

DYNARESOURCE INC  
Form 10-Q  
May 15, 2015

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended March 31, 2015

**OR**

**TRANSITION REPORT UNDER SECTION 13 OF 15(d) OF THE EXCHANGE ACT OF 1934**

From the transition period \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number 000-30371

**DYNARESOURCE, INC.**

(Exact name of small business issuer as specified in its charter)

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Delaware 94-1589426  
(State or other jurisdiction of incorporation or organization) (IRS Employer Identification No.)

222 W Las Colinas Blvd., Suite 744 East Tower, Irving, Texas 75039

(Address of principal executive offices)

(972) 868-9066

(Issuer's telephone number)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

Yes  No

Indicate by check mark whether the registrant 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:

Large Accelerated Filer  Accelerated Filer   
Non-Accelerated Filer  Smaller Reporting Company

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

Yes  No .

As of May 14, 2015, there were 15,295,663 shares of Common Stock of the issuer outstanding.



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**PART I****ITEM 1. FINANCIAL STATEMENTS****DYNARESOURCE, INC.****Consolidated BALANCE SHEETS**

|   | <b>March 31,</b><br>2015<br>(Unaudited) | <b>December 31,</b><br>2014<br>(Audited) |
|---|---|--|
| <b>ASSETS</b>   |   |  |
| Current Assets:   |   |  |
| Cash and Cash Equivalents   | \$54,739                                | \$250,959                                |
| Accounts Receivable   | —                                       | 19,496                                   |
| Inventories   | 98,470                                  | 100,000                                  |
| Foreign Tax Receivable and Other Current  | 268,981                                 | 209,061                                  |
| Total Current Assets  | 422,190                                 | 579,516                                  |
| Mining Equipment and Fixtures (Net of Accumulated<br>Depreciation of \$910,336 and \$967,207) | 262,245                                 | 205,374                                  |
| Mining Concessions  | 4,194,439                               | 4,194,439                                |
| Investments in Affiliate  | 70,000                                  | 70,000                                   |
| Receivables from Affiliate  | 170,074                                 | 172,968                                  |
| Other Assets  | 22,405                                  | 44,568                                   |
| <b>TOTAL ASSETS</b>   | <b>\$5,141,353</b>                      | <b>\$5,266,865</b>                       |
| <b>LIABILITIES AND EQUITY</b>   |   |  |
| Current Liabilities:  |   |  |
| Accounts Payable  | \$258,401                               | \$231,315                                |
| Note Payable  | —                                       | 203,500                                  |
| Due to Non-controlling Interest   | 231,500                                 | 231,500                                  |
| Advances from Related Party   | 250,000                                 | —  |
| Accrued Expenses  | 1,002,357                               | 838,732                                  |
| Total Current Liabilities   | 1,742,258                               | 1,505,047                                |
| Notes Payable (Net of Current Portion of \$0 and \$0)   | 1,509,855                               | 1,509,855                                |
| Note Payable—Related Party  | 250,000                                 | 250,000                                  |
| <b>TOTAL LIABILITIES</b>  | <b>\$3,502,113</b>                      | <b>\$3,264,902</b>                       |
| Equity:   |   |  |
| Preferred Stock, Series A, \$.0001 par value, 1,000 shares                                    |   |  |

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|   |                    |                    |
|---|--------------------|--------------------|
| Authorized, 1,000 and 1,000 issued and outstanding  | \$ 1               | \$ 1               |
| Preferred Stock, Series B, \$.0001 par value, 1,000,000 shares  |                    |                    |
| Authorized, 0 and 0 shares issued and outstanding   | —                  | —                  |
| Preferred Stock, \$.0001 par value, 19,000,000 shares   |                    |                    |
| Authorized, no shares issued and outstanding  | —                  | —                  |
| Common Stock, \$.01 par value, 25,000,000 shares authorized,<br>15,295,633 and 14,146,024 shares issued and outstanding | 152,956            | 141,461            |
| Preferred Rights  | 40,000             | 40,000             |
| Additional Paid In Capital  | 52,138,836         | 50,042,582         |
| Treasury Stock  | (5,406,615 )       | (4,152,750 )       |
| Accumulated Other Comprehensive Income  | 3,184,668          | 2,495,629          |
| Accumulated Deficit   | (42,271,903)       | (40,383,731)       |
| Total DynaResource, Inc. Stockholders' Equity   | 7,837,943          | 8,183,192          |
| Non-controlling Interest  | (6,198,703 )       | (6,181,229 )       |
| <b>TOTAL EQUITY</b>   | <b>\$1,639,240</b> | <b>\$2,001,963</b> |
| <b>TOTAL LIABILITIES AND EQUITY</b>   | <b>\$5,141,353</b> | <b>\$5,266,865</b> |

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

**DYNARESOURCE, INC.****Consolidated Statements of Operations and Comprehensive Loss**

|  | March 31,<br>2015<br>(Unaudited) | March 31,<br>2014<br>(Unaudited) |
|--|----------------------------------|----------------------------------|
| REVENUES   | \$ 146,337                       | \$ —                             |
| COSTS AND EXPENSES OF MINING<br>OPERATIONS   |                                  |                                  |
| Production Costs Applicable to Sales   | 25,000                           | —                                |
| Mine Operating Costs   | 55,000                           | —                                |
| Pre-Pilot Production Costs   | 484,155                          | 820,346                          |
| Property Holding Costs   | 119,612                          | —                                |
| General and Administrative   | 828,812                          | 331,470                          |
| Depreciation and Amortization  | 11,710                           | 17,865                           |
| Total Operating Expenses   | 1,524,289                        | 1,169,681                        |
| NET OPERATING LOSS   | (1,377,952 )                     | (1,169,681 )                     |
| OTHER EXPENSE  |                                  |                                  |
| Foreign Currency Translation Gains/Losses  | (462,829 )                       | 94,042                           |
| Interest Expense   | (110,580 )                       | (42,338 )                        |
| Other (Expense) Income   | —                                | 107                              |
| Total Other (Expense) Income   | (573,409 )                       | 51,811                           |
| NET LOSS BEFORE TAXES  | (1,951,361 )                     | (1,117,870 )                     |
| TAXES  | —                                | —                                |
| NET LOSS   | \$ (1,951,361 )                  | \$ (1,117,870 )                  |
| ATTRIBUTABLE TO NON-CONTROLLING INTERESTS  | \$ 63,190                        | \$ 139,209                       |
| NET LOSS ATTRIBUTABLE TO COMMON<br>SHAREHOLDERS                                      | (1,888,171 )                     | (978,661 )                       |
| EARNINGS PER SHARE DATA ATTRIBUTABLE TO THE EQUITY HOLDERS<br>OF DYNARESOURCE, INC.: |                                  |                                  |
| Basic and Diluted Loss per Common Share  | \$ (.13 )                        | \$ (.09 )                        |
| Weighted Average Shares Outstanding, Basic<br>And Diluted                            | 14,146,024                       | 11,052,008                       |



|   |                 |                 |
|---|-----------------|-----------------|
| OTHER COMPREHENSIVE LOSS                  |                 |                 |
| NET LOSS PER ABOVE                        | \$ (1,951,361 ) | \$ (1,117,870 ) |
| Foreign Currency Translation Gains/Losses | (734,755 )      | 8,214           |
| TOTAL OTHER COMPREHENSIVE LOSS            | (734,755 )      | 8,214           |
| TOTAL COMPREHENSIVE LOSS                  | \$ (2,686,116 ) | \$ (1,109,656 ) |
| ATTRIBUTABLE TO:                          |                 |                 |
| EQUITY HOLDERS OF DYNARESOURCE, INC.      | \$ (2,640,400 ) | \$ (1,109,389 ) |
| NON-CONTROLLING INTEREST                  | \$ (45,716 )    | \$ (267 )       |
| TOTAL COMPREHENSIVE LOSS                  | \$ (2,686,116 ) | \$ (1,109,656 ) |

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

## DYNARESOURCE, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

|   | <b>March 31,<br/>2015</b> | <b>March 31,<br/>2014</b> |
|---|---------------------------|---------------------------|
|   | <b>(Unaudited)</b>        | <b>(Unaudited)</b>        |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                 |                           |                           |
| Net Loss  | \$(1,951,361)             | \$(1,117,870)             |
| Adjustments to reconcile net loss to cash<br>(used in) Operating activities |                           |                           |
| Issuance of Common Stock for Services to Related Party                      | 435,000                   | —                         |
| Issuance of Treasury Shares for Services                                    | 51,135                    | —                         |
| Depreciation and Amortization   | 11,710                    | 17,865                    |
| Change in Operating Assets and Liabilities:                                 |                           |                           |
| Accounts Receivable   | 19,496                    | —                         |
| Receivables from Affiliate  | 2,895                     | —                         |
| Foreign Tax Receivable  | 9,729                     | (96,397 )                 |
| Accounts Payable  | 26,000                    | (33,136 )                 |
| Accrued Liabilities   | 151,687                   | 136,428                   |
| <b>CASH FLOWS (USED IN) OPERATING ACTIVITIES</b>                            | <b>(1,243,709)</b>        | <b>(1,093,110)</b>        |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                 |                           |                           |
| Purchase of Property  | —                         | (23,744 )                 |
| Other Assets  | (53,620 )                 | (35,529 )                 |
| <b>CASH FLOWS (USED IN) INVESTING ACTIVITIES</b>                            | <b>(53,620 )</b>          | <b>(59,273 )</b>          |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                 |                           |                           |
| Proceeds from Sale of Preferred Stock, Series B                             | —                         | 522,500                   |
| Proceeds from Advance from Related Party                                    | 250,000                   | —                         |
| Proceeds of Sale of Common Stock  | 367,749                   | —                         |
| Payment of Note Payable   | (203,500 )                | —                         |
| Loan from Non-Controlling Interest  | —                         | 111,500                   |
| <b>CASH FLOWS PROVIDED BY FINANCING ACTIVITIES</b>                          | <b>414,249</b>            | <b>634,000</b>            |
| Effect of Foreign Exchange  | 686,860                   | (96,230 )                 |
| <b>NET DECREASE IN CASH</b>   | <b>(196,220 )</b>         | <b>(614,613 )</b>         |
| <b>CASH AT BEGINNING OF PERIOD</b>  | <b>250,959</b>            | <b>1,143,344</b>          |
| <b>CASH AT END OF PERIOD</b>  | <b>\$54,739</b>           | <b>\$528,731</b>          |

## SUPPLEMENTAL DISCLOSURES

|  |             |     |
|--|-------------|-----|
| <b>Issuance of Common Stock for Treasury Stock</b> | \$1,305,000 | \$— |
| <b>Cash Paid for Interest</b>                      | \$61,235    | \$— |
| <b>Cash Paid for Income Taxes</b>                  | \$—         | \$— |

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

**DYNARESOURCE, INC.**

**Notes to the UNAUDITED Consolidated Financial Statements**

**March 31, 2015 and 2014**

**NOTE 1 – NATURE OF OPERATIONS AND BASIS OF PRESENTATION**

DynaResource, Inc. (The “Company”, “DynaResource”, or “DynaUSA”) was organized September 28, 1937, as a California corporation under the name of West Coast Mines, Inc. In 1998, the Company re-domiciled to Delaware and changed its name to DynaResource, Inc.

The Company is in the business of acquiring, investing in, and developing precious metal properties, and the pilot production of precious metals.

The interim consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) has been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures included are adequate to make the information presented not misleading.

In management’s opinion, the unaudited Consolidated Statements of Operations and Comprehensive Income for the three months ended March 31, 2015 and 2014, the Consolidated Balance Sheets as at March 31, 2015 (unaudited) and December 31, 2014, the unaudited Consolidated Statement of Changes in Shareholders’ Equity for the three months ended March 31, 2015 and 2014, and the unaudited Consolidated Statements of Cash Flows for the three months ended March 31, 2015 and 2014, contained herein, reflect all adjustments, consisting solely of normal recurring items, which are necessary for the fair presentation of the Company’s financial position, results of operations and cash flows on a basis consistent with that of the Company’s prior audited annual consolidated financial statements. However, the results of operations for the interim periods may not be indicative of results to be expected for the full fiscal year. Therefore these financial statements should be read in conjunction with the audited financial statements and notes thereto and summary of significant accounting policies included in the Company’s Form 10-K for the year ended December 31, 2014. Except as noted below, there have been no material changes in the footnotes from those accompanying the audited consolidated financial statements contained in the Company’s Form 10-K for the year ended December 31, 2014. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All inter-company accounts and transactions have been eliminated.

**NOTE 2 – INVESTMENT IN AFFILIATE/RECEIVABLES FROM AFFILIATE/OTHER ASSETS**

DynaResource Nevada, Inc., a Nevada Corporation (“DynaNevada”), with one operating subsidiary in México, DynaNevada de México, S.A. de C.V. (“DynaNevada de México”) have common officers, directors and shareholders. The total amount loaned by the Company to DynaNevada at December 31, 2010 was \$805,760. The terms of the Note Receivable provided for a “Convertible Loan,” repayable at 5% interest over a 3 year period, and convertible at the Company’s option into Common Stock of DynaNevada at \$0.25 / Share. On December 31, 2010, the Company converted its receivable from DynaNevada into 3,223,040 Shares of DynaNevada; and as a result, the Company owns 19.92% of the outstanding share capital of DynaNevada. DynaNevada is a related entity, and through its subsidiary in

México (DynaNevada de México), (“DynaNevada de México”), has entered into an Option agreement with Grupo México (“IMMSA”) in México, for the exploration and development of approximately 3,000 hectares in the State of San Luis Potosi (“the Santa Gertrudis Property”). In March, 2010, DynaNevada de México completed the Option with IMMSA so that it now owns 100% of Santa Gertrudis. In June, 2010, DynaNevada de México acquired an additional 6,000 Hectares in the State of Sinaloa (“the San Juan Property”). The Company has loaned additional funds to DynaNevada since 2010 for maintenance of concessions and other nominal required fees and expenses. The Company currently has a receivable from DynaResource Nevada, Inc. of \$170,074 and an investment balance of \$70,000 as of March 31, 2015. The balances as of December 31, 2014 were \$172,968 in receivables and \$70,000 in investment, respectively.

### NOTE 3 – PROMISSORY NOTES

#### **Notes Payable – Series I**

In April and May, 2013, the Company entered into note agreements with shareholders in the principal amount of \$1,495,000, of which \$340,000 was then converted to Series B Preferred shares within the same year, netting to proceeds of \$1,155,000 (the “Series I Notes” Series I). The Series I Notes bear simple interest at twelve and a half percent (12.5%), accrued interest for twelve months, and with the accrued interest to be added to the principal, and then interest to be paid by the Company, quarterly in arrears. The holders of the Series I Notes (in aggregate) are also entitled to receive ten percent (10%) of the net profits received by the Company, and generated from the bulk sampling material (if any, and up to fifty thousand tonnes) processed through the existing, or improved mill facilities at San Jose de Gracia. Such net profits (if any) are to be calculated after deducting all expenses related to the processing of the bulk sample material, and after a prior deduction of thirty three percent (33%) from the profits, to be deposited in a sinking fund cash reserve. This net profit percentage (if any) would be paid quarterly in arrears based on the profits generated (if any) for the prior quarter. At the time of the Series I Notes, there were no proven or probable reserves and the Company had not produced any net profits. Consequently, the fair value of the net profits interest on the date of the Series I Note was deemed to be zero. Further, no payments have been made under the terms of this codicil. The Notes originally matured on December 31, 2015. In April, 2015, the notes were extended to December 31, 2016.

The Company has the right to prepay the Series I Notes with a ten percent (10%) penalty. The notes are secured by the Company's stock at \$5 per share.

The Series I Note holder retains the option, at any time prior to maturity or prepayment, to convert any unpaid principal and accrued interest into Common Stock at \$5.00 per share. If the Series I Note is converted into Common Stock, at the time of conversion, the holder would also receive warrants, in the same number as the number of common shares received upon conversion, to purchase additional common shares of the Company for \$7.50 per share, with such warrants expiring on December 31, 2015. In 2013, the Company offered an inducement to all Series I Note holders to convert their Series I Notes and accrued interest into Series B Preferred Stock ("Series B"), \$5/Share, which Series B was convertible into common stock on a 2 for 1 basis (i.e., \$2.50 stock). This conversion into Series B created \$197,771 in inducement expense, with an offset to additional paid in capital. In 2013, \$340,000 principal and \$22,734 of capitalized accrued interest of the Series I Notes were converted into Preferred Stock, Series B and 72,546 shares were issued. At June 30, 2014, these 72,546 Series B shares were converted into 145,092 common shares.

In April, 2015, the Company received note extensions (allonges) from all Series I note holders to ensure that all Series I Notes were in good standing and also extended the maturity date of the Series I Notes to December 31, 2016.

#### **Notes Payable – Series II**

In 2013 and 2014, the Company entered into additional note agreements of \$199,808 and \$250,000, respectively (the "Series II Notes") with similar terms as the Series I notes. The Series II Notes bear simple interest at twelve and a half percent (12.5%), accrued for twelve months, and with the accrued interest to be added to the principal, and then interest will be paid by the Company, quarterly in arrears. The holders of the Series II Notes (in aggregate) are also entitled to receive ten percent (10%) of the net profits received by the Company, and generated from the bulk sampling material (if any, on the second fifty thousand tonnes) processed through the existing, or improved mill facilities at San Jose de Gracia. Such net profits (if any) are to be calculated after deducting all expenses related to the processing of the bulk sample material, and after a prior deduction of thirty three percent (33%) from the profits, to be deposited in a sinking fund cash reserve. This net profit percentage (if any) would be paid quarterly in arrears based on the profits generated (if any) for the prior quarter. At the time of the Series II notes, there were no proven or probable reserves and the Company had not produced any net profits. Consequently, the fair value of the net profits interest on the date of the Series II note was deemed to be zero. Further, no payments have been made under the terms of this codicil. The Notes mature on December 31, 2016.

The Company has the right to prepay the Notes with a ten percent (10%) penalty. The notes are secured by the Company's stock at \$5 per share.

The Note holder may, at any time prior to maturity or prepayment, convert any unpaid principal and accrued interest into common stock of the Company at \$5.00 per share. At the time of conversion, the holder would receive a warrant to purchase additional common shares of the Company for \$7.50 per share, such warrant expiring on December 31, 2016.

#### **Series I and Series II Notes Outstanding**

The principal and capitalized interest balances on the Series I Notes as of March 31, 2015 and December 31, 2014 were \$1,285,062 and \$1,285,062, respectively. The principal and capitalized interest balances on the Series II Notes as of March 31, 2015 and December 31, 2014 were \$224,793 and \$224,793, respectively, for total Note balances of \$1,509,855 and \$1,509,855 as of March 31, 2015 and December 31, 2014, respectively. The principal balance on the Note—Related Party was \$250,000 and \$250,000 as of March 31, 2015 and December 31, 2014, respectively. The

accrued interest for these notes was \$163,702 and \$109,292 as of March 31, 2015 and December 31, 2014, respectively.

In April, 2015, the Company received allonges (note extensions) from all noteholders to ensure that all notes were in good standing and also confirmed the maturity of the Series II notes to be December 31, 2016.

### **Other Notes Payable / Repayment**

The Company received proceeds from a short term convertible note in the amount of \$203,500 on September 5, 2014. Interest is accrued at 8% annually and interest payments are deferred until conversion or payoff of note. The note provisions allow payoff in the first 180 days subsequent to funding, with additional premium of 10% of the note amount in the 1<sup>st</sup> 30 days; 12% if paid in the next 30 days; 15% in the next 60 days; and 19% if paid before the end of 180 days. After 180 days, the note is convertible to common stock at a “variable conversion price” of 70% of the market price (average of the lowest three trading prices for the common stock during the ten trading day period ending on the latest complete trading day prior to the conversion date). This note was guaranteed by the CEO of the Company.

This Note was retired in full in February, 2015. Because the note was repaid within the 180 days, the option to convert was never available. Consequently, the embedded conversion feature was not bifurcated and no derivative was recorded.

### **NOTE 4 – STOCKHOLDERS’ EQUITY**

#### **Stock Issuances**

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During the three months ended March 31, 2015, the Company issued 149,500 common shares for cash at \$2.50 per share. These stock issuances also contained 149,500 warrants exercisable at \$5 per share, expiring December 31, 2015 and 149,500 warrants exercisable at \$7.50 per share, expiring December 31, 2016.

During the three months ended March 31, 2015, the Company issued 750,000 shares to Mineras de DynaResource (wholly owned subsidiary) in exchange for services at a fair value of \$1.74 per share. The shares are carried in Treasury for consolidation purposes.

During the three months ended March 31, 2015, the Company issued 250,000 shares to Dynacap, a related party, for services rendered at a fair value of \$1.74 per share.

#### **NOTE 5 – RELATED PARTY TRANSACTIONS**

##### **Dynacap Group Ltd.**

The Company paid \$7,000 to Dynacap Group, Ltd. (an entity controlled by an officer of the Company) for consulting and other fees during the three months ended March 31, 2015.

##### **Cash Advances by Management**

Company Chairman/CEO contributed \$100,000, and Company CFO contributed \$150,000 in the three months ended March 31, 2015 as advances to the Company.

#### **NOTE 6 – COMMITMENTS AND CONTINGENCIES**

The Company is required to pay taxes in México in order to maintain mining concessions owned by DynaMéxico. Additionally, the Company is required to incur a minimum amount of expenditures each year for all concessions held. The minimum expenditures are calculated based upon the land area, as well as the age of the concessions. Amounts spent in excess of the minimum may be carried forward indefinitely over the life of the concessions, and are adjusted annually for inflation. Based on Management's business plans, the Company does not anticipate that DynaMéxico will have any issues in meeting the minimum annual expenditures for the concessions, and DynaMéxico retains sufficient carry-forward amounts to cover over 20 years of the minimum expenditure (as calculated at the 2012 minimum, adjusted for annual inflation of 4%).

In addition to the surface rights held by DynaMéxico pursuant to the *Mining Act* of México and its Regulations (*Ley Minera y su Reglamento*), DynaMineras maintains access and surface rights to the SJG Project pursuant to the 20 year Land Lease Agreement. The 20 Year Land Lease Agreement with the Santa Maria Ejido Community surrounding San Jose de Gracia was dated January 6, 2014 and continues through 2033. It covers an area of 4,399 hectares surrounding the main mineral resource areas of SJG, and provides for annual lease payments by DynaMineras of \$1,359,443 Pesos (approx. \$104,250 USD), commencing in 2014. The Land Lease Agreement provides DynaMineras with surface access to the core resource areas of SJG (4,399 hectares), and allows for all permitted mining and exploration activities from the owners of the surface rights (Santa Maria Ejido community).

In September 2008, the Company entered into a 37 month lease agreement for its corporate office. In August, 2011 and then in August 2012, the Company entered into a one-year extension of the lease through August 31, 2015. The Company paid rent expense of \$17,292 and \$12,500 related to this lease for the three months ended March 31, 2015 and 2014, respectively.



### **Other Contingencies**

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment, and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

### **Litigation**

The Company believes that no material adverse change will occur as a result of the legal actions taken, and the Company further believes that there is little to no potential for the assessment of a material monetary judgment against the Company for legal actions it has filed in México. Further, the Company believes there is no legal basis for which to conduct arbitration proceedings. (See Item 2. Management's Discussion and Analysis of Financial Conditions and Results of Operations; and see Part II, Item 1. Legal Proceedings.)

### **NOTE 7 – NON-CONTROLLING INTEREST**

The Company's Non-controlling Interest recorded in the consolidated financial statements relates to an interest in DynaResource de México, S.A. de C.V. of 20%. Changes in Non-controlling Interest for the three months ended March 31, 2015 and 2014, respectively were as follows:

|   | March 31, 2015 |   | March 31, 2014 |   |
|---|----------------|---|----------------|---|
| <b>Beginning balance</b>                          | \$(6,181,229   | ) | \$(5,729,836   | ) |
| <b>Operating income (loss)</b>                    | (63,190        | ) | (139,209       | ) |
| <b>Share of Other Comprehensive Income (loss)</b> | 45,716         |   | 267            |   |
| <b>Ending balance</b>                             | \$(6,198,703   | ) | \$(5,868,778   | ) |

The Company began allocating a portion of other comprehensive income (loss) to the non-controlling interest with the adoption of ASC 160 as of January 1, 2009. However, this amount is only reflected in the income statement.

### **NOTE 8 – SUBSEQUENT EVENTS**

#### **CEO Cash Contributions**

From April 1 to April 17, 2015, Company Chairman/CEO advanced \$75,000 to the Company.

#### **CFO Conversion of Note Receivable**

On April 24, 2015, the Company’s CFO converted a \$250,000 note plus accrued interest of \$30,555 into 112,222 common shares and warrants. These shares and warrants have not been issued.

#### **Financing Agreement with Golden Post Rail, LLC, a Texas Limited Liability Company**

On May 6, 2015 the Company entered into a series of agreements with Golden Post Rail, LLC, a Texas limited liability company (“Golden Post”). A summary of the transaction follows:

1. The Company executed a Promissory Note (the “Golden Post Note”) payable to Golden Post in the principal amount of \$500,000, bearing interest at 8%, and maturing six months from the date of execution. The Golden Post Note has been fully funded. It is contemplated that the principal and accrued interest on the Golden Post Note will be credited against amounts payable to the Company pursuant to the Securities Purchase Agreement described below.

The Company, Golden Post and Mr. Koy W. (“K.D.”) Diepholz executed a Securities Purchase Agreement (the “SPA”), which contemplates the acquisition by Golden Post of the following securities, at such time as the Company’s charter has been amended (as described below):

- 1,600,000 shares of Series C Senior Convertible Preferred Stock (the “Series C Preferred”) at a purchase price of \$2.50 per share. The Series C Preferred will be entitled to receive dividends at the per share rate of four percent (4%) per annum, will rank (in priority) senior to the Common Stock, the Series A Preferred Stock, the Series B Convertible Preferred Stock, and each other class or series of equity security of the Company. The Series C Preferred will be convertible into Common Stock of the Company at the price of \$2.50 per share, and will be entitled to anti-dilution protection for issuances by the Company and for changes in the Company’s ownership of DynaMéxico. The Series C Preferred will also be entitled to preemptive rights, and the holder will have the right to designate one person to the Company’s Board of Directors.
- a. A Common Stock Purchase Warrant (the “Warrant”) for the purchase of 2,000,000 shares of the Company’s Common Stock, at an exercise price of \$2.50 per share. The anti-dilution protections contained in the SPA are essentially

replicated in the Warrant.

3. Pursuant to the SPA, the Company has agreed to execute a Registration Rights Agreement pursuant to which Golden Post may require the Company to register the shares of Common Stock which may be issued upon the conversion of the Series C Preferred and the shares of Common Stock issuable upon the exercise of the Warrant, including any additional shares of Common Stock issuable pursuant to anti-dilution provisions.

4. The transaction contemplated by the SPA, and the related acquisition of the shares of Series C Preferred, will close (and fund) at such time as the Company's charter is amended to provide that (i) the Board of Directors will be divided into three classes of directors -- Class I Directors, Class II Directors and Class III Directors -- with the Class III director to be selected by the holder of the Series C Preferred -- and (ii) to the fullest extent permitted by the Delaware General Corporation Law, a director of the Company will not be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director.

5. To facilitate the amendment of the Company's charter, a limited number of stockholders of the Company have also executed a Voting and Support Agreement.

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## **Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

### **FORWARD-LOOKING STATEMENTS**

This quarterly report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, which we refer to in this annual report as the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, which we refer to in this annual report as the Exchange Act. Forward-looking statements are not statements of historical fact but rather reflect our current expectations, estimates and predictions about future results and events. These statements may use words such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “predict,” “project” and similar expressions as they relate to us or our management. When we make forward-looking statements, we are basing them on our management’s beliefs and assumptions, using information currently available to us. These forward-looking statements are subject to risks, uncertainties and assumptions, including but not limited to, risks, uncertainties and assumptions discussed in this annual report. Factors that can cause or contribute to these differences include those described under the heading “Management Discussion and Analysis and Plan of Operation.”

If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary materially from what we projected. Any forward-looking statement you read in this annual report reflects our current views with respect to future events and is subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, growth strategy and liquidity. All subsequent written and oral forward-looking statements attributable to us or individuals acting on our behalf are expressly qualified in their entirety by this paragraph. You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this annual report. The Company expressly disclaims any obligation to release publicly any updates or revisions to these forward-looking statements to reflect any change in its views or expectations. The Company can give no assurances that such forward-looking statements will prove to be correct.

### **CAUTIONARY NOTE TO UNITED STATES INVESTORS—INFORMATION CONCERNING PREPARATION OF RESOURCE AND RESERVE ESTIMATES**

The Company is an “OTC Reporting Issuer” as that term is defined in BC Multilateral Instrument 51-105, *Issuers Quoted in the U.S. Over-the-Counter Markets*, promulgated by the British Columbia Securities Commission. Accordingly, certain disclosure in this quarterly report has been prepared in accordance with the requirements of securities laws in effect in Canada, which differ from the requirements of United States securities laws. In Canada, an issuer is required to provide technical information with respect to mineralization, including reserves and resources, if any, on its mineral exploration properties in accordance with Canadian requirements, which differ significantly from the requirements of the United States Securities and Exchange Commission (the “SEC”) applicable to registration statements and reports filed by United States companies pursuant to the Securities Act or the Exchange Act. As such, information contained in this annual report concerning descriptions of mineralization under Canadian standards may not be comparable to similar information made public by United States companies subject to the reporting and disclosure requirements of the SEC and not subject to Canadian securities legislation. This annual report may use the terms “measured mineral resources”, “indicated mineral resources” and “inferred mineral resources”. While these terms are recognized and required by Canadian securities legislation (under National Instrument 43-101, *Standards of Disclosure for Mineral Projects*), the SEC does not recognize them. United States investors are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted to reserves. In addition, “inferred mineral resources” have a great amount of uncertainty as to their existence and economic and legal feasibility. It cannot be assumed that all or any part of a measured mineral resource, indicated mineral resource or inferred mineral resource will ever be upgraded to a higher category. Under Canadian securities legislation, estimates of

inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, although they may form, in certain circumstances, the basis of a “preliminary economic assessment” as that term is defined in National Instrument 43-101, *Standards of Disclosure for Mineral Projects*. U.S. investors are cautioned not to assume that any part or all of any reported measured, indicated, or inferred mineral resource estimates referred to herein or in the Technical Report are economically or legally mineable.

## **Company**

The Company is a minerals investment, management, and exploration company, and currently conducting test mining and pilot milling operations through an operating subsidiary in México, with specific focus on precious and base metals in México. The Company was incorporated in the State of California on September 28, 1937, under the name West Coast Mines, Inc. In November 1998, the Company re-domiciled from California to Delaware and changed its name to DynaResource, Inc. (“DynaUSA”).

In 2000, the Company formed DynaResource de México S.A. de C.V. (“DynaMéxico”) for the purpose of acquiring and holding mineral properties and mining concessions in México and, specifically for acquiring and consolidating the Mining District of San Jose de Gracia. DynaMéxico completed the consolidation of the entire SJG District to DynaMéxico in 2003 (approx. 15 sq. km. at that time), with the exception of the San Miguel Mining Concession (7 Hectares, for which DynaMéxico is proceeding towards accomplishing the transfer of title, under previously signed sale and purchase agreements).

DynaMéxico currently owns a portfolio of mining concessions, equipment, camp and related facilities which comprise the San José de Gracia Project (“SJG”). The mining concessions cover 69,121 hectares (170,802 acres) on the west side of the Sierra Madre mountain range, in northern Sinaloa State.

The Company currently owns 80% of the outstanding shares of DynaMéxico. We also own 100% of Mineras de DynaResource S.A. de C.V. (“DynaMineras”), the exclusive operator of the San José de Gracia Project, under contract with DynaMéxico, and we own 100% of DynaResource Operaciones de San Jose de Gracia, S.A. de C.V., (“DynaOperaciones”), a company which manages the personnel registered to work at the San Jose de Gracia Project.

## **San Jose de Gracia - History**

Historical production records from San Jose de Gracia (“SJG”) report 1,000,000 Oz gold production from a series of underground workings. The major areas report 471,000 Oz. produced at the La Purisima area of SJG, at an average grade of 66.7 g/t.; and 215,000 Oz. produced from the La Prieta area, at an average grade of 27.6 g/t. Mineralization at SJG has been traced on surface and underground over 15 sq. km.

DynaMéxico was formed in March 2000, for the purpose of acquiring the concessions comprising the SJG District, and to consolidate all ownership of SJG under DynaMéxico. DynaMéxico focused on acquisition and consolidation work through 2003, and reported a virtually clear title and consolidated ownership to the district at December 31, 2013.

## **Drilling – Exploration Programs (1997 – 2000)**

A drill program was conducted at SJG in 1997 to 1998 by a prior majority owner. Approximately 6,172 meters drilling was completed in 63 core drill holes. Significant intercepts, including bonanza grades, outlined the down dip potential of the Northeast section (150 Meter NE to SW extent of the Drilling) of the Los Hilos to Tres Amigos Trend of SJG. Surface and underground sampling in 1999 to 2000 confirmed high grades in historic workings and surface exposures throughout the project area. These high grades outline the presence of mineralization shoots developed within the veins. The mineralized shoots appear to be controlled by dilational jogs and/or vein intersections. A total of 544 samples were collected in 1999 to 2000, and assayed an average 6.51 g/t gold.

## **Structure of Company / Operations**

Activities in México are currently conducted by DynaMineras; with the management of personnel being contracted by DynaMineras through to DynaOperaciones. Management of DynaResource, Inc. and consultants manage the operating companies in México; while the Chairman/CEO of DynaUSA is the President of each of DynaMéxico, DynaMineras and DynaOperaciones. Fees for management and administration are charged by DynaMineras and DynaOperaciones, which are eliminated in consolidation.

### **Exclusive Operating Entity at San Jose de Gracia**

Under agreement with DynaMéxico, Mineras de DynaResource S.A. de C.V. (“DynaMineras”) has been named the exclusive operating entity at the San Jose de Gracia Project. DynaResource owns 100% of DynaMineras.

### **DynaMéxico General Powers of Attorney**

The Chairman-CEO of DynaUSA also serves as the President of DynaMéxico. The President of DynaMéxico holds broad powers of attorney granted by the shareholders of DynaMéxico which gives the current President significant and broad authority within DynaMéxico.

### **Company Ownership and Description of Subsidiaries**

A description of the subsidiaries owned by the Company and its ownership in each is summarized below:

**DynaResource de México, S.A. de C.V.:** 80% Owned by DynaResource, Inc.

- 100% owner of the San Jose de Gracia Property;

**Mineras de DynaResource, S.A. de C.V.:** 100% Owned by DynaResource, Inc.

- Exclusive Operator of the San Jose de Gracia Project;

- Entered into Exploitation Agreement (“EAA”) with DynaMéxico (See EAA below);

Entered into 20 year Surface Rights Agreement with the Santa Maria Ejido (See Surface Rights Agreement below);

**DynaResource Operaciones de San Jose de Gracia, S.A. de C.V.:** 100% Owned by DynaResource, Inc.

- Personnel Management Company at San Jose de Gracia;

#### **Pilot Production Activities (2003 – 2006)**

DynaMéxico, conducting operations through DynaMineras, mined high-grade veins at the San Pablo area of SJG from mid-2003 to June 2006. 18,250 Oz. gold was produced and sold from mill feed tonnage of 42,000 tonnes, at an average grade of approximately 15-20 g/t. Production costs were reported at approximately \$175/Oz. gold in this small scale, pilot production operation (See results in table below). The pilot operations at SJG consisted of the installation of a gravity/flotation processing circuit to an existing mill, and initial test runs with tailings were completed in 2002. Actual test mining at the higher grade San Pablo area of the property commenced in March 2003.

|                                    |               |
|------------------------------------|---------------|
| Mined and Milled Tonnage           | 42,000 tonnes |
| Production (Oz Au)                 | 18,250 Oz     |
| Average Grade                      | 15-20 g/t     |
| Recovery Efficiency (Plant)        | 85%           |
| Recovery in Concentrate (Sales)    | 90%           |
| Production Cost (Average, 4 Years) | \$175 / Oz    |

#### **Prior Suspension of Pilot Production Activities in 2006**

The Company initiated the test production activity in 2003 and, at that time, gold prices were depressed. Exploration funding opportunities, while available, were deemed to be too dilutive by Company management. Subsequently, in 2006, commodities prices were improving and the Company was able to negotiate financing in order to fund exploration activities. Therefore, the Company suspended test mining activities in 2006 in order to focus on the exploration of the vast SJG District. While the test mining and pilot milling operations were considered successful (see results in the table above), a small scale production operation was not expected to provide the necessary capital in order to fund exploration of the vast SJG District. The limited-scope pilot production activity provided significant benefits through confirmation of production grades, metallurgy and process, efficiency of recoveries, and production costs.

#### **Drilling programs (2007 – 2011)**

Drilling programs completed by the Company's subsidiaries produced a total of 298 drill holes covering 68,741 meters of drilling from 2007 through March 2011. Results of the drilling activity, including the results of previous drilling in 1997-1998, appear in an "SJG Drill Intercepts Summary File through 11-298", as Exhibit 99.1 to our Form 10-Q for the period ended June 30, 2011 filed with the SEC on August 22, 2011, and available on EDGAR at: [<http://www.sec.gov/Archives/edgar/data/1111741/000112178111000241/ex99one.htm>]. Additionally, the updated Drill Summary File is posted on the Company's web site at [www.dynaresource.com](http://www.dynaresource.com).

#### **Mineral Resource Estimate and Technical Report 43-101 (2012)**

In 2012, DynaMéxico commissioned Servicios y Proyectos Mineros ("SPM") for the production of Technical Report 43-101 ("43-101") at San Jose de Gracia. Additionally, DynaMéxico commissioned Mr. Robert Sandefur, a senior reserve analyst for Chlumsky, Armbrust & Meyer LLC, Lakewood, CO ("CAM") to produce a mineral resource estimate for the 4 main vein systems at the property.

*Parameters Used to Estimate the Mineral Resource Estimate--*The data base for the San Jose de Gracia Project consists of 372 drill holes of which 361 are diamond drill holes ("DDH") and the remaining 11 were reverse circulation



holes “(RC””, with a total drilling of 75,878 meters. The 2012 DynaMéxico-CAM SJG Mineral Resource Estimate concentrates on four main mineralized vein systems at SJG: Tres Amigos, San Pablo, La Union, and La Purisima. Of the 372 drill holes, 368 were drilled to test these four main vein systems and the remaining four holes tested the Argillic Zone. Technical personnel of Minop S.A. de C.V. (“Minop”), a subsidiary (or affiliate) of Goldgroup Mining Inc. (“Goldgroup”) built three dimensional solids to constrain estimation to the interpreted veins in each swarm. The 172 holes most recently drilled (2009-2011), were allocated as follows: Tres Amigos (64 holes), San Pablo (49 holes), La Union (24 holes), La Purisima (32 holes) and Argillic Zone (3 holes). The data base also includes rock and chip sampling, regional stream sediment sampling, and IP Surveys.

*Density*--A total of 5,540 pieces of core were measured for specific gravity using the weight in air vs. weight in water method. This represents an additional 3,897 measurements taken in the 2009-11 drill seasons with density measurements taken from all mineral zones. Dried samples were coated with paraffin wax before being measured. The results tabulated have been sorted by lithology and mineralized veins. The average specific gravity of 5,051 wall rock samples was 2.59 while the average specific gravity for 489 samples of vein material is 2.68. CAM and Servicios y Proyectos Mineros have reviewed the procedures and results, and opine that the results are suitable for use in mineral resource estimation.

*Mineral Resource Estimate - Construction of Wireframes*--Mineral Resources were estimated by Mr. Sandefur within wireframes constructed by technical personnel of Minop. Minop was contracted by Mineras de DynaResource S.A. de C.V. (“DynaMineras”).

*Mineral Resource Estimate - Explanation of Resource Estimation*--Resource estimation was done in MineSight and MicroModel computer systems with only those composites that were inside the wireframe used in the estimate. Estimation was done using kriging with the omni-directional variogram derived from all the data in each area for gold using the relative variogram derived from the log variogram. High grades were restricted by capping the assays at a breakpoint based on the cumulative frequency curves. Estimation was done using search radii of 100 x 100 x 50 m “blocks” oriented subparallel to the general strike and dip of the vein system in each area. A sector search, corresponding to the faces of the search box with a maximum of two points per sector was used in estimation. A density of 2.68 based on within ‘vein density’ samples was used in the resource estimate. Within each of the four areas there are approximately 20 to 40 veins in the vein swarm. Resources were estimated by kriging using data from all veins in the swarm. In general, gold accounts for at least 80% of the value of contained metal at the project, so the variograms for gold were used in estimation of the four other metals. Mineral Resources at Tres Amigos and San Pablo were classified as “Indicated” as follows:

- 1) they were within a vein within the swarm which contained at least 7 drill holes;
- 2) they are within 25 m of the nearest sample point; and,
- 3) the block was estimated by at least three drill holes.

All other Mineral Resources were classified as “Inferred”. Since there are no precise quantitative definitions of Measured, Indicated and Inferred, resource classification is subjective and depends on the experience and judgment of the Qualified Person (“QP”) calculating the resource estimate. Mr. Sandefur, QP, allowed indicated material at Tres Amigos and San Pablo because of (1) the similarity of the variograms, and (2) the fact of recent production by DynaMéxico from San Pablo of some 42,000 tonnes mill feed at an average grade of approximately 15 g/t (“grams per tonne”). Three of the individual veins at La Purisima satisfied criterion (1) above, but CAM elected not to include this material in “Indicated” because of the higher nugget effect at La Purisima, and because there was apparently historic underground mining there. This Mineral Resource Estimate for SJG does not include any ore loss or dilution outside wireframes, and as currently defined, is probably most appropriate for a highly selective, small equipment underground operation.

The veins at San Jose de Gracia have been historically mined for many years and historic mined volumes are not available. The one exception is the approximate 42,000 tonnes of ore processed by DynaMéxico during its pilot production activities in 2003-2006. The resource table is not adjusted for any historic mining. To validate that historic mining had not significantly reduced the resource, CAM reviewed the database for all assays greater than 1 gram per ton gold that were next to missing values at the bottom of drill holes. Only four assays satisfying this criterion were found, and on the basis of this review, Mr. Sandefur does not believe that significant mining has occurred within the volumes defined by the wireframes.

Servicios y Proyectos Mineros performed a database review and considers that a reasonable level of verification has been completed, and that no material issues have been left unidentified from the drilling programs undertaken.

*Mineral Resource Estimate and 43-101 Technical Report - Data Verification*--Mr. Ramon Luna Espinoza (“Mr. Luna”) initially visited the San Jose de Gracia Project in November 2010, and conducted site inspections at SJG in November 2011 and January 2012. Mr. Sandefur conducted a site inspection of the SJG Project in January 2012. While at the Property in November 2011, Mr. Luna inspected the areas of Tres Amigos, La Prieta, Gossan Cap, San Pablo, La Union, and La Purisima, and historic mining sites. In January 2012, Mr. Sandefur and Mr. Luna inspected the areas of Tres Amigos, San Pablo, La Union, and La Purisima. Pictures of the areas were taken. Many of the drill pads for the drilling programs of 2007 to 2011 were clearly located and identified. Mr. Luna also inspected San José de Gracia’s core logging and storage facilities, the geology offices, the meteorological station, the plant nursery, and the mill. Mr. Sandefur also inspected San José de Gracia’s core logging and storage facilities.

**National Instrument 43-101 (“NI 43-101”) Mineral Resource Estimate for the San Jose de Gracia Property (2012)**

The Company received from DynaMéxico on February 14, 2012, a National Instrument 43-101 Mineral Resource Estimate for San Jose de Gracia. The NI 43-101 Resource Estimate (the “2012 DynaMéxico-CAM SJG Mineral Resource Estimate”, the “Resource Estimate”) was prepared by Mr. Robert Sandefur, BS, MSc, P.E., a Qualified Person as defined under NI 43-101, and a senior reserve analyst for Chlumsky, Armbrust & Meyer LLC, Lakewood, CO (“CAM”). The Resource Estimate concentrates on four separate main vein systems at SJG: Tres Amigos, San Pablo, La Union, and La Purisima.

The mineral resource estimates prepared by Mr. Robert Sandefur for this Technical Report include Indicated Resources at Tres Amigos of 893,000 tonnes with an average grade of 4.46 g/t (128,000 Oz. Au), and at San Pablo of 1,308,000 tonnes with an average grade of 6.52 g/t (274,000 Oz. Au). The estimate also includes an Inferred Resource of 3,953,000 tonnes in aggregate for the four vein systems, with an average grade of 5.83 g/t (741,000 Oz. Au). The resource estimate is reported using a 2.0 g/t cutoff grade, with the effective date of February 6, 2012. The following tables are summaries of the 2012 DynaMéxico-CAM Mineral Resource Estimate of the four main vein systems and also a table summary disclosing the aggregate of the mineral resources of those four vein systems.

***Mineral Resource and Classification for San Jose de Gracia Project*****TRES AMIGOS INDICATED****Au Cut Off (g/t)**

|      | <b>Tonnes</b> | <b>Au g/t</b> | <b>Au Oz</b> | <b>Ag g/t</b> | <b>Ag Oz</b> | <b>Cu%</b> | <b>CuKg</b> | <b>Pb%</b> | <b>PbKg</b> | <b>Zn%</b> | <b>ZnKg</b> |
|------|---------------|---------------|--------------|---------------|--------------|------------|-------------|------------|-------------|------------|-------------|
| 1.00 | 1,128,000     | 3.85          | 139,000      | 9.18          | 333,000      | 0.19       | 2,137,000   | 0.05       | 570,000     | 0.33       | 3,774,000   |
| 2.00 | 893,000       | 4.46          | 128,000      | 10.34         | 297,000      | 0.21       | 1,875,000   | 0.06       | 499,000     | 0.37       | 3,276,000   |
| 3.00 | 608,000       | 5.37          | 105,000      | 11.31         | 221,000      | 0.22       | 1,338,000   | 0.06       | 374,000     | 0.39       | 2,349,000   |

**TRES AMIGOS INFERRED**

|      |           |      |         |       |         |      |           |      |         |      |           |
|------|-----------|------|---------|-------|---------|------|-----------|------|---------|------|-----------|
| 1.00 | 1,937,000 | 4.91 | 306,000 | 9.46  | 589,000 | 0.21 | 4,028,000 | 0.05 | 981,000 | 0.34 | 6,600,000 |
| 2.00 | 1,453,000 | 6.05 | 282,000 | 11.01 | 514,000 | 0.23 | 3,390,000 | 0.06 | 802,000 | 0.38 | 5,460,000 |
| 3.00 | 950,000   | 7.93 | 242,000 | 11.47 | 350,000 | 0.20 | 1,935,000 | 0.07 | 620,000 | 0.43 | 4,107,000 |

**SAN PABLO INDICATED****Au Cut Off (g/t)**

|      | <b>Tonnes</b> | <b>Au g/t</b> | <b>Au Oz</b> | <b>Ag g/t</b> | <b>Ag Oz</b> | <b>Cu%</b> | <b>CuKg</b> | <b>Pb%</b> | <b>PbKg</b> | <b>Zn%</b> | <b>ZnKg</b> |
|------|---------------|---------------|--------------|---------------|--------------|------------|-------------|------------|-------------|------------|-------------|
| 1.00 | 1,482,000     | 5.94          | 283,000      | 11.92         | 568,000      | 0.26       | 3,839,000   | 0.01       | 158,000     | 0.03       | 500,000     |
| 2.00 | 1,308,000     | 6.52          | 274,000      | 12.72         | 535,000      | 0.28       | 3,607,000   | 0.01       | 147,000     | 0.04       | 458,000     |
| 3.00 | 1,091,000     | 7.32          | 257,000      | 13.69         | 480,000      | 0.30       | 3,241,000   | 0.01       | 132,000     | 0.04       | 405,000     |

**SAN PABLO INFERRED**

|      |         |      |         |       |         |      |           |      |        |      |         |
|------|---------|------|---------|-------|---------|------|-----------|------|--------|------|---------|
| 1.00 | 756,000 | 4.65 | 113,000 | 9.25  | 225,000 | 0.17 | 1,273,000 | 0.01 | 74,000 | 0.03 | 227,000 |
| 2.00 | 532,000 | 6.02 | 103,000 | 11.33 | 194,000 | 0.20 | 1,074,000 | 0.01 | 51,000 | 0.03 | 161,000 |
| 3.00 | 426,000 | 6.92 | 95,000  | 11.89 | 163,000 | 0.22 | 935,000   | 0.01 | 40,000 | 0.03 | 131,000 |

**LA UNION INFERRED****Au Cut Off (g/t)**

|      | <b>Tonnes</b> | <b>Au g/t</b> | <b>Au Oz</b> | <b>Ag g/t</b> | <b>Ag Oz</b> | <b>Cu%</b> | <b>CuKg</b> | <b>Pb%</b> | <b>PbKg</b> | <b>Zn%</b> | <b>ZnKg</b> |
|------|---------------|---------------|--------------|---------------|--------------|------------|-------------|------------|-------------|------------|-------------|
| 1.00 | 1,221,000     | 4.72          | 185,000      | 12.81         | 503,000      | 0.15       | 1,856,000   | 0.02       | 250,000     | 0.04       | 532,000     |
| 2.00 | 849,000       | 6.11          | 167,000      | 13.71         | 374,000      | 0.19       | 1,579,000   | 0.03       | 221,000     | 0.05       | 448,000     |
| 3.00 | 580,000       | 7.79          | 145,000      | 16.51         | 308,000      | 0.23       | 1,340,000   | 0.03       | 196,000     | 0.07       | 403,000     |

**LA PURISIMA INFERRED****Au Cut Off (g/t)**

|      | <b>Tonnes</b> | <b>Au g/t</b> | <b>Au OZ</b> | <b>Ag g/t</b> | <b>Ag OZ</b> | <b>Cu%</b> | <b>CuKg</b> | <b>Pb%</b> | <b>PbKg</b> | <b>Zn%</b> | <b>ZnKg</b> |
|------|---------------|---------------|--------------|---------------|--------------|------------|-------------|------------|-------------|------------|-------------|
| 1.00 | 1,767,000     | 3.83          | 217,000      | 4.64          | 264,000      | 0.08       | 1,454,000   | 0.02       | 293,000     | 0.06       | 1,097,000   |
| 2.00 | 1,119,000     | 5.25          | 189,000      | 5.63          | 203,000      | 0.10       | 1,150,000   | 0.02       | 209,000     | 0.06       | 707,000     |
| 3.00 | 801,000       | 6.34          | 163,000      | 5.85          | 151,000      | 0.11       | 916,000     | 0.02       | 164,000     | 0.07       | 585,000     |

**SAN JOSE DE GRACIA TOTAL INDICATED**

|                         |               |               |              |               |              | <b>Cu</b> |             | <b>Pb</b> |             | <b>Zn</b> |             |
|-------------------------|---------------|---------------|--------------|---------------|--------------|-----------|-------------|-----------|-------------|-----------|-------------|
| <b>Au Cut Off (g/t)</b> | <b>Tonnes</b> | <b>Au g/t</b> | <b>Au OZ</b> | <b>Ag g/t</b> | <b>Ag OZ</b> | <b>%</b>  | <b>CuKg</b> | <b>%</b>  | <b>PbKg</b> | <b>%</b>  | <b>ZnKg</b> |
| 1.00                    | 2,610,000     | 5.03          | 422,000      | 10.73         | 901,000      | 0.23      | 5,976,000   | 0.03      | 728,000     | 0.16      | 4,273,000   |
| 2.00                    | 2,200,000     | 5.69          | 402,000      | 11.75         | 831,000      | 0.25      | 5,482,000   | 0.03      | 646,000     | 0.17      | 3,733,000   |
| 3.00                    | 1,699,000     | 6.62          | 362,000      | 12.84         | 701,000      | 0.27      | 4,579,000   | 0.03      | 506,000     | 0.16      | 2,754,000   |

**SAN JOSE DE GRACIA TOTAL INFERRED**

|      |           |      |         |       |           |      |           |      |           |      |           |
|------|-----------|------|---------|-------|-----------|------|-----------|------|-----------|------|-----------|
| 1.00 | 5,681,000 | 4.50 | 822,000 | 8.66  | 1,581,000 | 0.15 | 8,611,000 | 0.03 | 1,599,000 | 0.15 | 8,456,000 |
| 2.00 | 3,953,000 | 5.83 | 741,000 | 10.11 | 1,285,000 | 0.18 | 7,193,000 | 0.03 | 1,283,000 | 0.17 | 6,776,000 |
| 3.00 | 2,757,000 | 7.28 | 646,000 | 10.97 | 972,000   | 0.19 | 5,126,000 | 0.04 | 1,021,000 | 0.19 | 5,227,000 |

(Due to rounding the numbers in the above may not check exactly. This is an estimate of in situ resources only and there is no assurance that any part of these resources can be converted to reserves. Grades are given to 2 decimals and contained metal to the nearest 000 for comparative purposes and do not imply this degree of accuracy.)

All references to ounces in the 2012 DynaMéxico-CAM Mineral Resource Estimate are references to troy ounces. Tonnes, contained ounces, and contained kilograms of metals are given to the nearest thousand, and grades are reported to two decimals for comparative purposes only and do not imply this degree of accuracy.

### **National Instrument 43-101 Technical Report on the San Jose de Gracia Property (2012)**

The Company received from DynaMéxico on March 28, 2012, a National Instrument 43-101 (“NI 43-101”) compliant Technical Report for the San Jose de Gracia Project (the “2012 DynaMéxico Luna-CAM SJG Technical Report”, the “Technical Report”), and approved by DynaResource de México, S.A. de C.V. (“DynaMéxico”), the 100% owner of SJG.

The 2012 DynaMéxico Luna-CAM SJG Technical Report was prepared by Mr. Ramon Luna Espinoza, BS, P.Geo., of Servicios y Proyectos Mineros, Hermosillo, México, and a Qualified Person as defined under NI 43-101; and by Mr. Robert Sandefur, BS, MSc, P.E., a senior reserve analyst for Chlumsky, Armbrust & Meyer LLC, Lakewood, CO., and a Qualified Person as defined under NI 43-101. The 2012 DynaMéxico Luna-CAM SJG Technical Report includes as Section Fourteen (14) a Mineral Resource Estimate for SJG as prepared by Mr. Sandefur (the “2012 DynaMéxico-CAM SJG 43-101 Mineral Resource Estimate”, the “Resource Estimate”).

The Company filed the Technical Report on SEDAR ([www.sedar.com](http://www.sedar.com)) on March 28, 2012.

### **Updated National Instrument 43-101 Technical Report for San Jose de Gracia (2012)**

The Company received from DynaMéxico on December 31, 2012, an updated NI 43-101 compliant Technical Report for the San Jose de Gracia Project (the “Updated 2012 DynaMéxico Luna-CAM SJG Technical Report”). The updated Technical Report was approved by DynaMéxico, and filed by the Company on SEDAR on December 31, 2012.

### **No Known Reserves**

The SJG property is without known reserves. Under U.S. standards, mineralization may not be classified as a “reserve” unless a determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made.

### **Exploitation Amendment Agreement (“EAA”)**

On May 15, 2013, DynaMineras entered into an Exploitation Amendment Agreement (“EAA”) with DynaMéxico. The EAA grants to DynaMineras the right to finance, explore, develop and exploit the SJG Property, in exchange for:

- (a) Reimbursement of all costs associated with financing, maintenance, exploration, development and exploitation of the SJG Property, which costs are to be charged and billed by DynaMineras to DynaMéxico; and,
- (b) After Item (A) above, the receipt by DynaMineras of 75% of gross receipts received by DynaMéxico from the sale of all minerals produced from SJG, to the point that DynaMineras has received 200% of its advanced funds; and,
- (c) after items (A) and (B) above; the receipt by DynaMineras of 50% of all gross receipts received by DynaMéxico from the sale of all minerals produced from SJG, and throughout the term of the EAA; and,
- (d) in addition to Items (A), (B), and (C) above, DynaMineras shall receive a 2.5% NSR (“Net Smelter Royalty”) on all minerals sold from SJG over the term of the EAA.

The total Advances made by DynaMineras to DynaMéxico as of March 31, 2015 is \$4,040,005. The EAA is the third and latest Amendment to the original Contract Mining Services and Mineral Production Agreement (the “Operating Agreement”), which was previously entered into by DynaMineras with DynaMéxico in April 2005, wherein DynaMineras was named the Exclusive Operating Entity at SJG. The Operating Agreement was previously amended

in September 2006 (the “First Amendment”), and amended again at July 15, 2011 (the “Second Amendment”). The Term of the Second Amendment is 20 years, and the EAA (Third Amendment) provides for the continuation of the 20 Year Term from the date of the Second Amendment (July 15, 2011).

### **Surface Rights Agreement**

On January 6, 2014 DynaMineras entered into a 20 year surface rights agreement with the Santa Maria Ejido Community surrounding the San Jose de Gracia Property (the “20 Year SRA”). The 20 Year SRA covers an area of 4,399 hectares surrounding the main mineral resource areas of SJG, and provides for annual lease payments by DynaMineras of \$1,359,443 Pesos (approx. \$104,250 USD), commencing in 2014. The 20 year SRA provides DynaMineras with surface access to the core resource areas of SJG, and allows for all permitted mining, pilot production and exploration activities from the owners of the surface rights (Santa Maria Ejido community).

Additionally, DynaMineras expects to construct a Medical Facility and a Community Center within the SJG community in year 2015. DynaMineras reports that land and building for which the medical facility and community center will be constructed have been approved for re-zoning by the local community; and plans are being drawn for constructing the facilities.

### **Rehabilitation and Start-up of Pilot Mill Facility at San Jose de Gracia**

Under the terms of the Exploitation Amendment Agreement (“EAA”), as described above, DynaMineras has rehabilitated the pilot mill facility at SJG. The SJG pilot mill facility (a gravimetric-flotation circuit) is now processing bulk samples mined from selected target areas of SJG. Operations at SJG are managed by DynaMineras, and are projected to be similar to those conducted by DynaMéxico during 2003-2006.

### **Current Operations - Test Underground Mining and Pilot Mill Operations**

Operational Permits for the rehabilitation of the San Pablo Mine and for the refurbishment of the Pilot Mill Facility, including the installation of the Tailings Pond area adjacent to the pilot mill facility were obtained in fall 2013, leading to the rehabilitation of the San Pablo Mine and the refurbishing of the Pilot Mill Facility in 2014. Pilot Production Operations commenced in October 2014, with approximately 1,650 Oz. Gold being delivered for sale during the startup testing phase.

DynaMineras reports the following summary of its operations during 2014:

- \$ 4 M invested in the rehabilitation of mine, refurbishing of the pilot mill facility and start up testing operations;
  - 8,850 Tons mined and processed through the pilot mill facility;
  - 300 Tons of gold-silver concentrate produced and sold;
  - 10.2 Kg of gold-silver Dore produced sold;
  - 1,650 Oz gold sold;
- Approximately 3,000 Tons of semi-processed material remaining for re-processing; at an average grade of 6 g/t;

DynaMineras expects to continue its test mining and pilot mill production operations in 2015. (See Preparation for Pilot Production Expansion below.)

### **Preparation for Pilot Production Expansion**

Subsequent to the rehabilitation of the San Pablo mine, and subsequent to the refurbishing of the Pilot mill facility at SJG, and subsequent to the initial test mill runs of the pilot mill facility through March 2015, DynaMineras is now preparing to expand its test mining activities and in order to achieve higher rates of volumes of bulk mining samples to be delivered to the pilot mill facility for processing. The Company is budgeting approximately \$ 2M USD for this expansion program, utilizing the proceeds from the Golden Post transaction (See subsequent events above, “**Financing Agreement with Golden Post Rail, LLC, a Texas Limited Liability Company**”).

### **Competitive Advantage**

The Company, through its subsidiaries, has been conducting business in México since March 2000. During this period the Company believes it has structured its subsidiaries properly and strategically, and during which time the Company has retained key personnel and developed key relationships and support. The Company believes its experience and accomplishments and relationships in México give it a competitive advantage, even though many competitors may be larger and have more capital resources.

DynaMéxico retains 100% of the rights to concessions over the area of the San José de Gracia property and it currently sees no competition for mining on the lands covered by those concessions. The sale of gold and any bi-products would be subject to global market prices, which prices fluctuate daily. DynaMéxico was successful in selling gold concentrates produced from SJG in prior years, and the Company expects a competitive market for produced concentrates and/or other mineral products in the future. Actual prices received by DynaMineras in the sale of concentrates or other products produced from San Jose de Gracia would depend upon these global market prices, less deductions.

The Company’s operating subsidiaries, DynaMineras and DynaOperaciones, receive monthly fees for management of the SJG activities and personnel. These fee amounts are eliminated in consolidation. Other than those intercompany fees, the Company reported revenue of \$146,337 and \$0 for the three months ended March 31, 2015 and 2014.



## Capital Requirements

The mining industry in general requires significant capital in order to take a property from the exploration, to development to production. These costs remain a significant barrier to entry for the average company but once in production, there is a ready market for the final products. In the case of SJG, the final product would be mainly gold, the price of which is determined by global markets, so there is not a dependence on a customer base.

## Gold

*Gold Uses.* Gold generally is used for fabrication or investment. Fabricated gold has a variety of end uses, including jewelry, electronics, dentistry, industrial and decorative uses, medals, medallions and official coins. Gold investors buy gold bullion, official coins and jewelry.

*Gold Supply.* A combination of current mine production, recycling and draw-down of existing gold stocks held by governments, financial institutions, industrial organizations and private individuals make up the annual gold supply. Based on public information available for the years 2008 through 2014, on average, current mine production has accounted for approximately 64% of the annual gold supply.

*Gold Price.* The following table presents the annual high, low and average daily afternoon fixing prices for gold over the past ten years on the London Bullion Market (\$/ounce):

| <b>Year</b> | <b>High</b> | <b>Low</b> | <b>Average</b> |
|-------------|-------------|------------|----------------|
| 2002        | \$349       | \$278      | \$ 310         |
| 2003        | \$416       | \$320      | \$ 363         |
| 2004        | \$454       | \$375      | \$ 410         |

|                             |         |         |         |
|-----------------------------|---------|---------|---------|
| 2005                        | \$536   | \$411   | \$444   |
| 2006                        | \$725   | \$525   | \$604   |
| 2007                        | \$841   | \$608   | \$695   |
| 2008                        | \$1,011 | \$713   | \$872   |
| 2009                        | \$1,213 | \$810   | \$972   |
| 2010                        | \$1,421 | \$1,058 | \$1,225 |
| 2011                        | \$1,895 | \$1,319 | \$1,572 |
| 2012                        | \$1,792 | \$1,540 | \$1,669 |
| 2013                        | \$1,694 | \$1,192 | \$1,411 |
| 2014                        | \$1,380 | \$1,140 | \$1,265 |
| 2015 (through May 14, 2015) | \$1,300 | \$1,150 | \$1,200 |

Source: Kitco, Reuters and the London Bullion Market Association

On May 14, 2015, the afternoon fixing gold price on the London Bullion Market was \$1,225 per ounce and the spot market gold price on the New York Commodity Exchange was \$1,221 per ounce.

### **Condition of Physical Assets and Insurance**

Our business is capital intensive and requires ongoing capital investment for the replacement, modernization or expansion of equipment and facilities. We and our subsidiaries maintain insurance policies against property loss. Such insurance, however, contains exclusions and limitations on coverage, particularly with respect to environmental liability and political risk. There can be no assurance that claims would be paid under such insurance policies in connection with a particular event.

### **Environmental Matters**

Our activities are largely outside the United States and subject to governmental regulations for the protection of the environment. We conduct our operations so as to protect public health and the environment and believe our operations are in compliance with applicable laws and regulations in all material respects. DynaMéxico is involved with maintaining tailings ponds and test mining and pilot production activities (through DynaMineras) with the oversight of SEMARNAT, the federal environmental agency of México.

### **Results for the Three Months Ended March 31, 2015 and 2014**

In 2013, the Company was focused on obtaining Operational Permits and raising funds, in order to prepare for rehabilitation of the San Pablo mine and refurbishing the pilot mill facility at SJG; and preparing to install the tailings pond adjacent to the pilot mill facility. Operational permits were obtained in fall, 2013, leading to the rehabilitation of the San Pablo Mine and the refurbishing of the Pilot Mill Facility.

In the second quarter 2014, DynaMineras commenced test mining and pilot mill operations at San Jose de Gracia. Further rehabilitation of the San Pablo mine and the tailings pond area adjacent to the pilot mill facility continued into the fourth quarter. The rehabilitation of the San Pablo mine included driving ramps and building access to the high grade areas of San Pablo as defined by core drill holes.

Throughout the year 2014, the test pilot operations have yielded the underground mining and mill processing of approx. 8,841 tonnes of material, the production of approximately 1,676 gross oz. au (and net of buyer's price discount and refining costs approximately 1438 oz au) of gold-silver concentrates, and the receipt of \$1,476,188 in revenues from the sale of gold-silver products from Dore and gravity-flotation concentrates. Throughout the year DynaMineras was active in rehabilitating and developing the San Pablo Mine and refurbishing the Pilot Mill Facility and generally preparing to commence pilot production operations.

For the three months ended March 31, 2015, the test pilot operations have yielded the production of an estimated 150 Oz gold from mill runs completed over a 10 day period in January, from approximately 900 tons of mineralized feed material which was processed through the gravity and flotation circuit of the Pilot Mill Facility at SJG. DynaMineras further reports the estimated amount of Tailings remaining from the previous test mill runs utilizing only the gravity concentration circuit, and which material will be re-processed through the flotation circuit, is approximately 3,000 Tons. Internal assays report: (a) an average feed grade for the mill runs during January 2015 of approximately 8 g/t Au; and, (b) an average grade for the mineralized material to be re-processed (gravity tailings) of approximately 6 g/t Au. And, DynaMineras further reports mined inventory of approximately 1,000 tons, available for processing through the pilot mill facility, and approximately 15 tons of gold concentrates available for delivery and sale.

**REVENUE.** Revenues for the three months ended March 31, 2015 and 2014 were \$146,337 and \$0, respectively. The Company began the mining and processing of gold product in the 2<sup>nd</sup> quarter of 2014.

**PRODUCTION COSTS RELATED TO SALES.** Production costs related to sales for the three months ended March 31, 2015 and 2014 were \$25,000 and \$0, respectively. These are expenses directly related to the milling, packaging and shipping of gold and other precious metals product.

**MINE OPERATING COSTS.** Mine operating costs for the three months ended March 31, 2015 and 2014 were \$55,000 and \$0, respectively. These costs are directly related to the extraction of mine tonnage to be processed at the mill.

**PRE-PILOT-PRODUCTION EXPENSES.** Pre Pilot-Production Expenses for the three months ended March 31, 2015 and 2014 were \$484,155 and \$820,346 respectively. The decrease in expense in 2015 was due to the scaling back of operations while negotiating the financing with Golden Post Rail LLC, (See subsequent events-Financing with Golden Post Rail LLC., above), and due to the Company's preparing for expansion of test mining and milling operations utilizing the proceeds from the financing with Golden Post Rail.

**PROPERTY HOLDING COSTS.** Property holding costs for the three months ended March 31, 2015 and 2014 were \$119,612 and 0, respectively. These costs are concessions taxes, leases on land and other direct costs of maintaining the property. These costs were accounted for as Exploration Costs in 2014.

**OPERATING EXPENSES.** Operating expenses for the three months ended March 31, 2015 and 2014 were \$840,522 and \$349,335, respectively. In 2015, this included \$486,135 in expenses related to issuance of share based compensation and a general increase in activity due to the start-up and production at the project. The above expenses include depreciation and amortization amounts of \$11,710 and \$17,865 for the three months ended March 31, 2015 and 2014, respectively.

**OTHER INCOME (EXPENSE).** Other income, exclusive of currency transaction gain or (loss) for the three months ended March 31, 2015 and 2014 was \$(110,580) and \$(42,231), respectively. Interest expense is the primary component in this category and increased due to the additional notes transacted in 2014. Currency transaction gain or (loss) was \$(462,829) and \$94,042 for the three months ended March 31, 2015 and 2014, respectively. The reason for this increased loss is the devaluation of the Mexican Peso in 2014.

**NON-CONTROLLING INTEREST.** The non-controlling interest portion of the net loss for the three months ended March 31, 2015 and 2014 was \$(63,190) and \$(139,209), respectively.

**COMPREHENSIVE INCOME (LOSS).** Comprehensive income (loss) includes the Company's net income (loss) plus the unrealized currency translation gain (loss) for the period. For the three months ended March 31, 2015 and 2014, the Company recorded a gain (loss) of \$(734,755) and \$8,214, respectively.

### **Liquidity and Capital Resources**

As of March 31, 2015, the Company had a negative working capital of \$(1,320,068), comprised of current assets of \$422,190 and current liabilities of \$1,742,258. This represents a decrease of \$(394,537) from the working capital (deficit) maintained by the Company of \$(925,531) as of December 31, 2014, due primarily to the continued funding of operations in the first year and expenses related to the refurbishment of the pilot mill facility and the rehabilitation of the San Pablo mine at San Jose de Gracia.

Net cash (used) in operations for the three months ended March 31, 2015 was \$(1,243,709) compared with \$(1,093,110) for the three months ended March 31, 2014. Again, this was due to the increased activity relating to the refurbishing of the pilot mill facility and the rehabilitation of the San Pablo mine, including contract mining, and the preparation for processing bulked mine samples through the pilot mill facility.

Net cash (used) in investing activities for the three months ended March 31, 2015 and 2014 was \$(53,620) and \$(59,273), respectively.

Net cash provided by financing activities for the three months ended March 31, 2015 and 2014 was \$414,249 and \$634,000, respectively. The primary components for the current year are for issuance of common shares for cash of \$367,749. Proceeds from financing were utilized to refurbish the pilot mill facility and to rehabilitate the San Pablo mine, and to prepare to process bulk mined samples through the mill facility. In the prior year, the primary component was issuance of preferred shares, Series B for cash of \$522,500.

### **Noncontrolling Interest**

Under the terms of the Earn In Agreement (September 1, 2006 to March 15, 2011), Goldgroup Mining Inc. and its wholly owned subsidiary Goldgroup Resources, Inc. (Goldgroup), through 2010, had contributed capital to DynaMéxico in order to acquire 25% of the outstanding shares (a shareholder interest) of DynaResource de México, S.A. de C.V. (DynaMéxico). In March 2011, Goldgroup had contributed a total of \$18 M USD capital to DynaMéxico in order to acquire a total of 50% of the outstanding shares (a shareholder interest) of DynaMéxico. From March 2011 through May 2013, Goldgroup owned 50% of the outstanding shares of DynaMéxico, and since May 2013 to current date Goldgroup owns 20% of the outstanding shares of DynaMéxico. The applicable portion of the earnings or loss attributable to Goldgroup is offset in this section. For the three months ended March 31, 2015 and 2014, the portion of the net loss attributable to Goldgroup was \$(63,190) and \$(139,209), respectively.

### **Off-Balance Sheet Arrangements**

As of March 31, 2015, we did not have any off-balance sheet arrangements (as that phrase is defined by SEC rules applicable to this report) which have or are reasonably likely to have a material adverse effect on our financial condition, results of operations or liquidity.

## **Plan of Operation**

The Plan of operation for the next twelve months includes DynaMineras continuing the expansion and ramping up of the pilot production operations at SJG, and utilizing the proceeds from the Golden Post transaction. The Company funds its general and administrative expenses in the US. The Company's operating subsidiaries, DynaMineras and DynaOperaciones, receive monthly fees for management of SJG activities and personnel. These amounts are eliminated in consolidation. The Company believes that cash on hand, and including financing arrangements agreed to, is adequate to fund its ongoing general and administrative expenses through 2015. The Company plans to seek additional debt funding during the next 12 months depending on results of pilot production activities, market conditions, and other factors.

## **Capital Expenditures**

The Company's primary activities relate to the exploitation of the SJG property through its 100% owned operating subsidiary, DynaMineras. DynaMineras is conducting activities at SJG under the terms of the Exploitation Amendment Agreement (the "EAA", or, "operating agreement") with DynaMéxico. The Company plans to acquire necessary or optional equipment in the immediate future, in order to facilitate the test mining and pilot milling operations and is budgeting \$2,000,000 for these purposes.

## **No Known Reserves**

The SJG property is without known reserves. Under U.S. standards, mineralization may not be classified as a "reserve" unless a determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made.

## **Capital Advances to Subsidiaries**

### ***DynaResource de México S.A. de C.V. ("DynaMéxico")***

#### ***Equity Ownership of DynaMéxico***

In May 2013, the Company acquired additional shares in the outstanding equity in DynaMéxico in exchange for the retirement of accounts receivable of \$2,393,803, which amount was due from DynaMéxico at December 31, 2012. As a result, the Company currently owns 80% of the outstanding equity of DynaMéxico.

#### ***Amounts Owed to DynaUSA and DynaMineras***

As of March 31, 2015 the Company had advanced \$5,150,000 USD to DynaMineras and DynaMineras had advanced \$4,040,005 USD to DynaMéxico. On September 5, 2014, the Company issued 1,333,333 shares of its common stock to DynaMineras in exchange for the \$4,000,000 receivable from DynaMéxico. As a result, and at March 31, 2015;

- DynaMéxico owes \$40,005 USD to DynaMineras; and,
- DynaMéxico owes \$4M USD to DynaUSA.

As of December 31, 2012 the Company and DynaMineras agreed with DynaMéxico to accrue interest on the total amount receivable until repaid or otherwise retired. The interest rate to be accrued is agreed to be simple annual interest at the rate quoted by the Bank of México.

***DynaResource Operaciones (“DynaOperaciones”)***

The Company loaned DynaOperaciones \$225,000 in 2012, which amount remains payable to the Company as of March 31, 2015.

***Mineras de DynaResource (“DynaMineras”)***

At March, 31, 2015 DynaMineras owes \$5,150,000 to the Company, as described above.

***Elimination upon Consolidation***

All receivables and payables among all subsidiary companies have been eliminated upon consolidation.

***Future Advances to DynaMineras and DynaMéxico from the Company***

The Company expects to make additional advances to DynaMineras and DynaMéxico. Future advances from DynaMineras to DynaMéxico will be made under the terms of the Exploitation Amendment Agreement. Other advances are agreed to be accrued in the same manner as previous receivables, until or unless otherwise agreed between DynaMéxico and the Company.

***Advances from Goldgroup Mining Inc. (“Goldgroup”) to DynaMéxico***

In 2014, Goldgroup advanced \$111,500 to DynaMéxico and in 2013 Goldgroup advanced \$120,000 USD to DynaMéxico. This total \$231,500 is being carried by DynaMéxico at March 31, 2015 as a Due to Non-Controlling Interest.

### Note Receivable – Affiliate

DynaResource Nevada, Inc., a Nevada Corporation (“DynaNevada”), with one operating subsidiary in México, DynaNevada de México, S.A. de C.V. (“DynaNevada de México”) have common officers, directors and shareholders. The total amount loaned by the Company to DynaNevada at December 31, 2010 was \$805,760. The terms of the Note Receivable provided for a “Convertible Loan,” repayable at 5% interest over a 3 year period, and convertible at the Company’s option into Common Stock of DynaNevada at \$0.25 / Share. On December 31, 2010, the Company converted its receivable from DynaNevada into 3,223,040 Shares of DynaNevada; and as a result, the Company owns 19.92% of the outstanding share capital of DynaNevada. DynaNevada is a related entity, and through its subsidiary in México (DynaNevada de México), (“DynaNevada de México”), has entered into an Option agreement with Grupo México (“IMMSA”) in México, for the exploration and development of approximately 3,000 hectares in the State of San Luis Potosi (“the Santa Gertrudis Property”). In March, 2010, DynaNevada de México completed the Option with IMMSA so that it now owns 100% of Santa Gertrudis. In June, 2010, DynaNevada de México acquired an additional 6,000 Hectares in the State of Sinaloa (“the San Juan Property”). The Company has loaned additional funds to DynaNevada since 2010 for maintenance of concessions and other nominal required fees and expenses. The Company currently has a receivable from DynaResource Nevada, Inc. of \$170,074 and an investment balance of \$70,000 as of March 31, 2015.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Not applicable.

### Item 4. Controls and Procedures

#### Evaluation of Disclosure Controls and Procedures

The company carried out an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of March 31, 2015. This evaluation was accomplished under the supervision and with the participation of our chief executive officer / principal executive officer, and chief financial officer / principal financial officer who concluded that the company’s disclosure controls and procedures are effective to ensure that all material information required to be filed in the quarterly report on Form 10-Q has been made known to them.

For purposes of this section, the term disclosure controls and procedures means controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Act (15 U.S.C. 78a et seq.) is recorded, processed, summarized and reported, within the time periods specified in the Commission’s rules and forms. Disclosure, controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by in our reports filed under the Securities Exchange Act of 1934, as amended (the "Act") is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Based upon an evaluation conducted for the period ended March 31, 2015, our Chief Executive Officer and Chief Financial Officer as of March 31, 2015, and as of the date of this Report, have concluded that as of the end of the period covered by this report, we have identified no material weakness in our internal controls.

Corporate expenditures are processed and paid by officers of the Company. However, the current number of transactions incurred by the Company does not justify additional accounting staff to be retained.



Changes in Internal Controls over Financial Reporting

The Company has not made any changes in its internal controls over financial reporting that occurred during the period covered by this report on Form 10-Q that have materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

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## **PART II**

### **ITEM 1. Legal Proceedings**

#### **US Litigation (Dallas, Texas) – Company as Plaintiff**

On December 27, 2012, the Company, and DynaMéxico, filed an Original Petition and Application for Temporary Injunction and Permanent Injunction in the 14<sup>th</sup> Judicial District Court of Dallas, Texas (the “Petition”) against Defendants Goldgroup Mining Inc., Goldgroup Resources Inc., and certain individuals acting in concert with Goldgroup (collectively “Goldgroup”). The Petition alleged, among other things, that Goldgroup has wrongfully used property, confidential information and data belonging to DynaMéxico and consistently failed to disclose several matters of material importance to the public.

The Petition requested that Goldgroup be enjoined from: (a) using or disseminating any confidential information belonging to DynaMéxico, (b) asserting that Goldgroup owns any interest in the San Jose de Gracia Project, rather than owning a common shares equity interest in DynaMéxico, (c) improperly disclosing that Goldgroup is the operator of the San Jose de Gracia Project, rather than Mineras de DynaResource S.A. de C.V. (“MinerasDyna”), and (d) failing to properly disclose that broad powers of attorney for acting on behalf of DynaMéxico are held by a DynaUSA senior executive.

The Petition further requested, among other things: (a) a temporary and permanent injunction; (b) declaratory relief; (c) disgorgement of funds alleged to have been improperly raised as a consequence of Goldgroup’s wrongful actions; (d) cancellation of shares of DynaMéxico stock held by Goldgroup; and, (d) actual and punitive damages.

At the time of the filing, the Company believed the Petition to be necessary in order to protect its shareholder interests in DynaMéxico and in order to protect the property, data, and assets of DynaMéxico.

Although Goldgroup challenged the jurisdiction to the filed litigation in Texas, Goldgroup has acknowledged that it owns no direct interest in the San Jose de Gracia Property, and it has acknowledged that Mineras de DynaResource SA de C.V. (“MinerasDyna”), DynaUSA’s 100% owned subsidiary, is the exclusive operator of the San Jose de Gracia Project. Additionally, recent developments in México in 2013, including: (1) the signing of the Exploitation Amendment Agreement (“EAA”) between MinerasDyna and DynaMéxico; (2) the signing of a 20 year land lease agreement between MinerasDyna and the Santa Maria Ejido Community surrounding the San Jose de Gracia Project; and (3) the acquisition by DynaUSA of a majority interest in DynaMéxico; protect against Goldgroup’s wrongfully obtaining and/or disseminating confidential data and information of DynaMéxico. These recent developments in México provided that the DynaResource Parties non-suited the Texas action as announced by the Company on March 14, 2014, without prejudice to asserting or consolidating claims in México, as well as to contemplate additional claims or regulatory actions against Goldgroup in Canada.

#### **Litigation(s) in México – Company is Plaintiff**

The Company, and DynaMéxico have filed several legal actions in México against Goldgroup Mining Inc, Goldgroup Resources Inc., certain individuals employed or previously employed by Minop, S.A. de C.V. (a Company operating in México and associated with Goldgroup Mining Inc.), and certain individuals retained as agents of Goldgroup Mining Inc. The Company and DynaMéxico are plaintiffs in the actions filed in México and the outcomes are pending.

**Arbitration filed by Goldgroup**

On March 14, 2014, Goldgroup filed for arbitration, citing the Earn In Agreement dated September 1, 2006. The Company filed an answer on April 10, 2014 disputing that any issues exist which provide for arbitration.

On December 9, 2014, DynaMéxico filed a legal complaint against Goldgroup and the American Arbitration Association (“AAA”), which seeks to terminate the arbitration proceedings. (See “DynaMéxico filed complaint against Goldgroup” below).

During January – May 2015, the parties to the arbitration are scheduled to file opening memorial statements and respective responses thereto. The Company continues to vigorously defend its position, which is that no issues exist between the parties which are available for arbitration.

**Complaint filed by Goldgroup against the May 17, 2013 Shareholders Meeting of DynaMéxico**

On February 2, 2014, Goldgroup Resources Inc. filed a petition with the judge, tenth district Mazatlan, according to record 08/2014, in the ordinary commercial action, against DynaResource Inc. and DynaResource de México, S.A. de CV. Goldgroup complains against the results of the shareholders meeting of May 17, 2013, and petitions for the nullification of the meeting itself and for the nullification of the additional shares of the outstanding capital of DynaMéxico issued to DynaResource, Inc. in satisfaction of debts owed.

DynaResource, Inc. and DynaMéxico expect to vigorously defend all such complaints by Goldgroup, as there exists no legal basis for the complaint against the May 17, 2013 shareholders meeting of DynaMéxico.

### **DynaMéxico filed Complaint against Goldgroup**

On December 9, 2014 DynaMéxico filed an Ordinary commercial lawsuit (Civil Claims), against Goldgroup Mining Inc., Goldgroup Resources Inc. ("Goldgroup", a shareholder of DynaMéxico); and, against the American Arbitration Association ("AAA"); based at the Thirty Sixth Civil Court in the Federal District of México, under file 1120 number / 2014 ("the DynaMéxico Trial"). The DynaMéxico Trial seeks to terminate the arbitration proceedings as DynaMéxico believes there is no legal basis for arbitration, and the DynaMéxico Trial requests substantial damages are awarded DynaMéxico from and against Goldgroup for:

- a) wrongfully using and disseminating confidential information and data belonging to DynaMéxico; asserting that Goldgroup owns any interest in the San Jose de Gracia Project in northern Sinaloa, México ("SJG Project"), rather than accurately disclosing that Goldgroup owns a common shares equity interest (shareholder's interest) in DynaMéxico;
- b) improperly disclosing the percentage of common shares equity interest (shareholder's interest) owned by Goldgroup in DynaMéxico;
- c) in DynaMéxico;
- d) improperly disclosing or implying that Goldgroup is the operator of the San Jose de Gracia Project;
- e) attempting to delay, stop, or otherwise impair the financing of, and further development of, the SJG Project;
- f) making numerous threats against DynaMéxico management and officers;
- g) failing to properly disclose that broad powers of attorney for acting on behalf of DynaMéxico are held by an individual not affiliated with Goldgroup.

DynaMéxico believes the filing of the DynaMéxico Trial to be necessary in order to protect the property and interests of DynaMéxico, and in order to seek fair retribution and substantial damage amounts caused by Goldgroup against DynaMéxico and the SJG Project.

The Company believes that no material adverse change will occur as a result of the legal actions taken, and the Company further believes that there is little to no potential for the assessment of a material monetary judgment against the Company for legal actions it has filed in México. For purposes of confidentiality, the Company does not provide more specific disclosure in this Form 10-Q.

### **DynaMéxico Statements of Fact**

In recent years, Goldgroup has continuously and consistently misrepresented its interest, ownership, and position related to DynaMéxico and the SJG Project. DynaMéxico does herein state and represent the following:

1. At no time has Goldgroup owned any interest in the SJG Project; rather its only ownership interests have been earned under agreement as a common shares equity interest (shareholder's interest) of DynaMéxico;
2. Goldgroup currently owns 20% of the outstanding share capital of DynaMéxico;
3. Goldgroup does not currently own 50% of the outstanding share capital of DynaMéxico as Goldgroup has recently stated in numerous public disclosures and public filings;
4. Goldgroup's 20% ownership of DynaMéxico was ordered to be maintained and represented as such (the "status quo") by a Mexican Judge overseeing certain claims by Goldgroup;
5. At no time during its involvement as a common shares equity interest holder (shareholder) of DynaMéxico, has Goldgroup been an operator at the SJG Project;
6. Since the earning of its shareholder's interest in DynaMéxico (March, 2011), Goldgroup has continuously refused to contribute funds to the ongoing maintenance, advance, and further development of the SJG Project;
7. Consistently and continuously since March 2011, Goldgroup has sought and threatened to stop, delay, or otherwise impair the financing, maintenance, advance and further development of the SJG Project.

### **ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds**

The Company reports the following sales of equity securities during the quarterly period ending March 31, 2015:

The Company sold 149,500 common shares for cash at \$2.50 per share. These stock issuances were accompanied by the issuance of 149,500 warrants exercisable at \$5 per share, expiring December 31, 2015, plus 149,500 warrants exercisable at \$7.50 per share, expiring December 31, 2016.

The sales of the securities identified above were made pursuant to privately negotiated transactions that did not involve a public offering of securities and, accordingly, the Company believes that these transactions were exempt from the registration requirements of the Securities Act pursuant to Section 4(2) thereof. Each investor represented that such investor either (A) is an “accredited investor,” (B) has such knowledge and experience in financial and business matters that the investor is capable of evaluating the merits and risks of acquiring the shares of the Company’s common stock or preferred stock, or (C) has appointed an appropriate person to act as the investor’s purchaser representative in connection with evaluating the merits and risks of acquiring the securities. All of the foregoing securities are deemed restricted securities for purposes of the Securities Act.

**ITEM 3. Default Upon Senior Securities**

None.

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**ITEM 4. Mine Safety Disclosures**

Not applicable.

**ITEM 5. Other Information**

None.

**ITEM 6. Exhibits**

**Exhibit Number; Name of Exhibit**

- 31.1 Certification of Chief Executive Officer, pursuant to Rule 13a-14(a) of the Exchange Act, as enacted by Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer, pursuant to Rule 13a-14(a) of the Exchange Act, as enacted by Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer and Chief Financial Officer, pursuant to 18 United States Code Section 1350, as enacted by Section 906 of the Sarbanes-Oxley Act of 2002.

**SIGNATURES**

In accordance with the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

DynaResource, Inc.

By /s/ K.W. ("K.D.") Diepholz

K.W. ("K.D.") Diepholz, Chairman / CEO

Date: May 15, 2015

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