



(An Exploration Stage Company)

## Condensed Interim Financial Statements

For The Nine Months Ended December 31, 2011

*The accompanying unaudited condensed interim financial statements of Triple Dragon Resources Inc. for the nine months ended December 31, 2011, have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These condensed interim financial statements have not been reviewed by the Company's external auditors*

(Unaudited - Expressed in Canadian Dollars)

# Triple Dragon Resources Inc.

(An exploration stage company)

## Condensed Interim Statements of Financial Position

As expressed in Canadian dollars

(Unaudited – prepared by management)

|  | <b>December<br/>31, 2011</b> | March 31,<br>2011<br>(Note 13) | April 1,<br>2010<br>(Note 13) |
|--|------------------------------|--------------------------------|-------------------------------|
| <b>Assets</b>                                      |                              |                                |                               |
| <b>Current</b>                                     |                              |                                |                               |
| Cash and cash equivalents                          | \$ 26                        | \$ 4,855                       | \$ 20,026                     |
| GST/HST receivable                                 | 7,355                        | 2,153                          | 14,938                        |
| Marketable Securities (Note 5)                     | 147,000                      | 247,500                        | -                             |
|  | <b>154,381</b>               | 254,508                        | 34,964                        |
| Marketable Securities (Note 5)                     | 63,000                       | 202,500                        | -                             |
| Mineral exploration and evaluation assets (Note 6) | 440,340                      | 423,758                        | -                             |
| Mineral property held for sale (Note 7)            | -                            | -                              | 130,571                       |
|  | <b>\$ 657,721</b>            | \$ 880,766                     | \$ 444,138                    |
| <b>Liabilities</b>                                 |                              |                                |                               |
| <b>Current</b>                                     |                              |                                |                               |
| Accounts payable and accrued liabilities           | \$ 150,610                   | \$ 147,250                     | \$ 33,227                     |
| Due to a related party (Note 11)                   | 214,116                      | 143,933                        | 26,250                        |
| Future income tax liability                        | 10,312                       | 10,312                         | -                             |
|  | <b>375,038</b>               | 301,495                        | 59,477                        |
| <b>Future Income Tax Liability</b>                 | <b>8,438</b>                 | 8,438                          | -                             |
|  | <b>383,476</b>               | 309,933                        | 59,477                        |
| <b>Shareholders' Equity</b>                        |                              |                                |                               |
| Share capital (Note 8)                             | 2,673,250                    | 2,658,250                      | 2,648,250                     |
| Contributed surplus (Note 9)                       | 751,465                      | 751,465                        | 751,465                       |
| Deficit  | (3,150,470)                  | (2,838,882)                    | (3,015,054)                   |
|  | <b>274,245</b>               | 570,833                        | 59,477                        |
|  | <b>\$ 657,721</b>            | \$ 880,766                     | \$ 444,138                    |

**Nature and continuance of operations (Note 1)**

**Commitments (Note 9)**

**Subsequent events (Note 12)**

Approval on behalf of the Board of Directors:

“David Hodge”

Director

“Jenna Hardy”

Director

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

## Triple Dragon Resources Inc.

(An exploration stage company)

Condensed Interim Statements of Operations and Comprehensive Loss

As expressed in Canadian dollars

(Unaudited – prepared by management)

|   | For the three months ended<br>December 31, |            | For the nine months ended<br>December 31, |            |
|---|--|------------|---|------------|
|   | 2011                                       | 2010       | 2011                                      | 2010       |
| <b>Expenses</b>   |  |            |   |            |
| Administration fees   | 15,000                                     | 15,000     | 45,000                                    | 67,500     |
| Advertising and promotion   | 505  | 200        | 885                                       | 815        |
| Consulting fees   | -  | -          | -   | -          |
| Office and general  | 70   | 73         | 211                                       | 229        |
| Professional fees   | 9,225                                      | 291        | 12,418                                    | 4,650      |
| Transfer agent & regulatory authorities fees  | 5,465                                      | 1,694      | 13,073                                    | 10,822     |
| Travel  | -  | 3,694      | -   | 3,694      |
|   | <b>30,265</b>                              | 20,952     | <b>71,588</b>                             | 87,710     |
| <b>Other income (expenses)</b>  |  |            |   |            |
| Interest income   | -  | -          | -   | 140        |
| Unrealized gain on marketable securities  | (210,000)                                  | (285,000)  | (240,000)                                 | 165,000    |
| Gain on sale of property  | -  | -          | -   | 160,997    |
| <b>Net loss (gain) and comprehensive loss for<br/>the period</b>                    | <b>240,265</b>                             | 305,952    | <b>311,588</b>                            | (238,427)  |
| <b>Basic and diluted loss (gain) per share</b>                                      | <b>\$ 0.01</b>                             | \$ 0.01    | <b>\$ 0.01</b>                            | \$ (0.01)  |
| <b>Weighted average number of common<br/>shares outstanding – basic and diluted</b> | <b>24,611,956</b>                          | 24,480,032 | <b>24,575,518</b>                         | 24,480,032 |

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

## Triple Dragon Resources Inc.

(An exploration stage company)

### Condensed Interim Statements of Changes in Equity

As expressed in Canadian dollars

(Unaudited – prepared by management)

|                                    | Number of<br>Shares | Share<br>Capital | Contributed<br>Surplus | Deficit            | Total          |
|------------------------------------|---------------------|------------------|------------------------|--------------------|----------------|
| <b>Balance, April 1, 2010</b>      | <b>24,425,000</b>   | <b>2,648,250</b> | <b>751,465</b>         | <b>(3,015,054)</b> | <b>384,661</b> |
| Shares issued for properties       | 86,956              | 10,000           | -                      | -                  | 10,000         |
| Net loss for period                | -                   | -                | -                      | (40,488)           | (40,488)       |
| <b>Balance, June 30, 2010</b>      | <b>24,511,956</b>   | <b>2,658,250</b> | <b>751,465</b>         | <b>(3,055,542)</b> | <b>354,173</b> |
| Net loss for period                | -                   | -                | -                      | 584,867            | 584,867        |
| <b>Balance, September 30, 2010</b> | <b>24,511,956</b>   | <b>2,658,250</b> | <b>751,465</b>         | <b>(2,470,675)</b> | <b>939,040</b> |
| Net loss for period                | -                   | -                | -                      | (305,952)          | (305,952)      |
| <b>Balance, December 31, 2010</b>  | <b>24,511,956</b>   | <b>2,658,250</b> | <b>751,465</b>         | <b>(2,776,627)</b> | <b>633,088</b> |
| Net loss for period                | -                   | -                | -                      | (62,255)           | (62,255)       |
| <b>Balance, March 31, 2011</b>     | <b>24,511,956</b>   | <b>2,658,250</b> | <b>751,465</b>         | <b>(2,838,882)</b> | <b>570,833</b> |
| Shares issued for properties       | 100,000             | 15,000           | -                      | -                  | 15,000         |
| Net loss for period                | -                   | -                | -                      | (108,425)          | (108,425)      |
| <b>Balance, June 30, 2011</b>      | <b>24,611,956</b>   | <b>2,673,250</b> | <b>751,465</b>         | <b>(2,947,307)</b> | <b>477,408</b> |
| Net loss for period                | -                   | -                | -                      | 37,102             | 37,102         |
| <b>Balance, September 30, 2011</b> | <b>24,611,956</b>   | <b>2,673,250</b> | <b>751,465</b>         | <b>(2,910,205)</b> | <b>514,510</b> |
| Net loss for period                | -                   | -                | -                      | (240,265)          | (240,265)      |
| <b>Balance, December 31, 2011</b>  | <b>24,611,956</b>   | <b>2,673,250</b> | <b>751,465</b>         | <b>(3,150,470)</b> | <b>274,245</b> |

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

## Triple Dragon Resources Inc.

(An exploration stage company)

Condensed Interim Statements of Cash Flows

As expressed in Canadian dollars

(Unaudited – prepared by management)

|  | <b>Nine Months Ended December 31,</b> |                  |
|--|---------------------------------------|------------------|
|  | <b>2011</b>                           | <b>2010</b>      |
| <b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:</b>     |                                       |                  |
| Net income (loss) for the period                           | \$ (311,588)                          | \$ 238,427       |
| Adjustments for items not affecting cash:                  |                                       |                  |
| Unrealized gain (loss) on marketable securities            | 240,000                               | (165,000)        |
| Gain on sale of property                                   | -                                     | (160,997)        |
| Changes in non-cash operating working capital:             |                                       |                  |
| HST/GST receivable   | (5,202)                               | 6,700            |
| Due to a related party                                     | 70,183                                | 83,075           |
| Accounts payable and accrued liabilities                   | 3,360                                 | 126,665          |
| <b>Net cash flows used in operating activities</b>         | <b>(3,247)</b>                        | <b>128,870</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>               |                                       |                  |
| Mineral property held for sale                             | -                                     | (8,432)          |
| Mineral exploration and evaluation asset expenditures      | (1,582)                               | (135,457)        |
| <b>Net cash flows from investing activities</b>            | <b>(1,582)</b>                        | <b>(143,889)</b> |
| <b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>    | <b>(4,829)</b>                        | <b>(15,019)</b>  |
| <b>Cash and cash equivalents, beginning of year</b>        | <b>4,855</b>                          | <b>20,026</b>    |
| <b>Cash and cash equivalents, end of period</b>            | <b>\$ 26</b>                          | <b>\$ 5,007</b>  |
| <b>Supplemental disclosure with respect to cash flows:</b> |                                       |                  |
| Shares issued for mineral property interests               | \$ 15,000                             | \$ 10,000        |
| Shares received for sale of mineral property               | \$ -                                  | \$ 300,000       |

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

## Triple Dragon Resources Inc.

### SCHEDULE I SUMMARY OF ACQUISITION AND DEFERRED EXPLORATION COSTS ON MINERAL PROPERTIES

|              | Acquisition Cost |               |               |                   |               | Deferred Exploration Cost |                |                |                   |                | Total Acquisition and Deferred Exploration Costs |                |
|--------------|------------------|---------------|---------------|-------------------|---------------|---------------------------|----------------|----------------|-------------------|----------------|--|----------------|
|              | March 31, 2011   |               |               | December 31, 2011 |               | March 31, 2011            |                |                | December 31, 2011 |                | 2012   | 2011           |
|              | Beginning        | Additions     | Ending        | Additions         | Ending        | Beginning                 | Additions      | Ending         | Additions         | Ending         |  |                |
| Murray       | 15,509           | -             | 15,509        | -                 | 15,509        | 158,788                   | -              | 158,788        | 69                | 158,857        | 174,366  | 174,297        |
| May          | 5,701            | 10,000        | 15,701        | 15,000            | 30,701        | 16,881                    | 2,919          | 19,800         | -                 | 19,800         | 50,501   | 35,501         |
| Burnt        | 10,000           | 10,000        | 20,000        | -                 | 20,000        | 26,197                    | 9,903          | 36,100         | 131               | 36,230         | 56,230   | 56,100         |
| Staircase    | 30,830           | -             | 30,830        | -                 | 30,830        | 14,697                    | 112,333        | 127,030        | 1,382             | 128,413        | 159,243  | 157,860        |
| <b>Total</b> | <b>62,040</b>    | <b>20,000</b> | <b>82,040</b> | <b>15,000</b>     | <b>97,040</b> | <b>216,563</b>            | <b>125,155</b> | <b>341,718</b> | <b>1,582</b>      | <b>343,300</b> | <b>440,340</b>                                   | <b>423,758</b> |

### SCHEDULE II EXPLORATION COSTS ON MINERAL PROPERTIES

|                          | Nine Months Ended December 31, 2011 |          |              |              |              |
|--------------------------|-------------------------------------|----------|--------------|--------------|--------------|
|                          | Murray                              | May      | Burnt Island | Staircase    | Total        |
|                          | \$                                  | \$       | \$           | \$           | \$           |
| Geological expenses      | 69                                  | -        | 131          | 454          | 654          |
| Supplies and rentals     | -                                   | -        | -            | 63           | 63           |
| Travel and accommodation | -                                   | -        | -            | 865          | 865          |
| <b>Total</b>             | <b>69</b>                           | <b>-</b> | <b>131</b>   | <b>1,382</b> | <b>1,582</b> |

  

|                          | Year Ended March 31, 2011 |              |              |                |                |
|--------------------------|---------------------------|--------------|--------------|----------------|----------------|
|                          | Murray                    | May          | Burnt Island | Staircase      | Total          |
|                          | \$                        | \$           | \$           | \$             | \$             |
| Assays                   | -                         | -            | -            | 7,610          | 7,610          |
| Geological expenses      | -                         | 2,791        | 7,513        | 44,110         | 54,414         |
| Maps and reports         | -                         | -            | -            | 18,722         | 18,722         |
| Supplies and rentals     | -                         | 128          | 773          | 17,844         | 18,745         |
| Travel and accommodation | -                         | -            | 1,617        | 24,047         | 25,664         |
| <b>Total</b>             | <b>-</b>                  | <b>2,919</b> | <b>9,903</b> | <b>112,333</b> | <b>125,155</b> |

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

# **Triple Dragon Resources Inc.**

Notes to the Condensed Interim Financial Statements

For the nine months ended December 31, 2011

(Unaudited – Expressed in Canadian Dollars)

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## **1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS**

The condensed interim financial statements of Triple Dragon Resources Inc. (“Triple Dragon” or the “Company”) for the nine months ended December 31, 2011, were authorized for issue in accordance with a resolution of the directors on February 23, 2012. Triple Dragon is a publicly listed company incorporated in British Columbia on February 21, 2006, and on August 4, 2006, it continued out of British Columbia and into the British Virgin Islands. On September 21, 2006, the Company changed its principal business activity and developed its business plan to enter the convention industry principally in Macau. On July 10, 2008, in connection with the change of control, the Company continued into British Columbia as a mineral exploration company in the exploration stage, engaged in the acquisition, exploration and development of mineral properties. The Company’s shares are listed on the Canadian National Stock Exchange (“CNSX”).

The head office, principal address and registered and records office of the Company are located at 1450 – 789 West Pender, Vancouver, BC, Canada, V6C 1H2.

The Company is in the process of exploring its mineral property interests and has not yet determined whether its investment in the Murray, May, Burnt Island, or Staircase Claims contains mineral reserves that are economically recoverable. The Company’s continuing operations and the underlying value and recoverability of the amounts shown for these investments is entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development, obtaining the necessary permits to mine, and on future profitable production or proceeds from the disposition of these investments.

## **2. BASIS OF PRESENTATION**

The financial statements of the Company for the year ending March 31, 2012, will be prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), having previously prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles (“Canadian GAAP”). These condensed interim financial statements for the nine months ended December 31, 2011, have been prepared in accordance with IAS 34 Interim Financial Reporting, and as they are part of the Company’s first IFRS annual reporting period, IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied.

As these condensed consolidated interim financial statements are the Company’s first financial statements prepared using IFRS, certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS that were not included in the Company’s most recent annual financial statements prepared in accordance with Canadian GAAP have been included in these financial statements for the comparative annual period. However, these condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

These condensed consolidated interim financial statements should be read in conjunction with the Company’s March 31, 2011 annual financial statements and the explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 13.

# Triple Dragon Resources Inc.

Notes to the Condensed Interim Financial Statements

For the nine months ended December 31, 2011

(Unaudited – Expressed in Canadian Dollars)

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### 3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these condensed financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

In particular, information about significant areas of estimation uncertainty considered by management in preparing the condensed financial statements includes:

- The recoverability of the carrying value of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest;
- The inputs used in assessing the recoverability of deferred income tax assets to the extent that the deductible temporary differences will reverse in the foreseeable future and that the Company will have future taxable income;
- Management's assumption that there are currently no decommissioning liabilities is based on the facts and circumstances that have existed during the periods; and
- The inputs used in accounting for share-based payments in the condensed interim statement of comprehensive loss.

### 4. SIGNIFICANT ACCOUNTING POLICIES

The preparation of the condensed interim financial statements in accordance with IAS 34 resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under previous GAAP. The accounting policies set out below are expected to be adopted for the year ended March 31, 2012, and have been applied consistently to all periods presented in these condensed interim financial statements. They also have been applied in preparing an opening IFRS balance sheet at April 1, 2010, for the purposes of the transition to IFRS, unless otherwise indicated.

#### *a. Foreign Currency Translation*

The Company's presentation currency and the functional currency of all of its operations is the Canadian dollar as this is the principal currency of the economic environment in which it operates.

Transactions in foreign currencies are initially recorded in the Company's functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of each reporting period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value is determined.

All gains and losses on translation of these foreign currency transactions are included in profit or loss.



**Triple Dragon Resources Inc.**  
Notes to the Condensed Interim Financial Statements  
For the nine months ended December 31, 2011  
(Unaudited – Expressed in Canadian Dollars)

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*b. Cash and cash equivalents*

Cash and cash equivalents consist of cash on hand; deposits in banks and highly liquid investments with an original maturity of three months or less. There were no cash equivalents as at December 31, 2011, September 30, 2011, June 30, 2011, March 31, 2011 and April 1, 2010.

**4. SIGNIFICANT ACCOUNTING POLICIES – continued**

*c. Short-term investments*

Short-term investments are investments which are transitional or current in nature, with an original maturity greater than three months.

*d. Exploration and Evaluation costs*

Exploration and evaluation activities involve the search for minerals, the determination of technical feasibility, and the assessment of commercial viability of an identified resource.

Exploration and evaluation costs incurred prior to obtaining licenses are expensed in the period in which they are incurred. Once the legal right to explore has been acquired, exploration and evaluation costs incurred are capitalized. All capitalized exploration and evaluation costs are recorded at acquisition cost and are monitored for indications of impairment. Where there are indications of a potential impairment, an assessment is performed for recoverability. Capitalized costs are charged to the statement of comprehensive loss to the extent that they are not expected to be recovered.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets are tested for impairment and transferred to “Mines under construction”. No amortization during the exploration and evaluation phase.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

*e. Flow-through shares*

The Company may, from time to time, issue flow-through common shares to finance its resource exploration activities. Canadian income tax law permits the Company to renounce to the flow-through shareholders the income tax attributes of resource exploration costs financed by such shares. Flow-through common shares are recognized in equity based on the quoted price of the existing shares on the date of the issue. The difference between the amounts recognized in common shares and the amount the investor pays for the shares is recognized as other liability which is reversed into earnings as eligible expenditures are incurred. The deferred tax impact is recorded prospectively upon renunciation of the related tax benefits, provided it is expected the Company will incur the required eligible expenditures.

When flow-through expenditures are renounced, a portion of the future income tax assets that were not previously recognized, due to the recording of a valuation allowance, are recognized as a recovery of deferred income taxes in the statements of comprehensive income.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the “Look-back” Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

# Triple Dragon Resources Inc.

Notes to the Condensed Interim Financial Statements

For the nine months ended December 31, 2011

(Unaudited – Expressed in Canadian Dollars)

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## 4. SIGNIFICANT ACCOUNTING POLICIES - continued

### *f. Financial instruments*

#### *i. Financial assets*

The Company classifies its financial assets in the following categories: Fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of assets at recognition.

- Financial assets at fair value through profit or loss (“FVTPL”)

Financial assets at FVTPL are initially recognized at fair value with changes in fair value recorded through income. Cash and cash equivalents and marketable securities are included in this category of financial assets.

- Held-to-maturity investments (“HTM”)

HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs.

- Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, or non-current assets based on their maturity date. Loans and receivables are carried at amortized cost, less any impairment.

- Available-for-sale financial assets

Available-for-sale (AFS) financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories. Changes in the fair value of AFS financial assets are recognized as other comprehensive income and classified as a component of equity. AFS assets include investments in equities of other entities.

Management assesses the carrying value of AFS financial assets at least annually and any impairment charges are also recognized in profit or loss. When financial assets classified as available-for-sale are sold, the accumulated fair value adjustments recognized in other comprehensive income are included in profit and loss.

- Effective interest method

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

# Triple Dragon Resources Inc.

Notes to the Condensed Interim Financial Statements

For the nine months ended December 31, 2011

(Unaudited – Expressed in Canadian Dollars)

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## 4. SIGNIFICANT ACCOUNTING POLICIES - continued

### *f. Financial instruments - continued*

#### *i. Financial assets - continued*

- Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized; the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

#### *ii. Financial liabilities*

The Company classifies its financial liabilities in the following categories: Borrowings and other financial liabilities and derivative financial liabilities.

- Borrowings and other financial liabilities

Borrowings and other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the income statement over the period to maturity using the effective interest method. Borrowings and other financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include accounts payable and accrued liabilities and due to a related party.

- Derivative Financial liabilities

Derivative financial liabilities are initially recognized at their fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at each reporting period with changes in the fair value recognized in profit and loss. Derivative financial liabilities include warrants issued by the Company denominated in a currency other than the Company's functional currency.

# Triple Dragon Resources Inc.

Notes to the Condensed Interim Financial Statements

For the nine months ended December 31, 2011

(Unaudited – Expressed in Canadian Dollars)

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## 4. SIGNIFICANT ACCOUNTING POLICIES - continued

### *g. Share-based payment transactions*

The Company grants stock options to buy common shares of the Company to directors, officers and employees. The board of directors grants such options for periods of up to five years, which vest immediately and are priced at the previous day's closing price.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period of the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

Where the terms of a stock option is modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the stock-based compensation arrangement, or is otherwise beneficial to the employee as measured at the date of modification over the remaining vesting period.

Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

### *h. Income taxes*

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income or loss.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, nor differences relating to investments in subsidiaries, and associates to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

### *i. Share Capital*

The Company records proceeds from share issuances net of issue costs and any tax effects. Common shares issued for consideration other than cash, are valued based on their market value at the date the common shares are issued.

**Triple Dragon Resources Inc.**  
Notes to the Condensed Interim Financial Statements  
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(Unaudited – Expressed in Canadian Dollars)

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**4. SIGNIFICANT ACCOUNTING POLICIES - continued**

*j. Earnings (loss) per share*

The Company presents basic and diluted earnings/loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method for calculating diluted earnings (loss) per share. Under this method the dilutive effect on earnings per share is calculated on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

*k. Impairment of non-current assets*

Non-current assets are evaluated at least annually by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present the recoverable amount of an asset is evaluated at the level of a cash generating unit (CGU), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in income to the extent that the carrying amount exceeds the recoverable amount.

In calculating recoverable amount the Company uses discounted cash flow techniques to determine fair value when it is not possible to determine fair value either by quotes from an active market or a binding sales agreement. The determination of discounted cash flows is dependent on a number of factors, including future metal prices, the amount of reserves, the cost of bringing the project into production, production schedules, production costs, sustaining capital expenditures, and site closure, restoration and environmental rehabilitation costs. Additionally, the reviews take into account factors such as political, social and legal and environmental regulations. These factors may change due to changing economic conditions or the accuracy of certain assumptions and, hence, affect the recoverable amount. The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding the projects. Discounted cash flow techniques often require management to make estimates and assumptions concerning reserves and expected future production revenues and expenses.

*l. Related party transactions*

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

**Triple Dragon Resources Inc.**  
Notes to the Condensed Interim Financial Statements  
For the nine months ended December 31, 2011  
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**4. SIGNIFICANT ACCOUNTING POLICIES - continued**

*m. Decommissioning Liabilities*

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. A pre-tax discount rate that reflects the time value of money and the risks specific to the liability are used to calculate the net present value of the expected future cash flows. These costs are charged to the statement of loss over the economic life of the related asset, through depreciation expense using either the unit-of-production or the straight-line method as appropriate. The related liability is progressively increased each period as the effect of discounting unwinds, creating an expense recognized in the statement of loss. The liability is assessed at each reporting date for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

*n. Accounting policies not yet adopted*

The following standards and interpretations have not been in effect as they will only be applied for the first time in future periods. They may result in consequential changes to the accounting policies and other note disclosures. The Company has not yet assessed the impacts of the standards or determined whether it will adopt the standards early.

*IFRS 9 – Financial Instruments*

IFRS 9 establishes the requirements for recognizing and measuring financial assets and financial liabilities. This new standard is effective January 1, 2013 with earlier application permitted.

*IFRS 10 - Consolidated Financial Statements*

IFRS 10 supersedes IAS 27: Consolidated and Separate Financial Statements and establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This new standard is effective January 1, 2013 with earlier application permitted.

*IFRS 11 - Joint Arrangements*

IFRS 11 establishes principles for financial reporting by parties to a joint arrangement and supersedes IAS 31: Interests in Joint Ventures and SIC 13: Jointly Controlled Entities - Non- Monetary Contributions by Venturers. This new standard is effective January 1, 2013 with earlier application permitted.

*IFRS 12 - Disclosure of Interests in Other Entities*

IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. This new standard is effective January 1, 2013 with earlier application permitted.

## Triple Dragon Resources Inc.

Notes to the Condensed Interim Financial Statements

For the nine months ended December 31, 2011

(Unaudited – Expressed in Canadian Dollars)

### 4. SIGNIFICANT ACCOUNTING POLICIES - continued

#### *n. Accounting policies not yet adopted - continued*

##### *IAS 12 - Income Taxes*

IAS 12 addresses the recovery of underlying assets. This amendment is effective January 1, 2012 with earlier application permitted.

##### *IAS 27 - Separate Financial Statements*

IAS 27 contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. IAS 27 requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9. This new standard is effective January 1, 2013 with earlier application permitted.

##### *IAS 28 - Investments in Associates and Joint Ventures*

IAS 28 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. This amendment is effective January 1, 2013 with earlier application permitted.

### 5. MARKETABLE SECURITIES

|                         | Number<br>Of Shares | Cost       | Unrealized<br>Gain (loss) | Fair Value<br>December 31,<br>2011 | Fair Value<br>March 31,<br>2011 |
|-------------------------|---------------------|------------|---------------------------|------------------------------------|---------------------------------|
| Lakeland Resources Inc. | 3,000,000           | \$ 300,000 | \$ (90,000)               | \$ 210,000                         | \$ 450,000                      |
| Less current portion    | 2,100,000           | 210,000    | (63,000)                  | 147,000                            | 247,500                         |
| Long-term portion       | 900,000             | \$ 90,000  | \$ (27,000)               | \$ 63,000                          | \$ 202,500                      |

During the year March 31, 2011, the Company received 3,000,000 common shares of Lakeland Resources Inc. ("Lakeland") (formerly Cats Eye Capital Corp.) due to the sale of the CAM property. Lakeland is a junior mineral exploration company listed on the TSX Venture Exchange ("TSX-V"). The 3,000,000 common shares were issued on August 19, 2010, and are subject to an escrow agreement. 10% of the shares were released from escrow on August 19, 2010, and tranches of 15% are to be released every six months thereafter. As at December 31, 2011, 1,800,000 (March 31, 2011 - 2,250,000) common shares remained in escrow, of which 900,000 are classified as long-term given the above-mentioned release terms.

# **Triple Dragon Resources Inc.**

Notes to the Condensed Interim Financial Statements

For the nine months ended December 31, 2011

(Unaudited – Expressed in Canadian Dollars)

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## **6. MINERAL EXPLORATION AND EVALUATION ASSETS**

The following is a description of the Company's most significant property interests and related spending commitments:

### **Murray Property**

The Company acquired a 100% interest in one mineral claim northeast of Yellowknife, Northwest Territories, known as the Murray Property pursuant to a Mineral Property Acquisition Agreement dated April 17, 2008, between the Company and Zimtu Capital Corp. ("Zimtu"). The Company acquired the Property for \$15,509 cash. There was a 1% net smelter return royalty and a 1% gross overriding royalty on the Property, in favour of the original vendor of the property, which was relinquished on May 7, 2009. Zimtu is a related party to the Company by virtue of a common director and officer, as well as by virtue of its controlling share position in the Company.

### **May Property**

On May 14, 2009, the Company acquired a 100% interest in a mineral lease comprising approximately 100.5 acres in the Northwest Territories known as the May Property from a third party. The May Property was acquired for total consideration of \$5,500 cash (paid) and the issuance of \$10,000 of common shares (issued) of the Company on May 14, 2010, and a further \$15,000 of common shares of the Company to be issued by May 14, 2011 (issued). There is a 2% net smelter return royalty on the Property payable to the Vendor upon the commencement of commercial production.

### **Burnt Island Property**

On August 11, 2009, the Company entered into a Mineral Property Option Agreement ("Agreement") to purchase a 100% interest in two mineral claims in the Gordon Lake area of the Northwest Territories, known as the Burnt Island Property. Per the Agreement, the Company shall pay to the Vendor the following:

- \$10,000 cash within 5 days of signing the agreement (paid)
- \$10,000, in either cash or shares, for every year that the Company holds the option (\$10,000 paid August 11, 2010 and \$10,000 paid subsequent to December 31, 2011).

There is a 3% net smelter return royalty on the Property payable to the Optionor upon the commencement of commercial production.

### **Staircase Claims**

On November 9, 2009, the Company acquired a 100% interest in 83 mineral claims located north of Prince George, B.C. comprising approximately 36,600 hectares. The Company purchased the claims from Radius Gold Inc. for \$30,000 (paid) and paid \$830 to have the claims transferred to their name. During the year ended March 31, 2011, the Company renewed 31 of the 83 Staircase mineral claims. The Company allowed 52 mineral claims to lapse.



## Triple Dragon Resources Inc.

Notes to the Condensed Interim Financial Statements

For the nine months ended December 31, 2011

(Unaudited – Expressed in Canadian Dollars)

### 7. MINERAL PROPERTY HELD FOR SALE

Mineral property held for sale refers to the Camlaren Property (“CAM Property”) that the Company sold during the year ended March 31, 2011:

|                                     | December 31, 2011 | March 31, 2011 |
|-------------------------------------|-------------------|----------------|
| Balance, beginning of year          | \$ -              | \$ 130,571     |
| Expenditures incurred prior to sale | -                 | 8,432          |
| Sale of property                    | -                 | (139,003)      |
| Balance, end of year                | \$ -              | \$ -           |

The CAM Property, consisting of two mineral claims northeast of Yellowknife, Northwest Territory and covering approximately 2,425 acres (981 hectares), is located 80 km northeast of Yellowknife and 6 km east-southeast of the Murray Property. It was originally acquired by staking. Pursuant to a Purchase and Sale Agreement dated April 27, 2010, the Company sold the CAM Property to Lakeland, in consideration for 3,000,000 Lakeland common shares issued at a deemed price of \$0.10 per share (also see Note 5).

### 8. SHARE CAPITAL

a) Authorized: Unlimited common shares with no par value.

b) Issued:

#### During the nine months ended December 31, 2011

On May 13, 2011, the Company issued 100,000 common shares, valued at \$15,000, in accordance with the May Property agreement.

#### During the year ended March 31, 2011

On May 14, 2010, the Company issued 86,956 common shares, valued at \$10,000, in accordance with the May Property agreement.

c) Shares held in escrow:

There are no common shares of the Company in escrow.

d) Warrants:

Warrant transactions and the number of warrants outstanding are summarized as follows:

|                              | December 31, 2011  |                                 | March 31, 2011     |                                 |
|------------------------------|--------------------|---------------------------------|--------------------|---------------------------------|
|                              | Number of Warrants | Weighted Average Exercise Price | Number of Warrants | Weighted Average Exercise Price |
| Balance, beginning of period | 2,000,000          | \$ 0.25                         | 2,000,000          | \$ 0.25                         |
| Expired                      | (1,000,000)        | \$ 0.25                         | -                  | -                               |
| Balance, end of period       | 1,000,000          | \$ 0.25                         | 2,000,000          | \$ 0.25                         |

## Triple Dragon Resources Inc.

Notes to the Condensed Interim Financial Statements

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(Unaudited – Expressed in Canadian Dollars)

### 8. SHARE CAPITAL - continued

d) Warrants - continued

The following warrants were outstanding and exercisable as at December 31, 2011:

| Expiry Date       | Weighted Average Contractual Life (Years) | Exercise Price | December 31, 2011<br>Number of Shares | March 31, 2011<br>Number of Shares |
|-------------------|---|----------------|---------------------------------------|------------------------------------|
| December 31, 2011 | -   | \$ 0.25        | -                                     | 1,000,000                          |
| January 21, 2012  | 0.06                                      | \$ 0.25        | 1,000,000                             | 1,000,000                          |
| Total             | 0.06                                      |                | 1,000,000                             | 2,000,000                          |

### 9. SHARE-BASED PAYMENTS

The Company has a stock option plan in place under which it is authorized to grant options of up to 10% of its outstanding shares to officers, directors, employees and consultants. The exercise price of each option is to be determined by the Board of Directors but shall not be less than the discounted market price as defined by the TSX Venture Exchange. The expiry date for each option should be for a maximum term of five years.

The following is a summary of option transactions under the Company's stock option plan for the nine months ended December 31, 2011 and the year ended March 31, 2011:

|                            | December 31, 2011 |                                 | March 31, 2011    |                                 |
|----------------------------|-------------------|---------------------------------|-------------------|---------------------------------|
|                            | Number of Options | Weighted Average Exercise Price | Number of Options | Weighted Average Exercise Price |
| Balance, beginning of year | 2,442,500         | \$ 0.21                         | 2,442,500         | \$ 0.21                         |
| Granted                    | -                 | -                               | -                 | -                               |
| Cancelled                  | (1,071,250)       | \$ 0.20                         | -                 | -                               |
| Balance, end of period     | 1,371,250         | \$ 0.21                         | 2,442,500         | \$ 0.21                         |

The following stock options were outstanding and exercisable as at December 31, 2011:

| Expiry Date      | Exercise Price | Number of Shares | Weighted Average Remaining Contractual Life (Years) |
|------------------|----------------|------------------|---|
| June 11, 2013    | \$ 0.20        | 1,121,250        | 1.18  |
| February 3, 2014 | \$ 0.25        | 250,000          | 0.38  |
|                  | \$ 0.21        | 1,371,250        | 1.56  |

The Company applies the fair value method in accounting for its stock options using the Black-Scholes pricing model. During the nine months ended December 31, 2011, the Company recorded \$nil (December 31, 2010 - \$nil) in share-based payments expense.

## Triple Dragon Resources Inc.

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### 10. COMMITMENTS

On May 15, 2008, the Company signed a management services agreement with Zimtu Capital Corp. (“Zimtu”) for the provision of administrative and managerial services to the Company for a period of 12 months. On November 30, 2008, the Company revised the agreement to reduce the fee from \$25,000 per month to \$12,500 per month commencing December 1, 2008, for the duration of the agreement. During the year ended March 31, 2011, the agreement was extended for a further 12 month term, until May 15, 2011 and the monthly remuneration to be paid to Zimtu for these services was at the rate of \$5,000 per month. During the nine months ended December 31, 2011, this agreement continued on a month to month basis at a rate of \$5,000 per month.

### 11. RELATED PARTY TRANSACTIONS

The Company incurred the following fees and expenses in the normal course of operations and are measured at the exchange amount.

| <b>Related party transactions</b> | <b>Nine months ended December 31,</b> |             |
|-----------------------------------|---------------------------------------|-------------|
|                                   | <b>2011</b>                           | <b>2010</b> |
| Administration fees               | 45,000                                | 67,500      |
| Total                             | 45,000                                | 67,500      |

| <b>Related party balances</b> | <b>December 31, 2011</b> | <b>March 31, 2011</b> |
|-------------------------------|--------------------------|-----------------------|
|                               | Zimtu Capital Corp.      | 196,183               |
| Commerce Resources Corp.      | 17,933                   | 17,808                |
| Total Payable                 | 214,116                  | 143,933               |

Zimtu Capital Corp. (“Zimtu”) is related by way of common directorship with a director of the Company and provides monthly administrative and managerial services (see Note 10).

Commerce Resources Corp. (“Commerce”) is related by way of common directorship. Commerce reimbursed a third party for mineral property costs incurred by the Company.

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

See also Note 6 and 10.

### 12. SUBSEQUENT EVENTS UP TO FEBRUARY 27, 2012

1. Subsequent to December 31, 2011, 1,000,000 share purchase warrants at \$0.25 expired
2. Subsequent to December 31, 2011, \$10,000 was paid in accordance with the Burnt Island property agreement
3. January 16, 2012, the Company announced that its major shareholder, Zimtu Capital Corp. (“Zimtu”), agreed to a share sale transaction pursuant to which Zimtu will sell a total of 4,750,000 common shares of the Company, representing 19% of the issued and outstanding share capital. The shares will be sold in private transactions to a total of 3 individuals, including Steve Williams, at a price of \$0.04 per share. Mr. Williams will become an insider by acquiring more than 10% of the Company’s issued and outstanding shares. Mr. Williams has agreed to acquire 2,500,000 shares, or 11% of the Company, and is slated, on closing of the transaction, to become a director and officer of the Company.

The shares will be sold below market price to provide financial incentive to the purchasers who will take over leadership of the Company and its business. Zimtu will remain owner of approximately 50% of the outstanding shares of the Company. Under the terms of the sale, the buyers have agreed to the escrow of their shares with timed releases over 3 years.

## Triple Dragon Resources Inc.

Notes to the Condensed Interim Financial Statements

For the nine months ended December 31, 2011

(Unaudited – Expressed in Canadian Dollars)

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### 12. SUBSEQUENT EVENTS UP TO FEBRUARY 27, 2012 - continued

The Company has agreed to acquire from Pasinex Resources Limited (“Pasinex”) all of its information about, and infrastructure for assessing, geological projects in Turkey. In consideration for this information, the Company has agreed to repay to Pasinex its expended costs of approximately \$304,000. Of this amount, Zimtu and Steve Williams had each advanced to Pasinex \$27,000 for its operations, and those amounts would be repaid to each of Zimtu and Mr. Williams out of the Company payment to Pasinex. The Company’s name will change to Pasinex Resources Limited after closing the acquisition.

While the Company considers that the Murray Property, the May project and the Burnt Island project can all be viable projects, its new focus on projects in Turkey will require all the time, attention and resources of the Company. For this reason the Company may transfer its current mineral exploration projects into a wholly owned subsidiary (“Subco”). This decision will be evaluated after closing of the transaction.

The Company also announced its intention to carry out a non-brokered private placement of up to 15,000,000 shares at a price of \$0.10 per share for gross proceeds to the Company of up to \$1,500,000 (the “Offering”). The proceeds of the Offering will be used by the Company to make and explore a significant acquisition when a suitable one becomes available, and for working capital. The Company may pay finder’s fees in connection with the private placement.

Dahrouge Geological Consulting Ltd. has agreed to settle \$70,000 in debt owed to them by the Company for common shares of the Company issued at a deemed price of \$0.10.

### 13. FIRST TIME ADOPTION OF IFRS

The Company’s financial statements for the year ending March 31, 2012 are the first annual financial statements that will be prepared in accordance with IFRS. IFRS 1, First Time Adoption of International Financial Reporting Standards, requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was April 1, 2010 (the “Transition Date”). IFRS 1 requires first time adopters to retrospectively apply all the effective IFRS standards as of the reporting date of March 31, 2012. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adoption. Prior to the transition to IFRS, the Company prepared its financial statements in accordance with Canadian GAAP.

In preparing the Company’s opening IFRS financial statements, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP.

The Company has applied the following exemptions to its opening statement of financial position dated April 1, 2010:

#### a) *Business Combinations*

IFRS1 indicates that a first-time adopter may elect not to apply IFRS 3 ‘*Business Combinations*’ retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has taken advantage of this election and will apply IFRS 3 to business combinations that occur on or after April 1, 2010. There is no adjustment required to the April 1, 2010 statement of financial position on the transition date.

#### b) *Share-based Payments*

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 *Share-based Payments* to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to April 1, 2010.

## Triple Dragon Resources Inc.

Notes to the Condensed Interim Financial Statements

For the nine months ended December 31, 2011

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### 13. FIRST TIME ADOPTION OF IFRS - continued

#### c) *Consolidated and Separate Financial Statements*

In accordance with IFRS 1, if a company elects to apply IFRS 3 '*Business Combinations*' retrospectively, IAS 27 Consolidated and Separate Financial Statements must also be applied retrospectively. As the Company elected to apply IFRS 3 prospectively, the Company has also elected to apply IAS 27 prospectively.

#### d) *Decommissioning Liabilities*

The Company has elected to apply the exemption from full retrospective application of decommissioning provisions as allowed under IFRS 1. As a result, the Company has re-measured the provisions at April 1, 2010 under IAS 37 Provisions, Contingent Liabilities and Contingent Assets and estimated the amount to be included in the cost of the related asset by discounting the liability to the date at which the liability first arose.

IFRS 1 also outlines specific guidelines that a first-time adopter must adhere to under certain circumstances. The Company has applied the following guidelines to its opening statement of financial position dated April 1, 2010:

#### *Estimates*

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of April 1, 2010 are consistent with its GAAP estimates for the same date.

IFRS employs a conceptual framework that is similar to Canadian GAAP. However, some differences exist in certain matters of recognition, measurement and disclosure. The adoption of IFRS has resulted in no reclassifications in the Company's reported financial position as at April 1, 2010, September 30, 2010, December 31, 2010, and March 31, 2011. The Company's Canadian GAAP statements of loss and comprehensive loss and cash flows for September 30, 2010 and March 31, 2011 have also been included below:

# Triple Dragon Resources Inc.

Notes to the Condensed Interim Financial Statements

For the nine months ended December 31, 2011

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## Reconciliation of Assets, Liabilities and Equity

|  | <u>As at April 1, 2010</u> |                                    |                | <u>As at December 31, 2010</u> |                                    |                | <u>As at April 1, 2011</u> |                                    |                |
|--|----------------------------|------------------------------------|----------------|--------------------------------|------------------------------------|----------------|----------------------------|------------------------------------|----------------|
|  | Canadian<br>GAAP           | Effect of<br>Transition to<br>IFRS | IFRS           | Canadian<br>GAAP               | Effect of<br>Transition to<br>IFRS | IFRS           | Canadian<br>GAAP           | Effect of<br>Transition to<br>IFRS | IFRS           |
| <b>ASSETS</b>  |                            |                                    |                |                                |                                    |                |                            |                                    |                |
| Current assets   |                            |                                    |                |                                |                                    |                |                            |                                    |                |
| Prepaid expenses and deposits                                  | 20,026                     | -                                  | 20,026         | 5,007                          | -                                  | 5,007          | 4,855                      | -                                  | 4,855          |
| GST/HST receivable   | 14,938                     | -                                  | 14,938         | 8,238                          | -                                  | 8,238          | 2,153                      | -                                  | 2,153          |
| Marketable securities  | -                          | -                                  | -              | 465,000                        | -                                  | 465,000        | 247,500                    | -                                  | 247,500        |
|  | 34,964                     | -                                  | 34,964         | 478,245                        | -                                  | 478,245        | 254,508                    | -                                  | 254,508        |
| Non-current assets   |                            |                                    |                |                                |                                    |                |                            |                                    |                |
| Marketable securities  | -                          | -                                  | -              | -                              | -                                  | -              | 202,500                    | -                                  | 202,500        |
| Mineral properties and<br>deferred exploration<br>expenditures | 278,603                    | -                                  | 278,603        | 424,060                        | -                                  | 424,060        | 423,758                    | -                                  | 423,758        |
| Mineral property held for sale                                 | 130,571                    | -                                  | 130,571        | -                              | -                                  | -              | -                          | -                                  | -              |
|  | 409,174                    | -                                  | 409,174        | 424,060                        | -                                  | 424,060        | 626,258                    | -                                  | 626,258        |
| <b>TOTAL ASSETS</b>  | <b>444,138</b>             | <b>-</b>                           | <b>444,138</b> | <b>902,305</b>                 | <b>-</b>                           | <b>902,305</b> | <b>880,766</b>             | <b>-</b>                           | <b>880,766</b> |

# Triple Dragon Resources Inc.

Notes to the Condensed Interim Financial Statements

For the nine months ended December 31, 2011

(Unaudited – Expressed in Canadian Dollars)

## Reconciliation of Assets, Liabilities and Equity - continued

|  | <u>As at April 1, 2010</u> |                                    |                | <u>As at December 31, 2010</u> |                                    |                | <u>As at April 1, 2011</u> |                                    |                |
|--|----------------------------|------------------------------------|----------------|--------------------------------|------------------------------------|----------------|----------------------------|------------------------------------|----------------|
|  | Canadian<br>GAAP           | Effect of<br>Transition to<br>IFRS | IFRS           | Canadian<br>GAAP               | Effect of<br>Transition to<br>IFRS | IFRS           | Canadian<br>GAAP           | Effect of<br>Transition to<br>IFRS | IFRS           |
| <b>LIABILITIES</b>                       |                            |                                    |                |                                |                                    |                |                            |                                    |                |
| Current                                  |                            |                                    |                |                                |                                    |                |                            |                                    |                |
| Accounts payable and accrued liabilities | 33,227                     | -                                  | 33,227         | 159,892                        | -                                  | 159,892        | 147,250                    | -                                  | 147,250        |
| Due to related parties                   | 26,250                     | -                                  | 26,250         | 109,325                        | -                                  | 109,325        | 143,933                    | -                                  | 143,933        |
| Future income tax liability              | -                          | -                                  | -              | -                              | -                                  | -              | 10,312                     | -                                  | 10,312         |
|  | <u>59,477</u>              | <u>-</u>                           | <u>59,477</u>  | <u>269,217</u>                 | <u>-</u>                           | <u>269,217</u> | <u>301,495</u>             | <u>-</u>                           | <u>301,495</u> |
| Future income tax liability              | -                          | -                                  | -              | -                              | -                                  | -              | 8,438                      | -                                  | 8,438          |
| <b>EQUITY</b>                            |                            |                                    |                |                                |                                    |                |                            |                                    |                |
| Share Capital                            | 2,648,250                  | -                                  | 2,648,250      | 2,658,250                      | -                                  | 2,658,250      | 2,658,250                  | -                                  | 2,658,250      |
| Share subscriptions received             | -                          | -                                  | -              | -                              | -                                  | -              | -                          | -                                  | -              |
| Contributed surplus                      | 751,465                    | -                                  | 751,465        | 751,465                        | -                                  | 751,465        | 751,465                    | -                                  | 751,465        |
| Deficit                                  | (3,015,054)                | -                                  | (3,015,054)    | (2,776,627)                    | -                                  | (2,776,627)    | (2,838,882)                | -                                  | (2,838,882)    |
|  | <u>384,661</u>             | <u>-</u>                           | <u>384,661</u> | <u>633,088</u>                 | <u>-</u>                           | <u>633,088</u> | <u>570,833</u>             | <u>-</u>                           | <u>570,833</u> |
| <b>TOTAL EQUITY AND LIABILITIES</b>      | <u>444,138</u>             | <u>-</u>                           | <u>444,138</u> | <u>902,305</u>                 | <u>-</u>                           | <u>902,305</u> | <u>880,766</u>             | <u>-</u>                           | <u>880,766</u> |

# Triple Dragon Resources Inc.

Notes to the Condensed Interim Financial Statements

For the nine months ended December 31, 2011

(Unaudited – Expressed in Canadian Dollars)

## Reconciliation of Comprehensive Loss

|   | Nine Months Ended December 31, 2010 |                                    |         | Year Ended March 31, 2011 |                                    |          |
|---|-------------------------------------|------------------------------------|---------|---------------------------|------------------------------------|----------|
|   | Canadian<br>GAAP                    | Effect of<br>Transition to<br>IFRS | IFRS    | Canadian<br>GAAP          | Effect of<br>Transition to<br>IFRS | IFRS     |
| <b>Expenses</b>                                   |                                     |                                    |         |                           |                                    |          |
| Advertising and promotion                         | 815                                 | -                                  | 815     | 1,015                     | -                                  | 1,015    |
| Administrative fees                               | 67,500                              | -                                  | 67,500  | 82,500                    | -                                  | 82,500   |
| Office and general                                | 229                                 | -                                  | 229     | 308                       | -                                  | 308      |
| Professional fees                                 | 4,650                               | -                                  | 4,650   | 16,317                    | -                                  | 16,317   |
| Transfer agent & regulatory fees                  | 10,822                              | -                                  | 10,822  | 12,384                    | -                                  | 12,384   |
| Travel  | 3,694                               | -                                  | 3,694   | 3,694                     | -                                  | 3,694    |
|   | 87,710                              | -                                  | 87,710  | 116,218                   | -                                  | 116,218  |
| Interest income                                   | 140                                 | -                                  | 140     | 143                       | -                                  | 143      |
| Gain on sale of property                          | 160,997                             | -                                  | 160,997 | 160,997                   | -                                  | 160,997  |
| Unrealized gain (loss) on marketable securities   | 165,000                             | -                                  | 165,000 | 150,000                   | -                                  | 150,000  |
| Future income tax (recovery) expense              | -                                   | -                                  | -       | (18,750)                  | -                                  | (18,750) |
| Net income (loss) and comprehensive income (loss) | 238,427                             | -                                  | 238,427 | 176,172                   | -                                  | 176,172  |



# Triple Dragon Resources Inc.

Notes to the Condensed Interim Statements  
For the nine months ended December 31, 2011  
(Unaudited – Expressed in Canadian Dollars)

## Reconciliation of Cash Flows

|  | <u>Nine Months Ended December 31,</u><br><u>2010</u> |                                       |           | <u>Year Ended March 31, 2011</u> |                                       |           |
|--|--|---------------------------------------|-----------|----------------------------------|---------------------------------------|-----------|
|  | Canadian<br>GAAP                                     | Effect of<br>Transition<br>to<br>IFRS | IFRS      | Canadian<br>GAAP                 | Effect of<br>Transition<br>to<br>IFRS | IFRS      |
| <b>Operating Activities</b>                            |  |                                       |           |                                  |                                       |           |
| Net income (loss)                                      | 238,427  | -                                     | 238,427   | 176,172                          | -                                     | 176,172   |
| Item not involving cash                                |  |                                       |           |                                  |                                       |           |
| Unrealized gain (loss) on marketable securities        | (165,000)  | -                                     | (165,000) | (150,000)                        | -                                     | (150,000) |
| Gain on sale of property                               | (160,997)  | -                                     | (160,997) | (160,997)                        | -                                     | (160,997) |
| Future income tax expense                              | -  | -                                     | -         | 18,750                           | -                                     | 18,750    |
|  | (87,570)   | -                                     | (87,570)  | (116,075)                        | -                                     | (116,075) |
| <br>   |  |                                       |           |                                  |                                       |           |
| Changes in non-cash working capital                    |  |                                       |           |                                  |                                       |           |
| HST / GST receivable                                   | 6,700  | -                                     | 6,700     | 12,785                           | -                                     | 12,785    |
| Due to related parties                                 | 83,075   | -                                     | 83,075    | 117,683                          | -                                     | 117,683   |
| Accounts payable and accrued liabilities               | 126,665  | -                                     | 126,665   | (20,844)                         | -                                     | (20,844)  |
|  | 216,440  | -                                     | 216,440   | 109,624                          | -                                     | 109,624   |
| <br>   |  |                                       |           |                                  |                                       |           |
| <b>Cash Used in Operating Activities</b>               | 128,870  | -                                     | 128,870   | (6,451)                          | -                                     | (6,451)   |
| <br>   |  |                                       |           |                                  |                                       |           |
| <b>Investing Activities</b>                            |  |                                       |           |                                  |                                       |           |
| Exploration expenditures on mineral properties         | (135,457)  | -                                     | (135,457) | (288)                            | -                                     | (288)     |
| Mineral property held for sale                         | (8,432)  | -                                     | (8,432)   | (8,432)                          | -                                     | (8,432)   |
| <br>   |  |                                       |           |                                  |                                       |           |
| <b>Cash Provided by (Used in) Investing Activities</b> | (143,889)  | -                                     | (143,889) | (8,720)                          | -                                     | (8,720)   |
| <br>   |  |                                       |           |                                  |                                       |           |
| <b>Inflow (Outflow) of Cash</b>                        | (15,019)   | -                                     | (15,019)  | (15,171)                         | -                                     | (15,171)  |
| <b>Cash, Beginning of Year</b>                         | 20,026   | -                                     | 20,026    | 20,026                           | -                                     | 20,026    |
| <br>   |  |                                       |           |                                  |                                       |           |
| <b>Cash, End of Period</b>                             | 5,007  | -                                     | 5,007     | 4,855                            | -                                     | 4,855     |