Silver Dragon Resources Inc.
Form 10-K
May 02, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 2015**

[ ] TRANSITION REPORT UNDER 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	**33-0727323**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

200 Davenport Road Toronto,
Ontario, M5R 1J2
(Address of principal executive offices) (Zip Code)

(416) 223-8500
(Registrant s telephone number, including area code)

Securities registered under Section 12(b) of the Exchange Act:

Title of Each Class:	Name of Each Exchange on Which Registered
N/A	**N/A**

Securities registered under Section 12(g) of the Exchange Act:
Common Stock $0.0001 par value
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes [ ] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.

Yes [ ] No [X]

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 [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on the corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.[ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer [ ] Non-accelerated filer [ ] Accelerated filer [ ] Smaller reporting company [X]
(Do not check if smaller reporting company)

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

Yes [ ] No [X]

As of June 30, 2015, the last business day of the registrant s most recently completed second quarter, the aggregate market value of the issued and outstanding common stock held by non-affiliates of the registrant, based upon the closing price of our common stock as quoted on the OTCQB was approximately $2,428,367. For purposes of the foregoing statement only, all directors, executive officers and 10% shareholders are assumed to be affiliates. As of the date of this filing, there were 299,802,647 shares of the registrant s common stock outstanding, par value $0.0001.

DOCUMENTS INCORPORATED BY REFERENCE

None.

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NOTE REGARDING FORWARD-LOOKING STATEMENTS

We have made forward-looking statements in this Annual Report on Form 10-K that are subject to risks and uncertainties. Forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the 1933 Act), and Section 21E of the Securities Exchange Act of 1934, as amended (Exchange Act), are subject to the safe harbor created by those sections. The forward-looking statements in this report are based on our management s beliefs and assumptions and on information currently available to our management. You can identify forward-looking statements by terms such as anticipates, believes, continue, could, estimates, expects, int plans, seeks, should, will or would and similar expressions intended to identify forward-looking statements. statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance, time frames or achievements to be materially different from any future results, performance, time frames or achievements expressed or implied by the forward-looking statements. We discuss many of these risks, uncertainties and other factors in this document in greater detail under the heading Risk Factors. We believe it is important to communicate our expectations to our investors. However, there will be events that we are not able to predict accurately, or over which we have no control. The risks described in Risk Factors included in this report, as well as any other cautionary language in this report, provide examples of risks, uncertainties and events that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. Before you invest in our common stock (Common Stock), you should be aware that the occurrence of the events described in Risk Factors and elsewhere in this report could harm our business.

The forward-looking statements and associated risks set forth in this Annual Report include or relate to, among other things, (a) our future plans and expectations, (b) anticipated trends in the mining industry, (c) our ability to obtain and retain sufficient capital for future operations, and (d) our anticipated needs for working capital. These statements may be found under Management s Discussion and Analysis of Financial Condition and Results of Operations and Description of Business . The forward-looking statements herein are based on current expectations that involve a number of risks and uncertainties. Such forward-looking statements are based on assumptions described herein. The assumptions are based on judgments with respect to, among other things, future economic, competitive and market conditions, and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Accordingly, although we believe that the assumptions underlying the forward-looking statements are reasonable, any such assumption could prove to be inaccurate and therefore there can be no assurance that the results contemplated in forward-looking statements will be realized. In addition, as disclosed in Risk Factors , there are a number of other risks inherent in our business and operations, which could cause our operating results to vary markedly and adversely from prior results or the results contemplated by the forward-looking statements. Management decisions, including budgeting, are subjective in many respects and periodic revisions must be made to reflect actual conditions and business developments, the impact of which may cause us to alter marketing, capital investment and other expenditures, which may also materially adversely affect our results of operations. In light of significant uncertainties inherent in the forward-looking information included in the report statement, the inclusion of such information should not be regarded as a representation by us or any other person that our objectives or plans will be achieved.

Given these risks, uncertainties and other factors, you should not place undue reliance on these forward-looking statements. Also, these forward-looking statements represent our estimates and assumptions only as of the date of this filing. You should read this document completely and with the understanding that our actual future results may be materially different from what we expect. We hereby qualify our forward-looking statements by these cautionary statements. Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

NOTE REGARDING TECHNICAL REPORTS AND MINERALIZATION

This Form 10-K was prepared pursuant to Industry Guide 7. Under Industry Guide 7, mineralization may not be classified as a reserve unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. The Company has not established any reserves on any of its properties.

The Company s property interests are located in China, and the Company s corporate headquarters are located in Canada. From time to time, the Company, the companies in which it has equity interests, and/or third parties with which they have contracted have found it necessary or advisable to prepare reports regarding such property interests in accordance with the laws and regulations of other jurisdictions, including National Instrument 43-101 (NI 43-101) in Canada and the laws and regulations of China. Certain of these reports, such as the preliminary feasibility study for the Company s Dadi Silver Polymetallic project located in Inner Mongolia, China, are referenced in this report (collectively, the Non-US Reports). Such Non-US Reports have not been prepared in accordance with the rules and regulations promulgated by the Securities and Exchange Commission (SEC), including Industry Guide 7. The standards for identification of reserves in certain jurisdictions, including Canada, differ from those of the SEC, and any reserves reported in the Non-US Reports do not constitute reserves under applicable SEC rules and regulations. In addition, the standards for disclosure of mineralization in certain jurisdictions, including Canada, permit the disclosure of certain types of mineralization that do not qualify as reserves . Investors are cautioned that units of mineralization disclosed under such standards have not been determined to have economic or legal viability. In addition, there may be uncertainty as to the existence of such mineralization. Further, while the laws and regulations of certain jurisdictions permit or require the disclosure of economic projections contained in preliminary economic assessments and preliminary feasibility studies involving mineral properties without defined reserves , the staff of the SEC does not generally permit U.S. companies to include such preliminary economic projections in their filings with the SEC. Accordingly, the Non-US Reports (notwithstanding any reference thereto contained in this Form 10-K) are not incorporated into this Form 10-K, and readers are cautioned not to assume that any part of the mineral deposits discussed in the Non-US Reports will ever be converted to reserves. Investors are also cautioned that the information contained in each of the Non-US Reports was prepared as of the date stated in such Non-U.S. Report. Any reference to a Non-US Report contained herein should not be considered to update any forward-looking statement contained in such Non-US Report.

EXCHANGE RATES

The Company s functional currency is the U.S. dollar. The Company also uses the Chinese Yuan (Renminbi or RMB) and Canadian dollars and converts to the U.S. dollar and states conversion rates where applicable.

METRIC CONVERSION TABLE AND ABBREVIATIONS

For ease of reference, the following conversion factors are provided:

1 tonne	= 1,000 kg or 2,204.6 lbs	1 kilogram	= 2.204 pounds or 32.151 troy oz
1 hectare	= 10,000 square meters	1 hectare	= 2.471 acres

The following abbreviations may be used herein:

Ag	= silver	m2	= square meter
Au	=gold		
g	= gram	m3	= cubic meter
g/t	= grams per tonne	mg	= milligram
Ha	= hectare	mg/m3	= milligrams per cubic meter
Km	= kilometer	T or t	= tonne
Km2	= square kilometers	oz	= troy ounce

Kg	= kilogram	ppm	= parts per million
m	= meter	Ma	= million years

Note: All units in this report are stated in metric measurements unless otherwise noted.

GLOSSARY OF MINING TERMS

Alteration means any change in the mineral composition of a rock brought about by physical or chemical means.

Assay means a measure of the valuable mineral content.

Development stage means a project that is undergoing preparation of an established commercially mineable deposit for its extraction but which is not yet in production. This stage occurs after completion of a feasibility study.

Diamond drilling means rotary drilling using diamond-set or diamond-impregnated bits, to produce a solid continuous core of rock sample.

Dip means the angle that a structural surface, a bedding or fault plane, makes with the horizontal, measured perpendicular to the strike of the structure.

Disseminated means minerals that occur as scattered particles in the rock.

Exploration stage means a prospect that is not in either the development or production stage.

Fault means a surface or zone of rock fracture along which there has been displacement.

Feasibility study means a comprehensive study of a mineral deposit in which all geological, engineering, legal, operating, economic, social, environmental and other relevant factors are considered in sufficient detail that it could reasonably serve as the basis for a final decision by a financial institution to finance the development of the deposit for mineral production.

Formation means a distinct layer of sedimentary rock of similar composition.

Geochemistry means the study of the distribution and amounts of the chemical elements in minerals, ores, rocks, solids, water, and the atmosphere.

Geophysics means the study of the mechanical, electrical and magnetic properties of the earth s crust.

Grade means the quantity of metal per unit weight of host rock.

Heap leach means a mineral processing method involving the crushing and stacking of an ore on an impermeable liner upon which solutions are sprayed to dissolve metals i.e. gold, copper etc.; the solutions containing the metals are then collected and treated to recover the metals.

Host rock means the rock in which a mineral or an ore body may be contained.

In-situ means in its natural position.

Mapped or geological mapping means the recording of geologic information including rock units and the occurrence of structural features, attitude of bedrock, and mineral deposits on maps.

Mineral means a naturally occurring inorganic crystalline material having a definite chemical composition.

Mineralization means a natural accumulation or concentration in rocks or soil of one or more potentially economic minerals, also the process by which minerals are introduced or concentrated in a rock.

Mineralized material means material that is not included in the reserve as it does not meet all of the criteria for adequate demonstration for economic or legal extraction.

Outcrop means that part of a geologic formation or structure that appears at the surface of the earth.

Production stage means a project is actively engaged in the process of extraction and beneficiation of mineral reserves to produce a marketable metal or mineral product.

Quartz means a mineral composed of silicon dioxide, SiO2 (silica).

Rock means indurated naturally occurring mineral matter of various compositions.

Sampling and analytical variance/precision means an estimate of the total error induced by sampling, sample preparation and analysis.

Sediment means particles transported by water, wind, gravity or ice.

Sedimentary rock means rock formed at the earth s surface from solid particles, whether mineral or organic, which have been moved from their position of origin and re-deposited.

Strike means the direction or trend that a structural surface, e.g. a bedding or fault plane, takes as it intersects the horizontal.

Strip means to remove barren rock or overburden in order to expose ore.

Sulfide means a mineral including sulfur (S) and iron (Fe) as well as other elements; metallic sulfur-bearing minera often associated with gold mineralization.

Part I

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 DC. 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.

Item 1. Description of Business

Corporate Overview and History

Silver Dragon Resources Inc. was initially incorporated in the State of Delaware on May 9, 1996 under the name American Electric Automobile Company Inc. On July 16, 2002, we amended our Certificate of Incorporation to change our name to American Entertainment & Animation Corporation. On February 25, 2005, we again amended our Certificate of Incorporation to change our name to Silver Dragon Resources Inc. to reflect our current business focus on silver.

The following organizational chart sets forth (i) our wholly and partially owned direct and indirect subsidiaries, (ii) certain properties in which we have an interest:

Business Overview

We are engaged in the acquisition and exploration of silver and other mineral properties. We are an exploration stage company, have no known reserves and have never generated any revenues from our operations. No assurances can be given that we will ever have any known reserves or generate any such revenues.

We are a mineral exploration company focused on the exploration of six properties located in the Erbahuo Silver District in Northern China (Inner Mongolia), namely, the Dadi, Laopandao, Aobaotugounao, Shididonggou, Yuanlinzi and Zhuanxinhu properties (collectively, the Sino-Top Properties), in which we have a 20% indirect interest by virtue of our equity holdings in Sanhe Sino-Top Resources and Technologies, Ltd. (Sino-Top). Our equity holdings in Sino-Top may be diluted. See below.

Sino-Top Joint Venture

On March 16, 2006, we entered into an asset purchase agreement (the Asset Purchase Agreement) pursuant to which we originally acquired a 60% interest in Sino-Top from Sino Silver Corp. (Sino Silver). Sino-Top is operated as a joint venture under a joint venture agreement dated January 20, 2005 originally between Sino Silver and certain other parties, as amended on each of March 16, 2006, October 31, 2006, July 4, 2008, March 20, 2009, July 3, 2009, December 12, 2009 and September 13, 2011, and currently between the Company, Gansu Shengda Group Ltd. (Shengda), a private Chinese conglomerate (Shengda), and five individual persons (as so amended, the Joint Venture Agreement). Pursuant to the Asset Purchase Agreement, we acquired all of Sino Silver s interest in Sino-Top and became a party to the Joint Venture Agreement. Sino-Top holds certain exploration and mining rights to certain properties in the Erbahuo Silver District in Northern China. The total purchase price under the Asset Purchase Agreement was $650,000 plus 4,000,000 shares of our restricted Common Stock, all of which has been delivered to Sino Silver.

In March 2007, we increased our interest from 60% to 90% in exchange for 2 million restricted common shares of the Company. On July 4, 2008, we signed a definitive agreement to sell 50% of Sino-Top to five individual persons. Immediately prior to such time, such individuals collectively owned 10% of Sino-Top. Therefore, immediately following such sale, these five individuals collectively owned 60% of Sino-Top, and we owned the remaining 40%. On November 20, 2008, Shengda agreed to acquire 52% of the equity interests in Sino-Top from those five individuals. As a result of the foregoing conveyances, we had owned a 40% equity interest in Sino-Top, the aforementioned five individuals own an aggregate of 8%, and Shengda owns 52%. We understand that one of such five individuals, Zhou Lin (who owns 6.8%), holds such common shares on behalf of Huaguan Industrial Corp. Due to name changes and translation issues, the Comprehensive Gross Exploration Department, North China Comprehensive Geological Brigade, North China non-ferrous geological survey brigade and HIC all refer to the same organization, which is Silver Dragon Resources Inc. s Chinese joint venture partner, now more formally called Exploration Unit of Tianjin North China Geological Exploration Bureau or Huaguan Industrial Corp (HIC).

Sino-Top is governed by its board of directors, which makes decisions on all major issues regarding the joint venture and in accordance with the Sino-foreign Cooperative Joint Venture law of P.R. China and the articles of association. The general manager, which is presently Mr. Zhuang Haichao, is appointed by the board and is responsible for implementing the resolutions of the board and managing the daily operations of the joint venture. The board currently consists of five members, with two members appointed by Shengda, two members appointed by Silver Dragon, and one member appointed by the five natural person owners of Sino-Top. In general, the board may pass a resolution by a majority vote of the directors. Among other things, the board has the power and authority to distribute cash or assets from time to time to the shareholders in proportion to such shareholders equity interests in Sino-Top. No shareholder has the obligation to pay additional capital contribution to the joint venture. If the board deems it necessary, each party may but is not obliged to contribute additional capital to the joint venture in accordance with the timing and amount as decided by the board. Up until June 30, 2014, the parties operated under an arrangement whereby any contributions to Sino-Top are funded by Shengda and Silver Dragon at a ratio of 5:4; i.e., Shengda funded approximately 55.56% and

Silver Dragon funded approximately 44.44%, with the other joint venture partners not making any capital contributions. Our interest in Sino-Top may be diluted if the board authorizes the issuance of additional securities in a manner that does not allow us to contribute capital in accordance with the foregoing arrangement or in the event that we are extended the opportunity to so contribute but are unable to do so due to insufficient funds. Effective June 30, 2014, the Company s interest in Sino-Top was diluted to 20%, as a result of not having made the required contributions on specified dates which were set at Sino-Top s board of directors meeting on March 29, 2014.

Sino-Top renewed its business license on July 9, 2014. 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 $15,590,000. 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 from the properties operated by Sino-Top.

On October 7, 2014, the Company announced that its Foreign Cooperative Joint Venture in China, Sino-Top, had signed an understanding with Shengda to be acquired subject to third party evaluation and all other regulatory approvals and filings. Shengda is the majority shareholder of Sino-Top. Sino-Top currently holds the exploration rights to the following six properties: Dadi, Laopandao, Aobaotugounao, Shididonggou, Yuanlinzi and Zhuanxinhu. For a description of the Sino-Top Properties and Sino-Top s activities on such properties, see *Item 2 Description of Properties* .

On October 21, 2015, the Company signed a transaction memorandum with Shengda, to receive cash consideration for its equity interest in Sino-Top. Shengda agreed to advance RMB5.0 million or approximately $770,000 in two installments for certain transaction costs and for general corporate purposes. The first installment of RMB2.5 million or approximately $385,000 was received on October 22, 2015 and the second installment of RMB2.5 million or approximately $385,000 was received on December 30, 2015 from a related company of Shengda, Beijing Shengda Industrial Group Ltd., (BSIG), as noted below. The amounts owing to Shengda and BSIG, totaling approximately $770,000, will be withheld from the proceeds on the sale of the equity investment. Due to banking restrictions for wiring funds denominated in RMB, the amount received on December 30, 2015 was held in trust by one of the Company s director s in his Hong Kong dollar account and wired to the Company s United States dollar account subsequent to the year end on January 4th. and 6th., 2016. The amounts wired, $309,748, are net of the settlement of expenses in the Company s China office.

On December 29, 2015, the Company entered into an Equity Transfer Agreement with BSIG pursuant to which the Company agreed to sell its 20% interest in Inner Mongolia Guangda Mining Ltd. (Guangda), a wholly owned subsidiary of Sino-Top to Shengda for RMB161,922,820 or approximately $25 million is subject to adjustments and approvals provided in the agreement. As noted above, the Company received the second installment of RMB2.5 million or approximately $385,000, upon execution of the agreement.

Status of Sino-Top Joint Venture Funding

The Sino-Top board met on March 29, 2014 and passed resolutions regarding corporate operation plans, the budget and the funding schedule for 2014. The 2014 funding gap was Renminbi (“RMB”)171.0 million or approximately $26.317 million. In accordance with the investment ratio of 5:4, the Company should have contributed RMB76.0 million or approximately $11.696 million. Approximately 85% of the budget was dedicated to exploration activity. The Company’s investment in Sino-Top would be diluted to 20% if it did not make a contribution of RMB50.0 million or approximately $7.695 million by April 8, 2014 (on April 1, 2014, the Company was granted an extension from April 8, 2014 to April 15, 2014) and a further contribution of RMB26.0 million or approximately $4.001 million by June 15, 2014, with no further required contributions. These were cumulative amounts and included past contributions which were not made by the Company. The Company was not able to meet the deadlines noted and as a result, its investment in Sino-Top was diluted to 20% on June 30, 2014. The Company had been in discussions with Sino-Top and the private investor (the “Investor”) (noted below), to satisfactorily make its required contributions, but was unsuccessful.

On May 31, 2015, the Sino-Top board of directors finalized the 2015 budget. The total budget for 2015 was set at RMB133.937 million or approximately $20.613 million. Approximately 80% of the budget was dedicated to exploration activity.

All amounts approximate the noon exchange rate as reported by the Bank of Canada on April 27, 2016.

Potential Transaction with Investor

In 2013, the Company began to engage in discussions with an investor based in China, Man Kwan Fong, regarding a potential transaction that, if completed, would have involved the Investor making a secured loan to the Company and taking over control of the management and board of directors (Board) of the Company. On November 29 and

December 31, 2013, the Company received advances totaling $1,069,279 from the Investor; however, the parties did not resolve definitive agreements, nor did the Investor fund the remaining amounts required to complete the initial closing. Due to funding delays by the Investor and changes in the Investor s offer, the Company s Board of Directors (the Board), determined in March 2014 not to proceed with the contemplated transaction. In this report, the Investor generally refers to Man Kwan Fong, an Investor based in China; however, the Company believes that the Investor may be coordinating activities with one or more additional investors in China, and therefore, the term Investor is intended to refer to each such person. In the negotiations with the Investor, one of the Investor s representatives has been Chan King Yuet, who had filed a Schedule 13D/A on February 1, 2016, disclosing that pursuant to a voting agreement she has shared voting power over 160,358,598 shares of our common stock, in addition to sole voting and dispositive power over 150,000 shares of our common stock.

The Investor and the Company had continued to engage in additional discussions regarding the potential for further financing of the Company in order to prevent the dilution of the Company s 40% interest in Sino-Top. On April 8, 2014, the Investor provided RMB1.0 million or approximately $153,900 to Sino-Top directly, without the prior request or consent of the Company. The treatment of these funds, which remain in Sino-Top s account as of the date of this filing is uncertain. All amounts approximate the noon exchange rate as reported by the Bank of Canada on April 27, 2016.

On April 18, 2014, the Investor demanded that the Company refund $1,014,140 of the initial advances made to the Company in 2013 and asserted that the Company s use of such advances was unauthorized. The Company disputed the Investor s assertions. Subsequent to making these assertions, on May 7, 2014, the Investor proposed to the Company the terms of a new transaction that would result in the prior advances being treated as a loan and the provision of additional loans to the Company, subject to a change in the Company s Board and management. The Company did not accept the terms proposed.

On September 19, 2014, the Investor filed a complaint in the Court of the Chancery of the State of Delaware (the Court), to recover the $1,014,140. The Investor is seeking action for unjust enrichment, fraud and violations of the Delaware Uniform Fraudulent Transfer Act. The Investor has also named two additional parties, Travellers International Inc. (Travellers), an Ontario company controlled by a director and chief executive officer of the Company and the director and chief executive officer of the Company. The Court subsequently accepted our appeals for removal of these additional two parties from the complaint, on June 3, 2015 for Travellers and on August 6, 2015 for the director and chief executive officer of the Company. The Company retained counsel in Delaware and filed a Motion to Dismiss. Subsequently, the Court proposed a date of November 26, 2014 for the plaintiff to file his answering brief in response to this Motion to Dismiss and the Company to file its reply brief to the plaintiff s answering brief, on or before December 12, 2014. The briefs were filed.

Subsequently, on January 7, 2015, the Company filed a counterclaim for $120,000,000, seeking damages for failure to meet funding obligations, as a consequence of its reliance on the Investor advancing the funds which would have resulted in the Company not having its equity investment diluted.

Further, on January 7, 2015, Travellers and Mr. Hazout moved to dismiss the action against them for lack of personal jurisdiction under Rule 12(b)(2) of the Superior Court Rules. On June 3, 2015, the Superior Court granted the motion to dismiss as to Travellers, but denied the motion to dismiss as to Mr. Hazout. Mr. Hazout filed a motion for reargument on June 8, 2015, which the Superior Court denied on June 18, 2015. Mr. Hazout filed a Notice of Appeal before the Delaware Supreme Court on July 7, 2015, which the Court accepted on August 6, 2015. The hearing in the appeal motion to dismiss the case was heard on January 20, 2016 and on February 26, 2016, the Delaware Supreme Court issued its ruling finding that Mr. Hazout is subject to personal jurisdiction in Delaware.

Sale of Interest in Chifeng

As previously disclosed, on May 28, 2012, the Company entered into a definitive agreement to sell its 70% interest in Chifeng Silver Dragon Resources & Technologies, Ltd. (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 approximately US$1,164,020, of which RMB1 million or approximately $157,000 was to be paid within three business days after signing the agreement, RMB5.0 million or approximately $787,000 was to be paid before July 15, 2012 and RMB1.4 million or approximately $220,000 was to be paid by November 1, 2012. On June 1, 2012, an initial deposit of RMB1.0 million or approximately $157,000 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 approximately $791,000 was paid to the Company during the fourth quarter of 2012. During 2013, RMB900,000 or approximately $146,000 was paid. In addition, in the third quarter of 2013, RMB0.4 million or $64,880 was added to the costs in connection with the Chifeng sale. The remaining balance of RMB0.1 million or approximately $16,500 was received on January 3, 2014. All amounts approximate the noon exchange rate on the date of the transactions, as reported by the Bank of Canada.

Strategic Evaluation

Our management and board of directors are assessing recent developments, our financial position and related risks, and evaluating our alternatives. These alternatives may include dissolution or bankruptcy. See Risk Factors .

Competition

We currently face strong competition from other mineral resource exploration companies for financing and for the acquisition of new mineral properties. Many of the companies engaged in mineral resource exploration with whom we compete have greater financial and technical resources than those available to us. Accordingly, these competitors may be able to spend greater amounts on acquisitions of mineral properties of merit, on exploration of their mineral properties and on development of their mineral properties. In addition, they may be able to afford more geological expertise in the targeting and exploration of mineral properties. We also compete with other mineral resource exploration companies for available resources, including, but not limited to, professional geologists, camp staff, helicopter or float planes, mineral exploration supplies and drill rigs. This competition could result in competitors having mineral properties of greater quality and interest to prospective investors who may finance additional exploration and development. Such competition could adversely impact our ability to achieve the financing necessary for us to conduct further exploration of our mineral properties or to acquire additional properties.

Regulatory obligations and government approvals in China

Exploration for and exploitation of mineral resources in China is governed by the Mineral Resources Law of the People s Republic of China (PRC) of 1986, amended effective January 1, 1997, and the Implementation Rules for the Mineral Resources Law of the PRC, effective March 26, 1994. In order to further implement these laws, on February 12, 1998, the State Council issued three sets of regulations: (i) Regulation for Registering to Explore Mineral Resources Using the Block System, (ii) Regulation for Registering to Mine Mineral Resources, and (iii) Regulation for Transferring Exploration and Mining Rights (together with the mineral resources law and implementation rules being referred to herein as Mineral Resources Law).

Under Mineral Resources Law, the Ministry of Land and Resources and its local authorities (the MLR) is in charge of the supervision of mineral resource exploration and development. The mineral resources administration authorities of provinces, autonomous regions and municipalities, under the jurisdiction of the State, are in charge of the supervision of mineral resource exploration and development in their respective administration areas. The PRC s governments of provinces, autonomous regions and municipalities, under the jurisdiction of the State, are in charge of coordinating the

supervision by the mineral resources administration authorities on the same level.

The Mineral Resources Law, together with the Constitution of the PRC, provides that mineral resources are owned by the State, and the State Council, the highest executive organization of the State, which regulates mineral resources on behalf of the State. The ownership rights of the State include the rights to: (i) occupy, (ii) use, (iii) earn, and (iv) dispose of, mineral resources, regardless of the rights of owners or users of the land under which the mineral resources are located. Therefore, the State is free to authorize third parties to enjoy its rights to legally occupy and use mineral resources and may collect resource taxes and royalties pursuant to its right to earn. In this way, the State can control and direct the development and use of the mineral resources of the PRC.

Mineral resources licenses

China has adopted, under the Mineral Resources Law, a licensing system for the exploration and exploitation of mineral resources. The MLR is responsible for approving applications for exploration licenses and mining licenses. The approval of the MLR is also required to transfer exploration licenses and mining licenses.

Applicants must meet certain conditions as required by related rules/regulations. Pursuant to the Regulations for Registering to Mine Mineral Resources, the applicant for mining rights must present the required documents, including a plan for development and use of the mineral resources and an environmental impact evaluation report. The Mineral Resources Law allows individuals to exploit sporadic resources, sand, rocks and clay for use as construction materials and a small quantity of mineral resources for sustenance. However, individuals are prohibited from mining mineral resources that are more appropriately mined at a certain scale by a company, specified minerals that are subject to protective mining by the State and certain other designated mineral resources.

Once granted, all exploration and mining rights under the licenses are protected by the State from encroachment or disruption under the Mineral Resources Law. It is a criminal offence to steal, seize or damage exploration facilities, or disrupt the working order of exploration areas.

Exploration rights

In order to conduct exploration, a Sino-foreign cooperative joint venture (CJV) must apply to the MLR for an exploration license. Owners of exploration licenses are licensees . The period of validity of an exploration license can be no more than three years. An exploration license area is described by a basic block . An exploration license for metallic and non-metallic minerals has a maximum of 40 basic blocks. When mineral resources that are feasible for economic development have been discovered, a licensee may apply for the right to develop such mineral resources. The period of validity of the exploration license can be extended by application and each extension can be for no more than two years. The annual use fee for an exploration license is RMB 100 per square kilometer for the first three years and increases by RMB 100 per square kilometer for each subsequent year, subject to a maximum fee of RMB 500 per square kilometer.

During the term of the exploration license, the licensee has the privileged priority to obtain mining rights to the mineral resources in the exploration area, provided that the licensee meets the qualifying conditions for mining rights owners. An exploration licensee has the rights, among others, to: (i) explore without interference within the area under license during the license term, (ii) construct the exploration facilities, and (iii) pass through other exploration areas and adjacent ground to access the licensed area.

After the licensee acquires the exploration license, the licensee is obliged to, among other things: (i) begin exploration within the prescribed term, (ii) explore according to a prescribed exploration work scheme, (iii) comply with State laws and regulations regarding labor safety, water and soil conservation, land reclamation and environmental protection, (iv) make detailed reports to local and other licensing authorities, (v) close and occlude the wells arising from exploration work, (vi) take other measures to protect against safety concerns after the exploration work is completed, and (vii) complete minimum exploration expenditures as required by the Regulations for Registering to Explore Resources Using the Block.

Mining rights

In order to conduct mining activities, a CJV must also apply for a mining license from the MLR. Owners of mining rights, or concessionaires , are granted a mining license to mine for a term of no more than ten to thirty years, depending on the magnitude or size of the mining project. A mining license owner may extend the term of a mining license with an application 30 days prior to expiration of the term. The annual use fee for a mining license is RMB 1,000 per square kilometer per year.

A mining license owner has the rights, among others, to: (i) conduct mining activities during the term and within the mining area prescribed by the mining license, (ii) sell mineral products (except for mineral products that the State Council has identified for unified purchase by designated units), (iii) construct production and living facilities within the mine area, and (iv) use the land necessary for production and construction, in accordance with applicable laws.

A mining license owner is required to, among other things: (i) conduct mine construction or mining activities within a defined time period, (ii) conduct efficient production, rational mining and comprehensive use of the mineral resources, (iii) pay resources tax and mineral resources compensation (royalties) pursuant to applicable laws, (iv) comply with State laws and regulations regarding labor safety, water and soil conservation, land reclamation and environmental protection, (v) be subject to the supervision and management by the departments in charge of geology and mineral resources, and (vi) complete and present mineral reserves forms and mineral resource development and use statistics reports, in accordance with applicable law.

Transfer of exploration and mining rights

A mining company may transfer its exploration or mining licenses to others, subject to the approval of MLR.

An exploration license may only be transferred if the transferor: (i) held the exploration license for two years after the date that the license was issued, or discovered minerals in the exploration block, which are able to be explored or mined further, (ii) has a valid and subsisting exploration license, (iii) completed the stipulated minimum exploration expenditures, (iv) paid the user fees and the price for exploration rights pursuant to the relevant regulations, and (v) obtained the necessary approval from the authorized department in charge of the minerals.

Mining rights may only be transferred if the transferor needs to change the ownership of such mining rights because it is: (i) engaging in a merger or split, (ii) entering into equity or cooperative joint ventures with others, (iii) selling its enterprise assets, or (iv) engaging in a similar transaction that will result in an alteration of the property ownership of the enterprise.

Additionally, when state-owned assets or state funds are involved in a transfer of exploration licenses and mining licenses, the related state-owned assets rules and regulations apply and a proper evaluation report must be completed and filed with the MLR.

Speculation in exploration and mining rights is prohibited. The penalties for speculation are that the rights of the speculator may be revoked, illegal income from speculation confiscated and a fine levied.

Environmental laws

In the past ten years, Chinese laws and policies regarding environmental protection have moved towards stricter compliance standards and stronger enforcement. In accordance with the Environmental Protection Law of the PRC adopted by the Standing Committee of the PRC National People s Congress on 26 December 1989, the General Administration of Environmental Protection Bureau under the State Council sets national environmental protection standards. The various local environmental protection bureaus may set stricter local standards for environmental protection. CJVs are required to comply with the stricter of the two standards.

The basic laws in China governing environmental protection in the mineral industry sector of the economy are the Environmental Protection Law and the Mineral Resources Law. Applicants for mining licenses must submit environmental impact assessments, and those projects that fail to meet environmental protection standards will not be granted licenses. In addition, after the exploration, a licensee must take further actions for environmental protection, such as performing water and soil maintenance. After the mining licenses have expired or a licensee stops mining during the license period and the mineral resources have not been fully developed, the licensee shall perform other obligations such as water and soil maintenance, land recovery and environmental protection in compliance with the original development scheme, or must pay the costs of land recovery and environmental protection. After closing the mine, the mining enterprise must perform water and soil maintenance, land recovery and environmental protection in compliance with mine closure approval reports, or must pay certain costs, which include the costs of land recovery and environmental protection.

Compliance with environmental laws

We are responsible for providing a safe working environment, not disrupting archaeological sites, and conducting our activities to prevent unnecessary damage to the area in which our mineral claim is located. At this time, we do not believe that the cost of compliance at the federal, state and local levels will be significant.

We intend to secure all necessary permits required for exploration. We anticipate no discharge of water into active streams, creeks, rivers, lakes or other bodies of water regulated by environmental law or regulation. We also anticipate

that no endangered species will be disturbed. Restoration of the disturbed land will be completed according to law, and all holes, pits and shafts will be sealed upon abandonment of the mineral claims. During the exploration phase that we are in now, compliance costs are nil or nominal. It is difficult to estimate the cost of compliance with the environmental laws, because the full nature and extent of our proposed activities cannot be determined until we start our operations.

We believe we are in compliance with the environment laws, and that we will continue to be able to comply with such laws in the future.

Land and construction

The holder of an exploration license or mining license should apply for land use right with MLR to conduct exploration or mining activities on the land covered by the exploration license or mining license. The license holder should file an application to MLR for the land use right with its exploration license or mining license. If the application is approved by the competent government authority, the MLR would issue an approval to the land use right applicant. Then, the local MLR would enter into a land use right contract with the license holder. The license holder should pay relevant price and fees in accordance with the contract and then obtain a land use right certificate from MLR. In practice, instead of obtaining a long-term land use right, an exploration license holder may apply for a temporary land use right, which would normally be valid for 2 years and may be renewed upon application.

The company should also apply for other zoning and construction permits to conduct construction on the land. PRC laws require a company to obtain the land zoning permit and construction zoning permit with the local zoning authorities under the Ministry of Construction (MOCON). Then, the company is required to enter into a construction contract with a qualified constructor and file the construction contract to the local construction authorities under the MOCON and obtain a construction permit. After the construction is completed, the company should apply for the construction authorities and related environmental and fire departments for the check and acceptance of the construction. Upon the pass of check and acceptance, the company should apply with local housing authorities to register the constructed buildings in its own name and obtain a housing ownership certificate.

Foreign Exchange Controls

Pursuant to PRC foreign exchange regulations, foreign exchange dealings are administered by the State Administration of Foreign Exchange and its local agencies (the SAFE) and transacted through designated financial institutions. CJVs are required to conduct their corporate activities in accordance with the relevant PRC foreign exchange rules/regulations.

CJVs are entitled to borrow funds from overseas within such CJVs total investment amount. Once such loan agreements have been registered with the SAFE in accordance with the formal requirements, the principal and interest of loan can be paid out of China.

The shareholder of a CJV is entitled to transfer the funds out of China when it sells its equity in the CJV to a Chinese buyer, but such transfer of money should be approved by SAFE.

The PRC government imposes control over the convertibility between Renminbi and foreign currencies. Under the PRC foreign exchange regulations, payments for current account transactions, including remittance of foreign currencies for payment of dividends, profit distributions, interest and operation-related expenditures, may be made without prior approval but are subject to procedural requirements. Strict foreign exchange control continues to apply to capital account transactions, such as direct foreign investment and foreign currency loans. These capital account transactions must be approved by or registered with the PRC State Administration of Foreign Exchange, or SAFE . Further, any capital contribution by an offshore shareholder to its PRC subsidiaries should be approved by the Ministry of Commerce in China or its local counterparts.

On August 29, 2008, SAFE promulgated the Circular on the Relevant Operating Issues concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign- invested Enterprises, or Circular 142 , to regulate the conversion by foreign invested enterprises (FIEs), of foreign currency into Renminbi by restricting how the converted Renminbi may be used. Circular 142 requires that Renminbi converted from the foreign currency-dominated capital of a FIE may only be used for purposes within the business scope approved by the applicable government authority and may not be used for equity investments within the PRC unless specifically provided for otherwise. In addition, SAFE strengthened its oversight over the flow and use of Renminbi funds converted from the foreign currency-dominated capital of a FIE. The use of such Renminbi may not be changed

without approval from SAFE, and may not be used to repay Renminbi loans if the proceeds of such loans have not yet been used. Compliance with Circular 142 may delay or inhibit our ability to complete such transactions, which could affect our ability to expand business.

Employees

As of the date of this filing, the Company had no employees. The services of our Chief Executive Officer and other personnel are provided on a consulting basis.

Item 1A.Risk factors

You should consider each of the following risk factors and any other information set forth in this Form 10-K and the other reports we file with the SEC, including our financial statements and related notes, in evaluating our business and prospects. The risks and uncertainties described below are not the only ones that might affect our operations and business. Additional risks and uncertainties not presently known to us, or that we currently consider immaterial, may also impair our business or operations.

Risks relating to our Business

We have inadequate capital to pay our debts and to fund our business as currently planned, and we therefore face a risk of bankruptcy and/or loss of our assets.

As of December 31, 2015, we had a cash balance of $1,093 and current debt obligations in the amount of $12,514,012 We do not have sufficient funds to satisfy our current debt obligations. Should our creditors seek or demand payment, we do not have the resources to pay or satisfy any such claims. Thus, we face a risk of bankruptcy.

As discussed in Item 1, we received advances totaling $1,069,279 from the Investor in contemplation of a secured loan and change of control transaction that has not closed. This amount is included within our current debt obligations. Due to funding delays by the Investor and changes in the Investor s offer, the Company's Board determined not to proceed with the contemplated transaction. The Company was seeking to resolve the treatment of the advance with the Investor; however, as previously noted, the Investor filed a complaint in the Court. On January 7, 2015, the Company filed a counterclaim in the amount of $120,000,000, seeking damages for failure to meet funding obligations. No assurance can be provided as to the resolution of this matter. The Company may be required to return the advances to the investor, with or without interest, and may incur additional costs and expenses with respect to this matter.

In addition to having insufficient cash to pay our debts, we have no funds to support any business operations. We were unable to satisfy our commitment to fund 44.44% of owners contributions to Sino-Top and our funding of an aggregate of RMB76.0 million or approximately $11.696 million to Sino-Top was overdue. As a result of not having funded Sino-Top for our share, our interest in Sino-Top was reduced from 40% to 20%, effective June 30, 2014.

To pay our debts and to fund any future operations, we require significant new funds, which we may not be able to obtain. In addition to the funds we require to liquidate our $12,514,012 in current debt obligations, we estimate that we must raise approximately $750,000 to fund capital requirements and general corporate expenses for the next 12 months.

We have historically satisfied our working capital requirements through the private issuances of equity securities and convertible notes. We may continue to seek additional funds through such channels and from collaboration and other arrangements with corporate partners. However, we may not be able to obtain adequate funds when needed or funding that is on terms acceptable to us. Our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties, including:

- investors perception of, and demand for, securities of Chinese-based mining exploration companies;
- economic, political and other conditions in China;
- conditions of the U.S. and other capital markets in which we may seek to raise funds;
- our future results of operations, financial condition and cash flows;

the terms of our existing indebtedness;
regulatory restrictions;
the limited liquidity of our common stock; and
the limited number of shares of common stock we have authorized and unissued.

If we fail to obtain sufficient funds to satisfy our debt obligations before a valid 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 and our ability to do so under applicable regulations), refrain from financially contributing to the future operations of Sino-Top, should the acquisition of Sino-Top by Shengda not be completed 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.

We are an exploration stage company, and based on our negative cash flows from operating activities there is uncertainty as to our ability to continue as a going concern.

From inception, we have generated limited revenues and have experienced negative cash flows from operating losses. We anticipate continuing to incur such operating losses and negative cash flows for the foreseeable future, and to accumulate increasing deficits as we increase our expenditures for exploration and mining of minerals, infrastructure, research and development and general corporate purposes. Any increases in our operating expenses will require us to achieve significant revenue before we can attain profitability. Our history of operating losses and negative cash flows from operating activities will result in our continued dependence on external financing arrangements. In the event that we are unable to achieve or sustain profitability or are otherwise unable to secure additional external financing, we may not be able to meet our obligations as they come due, raising substantial doubts as to our ability to continue as a going concern. Any such inability to continue as a going concern may result in our security holders losing their entire investment. There is no guarantee that we will generate revenues or secure additional external financing. Our financial statements, which have been prepared in accordance with the United States Generally Accepted Accounting Principles (GAAP), contemplate that we will continue as a going concern and do not contain any adjustments that might result if we were unable to continue as a going concern. Changes in our operating plans, our existing and anticipated working capital needs, the acceleration or modification of our expansion plans, lower than anticipated revenues, increased expenses, potential acquisitions or other events will all affect our ability to continue as a going concern. See *Management s Discussion and Analysis of Financial Condition and Results of Operations* .

The reports of independent auditors of our consolidated financial statements included in this annual report contain explanatory paragraphs which note our recurring operating losses since inception, our lack of capital and lack of long term contracts related to our business plans, and that these conditions give rise to substantial doubt about our ability to continue as a going concern. In the event that we are unable to successfully achieve future profitable operations and obtain additional sources of financing to sustain our operations, we may be unable to continue as a going concern. See Management s Plan of Operation and our consolidated financial statements and notes thereto included in this annual report.

We have a history of operating losses and we anticipate future losses.

Since we changed our business focus to silver exploration, we have generated no revenues. We incurred losses of $6,084,317 and $3,575,284 for the fiscal years ended December 31, 2015 and 2014 respectively. We have accumulated losses since inception of $57,856,749. We anticipate that losses will continue until such time as revenue from operations is sufficient to offset our operating costs, which may never occur. If we are unable to generate our revenues and to increase them sufficiently to cover our costs, our financial condition will worsen and you could lose some or all of your investment.

We have been named a party to a law suit which could have an adverse impact our business.

In 2013, the Company began to engage in discussions with the Investor based in China, Man Kwan Fong, regarding a potential transaction that, if completed, would have involved the investor making a secured loan to the Company and taking over control of the management and board of directors (Board) of the Company. On November 29 and December 31, 2013, the Company received advances totaling $1,069,279 from the Investor; however, the parties did not resolve definitive agreements, nor did the Investor fund the remaining amounts required to complete the initial closing. Due to funding delays by the Investor and changes in the Investor s offer, the Company s Board, determined in March 2014 not to proceed with the contemplated transaction. In this report, the Investor generally refers to Man Kwan Fong, an investor based in China; however, the Company believes that the Investor may be coordinating activities with one or more additional investors in China, and therefore, the term Investor is intended to refer to each such person. In the negotiations with the Investor, one of the Investor s representatives has been Chan King Yuet, who has filed a Schedule 13D/A on February 1, 2016, disclosing that pursuant to a voting agreement she has shared voting power over 160,358,598 (53.49%) shares of our common stock, in addition to sole voting and dispositive power over

150,000 shares of our common stock.

The Investor and the Company had continued to engage in additional discussions regarding the potential for further financing of the Company in order to prevent the dilution of the Company's 40% interest in Sino-Top. On April 8, 2014, the Investor provided RMB1.0 million or approximately $153,900 to Sino-Top directly, without the prior request or consent of the Company. The treatment of these funds, which remain in Sino-Top's account as of the date of this filing, is uncertain. All amounts approximate the noon exchange rate on April 27, 2016 as reported by the Bank of Canada.

On April 18, 2014, the Investor demanded that the Company refund $1,014,140 of the initial advances made to the Company in 2013 and asserted that the Company s use of such advances was unauthorized. The Company disputed the Investor s assertions. Subsequent to making these assertions, on May 7, 2014, the Investor proposed to the Company the terms of a new transaction that would result in the prior advances being treated as a loan and the provision of additional loans to the Company, subject to a change in the Company s Board and management. The Company did not accept the terms proposed.

On September 19, 2014, the Investor filed a complaint in the Court of the Chancery of the State of Delaware (the Court), to recover the $1,014,140. The Investor is seeking action for unjust enrichment, fraud and violations of the Delaware Uniform Fraudulent Transfer Act. The Investor has also named Travellers and the director and chief executive officer of the Company. The Company retained counsel in Delaware and filed a Motion to Dismiss. The Court subsequently accepted our appeals for removal of these additional two parties from the complaint, on June 3, 2015 for Travellers and on August 6, 2015 for the director and chief executive officer of the Company. The Company retained counsel in Delaware and filed a Motion to Dismiss. Subsequently, the Court proposed a date of November 26, 2014 for the plaintiff to file his answering brief in response to this Motion to Dismiss and the Company to file its reply brief to the plaintiff s answering brief, on or before December 12, 2014. The briefs were filed. On January 7, 2015, we filed a counterclaim against the Investor in the amount of $120,000,000, seeking damages for failure to meet funding obligations, however, there cannot be any assurance with respect to the outcome of this action and in light of the Company s cash position any monetary award in favor of the Investor would likely have a negative impact our business.

Further, on January 7, 2015, Travellers and Mr. Hazout moved to dismiss the action against them for lack of personal jurisdiction under Rule 12(b)(2) of the Superior Court Rules. On June 3, 2015, the Superior Court granted the motion to dismiss as to Travellers, but denied the motion to dismiss as to Mr. Hazout. Mr. Hazout filed a motion for reargument on June 8, 2015, which the Superior Court denied on June 18, 2015. Mr. Hazout filed a Notice of Appeal before the Delaware Supreme Court on July 7, 2015, which the Court accepted on August 6, 2015. The hearing in the appeal motion to dismiss the case was heard on January 20, 2016 and on February 26, 2016 the Delaware Supreme Court issued its ruling finding that Mr. Hazout is subject to personal jurisdiction in Delaware.

Dilution of our interest in Sino-Top and the loss of other assets and operations may result in our company being deemed an investment company, which may require us to limit our activities and dissolve our company.

Operational difficulties and our inability to obtain adequate funding in recent years has resulted in our interests in certain assets being lost or diluted and our staff being reduced. Our principal asset is currently our 20% equity interest in Sino-Top. This dilution or loss of our assets may result in the SEC or other parties alleging that we are, or we may otherwise be deemed, an investment company that is required to register under the Investment Company Act of 1940, as amended, and analogous state laws. Registration under such Act would be a significant financial and operational burden and is unlikely to be feasible for our company. If we were deemed an investment company and we failed to register under such Act, we would be subject to significant legal restrictions, including being prohibited from engaging in the following activities, except where incidental to our dissolution: offering or selling any security or any interest in a security; purchasing, redeeming, retiring or otherwise acquiring any security or any interest in a security; controlling an investment company that engages in any of these activities; engaging in any business in interstate commerce; or controlling any company that is engaged in any business in interstate commerce. In addition, certain or all of our contracts might not be enforceable and civil and criminal actions could be brought against us and related persons. Our management and Board are assessing this risk and evaluating our alternatives. As a result of this risk, we may be required to significantly limit our business activities and dissolve.

Our breaches of covenants under our convertible financing arrangements may have material adverse effects.

We are currently in breach or default under the covenants for certain convertible financing arrangements. Our forbearance agreements with such lenders, in the aggregate, provided that if we had paid such lenders $739,858 on or before June 30, 2014, such payments would have constituted payment in full of any and all obligations due and owing under our outstanding convertible notes owed to these lenders. However, we did not have the funds necessary to make such payments on or before June 30, 2014 and there can be no assurances that we will be able to make any or all of such payments. 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. Such breaches or defaults may therefore increase the size of our indebtedness, increase our costs, and increase

the amount of funding that we will require, accelerate our funding needs, prevent us from raising additional funds from the affected lenders and prevent such lenders from converting existing indebtedness into equity. We have not paid default interest in connection with the repayment of any notes. There may be a risk that a lender claims default interest on notes previously paid. Defaults may also make it more difficult for us to raise funding from other sources, and cause cross-defaults under other obligations. Defaults may result in litigation, bankruptcy, loss of assets or our ceasing operations altogether. Such defaults may also affect our stock price, which would increase the dilution resulting from any conversion of those convertible notes that convert at a discount to market. There can be no assurance that we will be successful in eliminating such defaults, paying our debts when due or negotiating other satisfactory arrangements with our lenders. With the trading price at December 31, 2015, and the share reserves held by a certain lender, the Company did not have sufficient common stock to issue for a conversion of all the outstanding convertible notes.

None of the properties in which we have an interest or the right to earn an interest has, and none may ever be discovered to have, any known reserves.

We have no known bodies of commercial ore or economic deposits and have not defined or delineated any proven or probable reserves on any of our properties. We may never discover any silver or other minerals from mineralized material in commercially exploitable quantities and any identified mineralized deposit may never qualify as a commercially mineable (or viable) reserve. In addition, we are in the early stages of exploration and substantial additional work will be required in order to determine if any economic deposits exist on our properties. Substantial expenditures are required to establish ore reserves through drilling and metallurgical and other testing techniques. No assurance can be given that any level of recovery of any ore reserves will be realized or that any identified mineral deposit will ever qualify as a commercial mineable ore body that can be legally and economically exploited.

Even if commercial quantities of minerals were to be discovered on the properties in which we own an interest, those properties might not be brought into a state of commercial production. Estimates of mineralization are inherently imprecise and depend to some extent on statistical inferences drawn from limited drilling, which may prove unreliable. Fluctuations in the market prices of minerals may render reserves and deposits containing relatively lower grades of mineralization uneconomic. Material changes in mineralized material, grades or recovery rates may affect the economic viability of projects. Finding mineral deposits is dependent on a number of factors, not the least of which are the technical skills of exploration personnel involved. The commercial viability of a mineral deposit, once discovered, is also dependent on a number of factors, some of which are particular attributes of the deposit, such as size, grade and proximity to infrastructure and resource markets, as well as factors independent of the attributes of the deposit, such as government regulations and metal prices. Most of these factors are beyond the control of the entity conducting such mineral exploration.

These risks may limit or prevent us from making a profit from the exploration and development of the properties in which we have an interest and could negatively affect the value of our securities.

All of the properties in which we hold an interest are subject to one material agreement and are located in one geographical area in China, making us vulnerable to risks resulting from lack of diversification.

All of the properties in which we hold an interest are concentrated in one geographical area in China, with such interest being subject to one material agreement. As a result, we have no diversification contractually, operationally or geographically, and we are therefore disproportionately exposed to the impact of any failure of the joint venture governing our properties, as well as to any disruptions in our operations in China as a result of any lack of availability of equipment, facilities, personnel or services, significant governmental regulation, natural disasters or otherwise. Due to the concentrated nature of our property portfolio, a number of the properties could experience the same adverse conditions at the same time, resulting in a relatively greater impact on our results of operations than they might have on other companies that have a more diversified portfolio of properties. Any such disruptions or failures could have a material adverse effect on our financial condition and results of operations.

We are exposed to a variety of risks due to the fact that all of our property interests are held through a partially-owned subsidiary.

All of our current property interests are held through a partially owned subsidiary, and we may enter into similar corporate or contractual structures in the future. As a result of holding all of our property interests through such vehicles, there are limits to our control with regard to the management, operations, compliance and strategic direction of the ventures. For example, joint ventures and partially owned subsidiaries can often require unanimous approval of the owners for certain fundamental decisions such as an increase or reduction of registered capital, merger, division, dissolution, dividends, amendments of constating documents, and the pledge of assets. In particular, under our Joint Venture Agreement governing Sino-Top, we occupy only two of the five seats on the board and accordingly, have limited ability to influence the venture.

While we provide strategic management and operational advice to our partially owned subsidiary and its other equity owners, we cannot always ensure that it is operated in compliance with applicable standards or laws. If such an entity is not operated effectively, efficiently or lawfully, including as a result of weaknesses in the policies, procedures and controls implemented by the other equity owners, our investment in the relevant project could be adversely affected. In addition, any negative publicity associated with operations that are ineffective or inefficiently operated, particularly relating to any resulting accidents or environmental incidents, could harm our reputation and therefore our prospects and potentially our financial condition. Furthermore, any failure of other equity owners to meet their obligations to us or to third parties, or any disputes with respect to the parties respective rights and obligations, could have a material adverse effect on the joint ventures or their properties and, therefore, could have a material adverse effect on our results of operations, financial performance, cash flows and share price.

Estimates of mineral deposits and operating costs or profitability associated with mining activities are based on interpretation and assumptions and are inherently imprecise.

From time to time, we may publish on our website, in press releases or through other public channels estimates of mineral deposits and associated operating costs or profitability. However, until mineral deposits are actually mined and processed, the quantity of mineral deposit and expected operating costs and profitability must be considered as estimates only, and no assurances can be given that the indicated levels of metals will be produced or that we will receive the price assumed. Any such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Estimates can be imprecise and depend upon geological interpretation and statistical inferences drawn from drilling and sampling analysis, which may prove to be unreliable. In addition, estimates made at a given time may significantly change when new information becomes available. Furthermore, fluctuations in the market price of metals, as well as increased capital or production costs or reduced recovery rates may render mineral deposit extraction uneconomic. No assurances can be given that any mineral deposit estimate will ultimately be reclassified as proven or probable mineral reserves or that mineralization can be mined or processed profitably. If our mineral deposit estimates and related projections are inaccurate or are reduced in the future, our future cash flows, earnings, results of operations and financial condition could be adversely impacted.

Third parties have successfully challenged in the past, and could challenge in the future, title for the properties in which we have an interest.

Neither we nor Sino-Top has obtained title insurance for our properties. Title to the properties in which we have an interest may be challenged in the future. In Mexico, as previously disclosed, we lost title to the property interests in which we held an interest, and we will never recover the rights we lost. If we were to be subjected to additional challenges over title to our assets or encounter other issues relating to our title, we would likely incur significant costs and lose valuable time in defending such matters. If such challenges against us were to be successful, as they have been in the past, we could lose part or all of our interest in the respective properties and our business could be materially adversely affected.

Our staffing may be inadequate to support our legal and planned business requirements.

As of the date of this filing, the Company had no employees. The services of our Chief Executive Officer and other personnel are provided on a consulting basis. This reduced level of staffing is primarily a result of the Company s limited financial resources. Our limited staffing may adversely affect our ability to fulfill our SEC reporting and other legal requirements, including improvements to our disclosure controls and procedures and our internal control over financial reporting, and to execute our planned business activities, including the raising of necessary capital. Limitations on staffing may require us to restrict our planned business activities. It also increases our reliance upon the efforts of Marc Hazout, our President and principal financial and accounting officer, who is serving as our principal executive, financial and accounting officer as of the date of this filing and provides his services under a consulting agreement. Any loss of contracted individuals, including any loss of Mr. Hazout s services, could have a material adverse effect on the Company.

Additional personnel with technical training or experience in exploring for, starting and operating an exploration program will be needed in respect of the properties in which we have an interest. If such personnel cannot be effectively supervised or retained, mining operations may need to be suspended or terminated, which could result in the loss of your investment.

Additional contractors must be recruited and retained in order to perform surveying, exploration and excavation of the properties in which we have an interest. Management must rely on the personnel it has hired or retained to assist them in making critical engineering and business decisions. Consequently, our operations, earnings and ultimate financial success could suffer irreparable harm if management is unable to supervise and retain qualified personnel to carry out these tasks. As a result, operations with respect to the properties in which we have an interest may need to be

suspended or terminated, which could result in the loss of your investment.

Our success also depends on the ability to hire and retain skilled operating, marketing, technical, financial and management personnel. In the mining sector, competition in connection with hiring and retaining skilled, dependable personnel is intense. We or our joint venture partners may not offer salaries or benefits that are competitive with those offered by our competitors, who may have significantly more resources when compared to us. As such, even if we or our joint venture partners were to succeed in hiring skilled personnel, it may not be possible to retain them.

We have concluded that neither our disclosure controls and procedures nor our internal control over financial reporting was effective as of December 31, 2015. Failure to improve them could lead to errors in our financial statements and could adversely affect the Company.

As a public company, we are required to comply with the periodic reporting obligations of the Exchange Act including preparing annual reports, quarterly reports and current reports. Our failure to prepare and disclose the requisite information in a timely manner could subject us to penalties under federal securities laws, expose us to lawsuits and restrict our ability to access financing. In addition, we are required under applicable law and regulations to integrate our systems of disclosure controls and procedures and internal control over financial reporting. We conducted an evaluation, under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a15 (e) and 15d15(e) under the Exchange Act) and our internal control over financial reporting, each as of December 31, 2015. Based on such evaluation, our principal executive officer and principal financial officer concluded that, as of such date, our disclosure controls and procedures and our internal controls over financial reporting were not effective. If we fail to improve our disclosure controls and procedures and internal control over financial reporting, we may not be able to produce reliable financial reports and investors may lose confidence in us, either of which could harm our business and negatively impact the trading price of our Common Stock.

Because we do not have sufficient capital, we may have limited our exploration activity, which may result in a loss of your investment.

Because we are small and do not have much capital, we have limited our exploration activity and we may not be able to complete exploration programs as planned. In that event, an existing ore body may go undiscovered. Without an ore body, we cannot generate revenues, in which case, you will lose your investment.

Because our property interests are located in China, our activities are subject to foreign (Chinese) governmental regulations that may subject us to penalties for failure to comply, may limit our ability to conduct exploration activities and could cause us to delay or abandon our projects.

Various regulatory requirements affect our current and future activities, including exploration activities on our property. Exploration activities require permits from various foreign (Chinese) federal, state and local governmental authorities and are subject to laws and regulations governing, among other things, prospecting, exports, taxes, labor standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety, and others that currently or in the future may have a substantial adverse impact on us. Exploration activities are also subject to substantial regulation under these laws by governmental agencies and may require that we obtain permits from various governmental agencies.

Licensing and permitting requirements are subject to changes in laws and regulations and in various operating circumstances. There can be no assurance that we will be able to obtain or maintain all necessary licenses and/or permits that may be required for our activities or that such permits will be obtainable on reasonable terms or on a timely basis or that such laws and regulations will not have an adverse effect on any project which we might undertake. If we are unable to obtain the necessary licenses or permits for our exploration activities, we might have to change or abandon our planned exploration for such non-permitted properties and/or to seek other joint venture arrangements. In such event, we may be forced to sell or abandon our property interest.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing exploration activities to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining activities may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Any change in or amendments to current laws, regulations and permits governing activities of mineral exploration companies, or more stringent implementation thereof, could require increases in exploration expenditures, or require delays in exploration or abandonment of new mineral properties. The cost of compliance with changes in governmental regulations has a potential to increase our expenses.

Chinese regulatory restrictions may limit our ability to receive and use our cash effectively.

We are exposed to the risks associated with foreign exchange controls and restrictions in China due to the fact that a portion of our cash is denominated in Renminbi, which is currently not freely exchangeable. The PRC government imposes control over the convertibility between Renminbi and foreign currencies. Under the PRC foreign exchange regulations, payments for current account transactions, including remittance of foreign currencies for payment of dividends, profit distributions, interest and operation-related expenditures, may be made without prior approval but are subject to procedural requirements. Strict foreign exchange control continues to apply to capital account transactions, such as direct foreign investment and foreign currency loans. These capital account transactions must be approved by or registered with the PRC State Administration of Foreign Exchange, or SAFE . Further, any capital contribution by an offshore shareholder to its PRC subsidiaries should be approved by the Ministry of Commerce in China or its local counterparts. We cannot assure you that we are able to meet all of our foreign currency obligations to remit profits out

of China or to fund operations in China.

Because all of our assets, our officers and our directors are located outside the United States of America, it may be difficult for an investor to enforce within the United States any judgments obtained against us, our officers or our directors.

All of our assets are located outside of the United States, the individuals serving as our officers and directors are nationals of a country other than the United States, and all or a substantial portion of such persons assets are located outside the United States. As a result, it may be difficult for an investor to effect service of process or enforce within the United States any judgments obtained against us or our officers and directors, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof. In addition, there is uncertainty as to whether the courts of Canada and other jurisdictions would recognize or enforce such judgments rendered by the courts of the United States. There is also uncertainty as to whether the courts of Canada or other jurisdictions would be competent to hear original actions brought in Canada or other jurisdictions against us or our officers and directors predicated upon the securities laws of the United States or any state thereof.

Risks relating to the industry in general

Planned exploration, and if warranted, development and mining activities involve a high degree of risk.

We cannot assure you of the success of our planned operations. Exploration costs are not fixed, and resources cannot be reliably identified until substantial development has taken place, which entails high exploration and development costs. The costs of mining, processing, development and exploitation activities are subject to numerous variables which could result in substantial cost overruns. Mining for silver and other base or precious metals may involve unprofitable efforts, not only from dry properties, but from properties that are productive but do not produce sufficient net revenues to return a profit after accounting for mining, operating and other costs.

Our operations may be curtailed, delayed or cancelled as a result of numerous factors, many of which are beyond our control, including economic conditions, mechanical problems, title problems, weather conditions, compliance with governmental requirements and shortages or delays of equipment and services. If our drilling activities are not successful, we will experience a material adverse effect on our future results of operations and financial condition.

There is a substantial risk that the properties that we drill will not eventually be productive or may decline in productivity over time. We do not insure against all risks associated with our business because insurance is either unavailable or its cost of coverage is prohibitive. The occurrence of an event that is not covered by insurance could have a material adverse effect on our financial condition.

The impact of government regulation could adversely affect our business.

Our business is subject to applicable domestic and foreign laws and regulations, including laws and regulations on taxation, exploration, and environmental and safety matters. Many laws and regulations require drilling permits and govern the spacing of mines, rates of production, prevention of waste and other matters. These laws and regulations may increase the costs and timing of planning, designing, drilling, installing, operating and abandoning our silver mines and other facilities. In addition, our operations are subject to complex environmental laws and regulations adopted by domestic and foreign jurisdictions where we operate. We could incur liability to governments or third parties for any unlawful discharge of pollutants into the air, soil or water, including responsibility for remedial costs.

The submission and approval of environmental impact assessments may be required.

Environmental legislation is evolving in a manner which means stricter standards; enforcement, fines and penalties for noncompliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations.

Because the requirements imposed by these laws and regulations frequently change, we cannot assure you that laws and regulations enacted in the future, including changes to existing laws and regulations, will not adversely affect our business. In addition, because we acquire interests in properties that have been operated in the past by others, we may be liable for environmental damage caused by former operators. In China, political instability and unexpected state intervention could adversely affect our assets.

Decline in silver prices may make it commercially infeasible for us to develop our property and may cause our stock price to decline.

The value and price of your investment in our common shares, our financial results, and our exploration, development and mining activities may be significantly adversely affected by declines in the price of silver and other precious metals. Silver prices fluctuate widely and are affected by numerous factors beyond our control such as interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global

and regional supply and demand, and the political and economic conditions of silver-producing countries throughout the world. The price of silver fluctuates in response to many factors, which are beyond anyone s prediction abilities. The prices used in making the estimates in our plans differ from daily prices quoted in the news media. Because mining occurs over a number of years, it may be prudent to continue mining for some periods during which cash flows are temporarily negative for a variety of reasons. Such reasons include a belief that the low price is temporary, and/or the expense incurred is greater when permanently closing a mine.

Weather interruptions in China may affect and delay our proposed exploration operations.

Our proposed exploration work in China can only be performed approximately six to seven months out of the year. The cold, rain and snow make the roads leading to our claims impassible every year during certain times from November to March. When the roads are impassible, we are unable to conduct exploration operations on the mineral claim.

We may not have access to all of the supplies and materials we need to begin exploration, which could cause us to delay or suspend operations.

Competition and unforeseen limited sources of supplies in the industry could result in occasional spot shortages of supplies such as dynamite as well as certain equipment like bulldozers and excavators that we might need to conduct exploration. If we cannot obtain the necessary supplies, we will have to suspend our exploration plans until we do obtain such supplies.

Risks relating to our Common Stock

We have been and may continue to be subject to regulatory actions that have a material adverse effect on the liquidity and price of our Common Stock, directly or indirectly through the effect of such actions on investor confidence.

On September 17, 2012, the SEC announced the temporary suspension, pursuant to Section 12(k) of the Exchange Act, of trading in the securities of the Company, commencing at 9:30 a.m. EDT on September 17, 2012, and terminating at 11:59 p.m. EDT on September 28, 2012. The Commission temporarily suspended trading in the securities of the Company because of questions regarding the adequacy and accuracy of information about the Company, including its assets, business operations, current financial condition and/or issuances of shares in company stock. Although the Company subsequently amended and updated its SEC disclosures, no assurance can be provided that the Company s disclosures will be considered adequate by the SEC or that the SEC or other regulators will not take further legal or regulatory actions against the Company if they are not satisfied with the Company s disclosures or its compliance with other legal requirements.

Following this type of trading suspension, a broker-dealer generally may not solicit investors to buy or sell the previously-suspended over-the-counter stock until certain requirements are met. A broker-dealer must file and clear with the Financial Industry Regulatory Authority, Inc. (FINRA) a Form 211 representing that it has satisfied all applicable requirements, including those of Rule 15c2-11 and FINRA Rule 6432. Rule 15c2-11 requires, among other things, that broker-dealers review and maintain certain information regarding an issuer and have a reasonable basis under the circumstances for believing that the information is accurate in all material respects and the sources of the information are reliable. On July 11, 2014, FINRA approved the Form 211 filed by the Company and beginning July 21, 2014, the Company s common stock began trading on the Over The Counter Market Group s OTCQB Marketplace (OTCQB).

The discount conversion features under our convertible financing arrangements have rapidly increased the number of outstanding shares of our Common Stock. We now have insufficient authorized capital to satisfy our contractual obligations for reserving and, if required, issuing shares of our Common Stock pursuant to outstanding convertible financing arrangements and other rights to acquire shares of Common Stock.

We have 300,000,000 shares of Common Stock authorized for issuance pursuant to our certificate of incorporation. As of the date of this filing, there were 299,802,647 shares of Common Stock outstanding, leaving 197,353 shares of Common Stock available for issuance, subject to share reserves held by a certain lender, significantly less than the number of shares of Common Stock into which our outstanding convertible promissory notes payable and other rights to acquire Common Stock would have been convertible and may again become convertible if we are unable to pay the

convertible notes under such agreements. This deficiency violates the terms of several of our financing arrangements. Our lenders may take actions against us, including demanding payment in cash or seeking other remedies. For a further discussion regarding these matters, see Item 7 -Management s Discussion and Analysis of Financial Condition and Results of Operations .

In addition, the inadequacy of our authorized capital, combined with the low trading price of our Common Stock, may prevent us from raising any significant equity-based financing. We may be required to settle outstanding obligations in cash, subject to availability of funds, and/or seek shareholder approval in order to increase our authorized capital. We intend to seek shareholder consent to approve an amendment to our certificate of incorporation to increase the number of shares of common stock that we are authorized to issue. However, there cannot be any assurance that our shareholders will approve such actions and if not we will not be able to issue additional shares of common stock above the 197,353 shares that we have available. Any further conversions of debt, especially at a discount to the market, may further dilute our shareholders and depress the price of our Common Stock. Should we be unable to negotiate a satisfactory resolution with our lenders or obtain alternative means of financing, we may be required to limit or discontinue operations, we may be required to sell or we may lose to our creditors some or all of our assets, or we may go bankrupt or liquidate

Shareholders may suffer dilution as a result of our issuance of additional Common Stock either through future financings or through the conversion of currently outstanding convertible securities, and such issuances may also serve to suppress our stock price.

We have historically funded our operations and paid for a portion of services provided to us through the issuance of shares of Common Stock and securities convertible into Common Stock. In order to conduct further exploration of our properties and to fund general corporate expenses, we intend to seek additional financing involving the issuance of Common Stock or securities convertible into Common Stock. Furthermore, as discussed in detail under *Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources* , we presently have outstanding a substantial amount of promissory notes that are convertible into Common Stock at a discount to the trading price of our Common Stock at the time of conversion. Issuances of Common Stock either through future financings or through the conversion of convertible securities, where possible, would dilute the voting power and ownership interest of the Company s existing shareholders and may depress the price of the Company s Common Stock. Furthermore, any other development that reduces the price of our Common Stock will reduce the conversion price of such securities, resulting in further dilution and potentially further depressing the price of our Common Stock.

Because the public market for shares of our Common Stock is limited, investors may be unable to resell their shares of Common Stock.

Currently there is only a limited public market for our Common Stock on the OTCQB in the United States. Thus investors may be unable to resell their shares of our Common Stock. The development of an active public trading market depends upon the existence of willing buyers and sellers who are able to sell their shares as well as market makers willing to create a market in such shares. Under these circumstances, the market bid and ask prices for the shares may be significantly influenced by the decisions of the market makers to buy or sell the shares for their own account. Such decisions of the market makers may be critical for the establishment and maintenance of a liquid public market in our Common Stock. Market makers are not required to maintain a continuous two-sided market and are free to withdraw firm quotations at any time. We cannot give you any assurance that an active public trading market for the shares will develop or be sustained.

The price of our Common Stock is volatile, which may cause investment losses for our shareholders.

The market for our Common Stock is highly volatile, having ranged in the last twelve months from a low of $0.01 to a high of $0.045 on the OTCQB. The trading price of our Common Stock on the OTCQB is subject to wide fluctuations in response to, among other things, quarterly variations in operating and financial results, and general economic and market conditions. In addition, statements or changes in opinions, ratings, or earnings estimates made by brokerage firms or industry analysts relating to our market or relating to us could result in an immediate and adverse effect on the market price of our Common Stock. The highly volatile nature of our stock price may cause investment losses for our shareholders. In the past, securities class action litigation has often been brought against companies following periods of volatility in the market price of their securities. If securities class action litigation is brought against us, such litigation could result in substantial costs while diverting management s attention and resources.

As a public company, we are subject to complex legal and accounting requirements that will require us to incur significant expenses and expose us to risk of non-compliance.

As a public company, we are subject to numerous legal and accounting requirements that do not apply to private companies. The cost of compliance with many of these requirements is material, not only in absolute terms but, more importantly, in relation to the overall scope of the operations of a small company. Our relative inexperience with these requirements increases the cost of compliance and also increases the risk that we will fail to comply. We failed to satisfy the reporting requirements applicable to our Form 10-K for the fiscal year ended December 31, 2011 and for the quarters ended March 31, 2012, June 30, 2012 and September 30, 2014, which necessitated the filing of

amendments thereto, and we either filed late or failed to file a number of other reports with the SEC during 2012 and 2013 that were required to have been filed. Failure to comply with these reporting requirements can have numerous adverse consequences including, but not limited to, governmental or private actions against us, an inability to file required periodic reports on a timely basis and loss of market confidence. We cannot assure you that we will be able to comply with all of these requirements going forward, that we will not be subjected to governmental action or sanctions as a result of failure to comply or that the cost of compliance will not prove to be a substantial competitive disadvantage vis-à-vis our privately held and larger public competitors.

Our Common Stock is considered to be a penny stock, which may make it more difficult for investors to sell their shares.

Our Common Stock has been subject to the provisions of Section 15(g) and Rule 15g-9 of the Exchange Act, commonly referred to as the penny stock rule. Section 15(g) sets forth certain requirements for transactions in penny stocks and Rule 15g-9(d)(1) incorporates the definition of penny stock as that used in Rule 3a51-1 of the Exchange Act. The Commission generally defines penny stock to be any equity security that has a market price less than $5.00 per share, subject to certain exceptions. Rule 3a51-1 provides that any equity security is considered to be penny stock unless that security is: registered and traded on a national securities exchange meeting specified criteria set by the Commission; issued by a registered investment company; excluded from the definition on the basis of price (at least $5.00 per share) or the registrant s net tangible assets; or exempted from the definition by the Commission. Our Common Stock is considered to be a penny stock. The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. As our Common Stock is considered to be penny stock, trading in our Common Stock will be subject to additional sales practice requirements on broker-dealers who sell penny stock to persons other than established customers and accredited investors. This may reduce the liquidity and trading volume of our shares.

Financial Industry Regulatory Authority, Inc. (FINRA) sales practice requirements may limit a shareholder s ability to buy and sell our common shares.

In addition to the penny stock rules described above, FINRA has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer s financial status, tax status, investment objectives and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our Common Stock, which may limit your ability to buy and sell our stock and have an adverse effect on the market for our shares.

We do not intend to pay dividends.

We do not anticipate paying cash dividends on our Common Stock in the foreseeable future. We may not have sufficient funds to legally pay dividends. Even if funds are legally available to pay dividends, we may nevertheless decide in our sole discretion not to pay dividends. The declaration, payment and amount of any future dividends will be made at the discretion of our Board, and will depend upon, among other things, the results of our operations, cash flows and financial condition, operating and capital requirements, and other factors our Board may consider relevant. There is no assurance that we will pay any dividends in the future, and, if dividends are paid, there is no assurance with respect to the amount of any such dividend.

We may be subject to shareholder litigation, thereby diverting our resources that may have a material effect on our profitability and results of operations.

As discussed in the preceding risk factors, the market for our Common Stock is characterized by significant price volatility when compared to seasoned issuers, and we expect that our share price will continue to be more volatile than a seasoned issuer for the indefinite future. In the past, plaintiffs have often initiated securities class action litigation against a company following periods of volatility in the market price of its securities. We have in the past been, and may in the future be, the target of similar litigation. Securities litigation will result in substantial costs and liabilities and will divert management s attention and resources.

Compliance with changing regulation of corporate governance and public disclosure will result in additional expenses and pose challenges for our management.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Dodd-Frank Wall Street Reform and Consumer Protection Act, and the rules and regulations promulgated thereunder, the Sarbanes-Oxley Act and SEC regulations, have created uncertainty for public companies and significantly increased the costs and risks associated with accessing the U.S. public markets. Our management team will need to devote significant time and financial resources to comply with both existing and evolving standards for public companies, which will lead to increased general and administrative expenses and a diversion of management time and attention from revenue generating activities to compliance activities.

SHOULD ONE OR MORE OF THE FOREGOING RISKS OR UNCERTAINTIES MATERIALIZE, OR SHOULD THE UNDERLYING ASSUMPTIONS PROVE INCORRECT, ACTUAL RESULTS MAY DIFFER SIGNIFICANTLY FROM THOSE ANTICIPATED, BELIEVED, ESTIMATED, EXPECTED, INTENDED OR PLANNED.

Item 1B.Unresolved Staff Comments

Not applicable.

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Item 2. Description of Properties

Introduction

We currently have an interest in the following six silver poly-metallic exploration properties in the Erbahuo Silver District located in Inner Mongolia, China: Dadi; Laopandao; Aobaotugounao; Shididonggou; Yuanlinzi; and Zhuanxinhu. The nature and extent of our interest in such properties is discussed above under the heading *Item 1 Description of Business* . Only two of such properties are material to us at the current date: Dadi and Laopandao. We no longer consider Aobaotugounao to be material as a result of Sino-Top having determined not to further invest in Aobaotugounao, beginning in 2013. The following table briefly summarizes certain details relating to these properties

Property Name	Location	Size	Minerals Targeted	Operational Status
Dadi	Keshiketeng County Inner Mongolia, China	12.48km2/ 3,083.88 acres	Silver, copper, tin,lead, zinc, cadmium	Active exploration Mining license received September 2015
Laopandao	Keshiketeng County Inner Mongolia, China	33.67km2/ 8,320acres	Silver, copper, tin,lead,zinc	Active exploration
Aobaotugounao	Keshiketeng County Inner Mongolia, China	21.07km2/ 5,207acres	Silver	Inactive
Yuanlinzi Beishan	Keshiketeng County Inner Mongolia, China	51.20km2/ 12,652acres	Silver,tin	Inactive
Shididonggou	Keshiketeng County Inner Mongolia, China	3.11km2/ 768acres	Silver	Inactive
Zhuanxinhu	Keshiketeng County Inner Mongolia, China	6.24km2/ 1,542acres	Silver, copper	Inactive

Dadi Silver-Polymetallic Project

The Dadi silver-polymetallic property (Dadi or the Dadi Property) is owned by Sino-Top, in which the Company owns a 20% equity interest.

The Dadi Property is without known reserves. Five mineralized zones have been discovered at the Dada Property. Among them, mineralization zones I, II and IV are controlled by adits, transverse adits, 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, 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.

Location and Description

The Dadi Property is situated in north central Inner Mongolia in the Xilin Gol Administrative District, approximately 450 kilometers north of Beijing. The geographic coordinates of the Property are Longitude 117° 36 15 to 117° 38 45 E and Latitude 43° 21 00 to 43° 23 00 N. Modern multi-lane divided highways provide excellent access to within five kilometers of the Property.

Regionally, the Dadi Property is located on the intersection of the northern edge of the microplates that makes up the North China platform, striking east-west, and the Siberian platform, and is situated in the area where the Altaids belt intersects the Yanshanian orogenic belt. These structural belts are major mineral-forming belts of China and this tectonic setting provides a dynamic environment for the development of mineralizing systems. Mesozoic (Yanshanian) continental volcano-magmatic activity took place along a northeasterly trend to form the

Butelaqu-Duolun volcanic zone. This zone consists of a series of fault basins filled with volcanic rocks developed along a northeasterly trend.

The Dadi Property is on the margin of the Toudi-Liudguo Jurassic volcanic basin and is situated on the southwest end of the south side of Huangganglіang-Ganzhuermiao Anticlinorium and is underlain by the volcanic and volcanic-clastic rocks of the upper Jurassic Balyingaolao Formation.

Two explosive magazines were newly built in 2011. Gravel and dirt roads have been constructed on the property and are in good condition. Equipment on the property includes air compressors, cinder scrapers, jack drills, generators, all purchased in 2011. *Geology and Mineralization*

Regional Geology

Regionally, the Dadi Property is located on the intersection of the northern edge of the microplates that make up the North China platform, striking east-west, and the Siberian platform, and is situated in the area where the Altaids belt intersects the Yanshanian orogenic belt.

Mesozoic (Yanshanian) continental volcano-magmatic activity took place along a northeasterly trend to form the Butelaqu-Duolun volcanic zone. This zone consists of a series of fault basins filled with volcanic rocks developed along a northeasterly trend. The Property is on the margin of the Toudi-Liudguo, Jurassic volcanic basin.

Local and Property Geology

The Dadi Property is underlain by the volcanic and volcanic-clastic rocks of the upper Jurassic Balyingaolao Formation.

Minerals occur in a gangue of quartz, chalcedony, carbonate minerals, fluorite, barite, sericite, adularia and clay minerals. Banding of the minerals is common. The veins can also contain minerals in crusty, vuggy and colloform textures. Widespread wall rock alteration includes chlorite, sericite, quartz, pyrite and locally carbonate and feldspar minerals. Heavily oxidized rock consists of limonite with sulphide inclusions.

Alteration in the Dadi Property is pervasive. Type and intensity of the alteration varies with proximity to mineralization and the host rock. Near surface oxidation of the sulfide minerals is pervasive and is characterized by the development of box work structures providing evidence of extensive leaching. Limonite is the dominant alteration product. Oxidation moderates with the transition to the sulphide environment at depth.

Within the sulphide environment the nature, extent and intensity of the wall rock alteration is directly related to proximity to mineralization and to a lesser degree on the rock type. Limonitization and pyritization are dominant with weak chloritization and carbonatization; the alteration products include limonite and pyrite, which exhibit a grainy or cellular appearance and chlorite and calcite occurs as veinlets.

Mining Claims

The Dadi Property comprises one exploration license, T15120090602031788, which covers 1,248 hectares. The license was granted on August 2, 2013 and is valid until June 30, 2015. The exploration license is under the name of Inner Mongolia Guangda Mining, Ltd. (a wholly owned subsidiary of Sino-Top). The license grants the right to detailed exploration over an area of 12.48 square kilometers in Keshiketeng County, Inner Mongolia. The registrant of the license must file annual geological reports with the local land and resources administration at year end. Prior to expiration of the license, which is usually valid for two years, the registrant can apply for license renewal, which requires relevant materials to be presented in order to show that the stage of exploration work on the property is further advanced. Stages of exploration work advance from reconnaissance, general exploration, detailed exploration and prospecting. If the registrant cannot fully complete the necessary exploration work on the property due to geological conditions, the registrant has one opportunity to apply for the license renewal at the same stage of exploration. The application materials for renewal presented to the Land and Resources Department include property location map, exploration license, opinions from the local government, exploration work design/contracts, qualification certificates of contractors, source of project funds, annual exploration reports reviewed/approved by the local land and resources administration and financial reports. While management expects that the license will be renewed following application, there can be no assurance thereof. On September 24, 2014, the Chifeng Land Resources Bureau issued the mining license, C150000201509321013978 8, valid for eleven years, from this date to September 24, 2026.

There are no environmental liabilities, royalties, back-in rights or other payments known to us to which the Dadi Property is subject, and there are no other significant factors or risks known to us that may affect access, title, or the right or ability to perform work on the property.

The following map illustrates the general location of the Dadi Project and the associated mining claims:

History of Previous Operations

The silver, lead and zinc mineralization on the Dadi Property was discovered by silt geochemical surveys in 1963 and 1964 by the North China Exploration Bureau. Over the next three decades, to our knowledge, very little work was done on the Dadi Property.

In 2005, Sino-Top acquired Dadi and commenced work in 2006. Since, extensive surface and underground exploration was carried out.

Over the past eight plus years, as discussed below, exploration on the Dadi Property has included geological mapping at various scale, soil geochemistry, trenching, geophysics, diamond drilling, extensive underground exploration on two levels.

An extensive underground tunnel system has been constructed and a drilling, trenching & tunneling program is well underway with a total of 7,174 meters of surface trenching 19,113 meters of diamond drilling, and 10,071 meters of underground exploration and infrastructure tunneling completed to date.

Trenching

The majority of the trenching activity on the Dadi Property over the past 5 years focused on exploring the primary deposit zone 1 (PD1) deposit area (mineralized zone), excavating over 30 trenches and extracting over 4,600 metres^3 of overburden-regolith. The results of this work were encouraging, resulting in the discovery of 10 mineralized zones. During this time, three trenches (TC24, TC25-1 and TC2) exposed the primary deposit 2 (PD2) deposit along strike for 250 metres. During 2010, trenching activity shifted to the PD2 deposit area, excavating six additional trenches, extracting approximately 225 metres^3 of overburden-regolith to expose and trace the PD2 deposit along strike for an additional 550 metres for a total strike length of 800 metres. Samples from trenching were delivered to the field office for temporary secure storage and held for shipment to the Yanjiao Central Laboratory of North China Nonferrous Geological Bureau in Sanhe for analysis. Results of the sample analysis were used to evaluate and further define future exploration targets and focus.

Underground Exploration

The underground infrastructure work on the Dadi Property was carried out under contract by Wenzhou Mining Engineering Co. Ltd., The contract called for nominal two metre by two metre underground openings; however, in most cases, the openings are slightly larger. During the 2010 exploration Program, 1,910.7 metres of underground tunneling was completed. This work connected the PD1 deposit accessed by the PD1 adit level (1384 meters ASL) with the PD2 deposit accessed by the PD-2 adit level (1426 metres ASL), thereby integrating both deposits into the Dadi mine plan.

Underground Channel Sampling

Extensive underground channel sampling was completed during the 2010 exploration program.

Underground exploration during 2010 exposed the PD1 and PD2 mineralized zones. The mineralized zone was mapped and sample locations identified by a geologist. The sample locations were based on visual inspection of the exposed mineralized zone. Samples were delivered to the field office for temporary secure storage and held for shipment to the Yanjiao Central Laboratory of North China Nonferrous Geological Bureau in Sanhe for analysis.

Results of the sample analysis were used to evaluate and further define future exploration targets and focus.

Initially, the program focused on sampling the mineralized zones intersected along the crosscut drift connecting the PD1 and PD2 deposits.

Diamond Drilling

Concurrent with the underground exploration program, Sino-Top contracted HIC to perform a diamond-drilling program consisting of 18 diamond drill holes totaling 8,476.04 metres. These holes were located to test deep targets

on the PD1 and PD2 deposits. The core boxes were delivered to the field office by a technician, and the core was stored in a secure location pending logging and sampling. The drill core was logged and sample intervals identified for diamond saw cutting and sampling. The intervals to be sampled were based on the visual presence or absence of lead and zinc mineralization in the drill core. Nominally, the sample interval was 1.0 meters, respecting geologic control, and depending on the nature of the mineralization the samples would range between 3 and 5 kilograms. The samples were stored in the field at a secure location and delivered to the Yanjiao Central Laboratory of North China Nonferrous Geological Bureau in Sanhe for analysis. Results of the sample analysis were used to evaluate and further define future exploration targets and focus.

2012 Operations

Exploration work for 2012 at Dadi commenced on February 24, 2012, focusing on underground drifting (face drilling) and underground drilling. Twelve underground drill holes have been completed with a total drilling length of 1,039 meters. In addition, underground drifting, including transverse drifts at the 1,350m level and in tunnel PD4, was also completed. The total tunneling length was 692.8 meters, including transverse drifts and transportation tunnels. At present, 149 samples from drill core and channel sampling within the transverse drifts have been analyzed.

Twelve 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 63.0m 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 63.0m to 66.0m, and the fourth interval is from 67.5m to 69.0m. 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 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 84.0m to 85.5m interval) reveals mineralization.

2013 Operations

Exploration and mine development were conducted in 2013 in preparation for mining and ore processing. Surface and underground exploration was conducted in 2013 to further probe the extensions of mineralization in mineralization zones I, II and IV, with 3,071.62m tunneling (incl. 2,120.92m adit, 225.1m ventilation shaft, 637.3m cutting and 88.3m winze), and 3,823.74m³ mine development (tunnel expansion and consolidation) completed. In addition, a shaft above the main mining tunnel was commenced and progressed to approximately 18 meters, and an inclined shaft inside adit No. IV progressed to 88.3 meters. Also 359.25m surface drilling and 4,122.1m in-pit drilling were completed in 2013. The total cost of exploration work completed by Sino-Top in 2013 was over RMB10.0 million.

In preparation for mill construction, 120,000 square meters (approximately 30 acres) of land was acquired for the sites of the mill and tailings pond.

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2014 Operations

During 2014, field projects for the yearly exploration season were completed, with 2,791.77m of tunneling (including 2,442.47m adit and 349.3m ventilation shaft), 753.46m in-pit drilling (3 holes) and 1,436.935m3 mine development (tunnel expansion and consolidation). Chemical analysis was completed for 381 samples. In addition, the shaft above the main mining tunnel progressed to 277.024m and the inclined shaft inside adit No.IV to 21.87m. Within mineralization zone IV, copper and tin mineralization was newly identified and a 6m wide mineralization belt was identified which contains lead, zinc, silver, tin and copper. Extraction preparation was completed for 85,000 tonnes of ore. Mine design and equipment procurement are currently in progress for the planned construction of a 1,000tpd mill. Mining license application is also progressing, currently in the stage of environmental appraisal, which includes water resource utilization review. The total cost of exploration work completed by Sino-Top in 2014 was approximately RMB18.670 million or approximately $3.006 million.

2015 Operations

Tunneling and mine development projects have been completed at Dadi, with approximately 390m of tunneling (including 240m adit and 150m ventilation shaft) completed in 2015. In addition, the shaft above the main mining tunnel, with the temporary head frame completed, has progressed to 200m deep and inclined shaft inside adit No.IV has progressed to 110m in total. Preliminary design of mill and tailings pond have been completed. Preliminary design of mining and infrastructure of a comprehensive building are currently in progress. The Company incurred exploration expenses of RMB11.016 million or approximately $1.754 million.

The environmental impact assessment report had passed and was received on June 2, 2015. The Dadi mining license was obtained on September 24, 2015 with a term of validity of 11 years, on which minable minerals including zinc, silver, lead and scale of production of 300,000t per year was registered.

Exploration Plans for 2016

As of the filing of this report, the 2016 exploration plans at Dadi had not been finalized or approved by the board of directors of Sino-Top.

Laopandao Silver-Tin-Polymetallic Project

Location and Description

Located in north central Inner Mongolia in Keshiketeng County, approximately 650 kilometers north of Beijing, the Laopandao Silver-Tin-Polymetallic Project (the Laopandao Property) is readily accessible by car along modern, interprovincial, multi-lane highways, secondary paved and gravel roads. Inner Mongolia is located in north-central China and covers approximately 1.183 million km2, and borders Russia and Mongolia. The geographic coordinates of the Laopandao Property are: Longitude from 117° 37 00 E to 117° 40 00 East and Latitude from 43° 31 00 N to 43° 37 00 North.

The following map illustrates the general location of the Laopandao Property and the associated mining claims:

The Laopandao Property is strategically located at the intersection of two major mineral rich metallogenic belts in northern China. The Greater Hinggan Mountain Range is a result of this dynamic junction environment. The Laopandao Property is dominantly underlain by the Upper Jurassic Baiyinggaolao Formation dacitic-tuffaceous lava, rhyolite tuff, tuffaceous sandstone and conglomerate of the Greater Hinggan Mountain Range. The principal host rocks for the mineralization on the Property are dacitic-tuffaceous lava, dacitic tuff and granite.

The Laopandao Property is without known reserves. An explosives magazine was newly built in 2011. Gravel and dirt roads have been constructed on the property and are in good condition. A total of 2,800 meters of tunneling have been completed. The total cost incurred to date by Sino-Top on exploration of Laopandao has exceeded RMB19.2 million. The source of power is on-site diesel generators. Water is transported from local water supply to the project by tankers.

Geology and Mineralization

In the Laopandao Project area, faults are well developed and control not only the formation, distribution and spatial shape of magmatic rocks, but also the formation and distribution of mineral deposits. In particular, torsion and deflection of NE-trending structure provides the space for mineral formation, especially the junction of numerous structures; the intersection part of rhombus faulted blocks is a favorable place for mineral deposition.

Faults are well developed in the Anomaly 95 area. The prominent regional north-northeasterly trending F1 faults are not mineralized; however, the north-northwesterly trending F2, F5 and F4 dominantly control the mineral deposition in the area and on the Property.

Hydrothermal tin-polymetallic fracture filling and disseminated mineralization in granite prophyry occur on the Laopandao Property. The hydrothermal tin-polymetallic mineralization consists of marcasite, arsenopyrite, chalcopyrite, chalcocite, tetrahedrite, pyrrhotite, cassiterite, argentite, sphalerite and native silver. Occasionally, limonite fills the fissure on the shallow surface and replaces arsenopyrite and pyrite. Metallic minerals vary irregularly along the dip and strike. However, there is no obvious difference between mineral combination and content. Gangue minerals are mainly composed of feldspar, quartz, sericite, carbonate and minor tourmaline.

Major elements in the sulphide bodies include Ag, Cu and Sn, with minor Au, As, Mo and Sb. The structure and texture is hypidiomorphic, allotriomorphic granular or irregular and granular cataclastic textures, and sparse, dense or strip-like dissemination or scattered or massive structures. The disseminated mineralization includes cassiterite, arsenopyrite, chalcopyrite, pyrrhotite, magnetite, pyrite, silver tetrahedrite, tennantite and anatase. Tin is the major element and ranges from 0.1% to 34.08% with minor Ag, Cu, As, Mo and Sb. The gangue minerals mainly include quartz, acid plagioclase, feldspar, biotite, fluorite and tourmaline.

Anomaly 95 has been the primary focus of the exploration activity over the years. This anomaly contains Zone I, Zone II and Zone III. Each structure contains mineralized pods or lenses of fracture filling type massive sulphide mineralization.

ZoneI Mineralization

Hosted by the volcanic sequence of the Baiyingaolao Formation, Zone I strikes WNW and dips 75° to 80° NNE. The structure has been exposed along strike by trenching, intersected in diamond drill holes and exposed underground as being approximately 540m long, 100m wide and has been traced by diamond drilling to a depth of 300m. HIC has identified seven mineralized bodies hosted by this structure. The alteration consists of chloritization, silicification, argillization, fluoritization, limonitization and tourmalinization, with minor pyritization.

Zone II Mineralization

Zone II is hosted by the volcanic Baiyingaolao Formation and is located approximately 150m south-southwest of Zone I. Zone II strikes WNW and dips 75° to 80° NNE. The structure has been exposed along strike by trenching and intersected in diamond drill holes as being approximately 200 long, 250 wide and has been traced by diamond drilling to a depth 300m. HIC has identified three mineralized bodies hosted by this structure. The bodies are parallel features approximately 50m apart; each has parallel zones of mineralization hanging wall and footwall of the Zone. The alteration consists of chloritization, silicification, argillization, fluoritization, limonitization and tourmalinization, with minor pyritization. Further work is required on this Zone to determine its potential.

Zone III Mineralization

Zone III is located in the southern portion of Anomaly 95 and is hosted by the marginal-phase Granite Porphyry-Late Yanshanian Period (53). This Zone strike East-West and is comprised of twenty-one (21) parallel tin polymetallic mineralized lenses which has been exposed in trenching, drill holes and underground. The lenses have been traced along strike for 300m being exposed in trenches and intersected in drill holes. The lenses dip variably to the north at between 31° and 73°. In general the dips are steeper in the upper portion of the hole and tend to flatten at depth.

In the 15 drill holes which defined Zone III, there is locally intense mineralization, particularly in the line 304 in the east, and the alteration continues to a depth of over 400m. Alteration consists of tourmalitization, seritization and feldsparization, followed by lesser fluoritization.

Channel sampling across the mineralized zones and the enclosing hanging wall and footwall rocks was carried out under geologic control by technicians under the supervision of HIC s geologists. The sampling channels were 10cm wide and 3cm deep and cut with a hammer and chisel. Sampling was carried out across the working face immediately following a blast or across the back or along the ribs of the drift or cross cut. Rock chip samples were also taken every 3m along the drift or cross-cut to obtain a composite 250 to 300 gram sample. One rock chip sample was taken every 1m² along the main haulage adit.

Mining Claims

The Laopandao Property comprises one exploration license, T15120090702032551, covering 33.67 square kilometers. The license is valid from June 30, 2012 to June 30, 2014 and is renewable by way of an application. The exploration license is owned by Inner Mongolia Guangda Mining, Ltd. (a wholly owned subsidiary of Sino-Top). It grants the right to detailed exploration over an area of 33.67 square kilometers in Keshiketeng County, Inner Mongolia. The registrant must file annual geological reports with the local land and resources administration at year end. Prior to expiration of the exploration license, which is usually valid for two years, the registrant can apply for license renewal, which requires relevant materials to be presented in order to show that the stage of exploration work on the property is further advanced. Stages of exploration work advance from reconnaissance, general exploration, detailed exploration and prospecting. If the registrant cannot fully complete the necessary exploration work on the property due to geological conditions, the registrant has one chance to apply for the license renewal at the same stage of exploration. The materials required to be presented to the Land and Resources Department include renewal application, property location map, exploration license, opinions from the local government, exploration work design/contracts, qualification certificates of contractors, source of project funds, annual exploration reports reviewed/approved by the local land and resources administration, financial reports on exploration expenses, and the exploration work summary/plan. While the Company anticipates that the license renewal request will be approved, there can be no assurances.

There are no environmental liabilities, royalties, back-in rights or other payments known to us to which the Laopandao Property is subject, and there are no other significant factors known to us that may affect access, title, or the right or ability to perform work on the Laopandao Property.

The exploration program, as conducted from 2005 through present day, has been carried out by HIC under a contract with Sino-Top.

History of Operations

The following summarizes the history of the exploration activity on the Laopandao Property from 1960 to the present.

1960-1980

During the 1960s, an airborne magnetometer survey was carried over Keshiketeng County as part of the regional mapping program. Subsequent prospecting, soil geochemical surveys and geological mapping during the 1970 s and early 1980 s by North China Geological Exploration Bureau resulted in the delineation of tin-polymetallic (silver, lead and zinc) soil geochemical dispersion trains and mineral occurrences referred to as Anomaly 95, Anomaly 102 and Anomaly 104 (falls outside the Property). The anomalous areas are up to 300m wide and contain lenticular mineralized bodies ranging from 1 to 7m wide.

1985-1986

Follow-up trenching and sampling during this period resulted in the discovery of 37 tin occurrences. Exploration on the Laopandao Property was suspended from 1986 until 2004.

2004

After almost two decades of inactivity, Sino-Top acquired the Laopandao Property.

2005

During the 2005 exploration season, HIC, on behalf of Sino-Top, completed follow-up magnetometer and electromagnetic surveys, reconnaissance geological mapping and soil geochemical profiling over the known tin occurrences. The results of the work further defined Anomaly 95 and Anomaly 104.

2006

The 2006 exploration program focused on the Anomaly 95. The work associated therewith included preliminary geological mapping (1:5000), soil geochemical profiling, IP and resistivity profiling, two diamond drill holes totaling 3,265m and underground exploration, mapping and sampling on the PD6 adit.

2007

During 2007, the exploration program at the Laopandao Property continued to focus on Anomaly 95. HIC completed reconnaissance prospecting and detailed exploration, consisting of preliminary geological mapping (1: 5000), topographic mapping (1: 2000), geological mapping (1: 2000), random primary litho-geochemical halo mapping (1: 5000), soil geochemical and geophysical profiling (1: 2000), 11,613 metres of diamond drilling in 7 holes and underground exploration, mapping and sampling (PD2 Adit). Geological mapping and reconnaissance soil geochemical sampling was also carried out on Anomaly 102 and Anomaly 104.

Detailed exploration of Anomaly 95 identified three prominent mineralized structures hereafter referred to as (Zone 1 , Zone II and Zone III). Each such zone contains a number of lenticular mineralized bodies- lenses. Zone I contains 7 lenses, Zone II contains 16 lenses and Zone III contains 15 mineralized lenses, for a total of 38 mineralized bodies.

2008

During the 2008 exploration season, HIC carried out prospecting and detailed surveys over Anomaly 95 completing a soil geochemical survey (1: 2000), a reconnaissance and detailed Induced Polarization (IP) surveys, 501 metres of diamond drilling in 1 hole and 217 metres of underground exploration extending the PD6 adit for a total of 1,617m and PD3 adit for a total of 1,468m.

2009

The North China Geological Bureau continued to focus on Anomaly 95, completing detailed exploration of Zone I and Zone II, as well as reconnaissance exploration on Zone III and confirmation of Anomaly 102. This work included a topographic survey (1:2000) and preliminary geological survey (1: 2000), continued underground exploration and surface diamond drilling. Further work was also carried out on Anomaly 102, which included underground infrastructure construction and a deep penetrating IP survey.

2010

Advanced geological exploration work was continued and the exploration targets were focused on mineralization Zone I and Zone III. The exploration consisted of 11 drill holes (4,696 m), 634m tunneling, and an additional geophysical survey.

2011

In 2011, the exploration work focused on mineralization Zone III and included 308 meters tunneling, 192 pieces of sampling and assaying, as well as hydrogeological, engineering, geological, and environmental surveys within the Laopandao Property demonstrating a potential viable operation

2012

In 2012, Beijing Longxing Shengxuan Technology Investment Co., Ltd. was commissioned by Sino-Top to conduct metallurgic tests on Mineralization Zones I, II and III of Laopandao Sn-Polymetallic Property.

A summary of the metallurgic test on Mineralization Zones I and II of Laopandao Sn-Polymetallic Property is as follows:

The metallurgic test mainly involves Cu and Ag recovery. The major metallic minerals include chalcopyrite, tetrahedrite and arsenopyrite, followed by sphalerite, galena, pyrite, native bismuth, bismuthinite, cassiterite, wolframite, etc. Gangue minerals are mainly quartz, feldspar, mica, followed by kaolinite, apatite, rutile, xenotime,

zircon, etc. The results of chemical phase analysis show that most of Cu and Ag elements exist in Cu-bearing sulfide, which is favorable for the recovery of copper and silver.

The challenge of this metallurgic test is the high content of arsenic in the mineral. Arsenic is mainly in the form of arsenopyrite, but the arsenic-bearing tetrahedrite is the major obstacle that impedes the effort of separating arsenic from Cu concentrate. In order to improve the sale of the Cu (Ag) concentrate, the arsenic content in the concentrate should be reduced as much as possible. During the test, we applied coarse grinding to separate Cu and Ag and processed the coarse concentrate to further reduce the content of arsenic in Cu/Ag concentrate.

A summary of the metallurgic test on Mineralization Zone III of Laopandao Sn-Polymetallic Property is as follows:

The results of chemical phase analysis show that tin mineralization mainly exists in cassiterite. The major metallic minerals include cassiterite, limonite, pyrite, arsenopyrite, etc. Gangue minerals are mainly quartz, white mica, feldspar, chlorite, rutile, zircon, monazite, xenotime, etc. Cassiterite in the mineral form ranges in size from micro grained to fine granular. Due to poor floatability of cassiterite and its fine-grained granularity, and the complexity of the minerals that affect cassiterite recovery by gravity separation method, the recovery of cassiterite is complicated.

The mineral contains iron-bearing minerals in high specific gravity. First, we extracted iron-bearing minerals by coarse grinding and magnetic separation method (60% at -0.074mm level); then we processed the magnetic separation tailings by gravity separation method in two categories (+0.037mm and -0.037mm), so that cassiterite at +0.037mm level can be recovered well and that of -0.037mm level recovered to the greatest extent. The mineral contains pyrite and arsenopyrite, which gather and concentrate with cassiterite during gravity separation, resulting in heavy contents of sulfur and arsenic. Thus we conducted reverse flotation to separate sulfur and arsenic from Sn concentrate and eventually obtained qualified Sn concentrate.

2013

No exploration work was conducted in 2013. Mining license application is in progress, currently in the stage of mining area delimitation. Management expects to obtain the mining license by the end of next year. The total cost of exploration work completed by Sino-Top in 2013 was approximately RMB15,000.

2014

The plans for 2014 included completing the review and filing the geological report and completing the mining application. In addition, once the mining license is obtained, Sino-Top intends to sell the Laopandao property (assuming an interested party). At present, the mining application is still in progress and expected in 2015.The total cost of exploration work completed by Sino-Top in 2014 was approximately RMB33,770 or approximately $5,600.

2015

The Company continued pursuing the issuance of the mining license, incurring exploration expenses of RMB140,000 or approximately $22,300.

Exploration Plans for 2016

As of the filing of this report, the 2015 exploration plans at Laopandao had not been finalized or approved by the board of directors of Sino-Top.

Other Exploration Properties

The following properties, which have no known reserves and are exploratory in nature, began exploration during the prior year.

Yuanlinzi Beishan

Located in Keshiketeng County, Inner Mongolia, China the property is 5,120 hectares (12,652 acres).

Identified commodities are silver and tin. The Company has a 20% interest in this property through its Sino-Top joint venture. The exploration license is held by HIC for the benefit of Sino-Top. It grants the right to detailed exploration over an area of 38.1 square kilometers in Keshiketeng County, Inner Mongolia. The validity period is from June 30, 2013 to June 30, 2015.

Surface exploration was conducted in 2013 to verify the existence of mineralization in the geophysical and geochemical anomalies, with 1,000m³trenching work completed, including three trenches (TC250-1, TC190-1 and TC31). Ordinary chemical analysis was conducted on 21 samples. The total cost incurred by Sino-Top on the exploration of Yuanlinzi in 2013 was approximately RMB77,000.

The planned exploration for 2014 was to further identify the deeper parts of the original tin bodies I and II, with the use of old data of the 1970 s, recalculating the economic values and identifying the promising anomalies.

At present, field projects for the yearly exploration season were completed with 502.45m drilling (2 holes) completed during 2014. In addition, chemical analysis was completed for 14 samples. No industrial-value mineralization was detected. The total cost of exploration work completed by Sino-Top in 2014 was approximately RMB192,000 or approximately $31,000. There was no exploration work completed in 2015.

Shididonggou

Located in Keshiketeng County, Inner Mongolia, China the property is 311 hectares (768 acres).

Identified commodities are silver lead and zinc. The Company has a 20% interest in this property through its Sino-top joint venture. The exploration license is under the name of Sino-Top. It grants the right to detailed exploration over an area of 3.11 square kilometers in Keshiketeng County, Inner Mongolia. The validity period was from April 4, 2012 to April 3, 2014. The license renewal application has been submitted to the local government for review and approval.

Surface exploration was conducted in 2013 to probe the extensions of mineralization, with 617m drilling (3 holes) and 594 m³trenching completed. Ordinary chemical analysis was conducted on 103 samples, and mineralogical analysis on 2 samples. Drill hole ZK3501 hit two layers of Pb-Zn-Ag-Cu mineralization with a total thickness of 2.5m. Drill hole ZK2502 also hit mineralization. The controlled mineralization zone II-1 has an average thickness of 2 3 meters and a maximum along-hole depth of 218 meters.

The exploration plans for 2014 included conducting trenching and drilling work to find out the ore-bearing potentials and continuity of major mineralization and verify the geophysical and geochemical anomalies based on the 2013 exploration work.

At present, field projects for the yearly exploration season were accomplished with 845.01m drilling (3 holes) having been drilled. In addition, 4.2km geophysical profiling was completed. Chemical analysis was completed for 51 samples. The total cost of exploration work completed by Sino-Top in 2014 was approximately RMB635,100 or approximately $102,000. There was no exploration work completed in 2015.

Zhuanxinhu

Located in Keshiketeng County, Inner Mongolia, China the property is 624 hectares (1,542 acres).

Identified commodities are silver and copper. The Company has a 20% interest in this property through its Sino- top joint venture. The exploration license is under the name of Sino-Top. It grants the right to detailed exploration over an area of 6.24 square kilometers in Keshiketeng County, Inner Mongolia. The validity period is from April 4, 2012 to April 3, 2014. The license renewal application has been submitted to the local government for review and approval.

Surface exploration was conducted in 2013 to probe the extensions of mineralization, with 3,022m drilling (12 holes) and 377m³trenching completed. Ordinary chemical analysis was conducted on 449 samples, and mineralogical analysis on 10 samples. The controlled mineralization zone No. I has a length of 650 meters and an along-hole depth of 300 400 meters. The exploration plans for 2014 included conducting drilling work to control the strike and dip of ore body 1 based on work completed in 2013; conducting other exploration work to understand its ore-controlling structure and find new mineralization zones; conducting drilling and tunneling work to increase the mineralization zones; and studying ore-processing parameters and economic values.

At present, field projects for the yearly exploration season were completed with 4,399.84m of drilling (16 holes). In addition, 6.24km2 geophysical prospecting was completed. Chemical analysis was completed for 375 samples. The total cost of exploration work completed by Sino-Top in 2014 was approximately RMB2.520 million or approximately $405,800. There was no exploration work completed in 2015.

Aobaotugounao

In addition, Sino-Top owns the Aobaotugounao silver-polymetallic property. This property was previously considered material to us, but is no longer considered material because Sino-Top determined in 2013 not to fund further exploration. The Aobaotugounao Property is exploratory in nature. Sino-Top intends to sell the Aobaotugounao Property (assuming an interested buyer). The total cost of exploration work completed by Sino-Top in 2014 was

approximately RMB971,000 or approximately $156,400.

The Aobaotugounao property covers a total of 21.07 km2. It is approximately 9km northwest of Tongxing Township, Keshiketeng County, Inner-Mongolia. Geologically, it is characterized by a hydrothermal vein Ag-polymetallic deposit within Jurassic volcanic series. Major alterations are limonitization, siliconization, chloritization and fluoritization.

The exploration license is held by Sino-Top. It grants the right to detailed exploration over an area of 21.07 square kilometers in Keshiketeng County, Inner Mongolia. The validity period is from January 15, 2013 to January 14, 2015 with a new exploration license application submitted.

In 2012, the Exploration Unit of North China Geological Exploration Bureau completed exploration projects on the property. The main tasks of the exploration were to operate advanced geological mapping of the whole property area and to detect mineralization zones I and II in northern property by trenching and drilling with 100m × 100m exploratory grid in order to obtain 333 degree resources of silver, lead and zinc.

Completed exploration projects in 2012

The exploration projects completed in 2012 include 14 drill holes and one surface trenching. The exploration work was focused on Ag-Pb-Zn mineralization zone no. I (particularly ore zone [1]), which was discovered by geophysical and geochemical detection, surface trenches, and 4 drill holes in 2011. The following table (Table 1) shows detailed exploration items of 2012. As a result, a total of 12 Ag-Pb-Zn ore zones and mineralized bodies were identified in the Property.

Table of Exploration work completed in 2012

no.	Exploration work		Completed work
	Item	Unit	
1	1:2000 geological and topographic mapping	km^2	2.0
2	Measurement of exploration lines	km	9.6
3	Drilling (14 drill holes)	m	5695.25
4	Trenching	m^3	78
5	Sample assaying	piece	423
6	Petrologic study on samples	piece	4
7	Engineering measurement	point	42

Item 3. Legal proceedings

On September 19, 2014, the Investor filed a complaint in the Court of the Chancery of the State of Delaware (the Court), to recover the $1,014,140 of the $1,069,279 advanced. The Investor is seeking action for unjust enrichment, fraud and violations of the Delaware Uniform Fraudulent Transfer Act. The Investor has also named Travellers and Mr. Hazout, a director and chief executive officer of the Company. The Company retained counsel in Delaware and filed a Motion to Dismiss. The Court subsequently accepted our appeals for removal of these additional two parties from the complaint, on June 3, 2015 for Travellers and on August 6, 2015 for the director and chief executive officer of the Company. The Company retained counsel in Delaware and filed a Motion to Dismiss. Subsequently, the Court proposed a date of November 26, 2014 for the plaintiff to file his answering brief in response to this Motion to Dismiss and the Company to file its reply brief to the plaintiff s answering brief, on or before December 12, 2014. These briefs were filed. On January 7, 2015, the Company filed a counterclaim as a consequence of its reliance on the Investor advancing the funds which would have resulted in the Company not having its equity investment diluted. The Company has filed a counterclaim for $120,000,000, seeking damages for failure to meet funding obligations.. There cannot be any assurance of the outcome of this litigation.

Further, on January 7, 2015, Travellers and Mr. Hazout moved to dismiss the action against them for lack of personal jurisdiction under Rule 12(b)(2) of the Superior Court Rules. On June 3, 2015, the Superior Court granted the motion to dismiss as to Travellers, but denied the motion to dismiss as to Mr. Hazout. Mr. Hazout filed a motion for reargument on June 8, 2015, which the Superior Court denied on June 18, 2015. Mr. Hazout filed a Notice of Appeal before the Delaware Supreme Court on July 7, 2015, which the Court accepted on August 6, 2015. The hearing in the appeal motion to dismiss the case was heard on January 20, 2016 and on February 26, 2016, the Delaware Supreme Court issued its ruling finding that Mr. Hazout is subject to personal jurisdiction in Delaware.

On August 3, 2015, shareholder Su Hu filed a Verified Complaint in the Delaware Court of Chancery (the Court) seeking to compel the Company to hold an annual meeting of stockholders, pursuant to 8 Del. C. § 211. On August 24, 2015, the Issuer filed its Answer to Su Hu s Verified Complaint. The Company s Answer admitted each factual allegation contained in Su Hu s Verified Complaint, including that Pursuant to 8 Del. C. § 211(c), Plaintiff is entitled to an order of this Court summarily directing the Issuer to promptly hold an Annual Meeting. On or about February 3, 2016, Su Hu filed a motion in the Court to seek a court order to postpone the Annual Stockholders Meeting by 29 days from February 18, 2016 to March 18, 2016 on an alternate slate of the Company s directors and according to Su Hu s motion, the proposed sale by the Company of virtually all of it assts. The Company filed a motion to oppose Su Hu s motion, Hu filed a reply memorandum on February 10, 2016. On February 11, 2016, the Court denied Hu s motion to postpone the annual meeting but left open the opportunity for Hu to file an amended complaint to challenge the meeting on other grounds. On February 22, 2016, upon the refiling of a motion by Hu, the Court granted the motion and enjoined the Company from holding the 2016 Annual Meeting of Stockholders before March 24, 2016.

On February 26, 2016, one of the Company s convertible debt holder s, Tonaquint, Inc., a Utah corporation (Tonaquint), sent a letter to the Company detailing breaches by the Company of the transaction documents and events of default and demanding full payment of the outstanding balance of the note by March 2, 2016. The Company didn t respond to the demand letter and on March 5, 2016, Tonaquint filed a lawsuit in the district court, district of Utah, central division, demanding payment of the balance owing of $8,822,073. This amount does not include interest and fees accrued after February 26, 2016, which will continue to accrue and the attorney s fees and costs associated with the collection and enforcement of this lawsuit.

The Company entered into a Settlement and Securities Purchase Agreement (the Agreement), dated as of April 7, 2016, with Tonaquint, Pursuant to the Agreement on April 8, 2016, Tonaquint purchased a new Secured Convertible Promissory Note in the principal amount of $6,836,557 (the New Note) which was paid for by Tonaquint delivering $400,000 to the Company and surrendering a previously issued Secured Convertible Promissory Note having an outstanding balance in the amount of $9,093,950 (the Prior Note Balance). The New Note Purchase Price was $6,816,557 and was computed as follows: an initial principal balance of 6,836,557, less a $20,000 fee to cover

Investor s legal fees and other transaction expenses. As part of the transaction, Tonaquint forgave $2,677,393 of the Prior Note Balance.

Under the Agreement the Company and Tonaquint agreed that, upon the mutual agreement of both parties, Tonaquint may make additional investments (each an Additional Investment) pursuant to a Secured Convertible Promissory Note (the Additional Note and together with the New Note, the Notes).

The New Note and any Additional Notes are secured by a security agreement whereby the company has granted Tonaquint a security interest in all of its assets to secure the Company s performance of its obligations under the New Note and the Additional Notes, and a Pledge Agreement whereby the Company pledged all of its right, title and interest in and to the equity interest held by the Company in Sino-Top to secure the performance of the Company s obligations under the New Note and Additional Notes. The New Note provides for customary events of default, including, but not limited to, cross defaults to specified other debt of the Company and its subsidiaries. Tonaquint, pursuant to the terms of the New Note, is subject to an ownership limitation of 9.99% (the Limitation). If Tonaquint comes to beneficially own a number of the Company s shares in excess of 9.99%, the Company must not issue to Tonaquint shares of Common Stock which would exceed the Limitation.

Upon execution of the Agreement, the Company received a general release of any claims Tonaquint may have had against the Company and the Company granted the Tonaquint a general release of any claims the Company may have had against Tonaquint. Upon the execution of the transaction documents related to the Agreement, an action brought by Tonaquint against the Company in the United States District court, District of Utah, Central Division is being dismissed.

Under the Agreement, on the earlier of: (i) Company s next annual meeting of stockholders or (ii) six (6) months from the date hereof (the Share Reserve Date), the Company will reserve 150,000,000 shares of Common Stock from its authorized and unissued Common Stock to provide for the issuance of Common Stock pursuant to conversions of the Notes (the Share Reserve). Furthermore, from and after the Share Reserve Date and until such time that all outstanding Notes have been paid in full, the Company shall require the transfer agent to maintain the Share Reserve. The Company shall further require its transfer agent to hold such shares of Common Stock exclusively for the benefit of Tonaquint and to issue such shares to Tonaquint promptly upon Tonaquint s delivery of a conversion notice under the New Note and any Additional Notes.

So long as the New Note and any Additional Notes are outstanding Tonaquint also has the right to appoint an observer to the Company s board, who will receive timely notice of, and can participate in, the Company s board meetings.

Tonaquint also received a right to participate in any of the Company s future financings to the extent of 50% of any such future financing transaction.

Pursuant to the Agreement, the Company additionally entered into a confession of judgment pursuant which it agreed that the United States District Court for the District of Utah, Central Division, at the request and discretion of counsel for Tonaquint and upon the occurrence of an event of default under the New Note, may enter judgment in the amount of $6,836,557 plus accrued interest, fees, charges and reasonable attorney s fees and costs less any payments made by the Company under the New Notes.

The New Note has a principal balance of $6,836,557 and carries an annual interest rate of 12%. Tonaquint may convert the New Note at any time beginning December 31, 2016 and until the outstanding balance on the Note is paid in full. The maturity date of the New Note is March 31, 2019 (the Maturity Date)

The conversion price for each Lender Conversion (as defined below) shall be $0.015 (the Lender Conversion Price). However, in the event the Company s Market Capitalization (as defined in the New Note) falls below $4,000,000.00 at any time, then in such event (a) the Lender Conversion Price for all conversions by Tonaquint occurring after the first

date of such occurrence shall equal the lower of the Lender Conversion Price or the Market Price (as defined in the New Note) as of any applicable date of conversion, and (b) the true-up provisions of the promissory note shall apply to all Lender Conversions that occur after the first date the Market Capitalization falls below $4,000,000.00.

Beginning on December 31, 2016 and on the same day of each month thereafter until the Maturity Date (each, an Installment Date), if paying in cash, the Company shall pay to Tonaquint the applicable Installment Amount due on such date and if paying in Installment Conversion Shares (as defined below), the Company shall deliver such Installment Conversion Shares on or before the delivery date. As used in the Installment Amount means $100,000.

Payments of each Installment Amount may be made (a) in cash, or (b) by converting such Installment Amount into shares of Common Stock (Installment Conversion Shares, and together with the Lender Conversion Shares, the Conversion Shares) (each an Installment Conversion) per the following formula: the number of Installment Conversion Shares equals the portion of the applicable Installment Amount being converted divided by the Installment Conversion Price, or (c) by any combination of the foregoing, so long as the cash is delivered to Lender on the applicable Installment Date and the Installment Conversion Shares are delivered to Lender on or before the applicable delivery date. Notwithstanding the foregoing, the Company will not be entitled to elect an Installment Conversion with respect to any portion of any applicable Installment Amount and shall be required to pay the entire Amount of such Installment Amount in cash if on the applicable Installment Date there is Equity Conditions Failure (as defined in the New Note), and such failure is not waived in writing by Tonaquint.

On the date that is twenty trading days (a True-Up Date) from each date that the Installment Conversion Shares delivered by the Company to Tonaquint become cleared for resale by any applicable compliance departments of Tonaquint s brokerage firm or clearing firm, and such shares have been deposited in such clearing firm's account for the benefit of Tonaquint, there shall be a true-up where the Company shall deliver to Lender additional Installment Conversion Shares (True-Up Shares) if the Installment Conversion Price as of the True-Up Date is less than the Installment Conversion Price used in the applicable installment notice. In such event, the Company shall deliver to Tonaquint within three trading days of the True-Up Date a number of True-Up Shares equal to the difference between the number of Installment Conversion Shares that would have been delivered to Tonaquint on the True-Up Date based on the Installment Conversion Price as of the True-Up Date and the number of Installment Conversion Shares originally delivered to Tonaquint pursuant to the applicable installment notice.

Upon the sale by Company of all equity interests held by the Company in Sino-Top, Tonaquint may cause the Company to repay its outstanding balance on promissory notes held by Tonaquint or redeem New Note at the Redemption Value (as defined in the New Note).

In connection with the foregoing, the Company relied upon the exemption from securities registration provided by Section 4(a)(2) under the Securities Act of 1933, as amended, for transactions not involving a public offering.

Item 4. Mine Safety Disclosures

Not applicable.

Part II

Item 5. Market for common equity and other shareholder matters

Our Common Stock is quoted on the Over-the-Counter market (OTCQB) under the symbol SDRG. On April 27, 2016, the last reported sale of our Common Stock as reported on the OTCQB was $0.026 per share. Our Common Stock commenced trading on the OTCQB on January 1, 2001, and trading has been limited since then; there can be no assurance that a viable and active trading market will develop. There can be no assurance that even if a market were developed for our shares, there will be a sufficient market so that holders of Common Stock will be able to sell their shares, or with respect to any price at which holders may be able to sell their shares. Future trading prices of our Common Stock will depend on many factors, including, among others, our operating results and the market for similar securities.

The following table shows the quarterly high and low trade prices for one share of our Common Stock on the OTCQB. The prices reflect inter-dealer prices, without retail mark-up, mark-down, or commission and may not represent actual transactions.

	Sales Price on the Over-The-Counter ($)	
	High	**Low**
Fiscal Year Ended December 31, 2015		
First Quarter	0.053	0.025
Second Quarter	0.036	0.016
Third Quarter	0.038	0.010
Fourth Quarter	0.045	0.018
Fiscal Year Ended December 31, 2014		
First Quarter	0.008	0.003
Second Quarter	0.023	0.005
Third Quarter	0.050	0.015
Fourth Quarter	0.058	0.031

Holders

As of the date of this filing, there were 369 shareholders of record of our Common Stock.

Dividends

We have never paid and do not intend to pay any cash dividends on our Common Stock for the foreseeable future. We currently intend to retain any future earnings for reinvestment in our business. Any future determination to pay cash dividends will be at the discretion of our Board and will be dependent upon our financial condition, results of operations, capital requirements and other relevant factors.

Equity Compensation Plan Information

The Company has no equity compensation plans in effect as of December 31, 2015 or on the date of this filing.

Sales of Unregistered Securities during 2015 `

Not applicable

Item 6. Selected Financial Data

Not applicable

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations.

This Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) should be read in conjunction with the financial statements included herein. Further, this MD&A should be read in conjunction with the Business and Risk Factors sections of this Annual Report on Form 10-K. Our financial statements have been prepared in accordance with GAAP.

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

Plans for the Year 2016

Our management and Board are assessing recent developments, our financial position and related risks, and evaluating our alternatives. These alternatives may include dissolution or bankruptcy. See Risk Factors .

Subject to the foregoing, with respect to operations, Sino-Top s primary plan is to obtain a mineral mining right and processing license at Laopandao. In January 2013, Sino-Top obtained a mining area delimitation approval for Dadi issued by the Land & Resources Department of Inner Mongolia. The mining license application requirements were fulfilled and submitted in 2013.The mining right license was received on September 24, 2015. In addition, Dadi, plans include mill and tailings pond construction; continue the core drilling, trenching and tunneling program; conduct a metallurgical study of the minerals; and perform additional sample testing and assaying. At Laopandao, while not yet finalized or approved by the board of directors of Sino-Top, plans are to find a buyer and sell the property once a mining right license is obtained. There is no assurance that a buyer may be found or that a mining right license may be obtained. As previously disclosed, on December 29, 2015, the Company entered into an equity transfer agreement with Beijing Shengda Industrial Group Ltd. (BSIG), pursuant to which the Company agreed to sell its 20% interest in Inner Mongolia Guangda Mining Ltd. (Guangda), a wholly owned subsidiary of Sino-Top, which owns the two properties, Dadi and Laopandao, subject to adjustments provided in the agreement and various approvals. On February 4, 2016, the Company announced that its Board rejected this offer and provided a counter offer.

Cash Requirements

Our current level of cash is significantly insufficient to satisfy our current debt obligations and to fund our business as currently planned for 12 months. We will need significant additional funds to satisfy such obligations and to continue operations, which we may not be able to obtain. See Risk Factors and Liquidity and Capital Resources.

Critical Accounting Policies

The preparation of financial statements in conformity with 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 the Company 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 this Annual Report on 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 unproved 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 in accordance with APB 18 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 comprehensive loss 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.

Results of Operations for the Years Ended December 31, 2015 and 2014

Net sales were $nil for both of the years ended December 31, 2015 and December 31, 2014, as there was no production at any of the properties.

The net loss for the year ended December 31, 2015 was $6,084,317, significantly higher than the net loss of $3,575,284 in the prior year, primarily due to increased interest expense and penalties on the convertible notes payable.

The general and administration expenses decreased significantly by $145,823 from $1,062,044 for the year ended December 31, 2014 compared to $916,221 for the year ended December 31, 2015, as we took measures to decrease operating costs relating to the head office, lower management fees due to a director s contract expiring at the end of August 2014 and changes to the fees paid to one of our operations staff in China along with reduced activity in China.

Total other expenses increased significantly by $2,654,856 from $2,513,240 for the year ended December 31, 2014, compared to $5,168,096 for the year ended December 31, 2015, primarily due to increased penalties on the convertible notes payable offset by a reduction in our net loss on equity investment.

Liquidity and Capital Resources

As of December 31, 2015, we had a cash balance of $1,093 and current debt obligations in the amount of $12,514,012. We do not have sufficient funds to satisfy our current debt obligations. Should our creditors seek or demand payment, we do not have the resources to pay or satisfy any such claims. Thus, we face a risk of bankruptcy.

As discussed in Item 1, we received advances totaling $1,069,279 from the Investor in contemplation of a secured loan and change of control transaction that had not closed. This amount is included within our current debt obligations. In addition to having insufficient cash to pay our debts, we have no funds to support any business operations. We have been unable to satisfy our commitment to fund 44.44% of owners contributions to the Sino-Top joint venture, and we did not meet the deadlines on required contributions for our equity investment. The result was a loss in the interest in our equity investment, from 40% to 20%, effective June 30, 2014. As noted above under Sino-Top Joint Venture , on October 7, 2014, the Company announced that its Foreign Cooperative Joint Venture in China, Sino-Top, had signed an understanding with Shengda to be acquired subject to third party evaluation and all other regulatory approvals and filings. Shengda is the majority shareholder of Sino-Top. On October 21, 2015, the Company signed a transaction memorandum with Shengda, to receive cash consideration for its equity interest in

Sino-Top. Shengda agreed to advance RMB5.0 million or approximately $770,000 in two installments for certain transaction costs and for general corporate purposes. The first installment of RMB2.5 million or approximately $385,000 was received on October 22, 2015 and the second installment of RMB2.5 million or approximately $385,000 was received on December 30, 2015 from a related company of Shengda, Beijing Shengda Industrial Group Ltd., (BSIG). Further, on December 29, 2015, the Company entered into an equity transfer agreement with BSIG, pursuant to which the Company agreed to sell its 20% interest in Guangda, a wholly owned subsidiary of Sino-Top for RMB161,922,820 or approximately $25 million, subject to adjustments provided in the agreement and various approvals.

On February 4, 2016, the Company made Shengda a counter offer, the terms of which include a purchase price of RMB265,000,000 or approximately $40.916 million for the Company s 20% interest in Sino-Top, which includes all six properties with the purchase price being paid in two installments, 50% on closing and 50% on approval by all appropriate regulatory authorities, including the China Securities Regulatory Commission and Ministry of Commerce no later than December 31, 2016. Accordingly, the Company considers the agreement with BSIG to be terminated.

The Sino-Top board met on March 29, 2014 and passed resolutions regarding corporate operation plans, the budget and the funding schedule for 2014. The 2014 funding gap was Renminbi ("RMB")171.0 million or approximately $26.317 million. In accordance with the investment ratio of 5:4, the Company should have contributed RMB76.0 million or approximately $11.696 million. Approximately 85% of the budget was dedicated to exploration activity. The Company's investment in Sino-Top would be diluted to 20% if it did not make a contribution of RMB50.0 million or approximately $7.695 million by April 8, 2014 (on April 1, 2014, the Company was granted an extension from April 8, 2014 to April 15, 2014) and a further contribution of RMB26.0 million or approximately $4.001 million by June 15, 2014, with no further required contributions. These were cumulative amounts and included past contributions which were not made by the Company. The Company was not able to meet the deadlines noted and as a result, its investment in Sino-Top was diluted to 20% on June 30, 2014. The Company had been in discussions with Sino-Top and the Investor, to satisfactorily make its required contributions, but was unsuccessful.

On May 31, 2015, the Sino-Top board of directors finalized the 2015 budget. The total budget for 2015 was set at RMB133.937 million or approximately $20.613 million. Approximately 80% of the budget was dedicated to exploration activity.

All amounts approximate the noon exchange rate as reported by the Bank of Canada on April 27, 2016.

To pay our debts and to fund any future operations, we require significant new funds, which we may not be able to obtain. In addition to the funds we require to liquidate our $12,514,012 in current debt obligations, we estimate that we must raise approximately $750,000 to fund capital requirements and general corporate expenses for the next 12 months.

Our primary cash requirements are for the exploration and acquisition of mining exploration properties and corporate and administrative costs. At December 31, 2015, we had a working capital deficit of $12,179,082 (2014-$7,312,054). During 2014 and 2015, we did not contribute funds to Sino-Top for exploration purposes. For the year ended December 31, 2015 we used cash of $736,662 (2014-$771,560) on operating activities.

During 2014, we received RMB100,000 or $16,520 relating to the final receipt on the sale of our interest in Chifeng.

During 2010, 2011, 2012, 2014 and 2015, we undertook, and we had defaulted under the terms of a number of convertible note financings, as set forth below:

Tonaquint Note Financing

On February 15, 2011, the Company entered into a Note and Warrant Purchase Agreement (the Purchase Agreement) with Tonaquint, Inc., a Utah corporation (Tonaquint) whereby the Company issued and sold for cash, and Tonaquint purchased: (i) a secured convertible promissory note of the Company in the original principal amount of $2,766,500 (the Tonaquint Note) and (ii) a warrant to purchase Common Stock of the Company (the Tonaquint Warrant). In connection with the transaction, the Company also issued to Tonaquint 50,000 shares of Common Stock. The Purchase Agreement, the Tonaquint Note and the Buyer Notes (defined below) are collectively referred to herein as the Original Tonaquint Agreements .

The original principal amount of the Tonaquint Note was $2,766,500 (Maturity Amount) and the Tonaquint Note was due 48 months from the issuance date of February 15, 2011. The Tonaquint Note has an interest rate of 5.5% per annum. The total amount funded (in cash and notes) at closing was $2,500,000, representing the Maturity Amount less an original issue discount of $251,500 and the payment of $15,000 to Tonaquint to cover its fees, with payment consisting of $500,000 in cash advanced at closing and $2,000,000 in a series of ten secured notes with interest rates of 5% described in more detail below. The Company also had the right to offset the payment of any of these notes and not receive payment for such notes or be obligated to pay such portion of the notes, subject to certain conditions and obligations.

Beginning six months after closing, Tonaquint has the right to convert, subject to restrictions described in the Tonaquint Note, all or a portion of the outstanding amount of the Tonaquint Note that is eligible for conversion into shares of the Company s Common Stock. The number of common shares delivered to Tonaquint upon conversion will be calculated by dividing the amount of the Tonaquint Note that is being converted by the market price of the Common Stock, which is defined as 70% of the average of the volume weighted-average prices (VWAP) of the Common Stock for the three trading days with the lowest VWAPs during the 10 trading days prior to the conversion. The Company recognized $nil (2013 - $nil) as the beneficial conversion feature and recorded interest and penalties of $846,573 (2013-$363,922) and loss on settlement of $nil (2013-$nil) during the year. The beneficial conversion feature was being amortized over the period ending February 15, 2015.

Tonaquint also received a warrant to purchase 8.6 million shares of Common Stock of the Company at an exercise price of US$0.50 per share at any time within three years after February 15, 2011. The Tonaquint Warrant also contained a net exercise provision. The warrants were initially valued at $242,090 representing the relative fair value allocation of the warrants. The warrants were being charged to interest expense over the term of the secured convertible note payable and amounted to $nil (2013 - $nil) and a loss on settlement of $nil (2013-$nil) in the year. The warrants expired on February 15, 2014.

Each of the Tonaquint Note and the Tonaquint Warrant contain a provision such that Tonaquint shall not be permitted to hold, by virtue of payment of interest or principal under the Tonaquint Note or conversion of the Tonaquint Note or the exercise of the Tonaquint Warrant, a number of shares of Common Stock exceeding 9.99% of the number of shares of the total Common Stock outstanding on such date (the 9.99% Cap). The Company shall not be obligated and shall not issue to Tonaquint shares of its Common Stock which would exceed the 9.99% Cap, but only until such time as the 9.99% Cap would no longer be exceeded by any such receipt of shares of Common Stock by Tonaquint.

Tonaquint s obligation to pay the balance of the purchase price of the Tonaquint Note is evidenced by 10 Secured Buyer Notes (Buyer Notes). Each Buyer Note is in the principal amount of $200,000. Three of the Buyer Notes are secured by a trust deed (Trust Deed) encumbering a parcel of real estate with improvements in the State of Utah, which is owned by Tonaquint (the Real Estate). The Company has received a first priority lien and security interest in the Real Estate by virtue of the Trust Deed to be recorded in the county office where the Real Estate is located. Prior to the execution of the Tonaquint Amendment (defined below), each Buyer Note was due and payable on or before the earlier of (i) 49 months from February 15, 2011, or (ii) subject to certain conditions described in each Buyer Note, a date beginning on September 15, 2011 for the first Buyer Note, October 15, 2011 for the second Buyer Note and so forth on the 15th of each subsequent month thereafter for each subsequent Buyer Note.

On June 10, 2011**,** the Company entered into an amendment to the Original Tonaquint Agreements. Under this amendment, Tonaquint agreed to accelerate payment of a portion of the amounts payable to the Company under the first and second Buyer Notes. The aggregate amount Tonaquint paid in respect thereto was $271,562, which the parties agreed was in full satisfaction of the aggregate principal amount owing under such notes of $400,000. The effect of this amendment was that the Company agreed to repay when due the full amount of the corresponding portion of the Tonaquint Note, which is $440,000, even though the Company only received $271,562 in respect thereof.

On January 31, 2012, Tonaquint and the Company entered into a second amendment to the Original Tonaquint Agreements. Under this amendment, Tonaquint agreed to accelerate payment of a portion of the amounts payable to the Company under the third, fourth, fifth, sixth, seventh (collectively, Buyer Notes 3-7) and eighth Buyer Notes. The aggregate amount Tonaquint paid in respect thereto was $800,000, which was in full satisfaction of the aggregate principal amount of $1,142,857 collectively owing under the following: the full amount owing under Buyer Notes 1-7; and a portion of the amount owing under the eighth Buyer Note. The effect of this amendment was that the Company agreed to repay when due the full amount of the corresponding portion of the Tonaquint Note, which is $1,142,857. This amount would equal the sum of the principal amount of Notes 3-7, plus the portion of the principal amount the Company owed under note 8, even though the Company only received $800,000 from Tonaquint in respect thereof.

As of December 31, 2012, we had received $1,200,000 in funds under the Buyer Notes, and the outstanding unfunded balance was $300,000. As of March 19, 2014, we had received $1,320,000 in funds under the Buyer Notes and the outstanding unfunded balance was $nil. In accordance with the letter agreement signed December 20, 2012, this balance has been offset against the convertible notes payable outstanding. There can be no assurance that the Company will ever receive any funds from Tonaquint under the remaining unfunded Buyer Notes.

The Buyer Notes each contain various events of default related to payment, certain covenants and bankruptcy events. The Trust Deed (and lien of the Company on the Real Estate) will be released upon the first to occur of: (i) written notice from the Company that the full amount of the Buyer Notes has been repaid, or (ii) the date that is six months and three days following the date the Trust Deed is recorded (or such longer period as indicated in a written notice from Tonaquint) (the Release Date). The termination of the Trust Deed may be delayed if the Buyer Notes are then in default. The instruments needed to release the Trust Deed, specifically the Request for Reconveyance and the Deed of Reconveyance will be held in escrow by an appointed escrow agent, under the terms of the Escrow Agreement dated February 15, 2011, by and among the parties.

The Tonaquint Note, the Tonaquint Warrant, the Buyer Notes, the Escrow Agreement, the Trust Deed, the Request for Reconveyance, and the Company Security Agreement were each delivered pursuant to the terms of the Purchase Agreement. The Purchase Agreement contains representations and warranties of the Company and Tonaquint that are customary for transactions of this kind. The Purchase Agreement contains certain penalties and damages in the event Tonaquint is unable to sell shares of the Company s Common Stock under Rule 144 because the Company is not current in regards to its required reports under the Exchange Act, or if the Company fails to timely deliver (generally within five business days) any shares of Common Stock issuable to Tonaquint upon conversion of the Tonaquint Note or exercise of the Tonaquint Warrant.

On March 1, 2011, the Company defaulted on terms of the secured convertible note payable which required the Company to file with the SEC in a timely manner all required reports. Consequently, the secured convertible note payable and the secured buyer notes receivable would be permitted to be offset at the option of the lender and the default interest of 12% per annum would apply to the outstanding balance. Also, upon written notice the entire outstanding balance would be immediately due and payable.

On July 16, 2012, the Company entered into a forbearance agreement with Tonaquint to commence the settlement process of certain notes receivable and convertible promissory notes payable. As part of the forbearance agreement, Tonaquint agreed to forbear from selling the Company s shares until September 15, 2012 in exchange for an increase in principal of 5% and the ability to prepay the remaining balance of note 8.

On October 4, 2012, the Company agreed with Tonaquint to redeem the outstanding balance on note 9 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.

On December 19, 2012, the Company entered into a payoff agreement and as a result of the agreement the secured buyer notes receivable were offset against the secured convertible promissory note payable.

During the year ended December 31, 2012, $513,944 of principal for the Tonaquint note was repaid in shares.

On June 3, 2013, the Company entered into an amendment to the original agreements which consist of the note and warrant purchase agreement dated February 15, 2011 with the lender, secured convertible promissory note of the Company in the principal amount or $2,766,500, 10 secured notes in favor of the Company (each, a Buyer Note) and a warrant to purchase common stock of the Company. Under the amendment, the lender agreed to accelerate payment of a portion of the amounts payable to the Company under the tenth Buyer Note. The aggregate amount the lender 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 $200,000. The Company and the buyer agreed that the amount, $120,000, once paid to the Company, will become a conversion eligible tranche under the Buyer Note in the amount of $220,000 plus interest and other amounts accrued under the Buyer Note.

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, the lender would pay the second payment of $60,000. Although the Company had not yet met all of the second payment conditions, the lender agreed to advance the second payment of $60,000 on August 2, 2013 and the Company received such payment.

In addition, pursuant to a letter agreement dated December 20, 2012, as amended effective April 12, 2013, August 7, 2013, November 13, 2013 and November 27, 2013, between the Company and Tonaquint, Tonaquint had agreed that, if the Company paid Tonaquint $2,500,000 on or before a fixed time on March 31, 2014, such payment would constitute payment in full of any and all obligations due and owing to Tonquint under the convertible promissory note issued to Tonaquint and certain other agreements between the parties (collectively, the Tonaquint Documentation). In consideration of the foregoing, Tonaquint had agreed, through March 31, 2014, to forbear from exercising any right or remedy under the Tonaquint Documentation, 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. If such payoff amount is not paid by March 31, 2014, Tonaquint s agreements under such letter agreement shall be deemed canceled. The parties have also agreed to a mutual release of claims.

On March 27, 2014 Tonaquint agreed to replace reference to the Payoff Amount and accept an amount equal to $2,750,000, so long as such payment is made on or before June 30, 2014. All other terms and conditions of the payoff letter remain in full force and effect.

The Company was not able to make payment on or before June 30, 2014 and continues to be in default of the payment required on the secured convertible promissory note. Tonaquint continues to have the option to convert all or a portion of its secured convertible promissory note into common shares of the Company.

On November 7, 2014, Tonaquint requested the conversion of a portion of their secured convertible promissory note, in the amount of $371,700. The Company was not able to complete the conversion and as a result, has incurred penalties, as stipulated by the agreement between Tonaquint and the Company. During the fourth quarter of 2014, the Company was charged penalties of $505,512, by increasing the amount outstanding on the secured convertible promissory note. Tonaquint continues to charge penalties which accrue at approximately $76,000 per week. In addition, interest on the secured convertible promissory note continues to accrue at an annual rate of 12%, compounded daily.

On November 10, 2014, the Company received $200,000 on a private placement for 4,000,000 common shares of the Company. These funds were recorded as additional debt from Tonaquint on receipt. The private placement was completed on January 16, 2015 with the issuance of the common shares of the Company.

During the year ended December 31, 2015, the lender charged late penalties of $3,908,426.

On February 26, 2016, Tonaquint sent a letter to the Company detailing breaches by the Company of the transaction documents and events of default and demanding full payment of the outstanding balance of the note by March 2, 2016. The Company didn t respond to the demand letter and on March 5, 2016, Tonaquint filed a lawsuit in the district court, district of Utah, central division, demanding payment of the balance owing of $8,822,073. This amount does not include interest and fees accrued after February 26, 2016, which will continue to accrue and the attorney s fees and costs associated with the collection and enforcement of this lawsuit.

The Company entered into a Settlement and Securities Purchase Agreement (the Agreement), dated as of April 7, 2016, with Tonaquint, Pursuant to the Agreement on April 8, 2016, Tonaquint purchased a new Secured Convertible Promissory Note in the principal amount of $6,836,557 (the New Note) which was paid for by Tonaquint delivering $400,000 to the Company and surrendering a previously issued Secured Convertible Promissory Note having an outstanding balance in the amount of $9,093,950 (the Prior Note Balance). The New Note Purchase Price was $6,816,557 and was computed as follows: an initial principal balance of 6,836,557, less a $20,000 fee to cover Tonaquint s legal fees and other transaction expenses. As part of the transaction, Tonaquint forgave $2,677,393 of the Prior Note Balance.

Under the Agreement the Company and Tonaquint agreed that, upon the mutual agreement of both parties, Tonaquint may make additional investments (each an Additional Investment) pursuant to a Secured convertible Promissory Note (the Additional Note and together with the New Note, the Notes).

The New Note and any Additional Notes are secured by a security agreement whereby the company has granted Tonaquint a security interest in all of its assets to secure the Company s performance of its obligations under the New Note and the Additional Notes, and a Pledge Agreement whereby the Company pledged all of its right, title and interest in and to the equity interest held by the Company in Sino-Top to secure the performance of the Company s obligations under the New Note and Additional Notes. The New Note provides for customary events of default, including, but not limited to, cross defaults to specified other debt of the Company and its subsidiaries. Tonaquint, pursuant to the terms of the New Note, is subject to an ownership limitation of 9.99% (the Limitation). If Tonaquint comes to beneficially own a number of the Company s shares in excess of 9.99%, the Company must not issue to Tonaquint shares of Common Stock which would exceed the Limitation.

Upon execution of the Agreement, the Company received a general release of any claims Tonaquint may have had against the Company and the Company granted Tonaquint a general release of any claims the Company may have had against Tonaquint. Upon the execution of the transaction documents related to the Agreement, an action brought by Tonaquint against the Company in the United States District court, District of Utah, Central Division is being dismissed.

Under the Agreement, on the earlier of: (i) Company s next annual meeting of stockholders or (ii) six (6) months from the date hereof (the Share Reserve Date), the Company will reserve 150,000,000 shares of Common Stock from its authorized and unissued Common Stock to provide for the issuance of Common Stock pursuant to conversions of the Notes (the Share Reserve). Furthermore, from and after the Share Reserve Date and until such time that all outstanding Notes have been paid in full, the Company shall require the transfer agent to maintain the Share Reserve. The Company shall further require its transfer agent to hold such shares of Common Stock exclusively for the benefit of Tonaquint and to issue such shares to Tonaquint promptly upon Tonaquint s delivery of a conversion notice under the New Note and any Additional Notes.

So long as the New Note and any Additional Notes are outstanding Tonaquint also has the right to appoint an observer to the Company s board, who will receive timely notice of, and can participate in, the Company s board meetings.

Tonaquint also received a right to participate in any of the Company s future financings to the extent of 50% of any such future financing transaction.

Pursuant to the Agreement, the Company additionally entered into a confession of judgment pursuant which it agreed that the United States District Court for the District of Utah, Central Division, at the request and discretion of counsel for Tonaquint and upon the occurrence of an event of default under the New Note, may enter judgment in the amount of $6,836,557 plus accrued interest, fees, charges and reasonable attorney s fees and costs less any payments made by the Company under the New Notes.

The New Note has a principal balance of $6,836,557 and carries an annual interest rate of 12%. Tonaquint may convert the New Note at any time beginning December 31, 2016 and until the outstanding balance on the Note is paid in full. The maturity date of the New Note is March 31, 2019 (the Maturity Date)

The conversion price for each Lender Conversion (as defined below) shall be $0.015 (the Lender Conversion Price). However, in the event the Company s Market Capitalization (as defined in the New Note) falls below $4,000,000.00 at any time, then in such event (a) the Lender Conversion Price for all conversions by Tonaquint occurring after the first date of such occurrence shall equal the lower of the Lender Conversion Price or the Market Price (as defined in the New Note) as of any applicable date of conversion, and (b) the true-up provisions of the promissory note shall apply to all Lender Conversions that occur after the first date the Market Capitalization falls below $4,000,000.00.

Beginning on December 31, 2016 and on the same day of each month thereafter until the Maturity Date (each, an Installment Date), if paying in cash, the Company shall pay to Tonaquint the applicable Installment Amount due on such date and if paying in Installment Conversion Shares (as defined below), the Company shall deliver such Installment Conversion Shares on or before the delivery date. As used in the Installment Amount means $100,000.

Payments of each Installment Amount may be made (a) in cash, or (b) by converting such Installment Amount into shares of Common Stock (Installment Conversion Shares, and together with the Lender Conversion Shares, the Conversion Shares) (each an Installment Conversion) per the following formula: the number of Installment Conversion Shares equals the portion of the applicable Installment Amount being converted divided by the Installment Conversion Price, or (c) by any combination of the foregoing, so long as the cash is delivered to Lender on the applicable Installment Date and the Installment Conversion Shares are delivered to Lender on or before the applicable delivery date. Notwithstanding the foregoing, the Company will not be entitled to elect an Installment Conversion with respect to any portion of any applicable Installment Amount and shall be required to pay the entire Amount of such Installment Amount in cash if on the applicable Installment Date there is Equity Conditions Failure (as defined in the New Note), and such failure is not waived in writing by Tonaquint.

On the date that is twenty trading days (a True-Up Date) from each date that the Installment Conversion Shares delivered by the Company to Tonaquint become cleared for resale by any applicable compliance departments of Tonaquint s brokerage firm or clearing firm, and such shares have been deposited in such clearing firm's account for the benefit of Tonaquint, there shall be a true-up where the Company shall deliver to Lender additional Installment Conversion Shares (True-Up Shares) if the Installment Conversion Price as of the True-Up Date is less than the Installment Conversion Price used in the applicable installment notice. In such event, the Company shall deliver to Tonaquint within three trading days of the True-Up Date a number of True-Up Shares equal to the difference between the number of Installment Conversion Shares that would have been delivered to Tonaquint on the True-Up Date based on the Installment Conversion Price as of the True-Up Date and the number of Installment Conversion Shares originally delivered to Tonaquint pursuant to the applicable installment notice.

Upon the sale by Company of all equity interests held by the Company in Sino-Top, Tonaquint may cause the Company to repay its outstanding balance on promissory notes held by Tonaquint or redeem New Note at the Redemption Value (as defined in the New Note).

In connection with the foregoing, the Company relied upon the exemption from securities registration provided by Section 4(a)(2) under the Securities Act of 1933, as amended, for transactions not involving a public offering.

Gel Properties Note Financing

2011 Gel Financing

On April 11, 2011, the Company issued two convertible promissory notes to Gel Properties, LLC (Gel) in the amounts of $100,000 and $300,000, respectively, and on December 15, 2011, the Company issued two convertible promissory

notes to Gel in the amounts of $150,000 and $250,000, respectively. Each note was issued at a 4% original issue discount. The notes bear interest at a rate of 6% per annum (with interest payable in Common Stock) and mature two years from the respective issue dates. The notes contain standard events of default, and in the event of a default, the notes accrue interest at 24% per annum. The notes are convertible, at the lender s option, into shares of Common Stock. The number of shares of Common Stock deliverable upon such conversion will be calculated by dividing the amount of the note that is being converted by 70% of the lowest closing bid price of the Common Stock for any of the four trading days prior to and including the date of the requested conversion.

The agreement was amended on October 12, 2011, and as a result $200,000 was paid on October 14, 2011 and the remaining $100,000 was paid on November 15, 2011. On December 15, 2011 an additional promissory note was issued for $250,000, bearing interest at 6% per annum and secured by assets pledged as collateral. $125,000 of principal under this note shall be due and payable on June 15, 2012 and the balance of $125,000 of principal and accrued interest shall be due and payable on August 1, 2012.

The Company has the option to redeem the notes and, in such case, pay to the holder 150% of the unpaid principal amount (which may be paid in Common Stock, at the request of the holder). In the event of certain fundamental transactions involving the Company (including, but not limited to, a merger or sale of all or substantially all of the Company s assets), the Company must, if requested by the holder, redeem the notes on the terms set forth in foregoing sentence.

While the notes are in effect, if the Company grants more favorable terms in a debt or convertible debt financing of less than $500,000 with regard to discount rate, interest rate or warrant coverage (or a similar equity booster arrangement), then the notes will be adjusted to give the holder the benefit of such enhanced treatment.

On April 19, 2011, the Company defaulted on terms of the convertible redeemable note payable which required the Company to maintain a dollar trading volume greater than $75,000 in any five trading days. On October 12, 2011 the Company entered into an amendment to change the amount of trading volume to be $50,000 in any five trading days. The note issued on October 12, 2011 was paid on February 28, 2012.

2012 Gel Financings

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 unsecured convertible redeemable note payable bears interest at the rate of 6% per annum and was due February 10, 2014. 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 unsecured convertible redeemable note payable bears interest at the rate of 6% per annum and is due February 10, 2014. 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.

Each of the foregoing two convertible redeemable note payables is convertible into common stock, at the lender s option at a 30% discount on the lowest close bid price during any four trading days prior to and including the day of conversion. The Company recognized $nil (2013 -$nil) as the beneficial conversion feature and recorded interest expense of $nil (2013 - $nil) and loss on settlement of $nil (2013-$nil) during the year. The beneficial conversion feature was being amortized over the term of the convertible redeemable notes.

Each also reflected an original issue discount of 4% which the Company recorded as deferred financing costs in the amount of $nil (2013 - $nil). In addition the Company incurred transaction costs of $nil (2013 - $nil) which were capitalized to deferred financing costs. The deferred financing costs were being charged to interest expense over the term of the convertible redeemable notes payable and amounted to $nil (2013 - $nil) and a loss on settlement of $nil (2013-$nil) in the year. During the year, interest expense in the amount of $105,613 (2013-$nil) was charged.

Gel Deferral Agreements

Pursuant to a letter agreement dated December 6, 2012, as amended effective April 10, 2013, July 30, 2013, November 8, 2013 and March 25, 2014 between the Company and Gel, Gel had agreed that, if the Company paid Gel $271,520 by the earlier of (i) the closing of a sale of all or substantially all of the assets of the Company or a merger or acquisition of the Company or (ii) a fixed time on June 30, 2014 (as applicable, the Gel Payoff Date), such payment would constitute payment in full of any and all obligations due and owing to Gel under the convertible promissory notes issued to Gel by the Company and certain other agreements between the parties (collectively, the Gel Documentation). In consideration of the foregoing, Gel had agreed, through the Gel Payoff Date, to forbear from exercising any right or remedy in respect of the Gel Documentation, 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. If such payoff amount is not paid by the Gel Payoff Date, Gel s agreements shall be deemed canceled. The parties have also agreed to a mutual release of claims.

In addition, as a result of the letter agreement dated December 6, 2012, as amended, the promissory notes receivable were offset against the convertible redeemable notes payable.

The Company was not able to make payment on or before June 30, 2014 and continues to be in default of the payment required on the convertible redeemable notes. Gel continues to have the option to convert all or a portion of its convertible redeemable notes into common shares of the Company. In addition, interest on the convertible redeemable notes continue to accrue at the rate of 24% per annum.

On January 13, 2015, Gel converted one of their notes, including accrued interest, an amount totaling $170,111, for 5,400,352 common shares of the Company. Further, on March 18, 2015, Gel converted a portion of their remaining note, in the amount of $36,000, for 2,057,143 common shares of the Company.

On June 1, 2015, the lender converted a portion of their remaining note, in the amount of $10,000, for 703,730 common shares of the Company. Further, on June 24, 2015, the lender converted a portion of their remaining note, in the amount of $15,000, for 1,203,852 common shares of the Company.

On August 5, 2015, the lender converted a portion of their remaining note, in the amount of $12,811, for 759,374 common shares of the Company.

Initial Note from JMJ

On April 19, 2011, the Company issued an uncollateralized convertible promissory note to JMJ Financial (JMJ) in the principal amount of $1,050,000 for consideration of $1,000,000 under the following cash payment schedule: $250,000 is payable (and was received) following execution of the promissory note; $150,000 is payable (and was received) following the filing of the registration statement we were obligated to file covering the Common Stock issuable upon conversion of the note (we filed such registration statement on May 10, 2011); $100,000 is payable (and was received) following effectiveness of such registration statement (the registration statement was declared effective on May 19, 2011); $250,000 is payable within 120 days of such effectiveness (as of December 31, 2011, we had received $125,000 of the $250,000) (the Third Tranche); and $250,0000 is payable within 180 days of such effectiveness (the Fourth Tranche and together with the Third Tranche, the Last Tranches). Each of the foregoing payments was conditioned upon the satisfaction, at the time of each payment interval, of the following conditions:

The then applicable JMJ Conversion Price (defined below) must equal or exceed $0.0919;
There must then be an adequate number of shares remaining under the aforementioned registration statement to cover any unconverted amounts previously paid in, as well as the payment being contemplated;
The total dollar trading volume of the Common Stock for the previous 23 trading days (after removing the three highest dollar volume days and then summing the dollar value for the remaining 20 trading days) must be equal to or greater than $750,000; and
There shall not then be an event of default under any agreements between the Company and JMJ.

As of December 31, 2012, we had received a total of $625,000 of the $1,000,000 in potential funds under this note. On April 25, 2012, the Company entered into an amendment to cancel the remaining amount of $375,000.

The note matured on April 19, 2014. The note was subject to a 5% one-time interest charge payable at maturity. The principal and interest may be converted, at the election of the holder, into that number of shares of Common Stock equal to the then outstanding principal amount of the note divided by 75% of the average of the three lowest closing prices in the 20 trading days prior to the conversion (JMJ Conversion Price). Notwithstanding the foregoing, JMJ may not convert an amount of the notes into Common Stock that would result in JMJ owning more than 4.99% of the then total outstanding Common Stock. Upon a request by JMJ for conversion, if the shares of Common Stock are not timely delivered or if the Company does not timely deliver instructions to its transfer agent in respect thereto, the Company will be subjected to a penalty at a rate of $2,000 per day for each day the Company fails to satisfy each of the foregoing.

The note was repaid in shares, as follows:

Conversion Date	Conversion Amount Principal	Conversion Amount Interest	Total	Conversion Stock Price	shares Number of
31-May-11	20,719		20,719	0.0829	250,000
8-Jul-11	38,925		38,925	0.0779	500,000
14-Jul-11	46,035		46,035	0.0767	600,000
23-Aug-11	62,269		62,269	0.0830	750,000
31-Aug-11	60,188		60,188	0.0803	750,000
7-Sep-11	37,613		37,613	0.0752	500,000
16-Sep-11	32,625		32,625	0.0653	500,000
22-Nov-11	59,963		59,963	0.0400	1,500,000
14-Dec-11	33,750		33,750	0.0338	1,000,000
09-Jan-12	69,750		69,750	0.0279	2,500,000
01-Feb-12	4,328		4,328	0.0433	100,000
09-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
09-Mar-12	20,134	-	20,134	0.0310	650,000
14-Mar-12	816	64,063	64,879	0.0310	2,094,552
	625,000	64,063	689,063		15,744,552

On June 23, 2011, the Company defaulted on the terms of the note, which required the Company to be able to settle equity transactions electronically with DWAC/FAST. As a result of the Company s default, all outstanding amounts under the note became immediately due and payable, although the Company and JMJ have entered into an agreement deferring payment for a limited period of time (see JMJ Deferral Agreements below).

Exchange of Notes between JMJ and the Company

On each of April 20, 2011, September 21, 2011 and April 26, 2012, the Company issued a $525,000 convertible promissory note to JMJ (collectively, the Additional Notes). In exchange therefor and in consideration thereof, the Company issued to JMJ the Reciprocal JMJ Notes (defined below). Accordingly, as the Reciprocal JMJ Notes were issued as the sole consideration for the Additional Notes, the Company did not receive (and, to date, has not received) any cash upon the issuance of the Additional Notes. The Additional Notes bear interest in the form of a one-time interest charge of 5.00% . Principal and interest on each Additional Note is payable on the respective maturity date, which is three years from the date of the Additional Note s issuance date. Each Additional Note is also payable on demand in an amount not to exceed the cash amount paid in by JMJ towards the applicable Reciprocal JMJ Note.

As at December 31, 2012 the principal amount of $1,197,615 remained outstanding. In accordance with the letter agreement signed December 13, 2012, the note receivable balance was offset against the convertible promissory note balance.

All or a portion of each Additional Note s principal and interest is convertible, at the option of the JMJ, into that number of shares of Common Stock equal to the then outstanding principal amount of the Additional Note divided by the JMJ Conversion Price. However, conversions of the Additional Notes are only available after JMJ has paid in cash to the Company under the applicable Reciprocal JMJ Note or has surrendered the collateral underlying such Reciprocal JMJ Note. Notwithstanding the foregoing, JMJ may not convert an amount of the Additional Notes into Common Stock that would result in JMJ owning more than 4.99% of the total outstanding Common Stock. Upon a request by JMJ for conversion, if the shares of Common Stock are not timely delivered or if the Company does not timely deliver instructions to its transfer agent in respect thereto, the Company will be subjected to a penalty at a rate of $2,000 per day for each day the Company fails to satisfy each of the foregoing.

Concurrently with the issuance of the Additional Notes, on each of April 20, 2011, September 21, 2011 and April 26, 2012, JMJ issued and delivered to the Company secured and collateralized promissory notes (the Reciprocal JMJ Notes), which served as the sole consideration to the Company for the Company s issuance of the Additional Notes. The Reciprocal JMJ Notes are each in the principal amount of $500,000 and bear interest in the form of a one-time interest charge of 5.25% . Principal and interest on each Reciprocal JMJ Note is payable to the Company on the maturity date, which is three years from the date of the Reciprocal JMJ Note s issuance. Each Reciprocal JMJ Note is secured by JMJ assets in the form of money market fund or other assets having a value of at least $500,000. While no principal or interest payments are required until the maturity date of each Reciprocal JMJ Note, the Reciprocal JMJ Notes state that JMJ plans to make payments in total bimonthly amounts of $200,000 beginning 210 days from the date of issuance of the Reciprocal JMJ Note. The terms further provide that any payments that may be made prior to maturity shall be on a best efforts basis by JMJ, and JMJ does not guarantee that it will make any payments prior to maturity. There can be no assurance that we will ever receive any funds from JMJ under the remaining unfunded Additional Notes.

For each of the Additional Notes, (1) the Company recorded deferred financing costs in the amount of $nil (2013 -$nil) representing the difference between the face value of the secured convertible note payable and the consideration provided and (2) the Company incurred transactions costs of $nil (2013 - $nil), which were capitalized to deferred financing costs. The deferred financing costs were being charged to interest expense over the term of the secured convertible note payable and the Company recorded interest expense of $63,082 (2013 - $nil) and a loss on settlement of $nil (2013-$nil) during the year.

On June 23, 2011, the Company defaulted on the terms of the April 20, 2011 Additional Note, and upon their issuance, the Company defaulted on the terms of the September 21, 2011 and April 26, 2012 Additional Notes. The default occurred due to the Company becoming unable to settle equity transactions electronically with DWAC/FAST. As a result of the Company s default, all outstanding amounts under the note became immediately due and payable, although the Company and JMJ have entered into an agreement deferring payment for a limited period of time, as discussed below.

JMJ Deferral Agreements

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. As a result, JMJ agreed to not convert any amount of the notes issued by the Company into common stock for the period between July 20, 2012 and September 15, 2012 and not to sell any common stock of the Company until September 15, 2012.

Pursuant to a letter agreement dated December 13, 2012, as amended effective April 9, 2013, August 7, 2013, November 8, 2013 and March 25, 2014 between the Company and JMJ, JMJ had agreed that, if the Company paid JMJ $204,104 on or before a fixed time on June 30, 2014, such payment would constitute payment in full of any and all obligations due and owing to JMJ under the convertible notes issued to JMJ by the Company and certain other agreements between the parties (collectively, the JMJ Documentation). In consideration of the foregoing, JMJ had agreed, through June 30, 2014, to forbear from exercising any right or remedy in respect of the JMJ Documentation,

including without limitation any right to conversion, right to delivery of shares or any remedy arising as the result of any default or event of default. If such payoff amount is not paid by June 30, 2014, JMJ s agreements shall be deemed canceled. The parties have also agreed to a mutual release of claims.

The Company was not able to make payment on or before June 30, 2014 and continues to be in default of the payment required on the convertible promissory notes. JMJ continues to have the option to convert all or a portion of its convertible promissory notes into common shares of the Company. In addition, no interest is accruing on the remaining convertible promissory notes.

On August 18, 2014, JMJ converted a portion of one of their notes, totaling $28,215 for 2,500,000 common shares of the Company.

Asher Note Financing

During 2010, 2011 and 2012, we issued a series of unsecured convertible promissory notes to Asher Enterprises, Inc. (Asher) for cash consideration pursuant to securities purchase agreements. The notes issued to Asher and the notes that matured are summarized in the following table:

Issue Date	Principal Amount	Maturity	Date Repaid in Full / Outstanding as of 12/31/13
06/18/2010	$75,000	03/21/2011	Repaid on 01/24/2011
07/20/2010	$45,000	04/22/2011	Repaid on 02/15/2011
11/09/2010	$50,000	08/11/2011	Repaid on 05/27/2011
01/11/11	$65,000	10/13/11	Repaid on 07/25/11
03/01/11	$55,000	12/02/11	Repaid on 09/27/11
04/08/11	$50,000	01/12/12	Repaid on 10/27/11
08/24/11	$55,000	05/29/12	Repaid on 03/13/12
11/20/11	$75,000	09/05/12	Repaid on 07/05/12
01/27/12	$42,500	Part III 10/30/12	Repaid on 8/22/12
03/15/12	$51,000	12/19/12	Subject to deferral agreement (see below)
05/16/12	$42,500	02/21/13	Subject to deferral agreement (see below)

The securities purchase agreements provide that, subject to limited exceptions, the Company may not conduct an equity offering (including debt convertible into equity) for 12 months following the note issuance date without first providing Asher with a right of first refusal. In addition, the notes, when outstanding, have the following attributes:

Interest accrues at a rate of 8% per annum (and any amount not paid when due bears interest at a rate of 22% per annum from the due date thereof until paid).

At any time during the period beginning on the date that is 180 days from the issue date, the notes are convertible into Common Stock, at the lender s option. The number of shares of Common Stock deliverable upon such conversion will be calculated by dividing the amount of the note that is being converted by 70 % of the average of the closing prices of the Common Stock for the three trading days with the lowest closing prices during the 10 trading days prior to the conversion. The notes contain anti-dilution protection such that the conversion price will be reduced to match the price of any Common Stock sold by the Company at a lower price than the conversion price. Upon a request for conversion, if the shares of Common Stock are not timely

delivered, the Company will be subjected to a penalty at a rate of $2,000 per day for each day the Company fails to satisfy the Common Stock delivery obligations. The lender has agreed to restrict its ability to convert the notes and receive shares of Common Stock such that the number of shares of Common Stock owned by the lender and its affiliates in the aggregate after such conversion does not exceed 4.99% of the then total outstanding shares of Common Stock. Upon a default, all amounts are immediately due and payable.

The Company may not undertake certain actions without the holder s consent, including among other things, that the Company may not, subject to limited exceptions, incur any additional debt, or sell, lease or otherwise dispose of a significant portion of its assets.

The lender has agreed to restrict its ability to convert the convertible promissory notes payable and receive shares of common stock such that the number of shares of common stock held by them and their affiliates in the aggregate after such conversion or exercise does not exceed 4.99% of the then issued and outstanding shares of common stock.

Several defaults occurred commencing in 2011 under the terms of several Asher notes, including certain of the notes that we have since repaid, as a result of which all amounts outstanding under our Asher notes become immediately due and payable. However, pursuant to a letter agreement dated November 29, 2012, as amended effective April 12, 2013, June 27, 2013, November 8, 2013 and March 25, 2014 between the Company and Asher, Asher had agreed that, if the Company paid Asher $93,520 before a fixed time on June 30, 2014, such payment would constitute payment in full of any and all obligations owing under the convertible promissory notes issued to Asher by the Company and certain other agreements between the parties (collectively, the Asher Documentation). In consideration of the foregoing, Asher had agreed, through June 30, 2014, to forbear from exercising any right or remedy under the Asher Documentation, 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 letter agreement. If such payoff amount is not paid by June 30, 2014, Asher s agreements under such letter agreement shall be deemed canceled.

The Company was not able to make payment on or before June 30, 2014 and continues to be in default of the payment required on the convertible notes. Asher continues to have the option to convert all or a portion of its convertible notes into common shares of the Company.

From July 22, 2014 through to August 20, 2014, Asher converted their notes in full, with accrued interest, a total of $108,460 for 9,884,147 common shares of the Company.

Vis Vires Note Financing

On March 27, 2015, the Company closed a convertible financing agreement in the amount of $102,000. The convertible note bears interest at 8% per annum, due December 31, 2015. The convertible note is convertible at a 40% discount, based on the average of the lowest three trading days for the common shares of the Company during the ten trading day period ending on the latest complete trading day prior to the conversion date.

On October 1, 2015, a lender converted a portion of their note in the amount of $20,000, for 3,076,923 common shares of the Company. Further, on October 5, 2015 the lender converted a portion of their note in the amount of $25,000, for 3,424,658 common shares of the Company.

ADAR Bays Note Financing

On August 6, 2015, the Company closed a convertible financing agreement in the amount of $50,000. The convertible redeemable note bears interest at 6% per annum, due August 6, 2016. The convertible redeemable note is convertible, no earlier than six months after closing, at 70% of the lowest bid price for the common shares of the Company during the four days prior to and including the date of conversion.

Summary of Status of Outstanding Notes

The outstanding notes described above, which include principal, interest and penalties total $8,558,759. Of this total, $8,507,532, are currently past due, as a result of our breach of various applicable covenants. Each lender continues to have the option to convert all or a portion of their convertible notes into common shares of the Company. But, with a limited number of common shares available to be issued and with the current trading price, the Company does not have sufficient common stock to issue for a conversion of some or all of the outstanding convertible notes.

Potential Transaction with Investor

In 2013, the Company began to engage in discussions with an Investor based in China, Man Kwan Fong, regarding a potential transaction that, if completed, would have involved the Investor making a secured loan to the Company and

taking over control of the management and the Board of the Company. In November and December 2013, the Company received advances totaling $1,069,279 from the Investor; however, the parties had not resolved definitive agreements, nor had the Investor funded the remaining amounts required to complete the initial closing. Due to funding delays by the Investor and changes in the Investor s offer, the Company s Board had determined not to proceed with the contemplated transaction. The Company was seeking to resolve the treatment of the initial $1,069,279 with the Investor, and may be required to return such funds, with or without interest, to the Investor.

On September 19, 2014, the Investor filed a complaint in the Court of the Chancery of the State of Delaware (the Court), to recover $1,014,140 of the $1,069,279 advanced. The Investor is seeking action for unjust enrichment, fraud and violations of the Delaware Uniform Fraudulent Transfer Act. The Investor has also named Travellers and the director and chief executive officer of the Company. The Court subsequently accepted our appeals for removal of these two parties from the complaint, on June 3, 2015 for Travellers and on August 6, 2015 for the director and chief executive officer. The Company retained counsel in Delaware and filed a Motion to Dismiss. Subsequently, the Court proposed a date of November 26, 2014 for the plaintiff to file his answering brief in response to this Motion to Dismiss and the Company to file its reply brief to the plaintiff s answering brief, on or before December 12, 2014. These briefs were filed.

On January 7, 2015, the Company filed a counterclaim for $120,000,000, seeking damages for failure to meet funding obligations, as a consequence of its reliance on the Investor advancing the funds which would have resulted in the Company not having its equity investment diluted.

Further, on January 7, 2015, Travellers and Mr. Hazout moved to dismiss the action against them for lack of personal jurisdiction under Rule 12(b)(2) of the Superior Court Rules. On June 3, 2015, the Superior Court granted the motion to dismiss as to Travellers, but denied the motion to dismiss as to Mr. Hazout. Mr. Hazout filed a motion for reargument on June 8, 2015, which the Superior Court denied on June 18, 2015. Mr. Hazout filed a Notice of Appeal before the Delaware Supreme Court on July 7, 2015, which the Court accepted on August 6, 2015. The hearing in the appeal motion to dismiss the case was heard on January 20, 2016 and on February 26, 2016, the Delaware Supreme Court issued its ruling finding that Mr. Hazout is subject to personal jurisdiction in Delaware.

Loan Facility with Travellers

On November 19, 2012, by resolution and without a written agreement, the Company s Board approved a loan facility pursuant to which Travellers), a company controlled by the Company s President, Chief Executive Officer and Principal Financial and Accounting Officer, Marc Hazout, had 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. The Board resolved (1) to treat all historical loans, and any potential future loans, as unsecured, due on demand and non-interest bearing and (2) to retain the discretion to terminate its prospective approval of potential future loans at any time. During 2012, Travellers loaned the Company $200,600 and the Company repaid $ 12,600. During 2013, Travellers loaned the Company $201,000 and the Company repaid $389,000. The amounts loaned by Travellers and repaid by the Company from January 1, 2014 through to the date of this filing, in Canadian dollars, are as follows:

Date	Loan Amount Advanced	Loan Amount Repaid
March 24, 2014	10,000	
May 1, 2014	10,000	
May 20, 2014	75,000	
July 2, 2014	15,000	
August 1, 2014	35,000	
September 2, 2014	29,000	
October 1, 2014	15,000	
October 22, 2014	6,000	
November 27, 2014	15,000	
January 2, 2015	1,000	
January 19, 2015		1,000
February 4, 2015	3,500	
February 11, 2015		3,500
February 20, 2015		3,000
March 2, 2015	10,000	
July 25, 2015		4,000
August 4, 2015		16,000
August 11, 2015		3,500
September 1, 2015	1,500	
October 29, 2015		195,000

As of December 31, 2015, the amount owing to Travellers under the loan facility was $nil (2014-210,000 (CAD) or $167,832). As of the date of this filing, the amount owing to Travellers was $nil.

2015 Equity Issuances

During the year, a total of 20,626,032 (2014-12,384,147) shares were issued on the conversion of notes. In addition, 557,143 (2014-650,000) shares were cancelled.

Going Concern

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.

At December 31, 2015, the Company had a working capital deficit of $12,179,082 (December 31, 2014 –$7,312,054), has not achieved profitable operations, incurred a net loss of $6,084,317 for the year ended December 31, 2015 (2014 – $3,575,284), has accumulated losses of $57,856,749 since its inception and expects to incur further losses in the development of its business. These factors and those noted below, cast substantial 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 has been unable to secure additional financing to meet its cash requirements, including ongoing working capital, cash contributions for its equity investment and funds to repay all or certain of its convertible note holders. There is no assurance of additional funding in any form, being available or available on acceptable terms.

In March of 2014, the Company received extensions of its obligations to repay the convertible note holders from a date of March 31, 2014 to June 30, 2014. In addition, the Company had in place forbearance agreements with its convertible note holders. The Company was not able to repay the obligations owing to the convertible note holders on or before the June 30, 2014 deadline and thus is in default. Management continues to have discussions with the convertible debt holders in efforts to establish new deadlines for repayment and/or have them convert some or all of their convertible notes. The convertible note holders continue to have the option to convert all or a portion of their notes, as some have during the current year and subsequent to the year-end. With the trading price at December 31, 2014, the Company did not have sufficient common stock to issue for a conversion of all the outstanding convertible notes.

As management was unable to secure sufficient financing during the year, and/or extend the payoff date for its convertible debt holders, the Company may ultimately file for bankruptcy. Since the dates to make the required contributions for the equity investment in the prior year were not met, the Company s equity interest was diluted to 20%. On October 7, 2014, the Company announced that Sino-Top, its equity investment, had signed an understanding with Shengda Mining Co., Ltd. (Shengda), to be acquired subject to a third party evaluation and all other regulatory approvals and filings. As a result, there is no current effort, nor a requirement, to raise additional financing for the Company s equity investment. On October 21, 2015, the Company signed a transaction memorandum with Shengda, to receive cash consideration/advances for its equity interest in Sino-Top. Shengda agreed to advance RMB5.0 million or approximately $770,000 in two installments for certain transaction costs and for general corporate purposes. These advances were received during the year from Shengda and a related company of Shengda, Beijing Shengda Industrial Group Ltd (BSIG). If the transaction with Shengda, to have it acquire our interest in Sino-Top is not completed successfully and if the Company does not increase its mining operations, it may be required to significantly limit its business activities and dissolve. Further, on December 29, 2015, the Company entered into an Equity Transfer Agreement with BSIG pursuant to which the Company agreed to sell its 20% interest in Inner Mongolia Guangda Mining Ltd. (Guangda), a wholly owned subsidiary of Sino-Top to Shengda for RMB161,922,820 or approximately $25 million, subject to adjustments provided in the agreement and various approvals. As noted above, the Company received the second installment of RMB2.5 million or approximately $385,000, upon execution of the agreement.

In addition, although there had been discussions between the Company and the private Investor, there has been no resolution to the treatment of the $1,069,279 advance credit note received from the Investor during the prior year. The

Company may be required to return such funds, with or without interest, to the Investor. On September 19, 2014, the Investor filed a complaint to recover $1,014,140 of the advance credit note. The Company has retained counsel in Delaware and filed a Motion to Dismiss. Subsequently, dates for the plaintiff s answering brief in response the Company s Motion to Dismiss and the Company s response to this brief, were proposed by the court. These briefs were filed. Subsequently, on January 7, 2015, the Company filed a counterclaim for $120,000,000, seeking damages for failure to meet funding obligations. If the Company is required to return the funds to the Investor, the Company may not have available funds and as such the Company s business will be adversely impacted.

Item 7A.Quantitative and Qualitative Disclosures about Market Risk

Not applicable

Item 8. Financial Statements and Supplementary Data

The financial statements required by this Item, the accompanying notes thereto and the reports of independent accountants are included, as part of this Form 10-K immediately following the signature page.

Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A.Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our senior management, including our principal executive officer and principal 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 December 31, 2015 (the Evaluation Date). Based on this evaluation, Marc Hazout, our chief executive officer and principal financial officer, concluded as of the Evaluation Date that such disclosure controls and procedures were not effective as of the Evaluation Date. Such conclusions were based on insufficient funds to properly staff the financial function, the resulting lack of segregation of duties and the restatement of the 2014 10-K.

Report by Management on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The framework used by management to evaluate internal controls over financial reporting is *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations (COSO), as implemented by their subsequent publication *Internal Control over Financial Reporting Guidance for Smaller Public Companies.* Based on this evaluation, Marc Hazout, our chief executive officer and principal financial officer, concluded that our internal control over financial reporting was not effective for the year ended December 31, 2015. The matters involving internal controls over financial reporting that may be considered material weaknesses included insufficient funds to properly staff the financial function, the resulting lack of segregation of duties and the restatement of the 2014 10-K as noted about under Evaluation of Disclosure Controls and Procedures .

Management continues to monitor events that may result in a Form 8-K filing through the assistance of the Company s legal advisor.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the Securities and Exchange Commission which permanently exempt smaller reporting companies.

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 fourth fiscal quarter ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B.Other Information

None

Part III

Item 10. Directors, Executive Officers, and Corporate Governance

Directors and Executive Officers

Information about our directors and executive officers as of the date of this filing is set forth below:

Name	Age	Position	Date of first election or appointment
Executive Officers			
Marc Hazout	51	Chief Executive Officer, President, Principal Financial and Accounting Officer and Director	May 31, 2002
Directors			
Manuel Chan	66	Director	August 7, 2007
Haijun Tang	42	Director	April 9, 2013
David Wahl	71	Director	March 25, 2015

A brief biography of our directors and executive officers follows. Each director has been elected to serve until our next annual meeting of shareholders and until his successor has been elected and qualified. Each executive officer serves at the discretion of our board of directors.

Mr. Marc Hazout, age 51, founded Silver Dragon Resources Inc. in 2005 and currently serves as a Director, President, CEO and Principal Financial and Accounting Officer . Mr. Hazout brings over 15 years of experience in public markets, finance and business operations to Silver Dragon Resources Inc. Over the past several years, Mr. Hazout has been involved in acquiring, restructuring and providing management services as both a director and an officer to several publicly traded companies. Specifically, from 2014 to the present, Mr. Hazout was a director, chairman and president with SusGlobal Energy Corp., a company that is involved in renewable energy. In 1998, Mr. Hazout founded and has been President and CEO of Travellers, a private investment banking firm headquartered in Toronto. Over the past few years, Travellers has focused on building relationships in China with the objective of participating in that country s growth opportunities. Mr. Hazout attended York University in Toronto studying International Relations and Economics. Mr. Hazout speaks English, French, Hebrew and Arabic as well as some Spanish and Italian. The determination was made that Mr. Hazout should serve on our Board of Directors due to the fact that he is a founding member and CEO of the company, possesses significant experience in securities and capital markets and brings an extensive network of relationships in China.

Mr. Manuel Chan, age 66, is a real estate agent and has over 20 years of experience in this field. Through his business dealings, Mr. Chan has established an extensive network of business and personal relationships throughout the Hong Kong and China investment community. Mr. Chan is also a member of the Board of Directors of Sino-Top, of which the Company owns a 20% equity interest. He holds a Bachelor of Commerce Degree in Management Information Systems and Accounting from the University of British Columbia, Canada. The determination was made that Mr. Chan should serve on our Board of Directors due to his experience and extensive professional relationships in China.

Mr. David Wahl, age 71, was appointed to our Board of Directors on April 1, 2015. From 1995 to the present, Mr. Wahl has been the President and CEO of Southampton Associates - Consulting Engineers & Geoscientist, a private consulting concern specializing in mining and technical issues for corporate clients, financial institutions and governments. Mr. Wahl is a Director of Renforth Resources Inc. (TSX-V) and Li 3 Energy Inc. (LIEG). Mr. Wahl also has served in a technical advisory capacity to certain financial institutions, government agencies, and national legal and accounting firms. As a past director of the Prospectors and Developers Association, Mr. Wahl provided independent peer review of the OSC/TSE Mining Standard Task Force and for Canadian National Instrument 43-101. Mr. Wahl contributed to a similar review process as co-chair of the Professional Engineers of Ontario Review

Committee. Mr. Wahl is a graduate of the Colorado School of Mines and received a degree as an Engineer of Mines in 1968. He is a member of the Professional Engineers of Ontario (P.Eng), Professional Geoscientists of Ontario (P.Geo) and Institute of Corporate Directors (ICD.D).

Mr. Wahl s qualifications to serve on the board of directors include his far-reaching technical experience with companies involved in the mining and mineral industry.

Mr. Haijun Tang, age 42, is currently the head of HIC, a.k.a. Exploration Unit of North China Geological Exploration Bureau. Mr. Tang has been head of HIC since July 2012. Prior to that, he served with Tianjin North China Geological Exploration Bureau, the parent of HIC, for six years, taking various posts such as director of the general office and director of the asset management department. HIC holds approximately 8.6 million shares of the Company. HIC is also a joint venture partner of the registrant. The determination was made that Mr. Tang should serve on our Board of Directors due to the following: Mr. Tang replaced Mr. Guoqiang Hao, a former director of the company, as Head of HIC. Mr. Hao resigned from the Board of Silver Dragon on April 7, 2013 thereby creating a vacancy and recommending Mr. Tang to be appointed, as the new head of HIC, to the Board of Silver Dragon. The Board of Silver Dragon deemed it advisable and in the best interests of the Company and its stockholders to appoint Mr. Haijun to fill the current vacancy on the Board and replace Director Hao.

Mr. Charles McAlpine, age 81 and retired for the last 8 years, brings over 50 years of experience at executive-level positions in the mining industry. Mr. McAlpine was President of Campbell Chibougamau Mines Ltd., (a listed Canadian copper-gold mining company) in 1973 when Campbell won The Ryan Trophy for Best Safety Record of all metalliferous mines in Canada. From 1989 to 2007 he was a Director of Hecla Mining Company, now the largest and one of the lowest cost silver producers in the USA. He holds a Business Administration degree from The Ivey School, University of Western Ontario and is a Chartered Accountant. The determination was made that Mr. McAlpine should serve on our Board of Directors due to his understanding of the precious metals industry, his financial background and qualifications and his extensive experience in the mining sector. Mr. McAlpine resigned on December 29, 2015.

Involvement in Certain Legal Proceedings

Other than as set forth below,

Our directors and executive officers have not been involved in any of the following events during the past ten years:

1. any bankruptcy petition filed by or against such person or any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

2. any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);

3. being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him from or otherwise limiting his involvement in any type of business, securities or banking activities or to be associated with any person practicing in banking or securities activities;

4. being found by a court of competent jurisdiction in a civil action, the SEC or the Commodity Futures Trading Commission to have violated a Federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated;

5. being subject of, or a party to, any Federal or state judicial or administrative order, judgment decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of any Federal or state securities or commodities law or regulation, any law or regulation respecting financial institutions or insurance companies, or any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or

6. being subject of or party to any sanction or order, not subsequently reversed, suspended, or vacated, of any self-regulatory organization, any registered entity or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

As set forth above, on September 19, 2014, the Investor filed a complaint (the Complaint) in the Court of the Chancery of the State of Delaware (the Court), against the Company to recover the $1,014,140 of the $1,069,279 advanced. The Investor is seeking action for unjust enrichment, fraud and violations of the Delaware Uniform Fraudulent Transfer Act. The Complaint also named as defendants in the action, Travellers and Mr. Hazout.

The Company, Travellers and Mr. Hazout retained counsel in Delaware and filed a Motion to Dismiss. Subsequently, the Court proposed a date of November 26, 2014 for the plaintiff to file his answering brief in response to this Motion to Dismiss and the Company to file its reply brief to the plaintiff s answering brief, on or before December 12, 2014. These briefs were filed.

On January 7, 2015, the Company filed a counterclaim for $120,000,000, seeking damages for failure to meet funding obligations.as a consequence of its reliance on the Investor advancing the funds which would have resulted in the Company not having its equity investment diluted.

On January 7, 2015, Travellers and Mr. Hazout moved to dismiss the action against them for lack of personal jurisdiction under Rule 12(b)(2) of the Superior Court Rules. On June 3, 2015, the Superior Court granted the motion to dismiss as to Travellers, but denied the motion to dismiss as to Mr. Hazout. Mr. Hazout filed a motion for reargument on June 8, 2015, which the Superior Court denied on June 18, 2015. Mr. Hazout filed a Notice of Appeal before the Delaware Supreme Court on July 7, 2015, which the Court accepted on August 6, 2015. The hearing in the appeal motion to dismiss the case was heard on January 20, 2016 and on February 26, 2016, the Delaware Supreme Court issued its ruling finding that Mr. Hazout is subject to personal jurisdiction in Delaware.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our executive officers and directors to file initial reports of ownership and reports of changes in ownership of our securities with the Securities and Exchange Commission. Executive officers and directors are required to furnish us with copies of these reports.

Based solely on a review of the Section 16(a) reports furnished to us with respect to fiscal year 2015 and written representations from the executive officers and directors, we believe that all Section 16(a) filing requirements applicable to our executive officers, directors and greater than 10% beneficial owners were complied with during fiscal year 2015 except that Mr. Tang and Mr. Wahl failed to file a Form 3.

Code of Conduct and Ethics Policy

We have adopted a Code of Conduct and Ethics Policy that applies to our officers and employees, including our principal executive officer, principal financial officer, principal accounting officer or persons performing similar functions. The Code of Conduct and Ethics Policy is available on our website at www.silverdragonresources.com.

Audit Committee and Audit Committee Financial Expert

The Audit Committee was established by the Board of Directors in accordance with Section 3(a)(58)(A) of Exchange Act to oversee the Company s corporate accounting and financial reporting processes and audits of its financial statements. The sole member of our Audit Committee is Charles McAlpine. Mr. McAlpine is chairman of the Audit Committee, and the Board of Directors has determined that he qualifies as an audit committee financial expert, as defined in the applicable rules of the SEC. Each committee member qualifies as independent director under the applicable NASDAQ standards and SEC rules. The Audit Committee held one meeting during the fiscal year ended December 31, 2015.

We have established an Audit Committee Charter that deals with the establishment of the Audit Committee and sets out its duties and responsibilities. The Audit Committee reviews and reassesses the adequacy of the Audit Committee Charter on an annual basis. The Audit Committee Charter is available on our Company website at www.silverdragonresources.com.

Item 11. Executive compensation

Summary Compensation Table

The following table sets forth information concerning the compensation for services in all capacities for the fiscal years ended December 31, 2015 and 2014 of the named executive officers.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Marc Hazout,[1] President and Chief Executive Officer, Chief	2015	324,000[2]	-	-	-	-	-		- 324,000

Financial Officer and Principal Accounting Officer	2014	324,000[2]	-	-	-	-	-	324,000

(1) A summary of the consulting agreement governing the terms of Mr. Hazout s compensation is set forth under the heading Consulting Agreements.

(2) Payments were made to Travellers, a corporation owned by Mr. Hazout. As of December 31, 2015, $81,000 of these amounts remains unpaid. As of the date of this filing, $nil remains unpaid.

Outstanding Equity Awards at 2015 Fiscal Year End

There are no outstanding equity awards as at December 31, 2015.

Compensation of Directors

Directors who are also officers of the Company are not remunerated for their services rendered as a director of the Company. The Company does not have a standard policy as to the type and amount of remuneration payable to directors and instead determines the nature of director remuneration an on annual basis. Directors do not receive any additional compensation for their service on any committee of the board. Directors are reimbursed for any reasonable expenses incurred in the connection with attendance at board or committee meetings or any expenses generated in connection with the performance of services on the behalf of the company.

No compensation was paid or earned by our directors for their services as directors of our Company during the fiscal year ended December 31, 2015.

Consulting Agreements

On November 1, 2010, we entered into a consulting agreement with Travellers, a corporation owned by Mr. Hazout, to provide consulting services including all activities required to direct, oversee, and manage us including providing the services that would be provided by a chief executive officer. The consulting agreement provides that Mr. Hazout is entitled to an annual fee of $288,000 for a term of five years, a travel allowance of $3,000 per month, and eight weeks paid holidays each calendar year. The consulting agreement terminated on October 31, 2015. Since the expiry of the consulting agreement, the chief executive officer has been providing his services on a month to month basis. Upon termination of the consulting agreement, Mr. Hazout agreed to remain on a month to month consulting agreement under the same terms and conditions as the previous agreement. The agreement contained provisions prohibiting Mr. Hazout from competing with us or soliciting customers or employees for a period of one year following the termination of the agreement.

Effective September 1, 2012, we entered into a consulting agreement with Manuel Chan, one of our directors, in which Mr. Chan agreed to provide services to us in China as agreed from time to time, at a rate of $6,000 per month. The consulting agreement was in effect until August 31, 2014. As of the date of this filing, $nil remains unpaid.

Item 12. Security ownership of certain beneficial owners and management and related stockholder matters.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information regarding beneficial ownership of our Common Stock as of the date of this filing, by: (1) our directors, named executive officers set forth in the summary compensation table under Item 11 above and beneficial holders of more than 5% of our Common Stock, and (2) all of our current directors and executive officers as a group. The number and percentage of shares beneficially owned is determined in accordance with Rule 13d-3 under the Exchange Act, and the information is not necessarily indicative of beneficial ownership for any other purpose. Except as indicated in the footnotes to this table, and as affected by applicable community property laws, all persons listed have sole voting and investment power for all shares shown as beneficially owned by them.

Name and Address of Beneficial Owner[1]	Number of Shares Beneficially Owned	Percentage of Shares [2]
Marc Hazout [1][3]	17,573,206	5.86%
Manuel Chan [1]	452,500	0.15%
Haijun Tang[1]	-	-
David Wahl[1]	-	-
All executive officers and directors as a group (4 persons)	18,025,706	6.01%
Chan King Yuet (Fanny Chan) [4]	160,358,598	53.49%
Tsang Mun Ting[4]	80,321,409	26.79%

Barry King Hon Chan[4]	16,124,238	5.38%
John M. Fife [5]	29,950,284	9.99%
Vis Vires Group, Inc. [6]	29,034,347	9.68%

(1) Each officer and director s business address is, 200 Davenport Road, Toronto, Ontario, M5R 1J2. The business address of Tonaquint, Inc. is set forth in footnote 5 below. The business address of Chan King Yuet and Barry King Hon Chang is provided in footnote 6 below.

(2) Based on 299,802,647 shares outstanding as of the date of this filing.

(3) Includes 17,573,206 shares of Common Stock owned by Travellers, which is solely owned by Mr. Hazout. Mr. Hazout is the President and Chief Executive Officer of Travellers.

(4) Based on a Schedule 13D/A filed with the Securities and Exchange Commission, dated February 1, 2016 by Chan King Yuet (Fanny Chan), pursuant to a voting agreement among several persons, including Tsang Mun Ting and Barry King Hon Chan. Chan King Yuet (Fanny Chan) has shared voting power over 160,358,598 shares in addition to sole and dispositive power over 150,000 shares. Tsang Mun Ting has sole and dispositive power over 80,321,409 shares. Barry King Hon Chan[I1] has sole and dispositive power over 16,124,238 shares. The Schedule 13D reports the address for each such person as follows: For Chan King Yuet (Fanny Chan) as 10/F, Asia Rich Court, No.5, Staunton Street, Central, Hong Kong; for Tsang Mun Ting as Flat D, 31/F Block C, Noble Place, 10 King Fung Path, N.T., Hong Kong; for Barry King Hon Chan as 122, 5 Shouson Hill Road, Aberdeen, Hong Kong.

(5) Based on a Schedule 13G, filed with the Securities and Exchange Commission, dated February 11, 2016. John M. Fife (Mr. Fife) personally owns 1,976,411 shares of the Issuer's common stock and is the indirect beneficial owner of the Company s common stock owned by Iliad Research and Trading, LP (Iliad), and Tonaquint, Inc. (Tonaquint). Mr. Fife is subject to a contractual ownership limitation of 9.99%, pursuant to a Note and Warrant Agreement between the Company and Tonaquint. Thus, the number of shares beneficially owned by Mr. Fife is 29,950,284 shares, which is 9.99% and represents the total number of the Company s shares owned by Mr. Fife, Iliad, and Tonaquint as well as the total shares issuable under the Tonaquint Note and Warrant, are subject to the 9.99% ownership limit.

(6) Based on a Schedule 13G filed with the Securities and Exchange Commission, dated July 31, 2015.

Item 13. Certain relationships and related transactions, and Director Independence

Charles McAlpine was considered independent under the independence standards of the NASDAQ Stock Market Rule 5605 during the past fiscal year. Mr. McAlpine sat on the audit committee and on the compensation committee. Mr. McAlpine resigned on December 29, 2015.

On December 19, 2011, the Company s wholly-owned subsidiary, Silver Dragon Resources Ltd. (Silver Dragon Canada), and Haute Inc., a company owned and controlled by Marc Hazout, the Company s President and Chief Executive Officer (Landlord), entered into a commercial lease pursuant to which, for a three year term starting April 1, 2012, Silver Dragon Canada will lease the premises at 200 Davenport Road, Toronto, Ontario from Landlord for the purposes of general office space. Silver Dragon Canada covenants to maintain the premises in good condition, and agrees to pay base and additional rent. Base rent for the initial three year term is CAD$68,475 (as amended) per annum plus taxes. Additional rent, which is intended to cover all costs, charges, expenses and outlays of Landlord with respect to the premises, including, without limitation, costs for utilities, taxes, licenses, maintenance and insurance, commences at CAD$16,600 (as amended) per annum plus taxes during the first year and is to be adjusted annually based on Landlord s actual costs. Silver Dragon Canada is required to deliver to Landlord 10 post-dated checks for CAD$5,706 each prior to the commencement of the term, and to deliver 12 postdated checks for CAD$5,706 each year thereafter. Silver Dragon Canada is also required to deliver upon signing a deposit of CAD$10,230 for first and last months basic and additional rent, plus taxes. During the first quarter of 2012, the commercial lease was amended to provide that the three year term would commence on June 1, 2012 instead of April 1, 2012. The lease terminated on June 1, 2015.

During the year ended December 31, 2015, Silver Dragon Canada incurred $53,636 ($68,475 Canadian) (2014-$61,977; $68,475 Canadian) in rent paid to Haute Inc. Included in prepaid expenses is a rental deposit of $nil (December 31, 2014-$4,409; $5,115 Canadian).

On November 12, 2015, Silver Dragon Canada signed a new three year lease agreement with Haute Inc. commencing January 1, 2016 and ending on December 31, 2018. The annual rent for each of the three years is CAD$72,000 plus taxes. Silver Dragon Canada delivered upon signing a deposit of CAD$12,000 for first and last month s basic rent, plus taxes. Silver Dragon Canada is also required to deliver to the Landlord 10 postdated checks for CAD$6,780 each, prior to commencement of the term and to deliver 12 postdated checks for $6,780 each, for each year thereafter.

During the year ended December 31, 2015, Silver Dragon Canada incurred $324,000 (2014 - $324,000) in management fees charged by Travellers, an Ontario company controlled by a director and officer of the Company, for services as chief executive officer and $18,000 (2014-$48,000) of fees to a director for management services. As at December 31, 2015, unpaid remuneration in the amount of $270,000 (December 31, 2014-$nil) is included in accounts payable and $81,000 (December 31, 2014-$135,000) is included in accrued liabilities in relation to the chief executive officer and unpaid remuneration of $nil (December 31, 2014-$120,000) in relation to a director for management services is included in accrued liabilities.

Loan Facility with Travellers

The Company is currently party to a loan facility pursuant to which Travellers, which 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. During 2015 and up to the date of this filing, Travellers advanced $16,000 Canadian and the Company repaid $226,000 Canadian, including previous amounts owing to Travellers. As of the date of this filing, the net amount of loans outstanding under the facility was $nil. For more information regarding this loan facility, please see Liquidity and Capital Resources .

On September 19, 2014, the Investor filed a complaint to recover $1,014,140 of the advance credit note. The complaint also names Travellers and Mr. Hazout as defendants. The Company has retained counsel in Delaware and filed a Motion to Dismiss. Subsequently, dates for the plaintiff s answering brief in response the Company s Motion to Dismiss and the Company s response to this brief, were proposed by the court. These briefs were filed and on January 7, 2015, the Company filed a counterclaim.

The Company is currently party to the Tonaquint Documentation with Tonaquint, the beneficial owner of 9.99% of the shares of the Company s Common Stock. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Tonaquint Note Financing for a full discussion of the Company s obligations under the Tonaquint Documentation.

The Company is currently party to the Vis Vires Group Documentation with Vis Vires, the beneficial owner of 9.68% of the shares of the Company s Common Stock. See Management s Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources-Vis Vires Note Financing for a full description of the Company s obligations under the Vis Vires Documentation.

Item 14. Principal accountant fees and services

The aggregate fees billed by the Company s external auditors in each of the last two fiscal years are as follows:

	2015	**2014**
Audit fees[1]	$45,959	$31,587
Audit-related fees[2]	36,602	16,320
Tax fees	-	-
All other fees	-	-
Total	$82,561	$47,907

(1) Audit fees consisted of the audit work on annual financial statements.

(2) Audit-related fees consist principally of reviews of quarterly financial statements.

The Audit Committee Charter provides that the Audit Committee is responsible for the pre-approval of all audit and non-audit services to be provided to the Company by the independent public accountants. The Audit Committee has not, however, adopted any specific policies and procedures for the engagement of non-audit services. For 2015 and 2014, none of the services related to amounts billed by the Company s independent public accountants were pre-approved by the Audit Committee.

Part IV

Item 15. Exhibits, Financial Statement Schedules

The financial statements filed as part of this report are listed separately in the Index to Financial Statements.

Exhibit No.	Name of Exhibit
3.1(1)	Certificate of Incorporation of American Electric Automobile Company, Inc., dated May 9, 1996
3.2(2)	Certificate of Amendment to Certificate of Incorporation of American Electric Automobile Company, Inc., dated July 16, 2002 Certificate of Amendment to Certificate of Incorporation of American Entertainment & Animation Corporation, dated February
3.3(3)	25, 2005
3.4(3)	Certificate of Amendment of Certificate of Incorporation of Silver Dragon Resources Inc., dated September 23, 2011
3.5(9)	Amended and Restated Bylaws
4.1(8)	Form of Warrant
4.2(4)	Company Note dated February 15, 2011 between Silver Dragon Resources Inc. and Tonaquint, Inc.
4.3(4)	Warrant to Purchase Shares of Common Stock issued to Tonaquint, Inc. and dated February 15, 2011
4.4(25)	Secured Convertible Note dated April 7, 2016 issued to Tonaquint, Inc.
10.1(5)	Asset Purchase Agreement dated as of March 16, 2006 among Silver Dragon Resources Inc., Sino Silver Corp. and Sanhe Sino- Top Resources and Technologies, Ltd.
10.2(7)	Consulting Services Agreement dated November 1, 2010 between Silver Dragon Resources Ltd., Silver Dragon Resources Inc. and Travellers International Inc. and Marc Hazout
10.3(7)	Equity Transfer Contract dated July 4, 2008 by and between Silver Dragon Resources Inc. and Exploration Unit of North China Nonferrous Geological Exploration Bureau
10.4(7)	Equity Transfer Agreement dated July 4, 2008 regarding Sanhe Sino-Top Resources & Technologies, Ltd. between Silver Dragon Resources Inc. and Zhou Lin
10.5(6)	Order Approving Stipulation for Settlement of Claim in the matter entitled Socius CG II, Ltd. v. Silver Dragon Resources Inc. filed on January 27, 2011
10.6(4)	Note and Warrant Purchase Agreement dated February 15, 2011 by and between Silver Dragon Resources Inc. and Tonaquint, Inc.
10.7(4)	Form of Buyer Trust Deed Note dated February 15, 2011 between Tonaquint, Inc. and Silver Dragon Resources Inc.
10.8(4)	Form of Secured Buyer Note dated February 15, 2011 between Tonaquint, Inc. and Silver Dragon Resources Inc.
10.9(4)	Form of Deed of Reconveyance
10.10(10)	Amendment dated June 10, 2011 to outstanding Buyer Trust Deed Notes between Tonaquint, Inc. and Silver Dragon Resources Inc.
10.11(4)	Form of Request for Full Reconveyance
10.12(4)	Security Agreement dated February 15, 2011 between Silver Dragon Resources Inc. and Tonaquint, Inc.
10.13(8)	Convertible Promissory Note A-04192011 issued to JMJ Financial
10.14(8)	Convertible Promissory Note B-04192011a issued to JMJ Financial
10.15(8)	Convertible Promissory Note B-04192011b issued to JMJ Financial
10.16(8)	Convertible Promissory Note B-04192011c issued to JMJ Financial
10.17(8)	Secured & Collateralized Promissory Note C-04192011a from JMJ Financial
10.18(8)	Secured & Collateralized Promissory Note C-04192011b from JMJ Financial
10.19(8)	Secured & Collateralized Promissory Note C-04192011c issued by JMJ Financial
10.20(8)	Letter Agreement between JMJ Financial and Silver Dragon Resources Inc. dated April 19, 2011
10.21(8)	Additional Default Provisions related to the Convertible Promissory Notes issued to JMJ Financial

10.22(12)	Promissory Note issued April 6, 2011 from GEL Properties, LLC
10.23(12)	Promissory Note issued April 11, 2011 to GEL Properties, LLC ($300,000)
10.24(12)	Amendment #1 dated October 12, 2011 to Promissory Note issued April 11, 2011 to GEL Properties, LLC ($300,000)
10.25(12)	Promissory Note issued April 11, 2011 to GEL Properties, LLC ($100,000)
10.26(12)	Promissory Note issued December 15, 2011 to GEL Properties, LLC ($250,000)
10.27(12)	Promissory Note issued December 15, 2011 to GEL Properties, LLC ($150,000)
10.28(12)	Commercial lease dated December 19, 2011 between Silver Dragon Resources Ltd. and Haute Inc., as amended
10.29(12)	Amendment dated January 31, 2012 between Tonaquint, Inc. and the Company
10.30(12)	Promissory Note issued February 10, 2012 from GEL Properties, LLC
10.31(12)	Promissory Note issued February 10, 2012 to GEL Properties, LLC ($200,000)
10.32(12)	Promissory Note issued February 10, 2012 to GEL Properties, LLC ($150,000)
10.33(12)	Equity Transfer Agreement dated May 28, 2012 between the Company and Den Zuoping
10.34(12)	Joint Venture Contract related to Sino-Top dated January 20, 2005, together with amendments and related agreements dated March 16, 2006, October 31, 2006, July 4, 2008, March 20, 2009, July 3, 2009, December 12, 2009 and September 13, 2011

10.35(12)	Amendment dated April 25, 2012 between JMJ Financial and the Company
10.36(12)	Convertible Promissory Note B-04192011c issued to JMJ Financial
10.37(12)	Secured & Collateralized Promissory Note C-04192011c from JMJ Financial
10.38(12)	Forbearance Agreement dated July 16, 2012 between the Company and Tonaquint, Inc.
10.39(12)	Standstill Agreement dated July 16, 2012 between the Company and JMJ Financial.
10.40(12)	Amended and Restated Forbearance Agreement dated August 23, 2012 between the Company and Tonaquint, Inc.
10.41(12)	First Amendment to Amended and Restated Forbearance Agreement dated October 4, 2012 between the Company and Tonaquint, Inc.
10.42(11)	Loan facility between the Company and Travellers International Inc.
10.43(10)	Letter agreement dated November 29, 2012 between the Company and Asher Enterprises, Inc.
10.44(10)	Letter agreement dated December 6, 2012 between the Company and GEL Properties, LLC
10.45(10)	Letter agreement dated December 13, 2012 between the Company and JMJ Financial
10.46(10)	Letter agreement dated December 20, 2012 between the Company and Tonaquint, Inc.
10.47(10)	Letter agreement effective April 12, 2013 between the Company and Asher Enterprises, Inc.
10.48(10)	Letter agreement effective April 12, 2013 between the Company and GEL Properties, LLC
10.49(10)	Letter agreement effective April 12, 2013 between the Company and JMJ Financial
10.50(10)	Letter agreement effective April 12, 2013 between the Company and Tonaquint, Inc.
10.51(12)	Amendment dated June 3, 2013 between the Company and Tonaquint, Inc.
10.52(12)	Letter agreement effective July 10, 2013 between the Company and Asher Enterprises, Inc.
10.53(12)	Letter agreement effective August 8, 2013 between the Company and GEL Properties, LLC
10.54(12)	Letter agreement effective August 8, 2013 between the Company and JMJ Financial
10.55(12)	Letter agreement effective August 8, 2013 between the Company and Tonaquint, Inc.
10.56(12)	Letter agreement effective November 8, 2013 between the Company and GEL Properties, LLC
10.57(12)	Letter agreement effective November 8, 2013 between the Company and JMJ Financial
10.58(12)	Letter agreement effective November 8, 2013 between the Company and Asher Enterprises, Inc.
10 59(12)	Letter agreement effective November 13, 2013 between the Company and Tonaquint, Inc.
10.60(12)	Letter agreement effective November 27, 2013 between the Company and Tonaquint, Inc.
10.61(12)	Consulting agreement effective September 1, 2012 between the Company and Manuel Chan
10.62(12)	Letter agreement effective March 27, 2014 between the Company and Tonaquint, Inc.
10.63(12)	Letter agreement effective March 25, 2014 between the Company and Gel Properties, LLC.
10.64(12)	Letter agreement effective March 25, 2014 between the Company and JML Financial
10.65(12)	Letter agreement effective March 25, 2014 between the Company and Asher Enterprises, Inc.
10.66(13)	Departure of director R. Glen MacMullin on March 31, 2014
10.67(14)	Loan facility between the Company and Travellers International Inc.
10.68(15)	Press release on Joint Venture receiving new business license
10.69(16)	Announcement of agreement between the Joint Venture and Shengda Mining Co.
10.70(17)	Loan facility between the Company and Travellers International Inc.
10.71(18)	Filing of Schedule 13G/A
10.72(19)	Appointment of Certain Directors on April 8, 2015
10.73(20)	Filing of Letter of Understanding on November 3, 2015
10.74(21)	Filing of Notice of Annual General Meeting on November 19, 2015
10.75(22)	Filing of Definitive Agreement on January 14, 2016
10.76(23)	Filing of Schedule 13D/A on February 1, 2016
10.77(24)	Filing of Termination of Definitive Agreement on February 4, 2016
10.78(25)	Settlement and Securities Purchase Agreement, between Silver Dragon Resources, Inc. and Tonaquint, Inc., dated April 7, 2016
10.79(25)	Security Agreement between Silver Dragon Resources Inc. and Tonaquint, Inc., dated April 7, 2016
10.80(25)	Pledge Agreement between Silver Dragon Resources Inc. and Tonaquint, Inc., dated April 7, 2016

21.1	Subsidiaries of the Company (included in item 1)
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
101.INS*	XBRL Instance Document
101.SCH* XBRL	Taxonomy Extension Schema Document
101.CAL*XBRL	Taxonomy Extension Calculation Linkbase Document
101.DEF* XBRL	Taxonomy Extension Definition Linkbase Document
101.LAB*XBRL	Taxonomy Extension Label Linkbase Document
101.PRE* XBRL	Taxonomy Extension Presentation Linkbase Document

(1) Incorporated by reference to Form 10-SB filed on February 23, 2000
(2) Incorporated by reference to Form 10-SB/A filed on July 17, 2002
(3) Incorporated by reference to Form 8-K filed September 26, 2011
(4) Incorporated by reference to Form 8-K filed February 18, 2011
(5) Incorporated by reference to Form 8-K filed March 24, 2006
(6) Incorporated by reference to Form 8-K filed on January 28, 2011
(7) Incorporated by reference to Form 10-K for the year ended December 31, 2010 filed on March 22, 2011
(8) Incorporated by reference to Form 8-K filed on April 21, 2011
(9) Incorporated by reference to Form 8-K filed on August 4, 2011
(10) Incorporated by reference to Form 10-K for the year ended December 31, 2012 filed on April 26, 2013
(11) Incorporated by reference to Item 1.01 of Form 8-K filed on November 26, 2012, as supplemented by the Item 1.01 disclosure of Form 8-Ks filed on March 6, 2013 and April 30, 2013
(12) Incorporated by reference to Form 10-K for the year ended December 31, 2013 filed on March 31, 2014
(13) Incorporated by reference to Form 8-K filed April 3, 2014
(14) Incorporated by reference to Form 8-K filed August 1, 2014
(15) Incorporated by reference to Form 8-K filed on August 11, 2014
(16) Incorporated by reference to Form 8-K filed on October 8, 2014
(17) Incorporated by reference to Form 8-K filed on November 28, 2014
(18) Incorporated by reference to Form 8-K filed on January 28, 2015
(19) Incorporated by reference to Form 8-K filed on April 18, 2015
(20) Incorporated by reference to Form 8-K filed on November 3, 2015
(21) Incorporated by reference to Form 8-K filed on November 19, 2015
(22) Incorporated by reference to Form 8-K filed on January 14, 2016
(23) Incorporated by reference to Form 8-K filed on February 1, 2016
(24) Incorporated by reference to Form 8-K filed on February 4, 2016
(25) Incorporated by reference to Form 8-K filed on April 12, 2016

* Users of this data are advised, in accordance with Rule 406T of Regulation S-T promulgated by the SEC, that this Interactive Data file is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the 1933 Act, is deemed not filed for purposes of Section 18 of the Exchange Act, and otherwise is not subject to liability under these sections.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto authorized.

SILVER DRAGON RESOURCES INC.

By: */s/ Marc M. Hazout*
Marc M. Hazout
President, Chief Executive Officer and Principal Financial and Accounting Officer

Dated: May 2, 2016

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant, in the capacities and on the dates indicated.

Signature	**Title**	**Date**
/s/ *Marc M. Hazout*	President and Chief Executive Officer, and	
Marc M. Hazout	Director (principal executive, financial and accounting officer)	
/s/ David Wahl	Director	
David Wahl		

SILVER DRAGON RESOURCES INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

(EXPRESSED IN UNITED STATES FUNDS)

CONTENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Silver Dragon Resources Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Silver Dragon Resources Inc. and Subsidiaries (the Company) (a Delaware corporation) as of December 31, 2015 and 2014, and the consolidated statements of operations and comprehensive loss, stockholders deficit and cash flows for each of the two years in the period ended December 31, 2015. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Silver Dragon Resources Inc. and Subsidiaries as of December 31, 2015 and 2014, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in note 2 to the consolidated financial statements, the Company has experienced operating losses since inception and expects to incur further losses in the development of its business. Management has been unable to secure sufficient financing during the year to meet its cash requirements, including ongoing working capital requirements, and funds to repay all or certain of its convertible notes. The company has signed a memorandum of understanding with Shengda Mining Co., Ltd. (Shengda) to sell its equity investment subject to certain approvals and conditions. As a result, there is no current effort, nor a requirement, to raise additional financing for the Company s equity investment. If the transaction with Shengda is not completed successfully and if the Company does not increase its mining operations, it may be required to significantly limit its business activities and dissolve and may be forced to further dilute its equity investment or may ultimately have to file for bankruptcy. These factors raise substantial doubt about the Company's ability to continue as a going concern. Realization values may be substantially different from Carrying values as shown. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/S/SF Partnership, LLP
CHARTERED ACCOUNTANTS

Toronto, Canada
May 2, 2016

SILVER DRAGON RESOURCES INC.
Consolidated Balance Sheets

	December 31, 2015	December 31, 2014
ASSETS		
Current assets		
Cash	**$ 1,093**	$ 33,123
Funds held in trust (note 8)	**309,748**	**-**
Other receivables (note 6)	**24,089**	16,442
Deferred expenses	**-**	41,999
Prepaid expenses	**-**	5,833
Total current assets	**334,930**	97,397
Deferred expenses		-
Plant and equipment, net (note 7)	**9,184**	77,316
Equity investment (note 8)	**1,753,972**	2,300,541
Total assets	**$ 2,098,086**	$ 2,475,254
LIABILITIES AND STOCKHOLDERS DEFICIT		
Current liabilities		
Bank indebtedness	**$ 36,997**	$ 463
Advance credit note (note 9)	**1,069,279**	1,069,279
Advances on sale of equity investment (note 8)	**770,000**	**-**
Accounts payable	**877,335**	624,861
Accrued liabilities	**911,819**	975,518
Promissory note payable (note 10)	**166,623**	166,623
Convertible notes payable (note 12)	**8,558,759**	4,391,687
Related party payable (note 13)	**-**	181,020
Current portion of related party long-term debt (note 11)	**123,200**	-
Total current liabilities	**12,514,012**	7,409,451
Related party long-term debt (note 11)	**30,800**	128,880
Total Liabilities	**$ 12,544,812**	$ 7,538,331
Capital stock (note 14)		
Preferred stock, $0.0001 par value, 20,000,000 shares authorized, none issued and outstanding		
Common stock, $0.0001 par value, 300,000,000 shares authorized (2014 300,000,000), 299,802,647 shares issued and outstanding (2014 279,733,758 issued and outstanding)	**29,980**	28,088
Additional paid-in capital	**46,982,451**	46,495,421
Deficit	**(57,856,749)**	(51,772,432)
Accumulated comprehensive income	**397,592**	185,846
Stockholders deficit	**(10,446,726)**	(5,063,077)
Total liabilities and stockholders deficit	**$ 2,098,086**	$ 2,475,254

Going concern (note 2)
Commitments and contingencies (note 17)

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

SILVER DRAGON RESOURCES INC.
Consolidated Statements of Operations and Comprehensive Loss
For the Years Ended December 31, 2015 and 2014

	December 31, 2015	December 31, 2014
Operating expenses		
Exploration	**$ -**	$ -
General and administrative	**916,221**	1,062,044
Total operating expenses	**916,221**	1,062,044
Loss from operations	**(916,221)**	(1,062,044)
Other expenses		
Interest expense and penalties	**(4,621,527)**	(1,133,007)
Net loss on equity investment (note 8)	**(546,569)**	(1,380,233)
Total other expenses	**(5,168,096)**	(2,513,240)
Loss before income taxes	**(6,084,317)**	(3,575,284)
Provision for income taxes (note 16)	-	-
Net loss from continuing operations, after tax	**(6,084,317)**	(3,575,284)
Net loss	**(6,084,317)**	(3,575,284)
Other comprehensive income		
Foreign exchange gain	**211,746**	67,383
Comprehensive loss	**$ (5,872,571)**	$ (3,507,901)
Net loss per common share basic and diluted	**$ (0.02)**	$ (0.01)
Weighted average number of common shares outstanding basic and diluted	**292,849,641**	272,422,268

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

SILVER DRAGON RESOURCES INC.
Consolidated Statements of Stockholders Deficit
For the Years Ended December 31, 2015 and 2014015

	Number of Shares	Amount $	Additional Paid-in Capital $	Deficit $	Stock Subscription $	Treasury Stock $	Accumulated Comprehensive Income (Loss) $	Tota Stockhol Defic $
Balance, December 31, 2013	**267,999,611**	**26,915**	**46,569,009**	**(48,197,148)**	**-**	**(209,000)**	**118,463**	**(1,691**
Shares cancelled	(100,000)	(10)	10	-	-	-	-	
Treasury stock	(550,000)	(55)	(208,945)	-	-	209,000	-	
Shares issued on conversion of notes	12,384,147	1,238	135,347	-	-	-	-	136
Accumulated comprehensive loss	-	-	-	-	-	-	67,383	67
Net loss, 2014	-	-	-	(3,575,284)	-	-	-	(3,575
Balance, December 31, 2014	**279,733,758**	**28,088**	**46,495,421**	**(51,772,432)**	**-**	-	**185,846**	**(5,063**
Shares cancelled	(557,143)	(56)	56	-	-	-	-	
Shares issued on conversion	20,626,032	1,948	486,974	-	-	-	-	488
Accumulated comprehensive loss	-	-	-	-	-	-	211,746	211
Net loss, 2015	-	-	-	(6,084,317)	-	-	-	(6,084
Balance, December 31, 2015	**299,802,647**	**29,980**	**46,982,451**	**(57,856,749)**	**-**	-	**397,592**	**(10,446**

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

SILVER DRAGON RESOURCES INC.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2015 and 2014

	December 31, 2015	December 31, 2014
Cash flows from operating activities		
Net loss	**$ (6,084,317)**	$ **(3,575,284)**
Net loss from continuing operations excluding minority interest	**(6,084,317)**	**(3,575,284)**
Adjustments for:		
Depreciation	**68,132**	**130,652**
Amortization of deferred costs	**41,999**	**56,000**
Net loss from equity investment	**546,569**	**1,380,233**
Interest and penalties	**4,621,527**	**1,133,007**
Changes in non-cash working capital:		
Other receivables	**(7,647)**	**4,046**
Prepaid expenses	**5,833**	**29,486**
Accounts payable	**252,474**	**(97,839)**
Accrued liabilities	**(181,232)**	**168,139**
Net cash used in operating activities	**(736,662)**	**(771,560)**
Cash flows from financing activities		
Bank indebtedness	**36,534**	**463**
Advances on future sale of equity investment	**460,252**	**-**
Related party payable	**(181,020)**	**181,020**
Advances on related party long-term debt	**25,120**	**128,880**
Issuance of convertible notes payable	**152,000**	**200,000**
Net cash provided by financing activities	**492,886**	**510,363**
Effect of exchange rate on cash	**211,746**	**67,383**
Decrease in cash	**(32,030)**	**(193,814)**
Cash - beginning of year	**33,123**	**226,937**
Cash - end of year	**$ 1,093**	$ **33,123**
Supplemental cash flow information (note 15)		

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

SILVER DRAGON RESOURCES INC.
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

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 subsidiaries (collectively referred to as Silver Dragon or the Company) were in the exploration stage as defined by Financial Accounting Standards Board s (FASB) Accounting Standard Codification (ASC) 915 Development Stage Entities prior to the adoption of Accounting Standards Update (ASU) No. 2014-10, Development Stage Entities-Elimination of Certain Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation or ASU 2014-10, which eliminates the definition of a development stage entity, the development stage presentation and disclosure requirements under ASC 915, Development Stage Entities , and amends provisions of existing variable interest guidance under ASC 810, Consolidation .

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 consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP), and are expressed in United States funds.

2. Going Concern

These 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 the next twelve months.

At December 31, 2015, the Company had a working capital deficit of $12,179,082 (December 31, 2014 –$7,312,054), had not yet achieved profitable operations, incurred a net loss of $6,084,317 for the year ended December 31, 2015 (2014 – $3,575,284), has accumulated losses of $57,856,749 since its inception and expects to incur further losses in the development of its business. These factors and those noted below, cast substantial 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 has been unable to secure sufficient financing to meet its cash requirements, including ongoing working capital, cash contributions for its equity investment and funds to repay all or certain of its convertible note holders. There is no assurance of additional funding in any form, being available or available on acceptable terms.

In March of 2014, the Company received extensions of its obligations to repay the convertible note holders from a date of March 31, 2014 to June 30, 2014. In addition, the Company had in place forbearance agreements with its convertible note holders. The Company was not able to repay the obligations owing to the convertible note holders on or before the June 30, 2014 deadline and thus is in default. Management continues to have discussions with the convertible debt holders in efforts to establish new deadlines for repayment and/or have them convert some or all of their convertible notes. The convertible note holders continue to have the option to convert all or a portion of their notes, as some have during the current year. One such convertible note holder has sent the Company a demand letter requiring payment of the outstanding balance and has further filed a lawsuit in court. With the trading price at December 31, 2015 and insufficient common stock available to issue, the Company did not have sufficient common stock to issue for a conversion of all the outstanding convertible notes.

As management was unable to secure sufficient financing during the year, and/or extend the payoff date for its convertible debt holders, the Company may ultimately file for bankruptcy. Since the dates to make the required contributions for the equity investment in the prior year were not met, the Company s equity interest was diluted to 20%. On October 7, 2014, the Company announced that Sino-Top, its equity investment, had signed an understanding with Shengda Mining Co., Ltd. (Shengda), to be acquired subject to a third party evaluation and all other regulatory approvals and filings. As a result, there is no current effort, nor a requirement, to raise additional financing for the Company s equity investment. On October 21, 2015, the Company signed a transaction memorandum with Shengda, to receive cash consideration/advances for its equity interest in Sino-Top. Shengda agreed to advance RMB5.0 million or approximately $770,000 in two installments for certain transaction costs and for general corporate purposes. These advances were received during the year from Shengda and a related company of Shengda, Beijing Shengda Industrial Group Ltd (BSIG). If the transaction with Shengda, to have it acquire our interest in Sino-Top is not completed successfully and if the Company does not increase its mining operations, it may be required to significantly limit its business activities and dissolve. Further, on December 29, 2015, the Company entered into an Equity Transfer Agreement with BSIG pursuant to which the Company agreed to sell its 20% interest in Inner Mongolia Guangda Mining Ltd. (Guangda), a wholly owned subsidiary of Sino-Top to Shengda for RMB161,922,820 or approximately $24,936,000, subject to adjustments provided in the agreement and various approvals. As noted above, the Company received the second installment of RMB2.5 million or approximately $385,000, upon execution of the agreement.

SILVER DRAGON RESOURCES INC.
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

2. Going Concern continued

In addition, although there had been discussions between the Company and the private investor (Investor), there has been no resolution to the treatment of the $1,069,279 advance credit note received from the Investor during the prior year. The Company may be required to return such funds, with or without interest, to the Investor. On September 19, 2014, the Investor filed a complaint to recover $1,014,140 of the advance credit note. The Company has retained counsel in Delaware and filed a Motion to Dismiss. Subsequently, dates for the plaintiff s answering brief in response the Company s Motion to Dismiss and the Company s response to this brief, were proposed by the court. The briefs were filed and on January 7, 2015, the Company filed a counterclaim against the Investor for $120,000,000, seeking damages for failure to meet funding obligations.

Realization values may be substantially different from carrying values as shown. These 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. Summary of Significant Accounting Policies

a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Silver Dragon Resources Ltd. (a Canadian corporation) and Silver Dragon Mining De Mexico S.A. de C.V and Silver Dragon Resources de Mexico S.A. de C.V. (Mexican corporations) . All significant inter-company balances and transactions have been eliminated on consolidation. The Company s 20% (July 1, 2014 to December 31, 2014-20%; January 1, 2014 to June 30, 2014-40%) ownership in Sanhe Sino-Top Resources & Technology, Ltd. (a China corporation) (Sino-Top) is recorded on the equity basis.

b) Use of estimates

The preparation of consolidated 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 consolidated 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 the Company may undertake in the future. Significant areas requiring the use of estimates relate to the estimated useful lives of plant and equipment and valuation of equity investments. Actual results could differ from these estimates. These estimates are reviewed periodically and as adjustments become necessary, they are reported in earnings in the period in which they become available.

c) Cash and cash equivalents

Cash and cash equivalents consist of deposits held in financial institutions and liquid investments with original maturities of three months or less at the time of purchase.

d) Financial instruments

The Company classifies all financial instruments as held-for-trading, loans and receivables, or other financial liabilities. Loans and receivables and other financial liabilities are measured at amortized cost. Instruments classified

as held for trading are measured at fair value with unrealized gains and losses recognized in the statement of operations. Debt transaction costs are allocated to the related debt and amortized over the life of the debt using the effective interest method. Equity transaction costs are recorded in equity.

The Company has designated its cash and fund held in trust as held for trading, which is measured at fair value. Advance credit note, advances on sale of equity investment, accounts payable, accrued liabilities, promissory and convertible notes payable and related party payables are classified as other liabilities, which are measured at amortized cost, which approximates fair value due to their short-term nature. Related party long-term debt is also classified as other liabilities, which approximates fair value due to its market interest rate. Other receivables are classified as loans and receivables, which are measured at amortized cost, which approximates fair value due to their short-term nature.

SILVER DRAGON RESOURCES INC.
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

3. Summary of Significant Accounting Policies continued

e) Fair Value of Financial Instruments

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy is based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value, which are the following:

Level 1 Quoted prices in active markets for identical assets or liabilities.
Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company uses the following methods and significant assumptions to estimate fair values:

The fair value of cash is measured using Level 1 inputs.

Convertible notes payable: The Company revalues convertible beneficial features on a regular basis, and amortizes the feature over the life of the convertible note payable from the recognition date. The Company evaluates the notes payable for covenant breaches and default events. If a covenant breach or default event is incurred the Company records default interest and other financial obligations in accordance with the signed contractual agreements.

A portion of the Company s financial instruments, however, lack an available, or readily determinable, trading market as characterized by a willing buyer and willing seller engaging in an exchange transaction.

f) Mineral rights

The Company records its interest in mineral rights at cost. Accordingly, costs associated with the acquisition and the development of mineral reserves are capitalized. Exploration costs are expensed as incurred.

Capitalized costs of mineral properties are amortized using the unit-of-production method using estimates of proved reserves. Investments in unproved properties and major exploration and development 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 a property is impaired, the capitalized cost of that property will be charged to expense at that time. The Company presently has 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. The Company evaluates the carrying amounts of its mineral rights when events or changes in circumstances indicate that the carrying amount may not be recoverable.

g) Equity investment

The Company exercises significant influence but does not exercise control over its equity investment, Sino-Top. It is accounted for using the equity method of accounting and is initially recognized at cost. The Company s share of the entity s income or loss is recognized in the consolidated statement of operations, and cumulative post-acquisition changes in the investment are adjusted against the carrying amount of the investment. Were the Company s share of losses on its investment to equal or exceed the carrying amount of the investment, the Company would then only recognize further losses if it incurred obligations or made payments on behalf of the equity investment.

SILVER DRAGON RESOURCES INC.
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

3. Summary of Significant Accounting Policies continued

h) Income taxes

The Company accounts for income taxes in accordance with FASB ASC 740, Income Taxes. Deferred tax assets and liabilities are recorded for differences between the accounting and tax basis of the assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is recorded for the amount of income tax payable or receivable for the period increased or decreased by the change in deferred tax assets and liabilities during the period.

i) Revenue recognition

The Company has not earned revenues from its planned principal operations. Revenues incidental to the planned principal operations will be recognized as follows:

Revenues from the provision of mine exploration services are recognized when the services are performed and collection is reasonably assured. Revenues from the sale of silver and other byproducts are recognized when title and risk of ownership of metal and metal bearing concentrates passes to the buyer and collection is reasonably assured.

Interest income is recognized as it is earned and collection is reasonably assured, taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Company.

j) Plant and equipment

Plant and equipment are stated at cost. Equipment awaiting installation on site is not depreciated until it is commissioned. Depreciation is based on the estimated useful life of the asset and depreciated annually as follows:

Category	Rate	Method
Computer hardware	30%	Declining balance
Computer software	30%	Declining balance
Vehicles	20%	Declining balance
Office equipment	20%	Declining balance
Mine equipment	20%	Declining balance
Leasehold improvements	3 years	Straight line

k) Loss per share

Basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. Diluted loss per share is computed by dividing net loss by the weighted average number of common shares outstanding plus potentially dilutive securities outstanding for each year. The computation of diluted loss per share has not been presented as its effect would be anti-dilutive.

l) Stock-based compensation

From time to time the Company grants options and/or warrants to management, directors, employees and consultants. The Company recognizes compensation expense at fair value. Under this method, the fair value of each warrant is

estimated on the date of the grant and amortized over the vesting period, with the resulting amortization credited to accumulated paid in capital. The fair value of each grant is determined using the Black-Scholes option-pricing model. Consideration paid upon the exercise of stock options and/or warrants is recorded in equity as share capital.

SILVER DRAGON RESOURCES INC.
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

3. Summary of Significant Accounting Policies continued

m) Asset retirement obligations

The Company recognizes liabilities for statutory, contractual or legal obligations associated with the reclamation of mineral properties. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred and the corresponding asset retirement cost is added to the carrying amount of the related asset. The cost is amortized over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is adjusted for changes to the amount or timing of the underlying cash flows needed to settle the obligation. As at December 31, 2015, the Company had not incurred any asset retirement obligations related to the exploration of its mineral properties.

n) Impairment of long lived assets

In accordance with ASC 360, Property, Plant and Equipment , long lived assets to be held and used are analyzed for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable.

The Company evaluates at each balance sheet date whether events and circumstances have occurred that indicate possible impairment. If there are indications of impairment, the Company uses future undiscounted cash flows of the related asset or asset grouping over the remaining life in measuring whether the carrying amounts are recoverable. In the event such cash flows are not expected to be sufficient to recover the recorded asset values, the assets are written down to their estimated fair value.

o) Comprehensive Loss

The Company accounts for comprehensive loss in accordance with ASC 220, Comprehensive Income, which establishes standards for reporting and presentation of comprehensive loss and its components. Comprehensive loss is presented in the consolidated statements of stockholders equity, and consists of net loss and foreign currency translation adjustments.

p) Foreign currency translation

The Company accounts for foreign currency translation pursuant to ASC 830, Foreign Currency Matters . The Company s functional currency is United States dollars. For operations in Mexico, the local currency is the functional currency. All assets and liabilities denominated in Mexican Pesos are translated into United States dollars using the current exchange rate. Revenues and expenses are translated using average exchange rates during the year. Foreign exchange gains or losses are included in consolidated other comprehensive loss for the period. The functional currency of the equity investment in China is United States dollars. Net income or loss recorded on the equity basis is translated using average exchange rates during the year.

4. Recent Accounting Pronouncements

From time to time, new accounting pronouncements are issued by FASB or other standard setting bodies and adopted by us as of the specified effective date. Unless otherwise discussed, the impact of recently issued standards that are not yet effective will not have a material impact on the Company s financial position, results of operations or cash flows.

SILVER DRAGON RESOURCES INC.
Notes to the Consolidated Financial Statements
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4. Recent Accounting Pronouncements continued

In June 2014, the FASB issued ASU No. 2014-10, Development Stage Entities-Elimination of Certain Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation or ASU 2014-10, which eliminates the definition of a development stage entity, the development stage presentation and disclosure requirements under ASC 915, Development Stage Entities , and amends provisions of existing variable interest guidance under ASC 810, Consolidation . As a result of the changes, the financial statements of entities which meet the former definition of development stage entity will no longer: (1) present inception-to-date information in the statements of income, cash flows and shareholder equity, (2) label the financial statements as those of a development stage entity, (3) disclose a description of the development stage activities in which the entity is engaged, and (4) disclose in the first year in which the entity is no longer a development stage entity that in prior years it had been in the development stage. Furthermore, ASU 2014-10 clarifies disclosures about risks and uncertainties under ASC Topic 275, Risks and Uncertainties that apply to companies that have not commenced planned principal activities. Financially, variable interest entity rules no longer contain an exception for development stage entities and, as a result, development stage entities will have to be evaluated for consolidation in the same manner as non-development stage entities. These changes are effective for annual reporting periods beginning after December 15, 2014 and interim periods therein for public companies. Early adoption is permitted for any annual reporting period or interim period for which the entity s financial statements have not been issued (public business entities) or made available for issuance (other entities). The Company elected to adopt, beginning with the first interim period in 2015, ending March 31, 2015.

In August 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements-Going Concern (Subtopic 205-40) Disclosure of Uncertainties about an Entity s Ability to Continue as a Going Concern or ASU 2014-15, amending FASB Accounting Standards Subtopic 205-40 to provide guidance about management s responsibility to evaluate whether there is substantial doubt about an entity s ability to continue as a going concern and to provide related footnote disclosures. Specifically, the amendments (1) provide a definition of the term substantial doubt , (2) require an evaluation every reporting period, (3) provide principles for considering the mitigating effect of management s plans, (4) require certain disclosures when substantial doubt is alleviated as a result of consideration of management s plans, (5) require an express statement and other disclosures when substantial doubt is not alleviated, and (6) require an assessment for a period of one year after the date that financial statements are issued. These changes are effective for fiscal years ending after December 15, 2016, and for annual periods and interim periods thereafter, and early adoption is permitted. The Company has elected not to early adopt and is currently evaluating the impact of adopting ASU 2014-15, but does not expect there to be any material impact on its financial position, results of operations or cash flows.

5. Financial Instruments

The carrying value of cash, funds held in trust, other receivables, bank indebtedness, advance credit note, advances on sale of equity investment, accounts payable, accrued liabilities, promissory note payable, convertible notes payable and related party payables approximated their fair value as of December 31, 2015 and December 31, 2014 due to their short-term nature.

Related party long-term debt approximates fair value due to its market interest rate.

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, $99,974 of consolidated expenses for the year ended December 31, 2015 are denominated in Mexican Pesos; and $333,823 of consolidated expenses for the year ended December 31, 2015 are denominated in Canadian Dollars. As at December 31, 2015, $1,240,629 of the net monetary liabilities are denominated in Mexican Pesos; and $89,262 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. Other Receivables

The current balance in other receivables consists of commodity taxes receivable in the amount of $24,089 (2014-$16,442).

SILVER DRAGON RESOURCES INC.
Notes to the Consolidated Financial Statements
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7. Plant and Equipment, net

	Cost	Accumulated depreciation	December 31, 2015 Net book value	December 31, 2014 Net book value
Computer hardware	**$ 40,559**	**$ 38,484**	**$ 2,075**	$ **2,965**
Office equipment	**45,720**	**38,611**	**7,109**	**8,886**
Leasehold improvements	**381,558**	**381,558**	**-**	**65,465**
	$ 467,837	**$ 458,653**	**$ 9,184**	$ **77,316**

8. Equity Investment

Sanhe Sino-Top Resources & Technologies Ltd., China (Sino-Top) The Company owns 20% of Sino-Top, whose assets consist of mainly six exploration properties.

The Company is required to fund its equity share of ongoing operations at Sino Top. At a meeting of the board of directors of Sino-Top held on March 29, 2014, the 2014 budget was finalized. The total budget for 2014 was RMB171.0 million (approximately $26.334 million) and the Company s contribution is supposed to be RMB76.0 million (approximately $11.704 million). The Company was not able to meet the required contribution, as noted above, by the dates specified by the board of directors of Sino-Top and attempts to secure financing for the required contributions failed, the Company s interest was reduced to 20% on June 30, 2014, the date on which the other shareholders provided contributions.

	2015	2014
Carrying value of investment at December 31, 2014	**$ 2,300,541**	$ **3,680,774**
40% share of net loss for the six month period ended June 30, 2014	**-**	**(920,155)**
20% share of net loss for the year ended December 31, 2015 (20%-July 1, 2014 to December 31, 2014)	**(546,569)**	**(460,078)**
Carrying value of investment at December 31, 2015	**$ 1,753,972**	$ **2,300,541**

Share of loss for the year ending December 31:

	2015	2014
Exploration expenses	**$ (355,217)**	$ **(1,112,028)**
General and administrative expenses	**(191,352)**	**(268,205)**
Share of loss for the year	**$ (546,569)**	$ **(1,380,233)**

Summarized unaudited financial data of Sino-Top for the years ended December 31:

	2015	2014
Revenue	**$ -**	$ -
Net loss	**$ (2,732,845)**	$ (4,600,777)
Current assets	**$ 1,737,537**	$ 2,463,839
Total assets	**$ 2,775,229**	$ 3,516,208
Current liabilities	**$ 6,158,704**	$ 4,290,213
Total liabilities	**$ 6,158,704**	$ 4,290,213

On October 7, 2014, the Company announced that its Foreign Co-operative Joint Venture in China, Sino-Top, had signed an understanding with Shengda Mining to be acquired subject to third party evaluation and all other regulatory approvals and filings. Shengda Mining is the majority shareholder of Sino-Top.

On October 21, 2015, the Company signed a transaction memorandum with Shengda, to receive cash consideration for its equity interest in Sino-Top. Shengda agreed to advance RMB5.0 million or approximately $770,000 in two installments for certain transaction costs and for general corporate purposes. The first installment of RMB2.5 million or approximately $385,000 was received on October 22, 2015 and the second installment of RMB2.5 million or approximately $385,000 was received on December 30, 2015 from a related company of Shengda, Beijing Shengda Industrial Group Ltd., (BSIG), as noted below. The amounts owing to Shengda and BSIG, totaling $770,000, which will be withheld from the proceeds on the sale of the equity investment, are disclosed on the consolidated balance sheets as Advances on sale of equity investment. Due to banking restrictions for wiring funds denominated in RMB, the amount received on December 30, 2015 was held in trust by one of the Company s director s in his Hong Kong dollar account and wired to the Company s United States dollar account subsequent to the year end on January 4th. and 6th., 2016. The amount, $309,748, which is net of the settlement of expenses in the Company s China office, is disclosed on the consolidated balance sheets as held in trust.

SILVER DRAGON RESOURCES INC.
Notes to the Consolidated Financial Statements
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8. Equity Investment, continued

On December 29, 2015, the Company entered into an Equity Transfer Agreement with BSIG pursuant to which the Company agreed to sell its 20% interest in Inner Mongolia Guangda Mining Ltd. (Guangda), a wholly owned subsidiary of Sino-Top to Shengda for RMB161,922,820 or approximately $24.936 million, subject to adjustments and approvals provided in the agreement. As noted above, the Company received the second installment of RMB2.5 million or approximately $385,000, upon execution of the agreement.

9. Advance Credit Note

During the fourth quarter of 2013, the Company received advances on a note, in the amount of $1,069,279, from a private Investor. A significant portion of the funds were disbursed before the 2013 year-end, to settle certain outstanding obligations and payables. The Company and the private investor had not resolved definitive agreements, nor had the Investor funded the remaining amounts required to complete the initial closing. Due to funding delays by the Investor and changes in the Investor's offer, the Company s board of directors had determined not to proceed with the contemplated transaction. The Company was seeking to resolve the treatment of the initial $1,069,279 with the Investor, and may be required to return such funds, with or without interest, to the Investor.

On September 19, 2014, the Investor filed a complaint in the Court of the Chancery of the State of Delaware (the Court), to recover $1,014,140 of the $1,069,279 advanced. The Investor is seeking action for unjust enrichment, fraud and violations of the Delaware Uniform Fraudulent Transfer Act. The Investor has also named Travellers International Inc. (Travellers), an Ontario company controlled by a director and chief executive officer of the Company and the director and chief executive officer of the Company. The Company retained counsel in Delaware and filed a Motion to Dismiss. Subsequently, the Court proposed a date of November 26, 2014 for the plaintiff to file his answering brief in response to this Motion to Dismiss and the Company to file its reply brief to the plaintiff s answering brief, on or before December 12, 2014. These briefs were filed. On January 7, 2015, the Company filed a counterclaim as a consequence of its reliance on the Investor advancing the funds which would have resulted in the Company not having its equity investment diluted. This counterclaim, in the amount of $120,000,000, was for damages for failure to meet funding obligations.

On January 7, 2015, Travellers and Mr. Hazout moved to dismiss the action against them for lack of personal jurisdiction under Rule 12(b)(2) of the Superior Court Rules. On June 3, 2015, the Superior Court granted the motion to dismiss as to Travellers, but denied the motion to dismiss as to Mr. Hazout. Mr. Hazout filed a motion for reargument on June 8, 2015, which the Superior Court denied on June 18, 2015. Mr. Hazout filed a Notice of Appeal before the Delaware Supreme Court on July 7, 2015, which the Court accepted on August 6, 2015. The hearing in the appeal motion to dismiss the case was heard on January 20, 2016 and on February 26, 2016, the Delaware Supreme Court issued its ruling finding that Mr. Hazout is subject to personal jurisdiction in Delaware.

10. 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, with no maturity date. During the year ended December 31, 2015, the Company accrued interest of $99,974 (2014 - $99,974).

11. Related Party Long-Term Debt

The Company has in place an agreement with Sino-Top, who will provide up to RMB1.0 million (approximately $157,300), repayable within two years from date of advance. The debt bears interest at the rate of 12% per annum and is unsecured. As at December 31, 2015, the Company had received advances in full, totaling RMB1,000,000 (approximately $154,000). The funds are being used to fund the operations at the Company s China office. Included in the condensed consolidated statements of operations and comprehensive loss, are interest charges for the year ended December 31, 2015 totaling $17,559 (2014-$2,714).

		2015		2014
Long-term debt	**$**	**154,000**	$	128,880
Less current portion		**(123,200)**		-
Total long-term debt	**$**	**30,800**	$	128,880

SILVER DRAGON RESOURCES INC.
Notes to the Consolidated Financial Statements
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12. Convertible Notes Payable

	Secured Convertible Promissory Note (a)	Convertible Redeemable Notes (b)	Convertible Promissory Notes (c)	Convertible Notes (d)	Convertible Redeemable Note (e)	Convertible Note (f)	Total
Balance, December 31, 2013	**$ 2,728,940**	**$ 271,510**	**$ 204,094**	**$ 93,510**	**$ -**	**$ -**	**$ 3,298,054**
Conversion of notes for shares	**-**	**-**	**(28,125)**	**(108,460)**	-	-	**(136,585)**
Interest, penalties and other charges	**846,573**	**105,613**	**63,082**	**14,950**	-	-	**1,030,218**
Issued	**200,000**	**-**	**-**	**-**	-	-	**200,000**
Balance, December 31, 2014	**$ 3,775,513**	**$ 377,123**	**$ 239,051**	**$ -**	**$ -**	**$ -**	**$ 4,391,687**
Conversion of notes for shares	**(200,000)**	**(243,922)**	**-**	**-**	**-**	**(45,000)**	**(488,922)**
Interest, penalties and other charges	**4,478,703**	**18,702**	**-**	**-**	**1,227**	**5,362**	**4,503,994**
Issued	**-**	**-**	**-**	**-**	**50,000**	**102,000**	**152,000**
Balance, December 31, 2015	**$ 8,054,216**	**$ 151,903**	**$ 239,051**	**$ -**	**$ 51,227**	**$ 62,362**	**$ 8,558,759**

(a) On April 12, 2013, the Company entered into a supplemental letter of agreement with the holder of the convertible note providing, amount other things, that if the Company agrees to pay $2,130,048 by June 30, 2013, such payment would constitute payment in full of any and all obligations due and owing under the secured convertible promissory note.

On June 3, 2013, the Company entered into an Amendment to the original agreements which consist of the note and warrant purchase agreement dated February 15, 2011 with the lender, secured convertible promissory note of the Company in the principal amount of $2,766,500, 10 secured notes in favor of the Company (each, a Buyer Note) and a warrant to purchase common stock of the Company. Under the Amendment, the lender agreed to accelerate payment of a portion of the amounts payable to the Company under the tenth Buyer Note. The aggregate amount the lender 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 $200,000. The Company and the buyer agreed that the amount, $120,000, once paid to the Company, will become a Conversion Eligible Tranche under the Note in the amount of $220,000 plus interest and other amounts accrued under the Note.

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, the lender would pay the second payment of $60,000. Although the Company had not yet met all of the Second Payment Conditions, the lender agreed to advance the second payment of $60,000 on August 2, 2013 and the Company received such payment.

On August 7, 2013, the Company and the lender entered into a second supplemental letter of agreement, pursuant to which the lender 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 the lender by $30,000. All other terms and conditions of the original Letter Agreement remains in full force and effect.

On November 13, 2013, the Company and the lender entered into a third supplemental letter agreement, pursuant to which the lender agreed to extend the Payoff Date for the secured convertible promissory note from September 30, 2013 to December 31, 2013. All other terms and conditions of the original Letter Agreement remains in full force and effect.

On November 27, 2013, the Company and the lender entered into a fourth supplemental letter agreement, pursuant to which the lender agreed that, if the Company pays $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 the lender pursuant to certain secured convertible promissory note issued by the Company to the lender and certain other agreements between the parties. All other terms and conditions of the original Letter remains in full force and effect.

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Notes to the Consolidated Financial Statements
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12. Convertible Notes Payable, continued

On March 27, 2014, the Company and the lender agreed to replace reference to the Payoff Amount and accept an amount equal to $2,750,000, so long as such payment was made on or before June 30, 2014. All other terms and conditions of the payoff letter remained in full force and effect.

In each case, in consideration of the foregoing supplemental letter agreements, the lender agreed, from the date of the letter of agreement through the Payoff Date, to forbear from exercising any right or remedy in respect of the secured convertible promissory note and certain other agreements between the parties, 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 letter of agreement. If the Payoff Amount is not paid by the Payoff Date, the lender s agreement shall be deemed cancelled.

The Company was not able to make payment on or before June 30, 2014 and continues to be in default of the payment required on this secured convertible promissory note. The lender continues to have the option to convert all or a portion of its secured convertible promissory note into common shares of the Company.

On November 7, 2014, the lender requested the conversion of a portion of their secured convertible promissory note, in the amount of $371,700. The Company was not able to complete the conversion and as a result, has incurred penalties, as stipulated by the agreement between the lender and the Company. During the fourth quarter of 2014, the Company was charged penalties of $505,512, by increasing the amount outstanding on the secured convertible promissory note. The lender continues to charge penalties which accrue at approximately $39,000 per week. In addition, interest on the secured convertible promissory note continues to accrue at an annual rate of 12%, compounded daily.

On November 10, 2014, the Company received $200,000 on a private placement for 4,000,000 common shares of the Company. On receipt, the funds were recorded as additional debt from the lender. On January 16, 2015, 4,000,000 common shares of the Company were issued on the conversion of $200,000 of convertible debt.

During the year ended December 31, 2015, the lender charged late penalties of $3,908,426.

Refer to subsequent events (note 19(b)), for a demand letter sent to the Company and a lawsuit filed in the Utah Court, by the convertible note holder and subsequent events (note 19(c)), for details on new financing.

(b) On April 10, 2013, the Company entered into a supplemental letter of agreement with the holder of the convertible redeemable note providing, among other things, that if the Company agrees to pay $271,500 by June 30, 2013, such payment would constitute payment in full of any and all obligations due and owing under the convertible redeemable note.

On July 30, 2013, the Company and the lender entered into a second supplemental letter of agreement, pursuant to which the lender 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 the convertible redeemable notes and other obligations to the lender by $10. All other terms and conditions of the original Letter Agreements remain in full force and effect.

On November 8, 2013, the Company entered into a third supplemental letter of agreement with the lender, pursuant to which the lender agreed to extend the Payoff Date for the convertible redeemable note owed from September 30, 2013 to March 31, 2014.

On March 25, 2014, the Company and the lender agreed to replace all references to March 31, 2014 in the payoff letter with June 30, 2014. The Company paid the lender $10 in consideration for this extension to the Payoff Date. All other terms and conditions of the payoff letter remained in full force and effect.

In each case, in consideration of the foregoing supplemental lender agreements, the lender agreed, from the date of the letter of agreement through the Payoff Date, to forbear from exercising any right or remedy in respect of the convertible redeemable notes and certain other agreements between the parties,, 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 letter of agreement. If the Payoff Amount is not paid by the Payoff Date, the lender s agreement shall be deemed cancelled.

SILVER DRAGON RESOURCES INC.
Notes to the Consolidated Financial Statements
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12. Convertible Notes Payable, continued

The Company was not able to make payment on or before June 30, 2014 and continues to be in default of the payment required on these convertible redeemable notes. The lender continues to have the option to convert all or a portion of its convertible redeemable notes into common shares of the Company. In addition, interest on the convertible redeemable notes continues to accrue at the rate of 24% per annum.

On January 13, 2015, the lender converted one of their notes, including accrued interest, an amount totaling $ 170,111, for 5,400,352 common shares of the Company. Further, on March 18, 2015, the lender converted a portion of their remaining note, in the amount of $36,000, for 2,057,143 common shares of the Company.

On June 1, 2015, the lender converted a portion of their remaining note, in the amount of $10,000, for 703,730 common shares of the Company. Further, on June 24, 2015, the lender converted a portion of their remaining note, in the amount of $15,000, for 1,203,852 common shares of the Company.

On August 5, 2015, the lender converted a portion of their remaining note, in the amount of $12,811, for 759,374 common shares of the Company.

(c) On April 9, 2013, the Company entered into a supplemental letter of agreement with the holder of the convertible promissory notes providing, amount other things, that if the Company agrees to pay $194,084 by June 30, 2013, such payment would constitute payment in full of any and all obligations due and owing under the convertible promissory notes.

On August 7, 2013, the Company and the lender entered into a second supplemental letter of agreement, pursuant to which the lender 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 the convertible promissory notes and other obligations to the lender by $10,000. All other terms and conditions of the original Letter Agreements remain in full force and effect.

On November 8, 2013, the Company entered into a third supplemental letter of agreement with the lender, pursuant to which the lender agreed to extend the Payoff Date for the convertible promissory notes owed from September 30, 2013 to March 31, 2014. In consideration for the extension to the payoff date, the Company agreed to increase the outstanding balance of the convertible promissory notes and other obligations to the lender by $10. All other terms and conditions of the original Letter Agreements remain in full force and effect.

On March 25, 2014, the Company and the lender agreed to replace all references to March 31, 2014 in the payoff letter with June 30, 2014. The Company paid the lender $10 in consideration for this extension to the Payoff Date. All other terms and conditions of the payoff letter remained in full force and effect.

In each case, in consideration of the foregoing, the lender agreed, from the date of the letter of agreement through the Payoff Date, to forbear from exercising any right or remedy in respect of the convertible promissory notes and certain other agreements between the parties, 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 letter of agreement. If the Payoff Amount is not paid by the Payoff Date, the lender s agreement shall be deemed cancelled.

The Company was not able to make payment on or before June 30, 2014 and continues to be in default of the required payment on the convertible promissory notes. The lender may impose penalties for non-payment. The lender continues to have the option to convert all or a portion of its convertible promissory notes into common shares of the Company. In addition, no interest is accruing on the remaining convertible promissory notes.

On August 18, 2014, the lender converted a portion of one of their notes, totaling $28,125 for 2,500,000 common shares of the Company.

SILVER DRAGON RESOURCES INC.
Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

12. Convertible Notes Payable, continued

(d) On April 12, 2013, the Company entered into a supplemental letter of agreement with the holder of the convertible notes providing amount other things, that if the Company agrees to pay $93,500 by June 30, 2013, such payment would constitute payment in full of any and all obligations due and owing under the convertible notes.

On June 27, 2013, the Company and the lender entered into a second supplemental letter of agreement, pursuant to which the lender 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 the convertible notes and other obligations to the lender by $10. All other terms and conditions of the original Letter Agreements remain in full force and effect.

On November 8, 2013, the Company entered into a third supplemental letter of agreement with the lender, pursuant to which the lender agreed to extend the Payoff Date for the convertible notes owed from September 30, 2013 to March 31, 2014.

On March 25, 2014, the Company and the lender agreed to replace all references to March 31, 2014 in the payoff letter with June 30, 2014. The Company paid the lender $10 in consideration for this extension to the Payoff Date. All other terms and conditions of the payoff letter remained in full force and effect.

In each case, in consideration of the foregoing, the lender agreed, from the date of the letter of agreement through the Payoff Date, to forbear from exercising any right or remedy in respect of the convertible notes and certain other agreements between the parties, 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 letter of agreement. If the Payoff Amount is not paid by the Payoff Date, the lender s agreement shall be deemed cancelled.

The Company was not able to make payment on or before June 30, 2014 and continues to be in default of the required payment on these convertible notes. The lender continues to have the option to convert all or a portion of its convertible notes into common shares of the Company.

From July 22, 2014 to August 20, 2014, the lender converted their notes in full, with accrued interest, a total of $108,460 for 9,884,147 common shares of the Company.

(e) On March 27, 2015, the Company closed a convertible financing agreement in the amount of $102,000. The convertible note bears interest at 8% per annum, due December 31, 2015. The convertible note is convertible at a 40% discount, based on the average of the lowest three trading days for the common shares of the Company during the ten trading day period ending on the latest complete trading day prior to the conversion date.

On October 1, 2015, the lender converted a portion of their note in the amount of $20,000, for 3,076,923 common shares of the Company. Further, on October 5, 2015 the lender converted a portion of their note in the amount of $25,000, for 3,424,658 common shares of the Company.

(f) On August 6, 2015, the Company closed a convertible financing agreement in the amount of $50,000. The convertible redeemable note bears interest at 6% per annum, due August 6, 2016. The convertible redeemable

note is convertible, no earlier than six months after closing, at 70% of the lowest bid price for the common shares of the Company during the four days prior to and including the date of conversion.

SILVER DRAGON RESOURCES INC.
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13. Related Party Transactions and Balances

	December 31, 2015	December 31, 2014
Related party payable, non-interest bearing, due on demand and unsecured.	$ -	$ 181,020

During the year, the Company incurred $324,000 (2014 - $324,000) in management fees paid to Travellers for services as chief executive officer and $18,000 (2014-$48,000) of accrued fees to a director for management services. As at December 31, 2015, unpaid remuneration in the amount of $270,000 (2014-$nil) is included in accounts payable and $135,000 (December 31, 2014-$135,000) is included in accrued liabilities, in relation to the chief executive officer and unpaid remuneration of $nil (December 31, 2014-$120,000) in relation to a director for management services is included in accrued liabilities.

During the year, the Company incurred $53,636 ($68,475 Canadian) (2014-$61,977; $ 68,475 Canadian) in rent paid to a company controlled by a director and officer. Included in prepaid expenses is a rental deposit of $nil (December 31, 2014-$4,409). On November 12, 2015, the Company signed a new lease agreement with the company controlled by a director and officer for a period of three years, commencing January 1, 2016 and expiring December 31, 2018. The annual rent will be $52,020 ($72,000 Canadian), plus applicable taxes.

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.

14. Capital Stock

During the year, 557,143 (2014 650,000, including 550,000 treasury stock) shares of the Company were cancelled, without the return of cash or property. During the year, a total of 20,626,032 (2014-12,384,147) shares of the Company were issued on the conversion of convertible notes.

Warrants

As at December 31, 2015, no warrants were outstanding.

	Number of warrants	**Weighted average exercise price**
Balance, December 31, 2013	12,235,000	$ 0.38
Expired during the year	(10,010,000)	(0.45)
Balance, December 31, 2014	2,225,000	$ 0.06
Expired during the year	(2,225,000)	(0.06)
Balance, December 31, 2015	**-**	**$ -**

SILVER DRAGON RESOURCES INC.
Notes to the Consolidated Financial Statements
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15. Supplemental Cash Flow Information

Issuance of convertible notes payable

	December 31, 2015	December 31, 2014
Issuance of convertible notes payable	**$ 152,000**	$ **200,000**
Interest and penalties	**4,503,994**	**1,030,218**
	$ 4,655,994	$ **1,230,218**

16. Income Taxes

The Company s income tax provision has been calculated as follows:

	2015	2014
Loss before income taxes	**$ (6,084,317)**	$ **(3,575,284)**
Deferred: Expected tax income tax recovery at the combined average statutory rates of 33.08% (2014 –32.46%)	**(2,012,452)**	**(1,160,498)**
Permanent differences	**200,345**	**489,065**
Change in valuation allowance	**1,812,107**	**671,433**
Provision for income taxes	**$ -**	$ -

The following summarizes the principal temporary differences and related future tax:

Losses carried forward	**$ 14,343,631**	$ 12,531,524
Valuation allowance	**(14,343,631)**	(12,531,524)
Deferred income tax asset	**$ -**	$ -

Potential benefits of income tax losses are not recognized in the accounts until realization is more likely than not. The Company computes tax asset benefits for net operating losses carried forward.

Potential benefits of net operating losses have not been recognized in these consolidated financial statements because the Company cannot be assured it will more likely than not utilize the net operating losses carried forward in future years. In addition, there may also have been acquisition of control events that may restrict the utilization of losses.

The Company s tax returns have not yet been filed (except for its Canadian corporation) and when they are filed they will be subject to audit and potential penalties and reassessment by taxation authorities. The outcome of the tax return filings and audits cannot be reasonably determined and the potential impact on the amount of tax losses and consolidated financial statements is not determinable.

SILVER DRAGON RESOURCES INC.
Notes to the Consolidated Financial Statements
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17. Commitments and Contingencies

(a) On November 24, 2015, the Company entered into a three-year lease agreement with a related party for an office, commencing January 1, 2016 and expiring December 31, 2018. The future minimum commitment under the lease obligations for office premises are as follows:

2016	**$**	**52,020**
2017		**52,020**
2018		**52,020**
	$	**156,060**

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 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, we have determined that we will not pursue any further recourse with regard to this matter, and accordingly, we will never recover the Mexican Concessions. Management is considering its options, including whether to incur the costs of dissolving the Mexican subsidiary.

18. 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 December 31, 2015	**Corporate (North America)**	**Mexico**	**China**	**Total**
Equity investment	$ -	$ -	$ 1,753,972	$ 1,753,972
Total assets	$ 344,114	$	$ 1,753,972	$ 2,098,086

Year ended December 31, 2015	**Corporate (North America)**	**Mexico**	**China**	**Total**
Revenues	$ -	$ -	$ -	$ -
Depreciation	$ 68,132	$ -	$ -	$ 68,132
Loss before income taxes	$ 5,365,774	$ 171,974	$ 546,569	$ 6,084,317

As at December 31, 2014	**Corporate (North America)**	**Mexico**	**China**	**Total**
Equity investment	$ -	$ -	$ 2,300,541	$ 2,300,541
Total assets	$ 174,713	$ -	$ 2,300,541	$ 2,475,254

Year ended December 31, 2014	Corporate (North America)	Mexico	China	Total
Revenues	$ -	$ -	$ -	$ -
Depreciation	$ (130,652)	$ -	$ -	$ (130,652)
Loss before income taxes	$ (2,095,077)	$ (99,974)	$ (1,380,233)	$ (3,575,284)

SILVER DRAGON RESOURCES INC.
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19. Subsequent Events

(a) On February 4, 2016, the Company made Shengda a counter offer, the terms of which include a purchase price of RMB265,000,000 or approximately $40,810,000 for the company s 20% interest in Sino-Top, which includes all six properties with the purchase price being paid in two installments, 50% on closing and 50% on approval by all appropriate regulatory authorities, including the China Securities Regulatory Commission and Ministry of Commerce no later than December 31, 2016. Accordingly, the Company considers the agreement with BSIG to be terminated.

(b) On February 26, 2016, one of the Company s convertible debt holder s, Tonaquint, Inc., a Utah corporation (Tonaquint), sent a letter to the Company detailing breaches by the Company of the transaction documents and events of default and demanding full payment of the outstanding balance of the note by March 2, 2016. The Company didn t respond to the demand letter and on March 5, 2016, Tonaquint filed a lawsuit in the district court, district of Utah, central division demanding payment of the balance owing of $8,822,073. This amount does not include interest and fees accrued after February 26, 2016, which will continue to accrue and the attorney s fees and costs associated with the collection and enforcement of this lawsuit.

(c) On March 31, 2016, the Company signed a memorandum of terms with one of the Company s convertible debt holder s, Tonaquint. The memorandum of terms represents the principal economic terms and conditions under which Tonaquint may be willing to purchase securities of the Company. The memorandum of terms will act as a settlement of Tonaquint s lawsuit, noted above. Tonaquint will agree to dismiss the lawsuit upon completion of the transactions contemplated in the memorandum of terms. Tonaquint will invest an additional $400,000 on closing and forgive $2,677,393 of the current outstanding balance of approximately $9,093,950. The initial principal balance of the exchange note (the Exchange Note Amount), will be $6,836,557, which includes the additional $400,000 investment and $20,000 for legal, administrative and due diligence expenses. The Exchange Note will continue to accrue interest at 12% per annum and will be secured by all assets of the Company and a pledge of the company s ownership interest in Sino-Top. The memorandum of terms also includes certain conversion prices and beginning December 31, 2016, requires the Company to make payments of $100,000 per month, each month up until March 31, 2019. The memorandum of terms also contemplates an increase in the Company s authorized common stock from 300,000,000 to 600,000,000. Following the increase in authorized common stock, the Company will reserve 150,000,000 shares of common stock for Tonaquint s benefit. The final documents, will include various terms, including events of default, default effects, the results of the Company s sale of its Sino-Top ownership interest and a payoff amount. The Company will also grant Tonaquint the right to appoint a Board observer. The Board observer will not have any Board voting rights.

On April 7, 2016, the Company and Tonaquint executed the definitive documents in connection with this memorandum of terms. The Company received the financing on April 8, 2016.