set forth in our Amended 2011 10-K/A. The risk factors in our Amended 2011 10-K/A, in addition to the other information set forth in this quarterly report, could materially affect our business, financial condition or results of operations. Additional risks and uncertainties not currently known to us or that we deem to be immaterial could also materially adversely affect our business, financial condition or results of operations.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

On February 3, 2012, the Company issued 357,143 shares of the Company's restricted common stock to a consultant for legal services rendered, for fair value of $20,000.

On February 15, 2012, the Company issued 100,000 shares of the Company's restricted common stock for services rendered, for fair value of $6,000.

On March 22, 2012, the Company issued 2,225,000 common share purchase warrants to directors and employees for services rendered at an exercise price of $0.06 exercisable for a period of three years from the date of issuance, for fair value of $117,925.

During the three-month period ended March 31, 2012, the Company issued 17,138,219 common shares to Tonaquint, Inc. pursuant to the conversion of a note of $438,020 principal and $53,200 interest as follows:

| Conversion Date | Conversion Amount Principal | Conversion Amount Interest | Total Conversion Amount | Conversion Stock Price | Number of Shares Issued Upon Conversion |
|---|---|---|---|---|---|
| 10-Jan-12 | $ 92,664 | $ 32,336 | $ 125,000 | 0.0385 | 4,638,219 |
| 27-Feb-12 | 54,891 | 18,259 | 73,150 | 0.0293 | 2,500,000 |
| 05-Mar-12 | 290,465 | 2,605 | 293,070 | 0.0293 | 10,000,000 |
| | **$ 438,020** | **$ 53,200** | **$ 491,220** | | **17,138,219** |



The Company issued 2,663,514 common shares to GEL Properties LLC pursuant to the conversion of a note of $81,900 principal and $2,683 interest, of which 1,104,824 common shares were issued in 2011 and 1,522,690 common shares were issued during the three-month period ended March 31, 2012 as follows:

| Conversion Date | Conversion Amount Principal | Conversion Amount Interest | Total Conversion Amount | Conversion Stock Price | Number of Shares Issued upon Conversion |
|---|---|---|---|---|---|
| 3-Jan-12 | $ 26,000 | | $ 26,000 | 0.02520 | 1,031,746 |
| 10-Jan-12 | 15,000 | | 15,000 | 0.03710 | 404,313 |
| 19-Jan-12 | 10,000 | | 10,000 | 0.04697 | 212,902 |
| 24-Jan-12 | 3,000 | | 3,000 | 0.05670 | 52,910 |
| 25-Jan-12 | 1,500 | | 1,500 | 0.05670 | 26,455 |
| 26-Jan-12 | 1,000 | | 1,000 | 0.05257 | 19,022 |
| 27-Jan-12 | 5,200 | | 5,200 | 0.05257 | 98,916 |
| 27-Feb-12 | 4,000 | | 4,000 | 0.02800 | 142,857 |

| | | | | | |
|---|---|---|---|---|---|
| 28-Feb-12 | 4,248 | | 4,248 | 0.02800 | 151,703 |
| 28-Feb-12 | 11,952 | | 11,952 | 0.02800 | 426,869 |
| 28-Feb-12 | | $ 2,683 | 2,683 | 0.02800 | 95,821 |
| | **$ 81,900** | **$ 2,683** | **$ 84,583** | | **2,663,514** |

During the three-month period ended March 31, 2012, the Company issued 12,394,552 common shares to JMJ Financial pursuant to the conversion of a note of $329,590 principal and $64,063 interest as follows:

| Conversion Date | Conversion Amount Principal | Conversion Amount Interest | Total Conversion Amount | Conversion Stock Price | Number of Shares Issued upon Conversion |
|---|---|---|---|---|---|
| 9-Jan-12 | $ 69,750 | | $ 69,750 | 0.0279 | 2,500,000 |
| 1-Feb-12 | 4,327 | | 4,327 | 0.0433 | 100,000 |
| 9-Feb-12 | 40,800 | | 40,800 | 0.0408 | 1,000,000 |
| 21-Feb-12 | 66,113 | | 66,113 | 0.0323 | 2,050,000 |
| 29-Feb-12 | 30,975 | | 30,975 | 0.0310 | 1,000,000 |
| 9-Mar-12 | 20,134 | | 20,134 | 0.0310 | 650,000 |
| 14-Mar-12 | 816 | $ 64,063 | 64,879 | 0.0310 | 2,094,552 |
| 21-Mar-12 | 63,450 | | 63,450 | 0.0317 | 2,000,000 |
| 28-Mar-12 | 33,225 | | 33,225 | 0.0332 | 1,000,000 |
| | **$ 329,590** | **$ 64,063** | **$ 393,653** | | **12,394,552** |

During the three-month period ended March 31, 2012, the Company issued 1,890,039 common shares to Asher Enterprises, Inc. pursuant to the conversion of a note of $55,000 principal and $2,200 interest as follows:

| Conversion Date | Conversion Amount Principal | Conversion Amount Interest | Total Conversion Amount | Conversion Stock Price | Number of Shares Issued upon Conversion |
|---|---|---|---|---|---|
| 1-Mar-12$ | 13,000 | | $ 13,000 | 0.0285 | 456,140 |
| 6-Mar-12 | 15,000 | | 15,000 | 0.0287 | 522,648 |
| 9-Mar-12 | 12,000 | | 12,000 | 0.0324 | 370,370 |
| 13-Mar-12 | 15,000 | $ 2,200 | 17,200 | 0.0318 | 540,881 |
| | **$ 55,000** | **$ 2,200** | **$ 57,200** | | **1,890,039** |

Each of the forgoing transactions was made in accordance with section 4(a)(2) and/or Rule 506 of Regulation D under the 1933 Act. There was no general solicitation with respect to the transactions.



**Item 3. Defaults upon senior securities**

The Company disclosed certain defaults in its Amended 2011 10-K/A. The Company continued to be in default under various covenants during the quarter ended March 31, 2012.

**Item 4. Mine safety disclosures**

Not applicable.

**Item 5. Other information**

The following disclosures that were required to be disclosed in a report on Form 8-K during the period covered by this Form, but were not reported, include the following items:

On January 31, 2012, the Company agreed to modify the terms of certain secured buyer notes receivable which were due between November 15, 2011 and April 15, 2012 in exchange for $800,000 as payment in full of the amounts owed pursuant to certain secured buyer notes receivable. The note due on April 15, 2012 was partially redeemed. The Company recorded interest expense of $394,967 on the transaction.

On January 31, 2012, the Company recognized a beneficial conversion feature in the amount of $489,796, upon the funding of the third to eighth tranches of the notes receivable.

On February 10, 2012, the Company issued a convertible redeemable note payable. In consideration the Company received a promissory note receivable for $200,000, bearing interest at 6% per annum and secured by assets pledged as collateral. $100,000 of principal under this note receivable was due and payable on September 1, 2012 and the balance of $100,000 of principal and accrued interest was due and payable on November 1, 2012.

On February 10, 2012, the Company issued a convertible redeemable note payable in the principal amount of $150,000. As consideration the Company received cash. The convertible redeemable note payable bears interest at the rate of 6% per annum, is due February 10, 2014, and is unsecured. On February 10, 2012, the Company defaulted on certain terms of the convertible redeemable note payable which required the Company to reserve a bank of 12,000,000 shares. The default called for an increase to the interest rate from 6% to 24% per annum.

On February 10, 2012, the Company issued a convertible redeemable note payable in the principal amount of $200,000. As consideration the Company received a promissory note receivable. The convertible redeemable note payable bears interest at the rate of 6% per annum, is due February 10, 2014, and is unsecured. On February 10, 2012, the Company defaulted on certain terms of the convertible redeemable note payable which required the Company to reserve a bank of 12,000,000 shares. The default called for an increase to the interest rate from 6% to 24% per annum.

Under Item 3.02 Unregistered Sales of Equity Securities, the following equity securities sold in the aggregate since the company’s last periodic report were greater than 5% of the number of shares outstanding of the class equity securities sold:

| | | |
|---:|---:|---:|
| January 10, 2012 | Tonaquint | 4,638,219 shares |
| February 1, 2012 | JMJ | 100,000 shares |
| February 3, 2012 | SRFF | 357,143 shares |
| February 7, 2012 | GEL | 1,000,000 shares |
| February 9, 2012 | JMJ | 1,000,000 shares |
| February 15, 2012 | Howard | 100,000 shares |
| February 21, 2012 | JMJ | 2,050,000 shares |
| February 27, 2012 | Tonaquint | 2,500,000 shares |



| | | |
|---:|---:|---:|
| February 28, 2012 | GEL | 426,869 shares |
| February 28, 2012 | GEL | 95,821 shares |
| February 29, 2012 | JMJ | 1,000,000 shares |
| March 1, 2012 | Asher | 456,140 shares |
| March 5, 2012 | Tonaquint | 10,000,000 shares |
| March 6, 2012 | Asher | 522,648 shares |
| March 9, 2012 | Asher | 370,370 shares |
| March 9, 2012 | JMJ | 650,000 shares |
| March 13, 2012 | Asher | 540,881 shares |
| March 14, 2012 | JMJ | 2,094,552 shares |
| March 21, 2012 | JMJ | 2,000,000 shares |

| | | |
|---|---|---|
| March 28, 2012 | JMJ | 1,000,000 shares |



**Item 6. Exhibits**

| | |
|---|---|
| 10.36 | Amendment dated January 31, 2012 between Tonaquint, Inc. and the Company |
| 10.37 | Promissory Note issued February 10, 2012 from GEL Properties, LLC |
| 10.38 | Promissory Note issued February 10, 2012 to GEL Properties, LLC ($200,000) |
| 10.39 | Promissory Note issued February 10, 2012 to GEL Properties, LLC ($150,000) |
| 31.1 | Certification pursuant to Securities Exchange Act of 1934 Rule 13a-14(a) or 15d-14(a) |
| 31.2 | Certification pursuant to Securities Exchange Act of 1934 Rule 13a-14(a) or 15d-14(a) |
| 32.1 | Certification pursuant to Securities Exchange Act of 1934 Rule 13a-14(b) or 15d-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Sectin 906 of the Sarbanes-Oxley Act of 2002. |

**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: April 17, 2013

By: /s/ Marc Hazout

Marc Hazout, President and Chief Executive Officer
(principal executive, financial and accounting officer)