DYNARESOURCE INC
Form 10-K
March 31, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2008

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

For the transition period from _________________________ to _________________________

DYNARESOURCE, INC.

(Exact name of Registrant as specified in its charter)

Delaware (State of Incorporation)	94-1589426 (Employer Identification No.)
222 W. Las Colinas Blvd., Suite 744 East Tower; Irving, Texas (Address of principal offices)	75039 (Zip Code)

Registrant’s telephone number: Phone: (972) 868-9066; Fax: (972) 868-9067

Securities to be registered pursuant to Section 12(b) of the Act:
None

Securities to be registered pursuant to Section 12(g) of the Act:

Common Stock; $ .01 Par Value
(Title of Class)

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

Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Yes [X] No [ ]

Indicate by a check mark whether the Registrant is a large filer, an accredited filer, non-accredited filer, or a smaller reporting company. See the definitions of "large accredited filer", "accredited filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer [ ].	Accelerated Filer [ ].
Non-Accelerated Filer [ ].	Smaller Reporting Company [X]

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

Yes [ ] No [X]

Aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter.

Number of preferred shares outstanding at March 25, 2009	1,000
Number of common shares outstanding at March 25, 2009	9,073,913

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PART I

FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K 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 mak 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 headings “Risk Factors” and “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 should specifically consider the factors identified in this annual report which would cause actual results to differ before making an investment decision. We are under no duty to update any of the forward-looking statements after the date of this annual report or to confirm these statements to actual results.

Item 1. Business

Company.
DynaResource, Inc., the Company described herein, is a Delaware corporation, with offices located at 222 W. Las Colinas Blvd., Suite 744 East Tower, Irving, Texas 75039. It can be reached by phone at (972) 868-9066 and by Fax at (972) 868-9067.

History.
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 its corporate charter from California 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 production of precious metals.

In 2000, the Company formed a wholly owned subsidiary, DynaResource de Mexico S.A. de C.V. chartered in Mexico (“DynaMexico”). This Company was formed to acquire, invest in and develop resource properties in Mexico. In 2005, the Company formed DynaResource Operaciones de San Jose De Gracia S.A. de C.V. (“DynaOperaciones”) and acquired effective control of Mineras de DynaResource S.A. de C.V. (formerly Minera Finesterre, S.A. de C.V.) (“MinerasDyna”).   The Company owns 25% of MinerasDyna and acquired effective control by acquiring the Option under Agreement to purchase the remaining 75% of the Shares outstanding for the Company, for seventy five pesos (approximately $5.50 USD, as of December 31, 2008). The Agreement with other shareholders of MinerasDyna provided that they relinquish and forfeit any and all rights, interests and claims in and to the Corporation and in or to any of the rights or assets owned or controlled by the Corporation.

DynaMexico holds title to all mining concessions and all assets relating to the San Jose de Gracia mining property ("SJG"). DynaMexico has entered into an operating agreement with MinerasDyna whereby MinerasDyna has been named the exclusive operator of the SJG; and MinerasDyna has subsequently entered into a personnel services agreement whereby DynaOperaciones registers and manages personnel in Mexico.

The San Jose de Gracia mining property surrounds the area of San Jose de Gracia, Sinaloa State, Mexico. San Jose de Gracia is located on the west side of the Sierra Madre Mountains, approximately 100 kilometers inland from Los Mochis, Sinaloa Mexico and approximately 200 Kilometers north of Mazatlan, Sinaloa. The SJG property ("SJG") is described in more detail in the Form 10 / K, under the Section titled "PROPERTY".

SJG reports 1,000,000 Oz. Gold historical production from a series of underground workings. 471,000 Oz. is reported produced at the La Purisima area of SJG, at an average grade of 66.7 g/t.; and 215,000 Oz. is reported 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 a 15 square kilometer area.

A drill program was conducted at SJG in 1997 - 1998 by a prior majority owner. Approximately 6,172 meters drilling was completed in 63 core drill holes. Significant intercepts, including bonanza grades, outlined 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 - 2000 confirmed high grades in historic workings and surface exposures throughout the project area. These high grades outline the presence of ore shoots developed within the veins. The ore shoots appear to be controlled by dilational jogs and/or vein intersections. A total of 544 samples were collected in 1999-2000, and assayed an average 6.51 grams/ton gold.

DynaMexico was formed in March, 2000, in order to acquire and consolidate the SJG district under the DynaMexico Company. DynaMexico focused on this acquisition and consolidation work through December, 2003, at which time DynaMexico reported a 100 % ownership of the SJG District.

DynaMexico, conducting activities through its operating sister companies MinerasDyna and DynaOperaciones, 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 mined tonnage of 42,500 tons, at an average grade of approximately 20 g/t. Production costs were reported at approx. < $ 175. / Oz. in this small scale, pilot production operation.

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

The small scale mining and production activities at SJG consisted of improvements to an existing mill, including the installation of a gravity / flotation processing circuit, and initial test runs with tailings were completed in 2002. Actual mining at the higher grade San Pablo area of the property commenced in March 2003. On an annual basis, The Company reported the following results of production activities from March 2003 through June, 2006:

- Mined tonnage reported of 7,500, 13,500, 17,500 and 3,750; for years 2003, 2004, 2005 and 2006 respectively;

- Average mined grades reported of 25 g/t, 25 g/t, 15 g/t and 12 g/t for years 2003, 2004, 2005 and 2006 respectively;

- Production in ounces gold reported of 4,750, 7,500, 5,000 and 750 for years 2003, 2004, 2005 and 2006 respectively;

- Expenses on an accrual basis of $ 733,626., $ 1,305,344., $ 1,485,482., and $ 494,422 for years 2003, 2004, 2005 and 2006 respectively;

- Revenues on an accrual basis of $ 1,543,237, $ 3,259,041, $ 2,169,609 (less $ 375,110. in concentrate losses) and $ 1,647,665 for years 2003, 2004, 2005 and 2006 respectively;

- Costs per ton reported of $ 97.81, $ 93.92, $ 87, and $ 131. for years 2003, 2004, 2005 and 2006 respectively;

- Costs per ounce gold produced reported of $ 125, $ 125, $ 240 and $ 491. for years 2003, 2004, 2005 and 2006 respectfully;

The Company notes the reduced average mined grade in 2005 and 2006, resulting from geologic faulting at San Pablo, as the reason for higher production costs per Oz., even while the production costs per ton were reduced during 2005. And, the increase in costs in 2006 included the costs of suspending the production activity and costs of termination of employees.

Suspension of Production Activities

The Company initiated the test production activity in 2003 at the time gold prices were depressed, and when exploration funding opportunities, while available, were deemed to be too dilutive by Company management. While the Test production was a success (see results above), a small scale production activity was not expected to provide the necessary capital in order to explore a project the size of SJG. However, The Company expects the results of the production activity to provide significant benefits to the exploration drilling to be conducted at San Pablo and other areas of SJG; while at the same time confirming production grades, efficiency of recoveries, and production costs. The Company believes this small scale mining works have laid the foundation for the scaling up of production at SJG in the future. The Company further believes that overall production costs can be significantly reduced in a larger scale operation.

As gold prices continued to appreciate into 2006, exploration financing opportunities increased and the Company negotiated and entered into the "Earn In / Option agreement with Goldgroup Resources, Inc., Vancouver, BC, dated September 1, 2006. The Terms of the Earn In / Option agreement provides for $ 18 M. USD financing, and exploration expenditures at SJG, by Goldgroup to DynaMexico, in exchange for Goldgroup's earning of 50 % of the Shares of DynaMexico, while also providing for the involvement of proven industry professionals in the SJG project. (See Earn In / Option Agreement.)

Material Agreements

Earn In / Option Agreement.

On September 1, 2006 the Company signed a "Stock Purchase and Earn In Agreement" ("Earn In") between: DynaResource, Inc. ("DynaResource") and DynaResource de Mexico SA. de CV. ("DynaMexico"), ("Seller"); and Goldgroup Resources, Inc., of Vancouver, British Columbia ("Goldgroup"), ("Buyer"), and Together, ("the Parties").

The Earn In provides for the sale of up to fifty per cent (50 %) of the total outstanding shares of DynaMexico, which at the time of the agreement was the wholly owned subsidiary of DynaResource, and the owner of the San Jose de Gracia District in northern Sinaloa, Mexico ("SJG"); In exchange for the total cash contributions to DynaMexico, and expenditures related to the exploration and development of the SJG, in the amount of Eighteen Million Dollars USD. ($18,000,000.) by Goldgroup; contributed in four (4) Phases, as set forth below:

Phase	On or before	Amount of Funds to be deposited to DynaMexico (For SJG Expenditures)	Interest Earned (by Goldgroup in DynaMexico)	Cumulative Interest Earned (by Goldgroup in DynaMexico)
1.	June 15, 2007	$1,000,000	0%	0%; Completed.
2.	March 15, 2008	$2,000,000	15%	15%; Completed.
3.	September 15, 2009	$3,000,000	10%	25%; Completed.
4.	March 15, 2011	$12,000,000	25%	50%; In Process

Pursuant to the Earn In agreement:

DynaResource attached the "SJG Title Opinion", compiled by Urias Romero Y Asociados, Abraham Urias, Mazatlan, Sinaloa, with attachments and schedules; describing the status and position of DynaMexico and affiliated companies in Mexico, and confirming the 100 % ownership and status of the Mining Concessions comprising the SJG District in Sinaloa, Mexico;

DynaResource attached its Audited, Consolidated Financial Statement at December 31, 2005;

The Parties agreed to a revised setting of the Board of Directors of DynaMexico, to:

Two (2) members of DynaResource; K.D. Diepholz, Chairman / CEO of DynaResource as President; and, Charles E. Smith; CFO of DynaResource;

One (1) Member of Goldgroup; Keith Piggott, CEO of Goldgroup;

The SJG Management Committee is formed to approve budgets and expenditures pursuant to the Earn In. The setting of the Management Committee is:

- Two (2) Members of Goldgroup; Keith Piggott, CEO of Goldgroup as Chairman; and, John Sutherland, CFO of Goldgroup;
- One (1) Member of DynaResource; K.D. Diepholz, Chairman / CEO of DynaResource;

Members of the Management Committee may be changed as subsequently agreed.

The Parties agreed to cooperate to develop the SJG Property, in the best interests of the Project.

Memorandum of Understanding, ("MOU"):

In order to clarify and confirm the operating structure at SJG, DynaResource, Inc., DynaResource de Mexico, and Goldgroup Resources Inc. (the Parties to the Earn In / Option Agreement); and together, "the Parties") entered into a "Memorandum of Understanding" (the "MOU"), dated July 29, 2008. The MOU provides for:

- Mineras de DynaResource ("MinerasDyna") as the exclusive operating entity at SJG, pursuant to the operating agreement with DynaResource de Mexico ("DynaMexico');
- DynaMexico owns the SJG 100%, and all Records, Data and information pursuant thereto. Any information disseminated regarding SJG must be disclosed as originating from DynaMexico;
- The SJG Management Committee is not a legal entity and has no authority or ability to sign contracts or incur obligations or liabilities to DynaMexico, MinerasDyna, or DynaOperaciones;
- The SJG Management Committee does not have the authority to act for or represent DynaMexico, MinerasDyna, DynaOperaciones, or the SJG Property;

- All personnel or consultants related to the SJG Project must be employed or contracted through MinerasDyna or DynaOperaciones and must be accountable to the employing / contracting entity;

Since the inception of the Earn In Agreement, and as of December 31, 2008, Goldgroup had deposited sufficient funds to complete Phases 1, 2 and 3 of the Agreement;, and as a result Goldgroup has received 25% of the outstanding common stock of DynaMexico. As of December 31, 2008 Goldgroup had deposited $ 8,168,000. USD. to DynaMexico, with approximately $ 78,834,422. Mexican Pesos reported in qualified expenditures.

Phase 1, 2 and 3 of the Earn In / Option Agreement; Activity and Results

In Phase I of the Earn In Agreement, approximately 3,400 meters drilling was accomplished in 22 core drill holes (SJG 07-01 to SJG 07-22); as well as geochemical sampling and mapping, and data consolidation into Surpac Software.

In Phase II of the Earn In Agreement, approximately 5,500 meters was completed in 23 core drill holes (SJG 07-23 to 07-45).

In Phase III of the Earn In Agreement, approximately 15,150 meters was completed in 56 core drill holes (SJG 08-46 to SJG 08-101).

In Phase IV of the Earn In Agreement, and at December 31, 2008, approximately 5,950. meters were completed in 25 core drill holes (through SJG 08-126).

At December 31, 2008, a total of 30,000 meters drilling has been completed in 126 core drill holes, financed pursuant to the Earn In Agreement. (The “SJG Drill Intercepts Summary File”, describing the intercepts of all core drill holes, and including the previous drilling results of 1997-1998, is attached as Exhibit 99.1 to this Form 10 / K.) Drilling Highlights by target area are described in the Management’s Discussion and Analysis,, Item 7.

These drilling Results obtained through December 31, 2008 confirm extensions of mineralization, down dip of historical workings at SJG, with confirmation of high grade gold (as measured in grams per ton) which are consistent with historical and recent production. Specifically, San Pablo, Tres Amigos, La Purisima, and La Union areas have reported significant results, which have begun to define an inferred resource in those areas. Phase 4 drilling will be targeted at Tres Amigos, La Prieta, La Union and La Purisima. In 2009, the Company expects to commission a 43-101 compliant report of the current “resources” defined at SJG. (See Management’s Discussion and Analysis, Item 7).

In addition to the drilling and exploration activity conducted pursuant to the Earn In Agreement, 3 additional Mining Concessions have been claimed for the benefit of DynaMexico. At the time that Title of these Concessions is obtained by DynaMexico, the 3 Concessions will extend the SJG District by approximately 95,000 Hectares (to a Total of + 99,500 Hectares).

The Company maintains approximately 28 employees. Three employees are corporate officers and work in the corporate office in the United States. Other employees are maintained through DynaOperaciones in Mexico. The company also retains legal counsel in the US, legal counsel in Mexico, and it retains as consultants a senior geologist and junior geologist in Mexico.

Item 1A. Risk Factors.

Business Risk

The Company is involved in the business of exploration and development of resource properties, which carries the inherent risk of failure

The exploration and development of mineral deposits involve significant risks which a combination of careful evaluation, experience and knowledge may not eliminate. There is no assurance that the Company's exploration programs will result in any discoveries of commercial ore bodies. The company has numerous competitors, many with greater financial, technical, capital, and other resources.

Nature of Mineral Exploration and Mining

The Company's future is dependent upon its exploration programs. The exploration and development of mineral deposits involve significant risks over significant periods of time. It is impossible to ensure that the current or proposed exploration programs on the Company's property will result in a profitable mining operation.

Whether a mineralized deposit will be commercially viable depends on many factors, such as size and grade of the deposit, proximity to infrastructure, financing costs, regulations, environmental protection, commodities prices, taxes, political risks. The impact of these factors cannot be accurately predicted, but the combination of factors may result in the Company's failure to provide a return on investment.

Competitive Business Conditions

The company competes with many larger, well capitalized companies which places the Company at a competitive disadvantage

The Company competes with many companies in the mining business, including large, established mining companies with substantial capabilities, personnel, and financial resources. There is a limited supply of desirable mineral lands available for claim-staking, lease, or acquisition in Mexico where the Company's activities are focused. The Company may be at a competitive disadvantage in acquiring mineral properties, since it competes with companies which have greater financial resources and larger technical staffs. From time to time, specific properties or areas which would otherwise be attractive for acquisition or exploration are unavailable due to their previous acquisition by competitors or due to the Company's lack of financial resources.

Competition in the industry is not limited to the acquisition of mineral properties, but also extends to the technical expertise to find, advance, and operate such properties; the labor to operate the properties; and the capital for the purpose of funding such properties. Many competitors explore for and mine precious metals, and conduct refining and marketing operations on a world-wide basis. Such competition may result not only in the company being unable to acquire desired properties, but also to recruit or retain qualified employees, to obtain equipment and personnel to assist in our exploration activities, or to acquire the capital necessary to fund our operation and advance our properties. Our inability to compete with other companies for these resources would have a material adverse effect on our results of operation and business.

Government Regulations

The Company conducts its resource exploration and development activities in Mexico, subject to rules and regulations for owning and maintaining mining concessions and surface rights, environmental, water rights, hazardous wastes, explosives, reclamation, and others. There can be no certainty that the company maintains full compliance with all government regulations

Mexico. Exploration and development of minerals in Mexico may be carried out through Mexican companies incorporated under Mexican law by means of obtaining exploration and development (exploitation) concessions. The Company's concessions are granted by the Mexican government, or acquired from previous owners, and are filed in the Public Registry of Mining, are scheduled to expire from 2028 through 2058. Holders of exploration concessions may, prior to the expiration of such concessions, apply for one or more development concessions covering all or part of the area covered by an exploration concession.

Environmental law in Mexico provides for general environmental policies, with specific requirements set forth under regulations of the Ministry of Environment, Natural Resources and Fishing, which regulate all environmental matters with the assistance of the National Institute of Ecology and the Procuraduria Federal de Proteccion al Ambiente.

The primary laws and regulations governing environmental protection for mining in Mexico are found in the General Law, the Ecological Technical Standards, and also in the air, water and hazardous waste regulations, among others. In order to comply with the environmental regulations, a concessionaire must obtain a series of permits during the exploration stage. Generally, these permits are issued on a timely basis after the completion of an application by a concession holder. The Company believes it is currently in full compliance with the General Law and its regulations in relation to its mineral property interests in Mexico.

Commodities Prices

Any potential economic success of the Company's properties will depend to a large extent to the market price of commodities; the future price of which is impossible to predict.
The current value and potential value for properties obtained by the Company is directly related to the market price for gold. The market price of gold may also have a significant influence on the market price of the Company's common stock. If the Company obtains positive drill results and a property progresses to a point where a commercial production decision can be made, the decision to put a mine in production and to commit funds necessary for that purpose would be made long before any revenue from production would be received. A decrease in the market price of gold at any time during future exploration or development may prevent a property from being economically mined or result in the write-off of assets whose value is impaired as a result of lower gold prices.

The price of gold is affected by numerous factors beyond the Company's control, including inflation, fluctuation of the United States dollar and foreign currencies, global and regional demand, the purchase or sale of gold by central banks, and the political and economic conditions of major gold producing countries throughout the world. During the last five years, the market price of gold has fluctuated between approximately $375 and $1,000 per ounce. The volatility of gold prices represents a substantial risk which is impossible to fully eliminate. In the event gold prices decline and remain low for prolonged periods of time, the Company might be unable to explore, develop, or produce revenue from its properties.

No Revenue

The Company suspended its production activity in June 2006; and currently receives no significant revenue. There is a risk that the Company would expend available cash and funding in exploration and administration costs, and would not be able to obtain further funding to continue its work.

In June 2006, production activities at SJG were suspended, in order to focus on the exploration of the vast SJG district. Funds received by DynaMexico pursuant to the Earn In Agreement are segregated for exploration and related activities. In addition, the Company maintains overhead in the US. and other costs which are not reimbursed. The Company and its subsidiaries have $2,339,561 in cash on hand, at December 31, 2008. The Company could incur exploration expenses and corporate expenses greater than the amount of available cash on hand. The Company may need to raise additional funds in order to support its activities. If the Company needs to raise additional capital, its common stock would be diluted. Further, if the Company is unable to raise funds to meet its obligations, the value of its common stock may decline.

Substantial Control of Chairman / Preferred Shares

The Company's Chairman and CEO owns 100% of the Preferred A shares which give him the right to elect the majority of the board of directors and therefore he will always have substantial control over our business and may make decisions that are not in the best interest of all stockholders.

K.W. ("K.D.") Diepholz, the Company's Chairman and CEO, owns 100% of the outstanding Class A Preferred Shares which gives him the authority to elect the majority of the Board of Directors. As a result, Mr. Diepholz will have the ability to control substantially all the matters submitted to our stockholders for approval, including the election and removal of directors and any merger, consolidation or sale of all or substantially all of our assets. Mr. Diepholz will also control the Company's management and affairs. Accordingly, this concentration of control may have the effect of delaying, deferring or preventing a change in control of the Company, impeding a merger, consolidation, takeover or other business combination involving the Company or discouraging a potential acquirer from making a tender offer or otherwise attempting to take control of the Company, even if the transaction would be beneficial to other stockholders. This in turn could cause the value of the Company's stock to decline.

Capital Needs

The Company may need to raise additional capital, which may not be available or may be too costly, which, if not obtained, could cause the Company to cease operations.
The Company's capital requirements could be greater than its operating income. The Company believes it has adequate cash on hand for the foreseeable future, but it does not have sufficient cash to indefinitely sustain operating losses. The Company's liquidity depends on its ability to raise capital through the sale of common stock or to restart production activities. The Company could seek additional financing through debt or equity offerings. Additional financing may not be available, or, if available, may be on terms unacceptable or unfavorable. If additional capital is required and not obtained, or if the Company is not able to produce revenue from operations, or otherwise operate at a profit, the value of investment in the Company could decline or be lost entirely.

Illiquid Market

The Company has a limited public market trading on the pink sheets, and an active trading market may never materialize, and an investor may not be able to sell stock.

Prior to the filing of this registration statement, there has been a limited public market for the Company's common stock. The Company plans to work with a market maker who would then apply to list the Company's securities on the OTC Bulletin Board. In order to be quoted on the OTCBB, the Company must be sponsored by a participating market maker who would make the application on its behalf. At this time, the Company is not aware of a market maker who intends to sponsor its securities and to make a market in our stock. An active trading market may not develop and if not the market value could decline to a value below the amount investors paid for stock. Additionally, if the market is not active or illiquid, investors may not be able to sell the securities of the Company.

Penny Stock Classification

If a public trading market for the Company's common stock materializes, it will be classified as a 'penny stock' which would result in additional requirements for trading the stock. These additional requirements could affect the liquidity of the stock.

The U.S. Securities and Exchange Commission treats stocks of certain companies as a 'penny stock'. The Company is not aware of a market maker who intends to make a market in our stock, but should the Company shares be listed for trade, the shares would be classified as a 'penny stock' which results in further requirements. These requirements include (i) broker-dealers requiring prospective buyers to complete a questionnaire, and (ii) broker-dealers may decide that prospective buyers are not suitable to purchase shares of the Company. These requirements may adversely affect the ability of both the selling broker-dealer and the buying broker-dealer to trade securities of the Company, as well as affect the ability of purchasers of Company securities to in turn sell in the secondary market. These requirements may restrict or eliminate potential buyers for the common stock and as a result the shares of the Company could be illiquid.

Title Matters

No Guaranty of Title.

The Company has investigated title to all mineral claims, and, to the best of its knowledge, title to all properties is in good standing. There can be no assurance of complete title, nor guarantee of title. The properties may be affected by undetected defects in title, such as the reduction in size of the mineral claims and other third party claims affecting the Company's priority rights.

General Conflicts of Officers / Management

The officers of the Company could become involved in other mining properties or companies in similar lines of business, creating a conflict of interest. In this event, officers could make decisions that are not in the best interest of the shareholders of the Company.

Directors of the Company are or may become directors of other mining or resource investment companies, or other reporting companies, or, have significant shareholdings in other mineral resource companies. To the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. The Company and its directors attempt to minimize such conflicts. In the event that such a conflict of interest arises at a meeting of the directors of the Company, a director who has such a conflict may be requested to abstain from voting. In appropriate cases the Company may establish a special committee of independent directors to review a matter in which several directors, or management, may have a conflict. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired, the directors will primarily consider the potential benefits to the Company, the degree of risk to which the Company may be exposed and its financial position at that time. Other than as indicated, the Company has no other procedures or mechanisms to deal with conflicts of interest. It is possible that they make decisions which could adversely affect the price of the Company's common stock and cause the price to be less than it might have been if the conflict were avoided.

Dependence upon Key Personnel

The Company is dependent upon the efforts and abilities of its management team.

The loss of any member of the management team could have a material adverse effect upon the business and prospects of the Company. In the event of such loss, the Company will seek suitable competent replacements, but there is no assurance that the Company will be able to retain such replacements. The company has obtained a Key Man Life Insurance program for its Chairman and CEO, which would pay net $ 4,500,000 to the Company in the event of his death.

Uncertainty of Resource Estimates

There can be no certainty that any resource estimate by the Company or its consultants would ever be realized in production.

The current resource estimates in respect of the SJG Property are based on limited information, such as historical data, drilling programs, the production activity conducted by the company in 2003 – 2006, and various reports, manual calculations and opinions. No assurance can be given that the anticipated tonnages and grades will be achieved or that the estimated or indicated level of recovery will realized. The grade of mineralization actually recovered or produced could differ significantly from the resource estimates.

Variance in Future Production

Any future production realized from the SJG Property may differ significantly from historical or recent production.

Potential reasons are: mineralization or veins could be significantly different from those realized from historical production, recent production, drilling programs, and other valuations; increases in operating or mining costs could adversely affect resources; the grade of resources may vary significantly from time to time as there can be no assurance that any particular level of value or grade can be recovered; and declines in market prices of commodities.

Environmental and Regulatory Concerns.

The Company operates in an industry where there are significant environmental and regulatory requirements. The inability of the Company to satisfy these requirements could cause the value of its common stock to decline.

The current or future operations of the Company, including acquisition, leasing, and sales activities; involve mineral properties which require permits from various federal, state and local governmental authorities. Such future operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labor standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in the development and operation of mines and related facilities generally experience increased costs, and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. Additional permits and studies, which may include environmental impact studies conducted before permits can be obtained, are necessary prior to operation of properties in which the Company has interests. Required permits could adversely affect the Company's ability to negotiate agreeable acquisition, lease, or sales terms and therefore adversely affect the price of the Company’s common stock.

Competition.

Competitive conditions affecting the Company could negatively impact our business.

The potential value of the Company’s mining property is directly related to the market price for gold. The price of gold may also have a significant influence on the market price of its common stock. If the Company obtains positive drill results and its property progresses to a point where a commercial production decision can be made, the decision to put a mine in production and to commit funds necessary for that purpose must be made long before any revenue is from production would be received. A decrease in the market price of gold at any time during future exploration and development may prevent the Company’s property from being economically mined or could result in the write-off of assets whose value is impaired as a result of lower gold prices. The price of gold is affected by numerous factors beyond our control, including inflation, fluctuation of the United States dollar and foreign currencies, global and regional demand, the purchase or sale of gold by central banks, and the political and economic conditions of major gold producing countries throughout the world. During the last five years, the market price of gold has fluctuated between approximately $375 and $1,000 per ounce. The volatility of gold prices represents a substantial risk which no amount of planning or technical expertise can fully eliminate. In the event gold prices decline and remain low for prolonged periods of time, we might be unable to develop our property and produce revenue.

Potential Conflict with Shareholder (Goldgroup Resources Inc.)

The Management of the Exploration Activity at SJG is shared with Goldgroup, as described in the Earn In / Option Agreement. There exists potential for conflicts over the plan of exploration and execution.

The Earn In Option Agreement states: (1) a committee (the “Management Committee”) shall oversee the Expenditures and shall be comprised of 3 persons, one designated by DynaUSA (“DynaResource, Inc.”) and two designated by Goldgroup; (2) The Board of DynaMexico shall oversee the keeping of DynaMexico in good standing and proper working order, and the Management Committee shall oversee the Expenditures and matters not related to keeping DynaMexico in good standing and proper working order; (3) All Expenditures shall be expended in accordance with a budget approved by the Management Committee prior to such expenditure; (4) The Management Committee shall be responsible for delivering quarterly reports to the Board of Directors of DynaMexico; and (5) as soon as practicable after execution of this Agreement, DynaUSA shall cause DynaMexico’s board of directors to consist of three directors, two nominated by DynaUSA and one nominated by Goldgroup, unless and until Goldgroup timely completes Phase 4 of the Option, at which time the size of the board of directors shall be increased to five and DynaUSA and Goldgroup shall each appoint two directors and agree on a fifth member to be appointed.

This shared management has inherent risks as the parties may have different short or long-term objectives, goals, or financial position which could cause decisions which may not necessarily be in the best interest of our shareholders. This in turn, could cause the value of the Company’s common stock to be adversely affected.

Financing from Goldgroup Resources, Inc.

Exploration activity at the SJG property is financed pursuant to the Earn In / Option Agreement with Goldgroup Resources Inc. If Goldgroup fails to properly fund the Earn in Agreement, or otherwise fails to complete the Earn in Agreement, the Company would be required to obtain funding from other sources. If the Company raises funds from other sources, it would be dilutive to existing shareholders.

Funding for the exploration activities at the SJG property is provided primarily from Goldgroup to DynaMexico under the Earn-In / Option Agreement. There is no certainty that this funding will continue or that the Earn-In/Option Agreement will be completed. Should the funding by Goldgroup cease, the Company would have to fund further exploration work through its own cash reserves, or obtain alternative financing. Any alternative funding could result in additional dilution to our current shareholders.

Conflicts between Boards of Directors of the Company, with the Board of Directors of Goldgroup Resources Inc.

Potential for conflict exists between the Board of Directors of Goldgroup Resources Inc., and the Board of Directors of the Company; and between the Board of Directors of Goldgroup with the Boards of Directors of DynaResource de Mexico, Mineras de DynaResource, and DynaResource Operaciones.

While the Company believes it has negotiated and authorized proper agreements for the financing and exploration of SJG, potential conflicts exist between the Board of Directors of Goldgroup with the Board of Directors of DynaResource, Inc., both companies which are shareholders of DynaResource de Mexico. Potential conflicts also exist between the Board of Directors of Goldgroup, with the Board of Directors of the subsidiary companies in Mexico. Goldgroup carries the majority of seats on the SJG Management Committee, which is charged with responsibility of approving the budgets and supplying technical direction to the SJG Project. At the Same time, DynaResource, Inc. carries a majority of the seats on the Board of Directors of DynaResource de Mexico. DynaResource, Inc. also carries 100 % of the Seats on the Boards of Mineras de DynaResource, the contracted operating entity at SJG, and 100 % of the Seats of the Board of DynaResource Operaciones, the personnel management entity at SJG. Mr. K.D. Diepholz, chairman and CEO of DynaResource, Inc. and Mr. Charles E. Smith, CFO of DynaResource, Inc. are the President and Secretary respectively for DynaResource de Mexico, Mineras de DynaResource, and DynaResource Operaciones. Company management believes the current structure of ownership and activity provides the motivation for financing and exploration pursuant to the Earn In option Agreement and provides protection for the 100 % ownership of the SJG Property though DynaResource de Mexico. However, there are risks inherent with the structure which cannot be eliminated. Any conflict could develop between the Boards of Goldgroup and DynaResource, Inc; or between the Boards of Goldgroup and DynaResource de Mexico, Mineras de DynaResource, or DynaResource Operaciones which could result in the cessation of financing or activity pursuant to the Earn In Agreement. Any such conflict would be detrimental to the SJG Property and to the Shareholders of the Company.

Historical production of Gold at the San Jose de Gracia Property May Not be Indicative of Future Production or Revenue.

The SJG Property is a high-grade mineralized system with reported historical production of over 1 M. Oz. Gold. The production occurred in the early 1900's, prior to the Mexican Revolution. Since the time, the property has seen small scale mining operations, from small scale local owners, to the Company's production in 2003 – 2006. Due to the uncertainties associated with exploration, including variations in geology and structure, there is no assurance that the Company's efforts will be successful in identifying mineralization in sufficient quantities to define resources or reserves, and further there is no assurance that any such resources or reserves could be developed into a commercial operation. Investors in the Company's securities should not rely on historical operations as an indication that the SJG property will be developed into a commercial production in the future. The Company expects to incur losses unless and until such time as one or more of its properties enters into commercial production and generates sufficient revenue to fund continuing operations.

50 % of the Company's Revenue from DynaResource de Mexico May be Owned by Goldgroup Resources Inc.

As of the Date of this Form 10 / K, Goldgroup Resources Inc. has completed Phases I, II, and III of the Earn In / Option Agreement, and as a result has been transferred 25 % of the Shares and ownership of DynaResource de Mexico. Should Goldgroup complete Phase IV of the Earn In / Option Agreement (through the contribution and expenditure of an additional $ 12 M USD.); Goldgroup would receive an additional 25 % of the shares and ownership of DynaResource de Mexico (Total of 50 %). In such case DynaResource, Inc. and its shareholders will only retain 50 % of the shares and ownership of DynaResource de Mexico. Investors in the Company's shares should be aware that any benefits to be derived from the ownership of DynaResource de Mexico would be shared 50 % with Goldgroup Resources.

Item 1B. Unresolved Staff Comments.

Not applicable to small reporting companies.

Item 2. Properties.

Executive Offices

The Company maintains its executive offices of approximately 2,100 sq. ft., at 222 W. Las Colinas Blvd., Suite 744 East Tower, Irving, Texas 75039, at rates ranging from $3,700 to $3,900 per month, plus utilized services. The Company entered into a 37 month lease commencing September, 2008.

San Jose de Gracia Mineral Property

DynaMexico owns 100 % of the mineral concessions at the San Jose de Gracia Property, located in Sinaloa State, Mexico, which is the only property in which DynaMexico retains an interest. DynaMexico, which is currently owned 75 % by the Company, is comprised of 34 concessions covering approximately 99,500 hectares; with no outstanding royalty or other interests.

The property is located in and around San Jose de Gracia, Sinaloa State, Mexico which is approximately 100 km northeast of Guamuchil, near the west coast of Mexico. A small airstrip is located near San Jose de Gracia, and can be accessed by a small airplane or alternatively, by dirt mountain road. Several roads on the property are accessible throughout the year, with the possible exception of July - September when the rainy season sometimes causes flooding and runoff to make the roads difficult to navigate.

SJG History

SJG reports 1,000,000 Oz. Gold historical production from a series of underground workings. 471,000 Oz. is reported produced at the La Purisima area of SJG, at an average grade of 66.7 g/t.; and 215,000 Oz. is reported 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 a 15 square kilometer area.

Drilling programs at SJG were conducted by a prior partner in 1997 – 1998, primarily at the Tres Amigos area; which outlined some of the down dip potential in this area. Approximately 6,172 meters drilling was completed in 63 drill holes.

DynaMexico was formed in March 2000, for the purpose of acquiring the concessions comprising the SJG District; and to consolidate all ownership of SJG under DynaMexico. DynaMexico focused on acquisition and consolidation work through 2003, at which time it reports a clear title and ownership to the district.

DynaMexico mined high-grade veins at the San Pablo area of SJG from mid 2003 to June 2006, in a Pilot Production operation. 18,250 Oz Gold was produced and sold, from mined tonnage of 42,500 tons; at an average grade of 20 g/t. Average production costs during the production period were reported as $ 175 / Oz.

Earn In / Option Agreement

On September 1, 2006 the Company signed a "Stock Purchase and Earn In Agreement" ("Earn In") between: DynaResource, Inc. ("DynaResource") and DynaResource de Mexico SA. de CV. ("DynaMexico"), ("Seller"); and Goldgroup Resources, Inc., of Vancouver, British Columbia ("Goldgroup"), ("Buyer"), and Together, ("the Parties").

The Earn In provides for the sale of up to fifty per cent (50 %) of the total outstanding shares of DynaMexico, which at the time of the agreement was the wholly owned subsidiary of DynaResource, and the owner of the San Jose de Gracia District in northern Sinaloa, Mexico ("SJG"); In exchange for the total cash contributions to DynaMexico, and expenditures related to the exploration and development of the SJG, in the amount of Eighteen Million Dollars USD. ($18,000,000.) by Goldgroup; contributed in four (4) Phases, as set forth below:

Phase	On or before	Amount of Funds to be deposited to DynaMexico (For SJG Expenditures)	Interest Earned (by Goldgroup in DynaMexico)	Cumulative Interest Earned (by Goldgroup in DynaMexico)
1.	June 15, 2007	$1,000,000	0%	0%; Completed.
2.	March 15, 2008	$2,000,000	15%	15%; Completed.
3.	September 15, 2009	$3,000,000	10%	25%; Completed.
4.	March 15, 2011	$12,000,000	25%	50%; In Process

Since the inception of the Earn In Agreement, and as of December 31, 2008 Goldgroup had deposited sufficient funds to complete Phases 1, 2 and 3 of the Agreement; and as a result Goldgroup has received 25% of the outstanding common stock of DynaMexico. As of December 31, 2008 Goldgroup had deposited $ 8,168,000. USD to DynaMexico, with approximately $ 78,834,422. Mexican Pesos reported in qualified expenditures under the Earn In Agreement.

Approximately 30,000 Meters drilling has been completed in 2007 – 2008. (Results of the drilling activity, including the results of previous drilling in 1997-'98, is attached in an "SJG Drill Intercepts Summary File", as Exhibit 99.1; and the file is also reported on the Company's web site at www.dynaresource.com.)

DynaMexico continues to conduct exploration programs at SJG for the purpose of defining a mineable resource. (See Management's Discussion and Analysis, Item 7).

SJG Geology Report

The geologic summary of SJG below is taken from a foundational report, written in 2000-01, subsequent to the drilling activity of 1997 – 1998; but prior to the production activity of 2003 - 2006; and prior to the drilling activity of 2007 - 2008. This report provides the basis for the exploration programs currently being conducted.

Regional Geology & Mineral Deposits

San José de Gracia lies within the Sierra Madre Occidental Gold-Silver Belt, in a second-order graben directly east of the regional-scale Grete Graben. The basement to the Sierra Madre Occidental consists of deformed Paleozoic sedimentary strata, which are non-conformably overlain by Tertiary mafic to felsic volcanic and volcaniclastic strata known as the Lower Volcanic Series ("LVS"). Strata of the LVS are recognized as being spatially related to gold and silver mineralization in the region. Volcanic and sedimentary strata are capped by a thick sequence of non-deformed Late Tertiary ignimbrites, known as the Upper Volcanic Series ("UVS").

The Sierra Madre Occidental Gold-Silver Belt is host to a number of major epithermal precious metal camps, including the San Dimas and Batopilas Districts. The San Dimas District, located some 220 kilometers southeast of San José de Gracia, has produced in excess of 9.65 million ounces of gold and 400 million ounces of silver from high-grade, structurally hosted veins, including those at the Tayoltita Mine. In contrast, the Batopilas district, located some 100 kilometers east of San José de Gracia, has historic production of more than 5.4 million ounces of silver from high-grade veins.

Property Geology

The oldest rocks exposed at San José de Gracia are deformed Paleozoic shale, sandstone, conglomerate and minor limestone, which are non-conformably overlain by andesite and rhyodacite flows and tuffs of the LVS. Volcanic and sedimentary strata are cut by quartz-feldspar porphyry, porphyritic diorite bodies and fine-grained mafic dykes, which may be cotemporal with the LVS. Ignimbrites of the UVS are exposed at higher elevations on the property and are thought to act as a post mineralization cap rock, thereby indicating an Early to Mid Tertiary (Paleocene to Eocene) age for gold mineralization at San José de Gracia.

Geologic Structure

Detailed mapping within the project area has defined several stages of deformation, beginning with compression during the Laramide Orogeny which affected the Paleozoic basement and formed flat-lying reverse faults, which have been reactivated as conduits for gold-bearing fluids in the La Prieta trend (Table 2). Extension in Tertiary time lead to the development of second order south, southwest and southeast trending structures, which formed the major structural orientations for mineralization at San José de Gracia. The latest phase of deformation is characterized by late-stage extension and southwest tilting.

Mineralization & Alteration

High grade gold mineralization at San José de Gracia is hosted within andesite and rhyodacite of the LVS and underlying Paleozoic sediments as fault breccia veins and crackle breccias that exhibit multiple stages of reactivation and fluid flow, as evidenced by crustiform/colloform textures and cross cutting veins. Locally, veins exhibit sharp, clay gouge hangingwall and footwall contacts with slickensides, indicating reactivation of structurally-hosted veins subsequent to mineralization. Gold grades can also be carried within the mineralized halo adjacent to the principal veins as quartz-chlorite stockwork. In addition to vein-hosted mineralization, broad zones of un-mineralized clay alteration, developed southwest of the main mineralized trends, may overlie lower-grade, disseminated gold mineralization at depth.

Alteration at San José de Gracia is laterally and vertically zoned from discrete zones of silicification to broad zones of illite to clay alteration with increasing elevation and/or distance from the main feeder structures. Faulting and tilting of the mineralization system has affected the surface distribution of alteration and in general has exposed deeper portions of the system in the northeast and exposed shallower, more distal portions of the hydrothermal system in the southwest part of the property.

Six principal mineralized trends have been identified at San José de Gracia, from south to north these consist of the:

1. La Purisima Ridge trend;
2. Palos Chinos trend;
3. La Parilla to Veta Tierra trend (La Union);
4. San Pablo trend;
5. La Prieta trend, and
6. Los Hilos to Tres Amigos trend.

Recent Activity

Additional information regarding the San Jose de Gracia property, and all results of recent drilling activity can be viewed at the company's website at www.dynaresource.com. Mineralized Intercepts of the core drilling is reported in an "SJG Drill Intercepts Summary File", and attached to the Company's Form 10 / K. As Exhibit 99.1 Highlights of drilling activity by target area is described in Item 7, Management's Discussion and Analysis.

Lab

A field laboratory is maintained within the camp facility. The Company utilized the lab for Assaying services during its production activities. Assays were performed by company personnel for mined ore, feed ore, gravity and flotation concentrates, and tailings. The current status of the lab and equipment is care and maintenance. The Company anticipates utilizing the lab facility in the future for providing quick check assays to support the exploration works.

Item 3. Legal Proceedings

The Company is not involved in any legal proceedings.

Item 4. Submission of Matters to a Vote of Security Holders

On June 20, 2008, at the annual meeting of the shareholders, the following directors of the corporation were re-elected though 2011, in coordination with the provisions of the Earn In Agreement:

K.D. Diepholz - Chairman / CEO; Charles Smith - Chief Financial Officer;
Melvin Tidwell - Director;

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company is organized under the laws of Delaware, and its common stock is traded on the "pink sheets" under the symbol "DYNR". The following table sets forth, for the periods indicated, the high and low bid quotations which set forth reflect inter-dealer prices, without retail mark-up or mark-down and without commissions; and may not reflect actual transactions. No cash dividends on the Company common stock have been declared or paid since the Company's inception and no dividends are anticipated in the future. The Company had approximately 550 shareholders at December 31, 2008.

Calendar Quarter Ending	High	Low
March 31, 2007	0.05	0.25
June 30, 2007	2.05	1.50
September 30, 2007	3.60	2.40
December 31, 2007	2.90	0.60
March 31, 2008	3.75	3.00
June 30, 2008	3.80	3.00
September 30, 2008	3.50	2.75
December 31, 2008	3.00	2.30

Item 6. Selected Financial Data

Not required for smaller reporting companies.

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

FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K 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 headings "Risk Factors" and "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 should specifically consider the factors identified in this annual report which would cause actual results to differ before making an investment decision. We are under no duty to update any of the forward-looking statements after the date of this annual report or to confirm these statements to actual results.

During the next twelve months, the Company will continue to explore the San Jose de Gracia Property, through DynaMexico and operating subsidiaries in Mexico; primarily through continued drilling programs in selected areas of the property. Funds for exploration and drilling programs are expected to be contributed by Goldgroup to DynaMexico, pursuant to the Earn In Agreement; and then expended in accordance with approved plans and budget. Corporate Costs and overhead will be paid with funds on hand in Company accounts. The Company believes it has sufficient cash on hand to pay expenses for the next two years.

Phase 1, II, III, and IV of the Earn In / Option Agreement; Activity and Results

In the following summary, activity is described as phases of the Earn In Agreement, Phases I, II, III and IV; and the phases do not correlate with the calendar quarters.

In Phase I of the Earn In Agreement, approximately 3,400 meters drilling were completed in 22 core drill holes (SJG 07-01 to SJG 07-22) ; as well as geochemical sampling and mapping, and data consolidation into Surpac Software.

In Phase II of the Earn In Agreement, approximately 5,500 meters were completed in 23 core drill holes (SJG 07-23 to 07-45).

In Phase III of the Earn In Agreement, approximately 15,150 meters were completed in 56 core drill holes (SJG 08-46 to SJG 08-101).

In Phase IV, at December 31, 2008, approximately 5,950. meters were completed in 25 core drill holes (through SJG 08-126).

At December 31, 2008, a total of 30,000 meters drilling were completed in 126 core drill holes, financed pursuant to the Earn In Agreement. The “SJG Drill Intercepts Summary File describes the intercepts of all core drill holes, and including the previous drilling results of 1997-1998, attached hereto as Exhibit 99.1

Drilling Highlights by specific target area of SJG:

San Pablo:

- DDH 07-07: 5 M. of 9.25 g/t., Including 2 M. of 22.5 g/t.; With Credits; Extending recent Mining works at San Pablo by approximately 200 Meters South;

- DDH 07-08: 7.2 M. of 2.64 g/t., Including 3.8 M. of 4.77 g/t., Including 2.3 M. of 7.258g/t.; in the vicinity of recent Mining works and Down Dip;

- DDH 07-09: 2.1 M. of 7.2 g/t.; And, Deeper Zone of 5.50 M. of 4.94 g/t., Including 3.15 M. of 8.33 g/t.; Extending recent Mining works approximately 110 Meters South, and Down Dip; with New Zone in Sediments;

- DDH 07-12: 7.1 M. of 6.28 g/t., Including 4.2 M. of 10.19 g/t., And, Including 1.1 M. of 15.63 g/t.; And, Including 1.6 M. of 11.292 g/t.; Extending recent Mining Works approximately 100 Meters Southeast, and Up Dip;

- Drill Hole (DDH) 07-23 (70 M. South of 07-07), - 60 Degree Hole; 7 M. of 2.27 g/t., Including 1.4 M. of 9.963 g/t., with Copper Credits;

- DDH 07-26 (60 M. North, 30 M. East of 07-07), 60 Degree Hole; 3.7 M. of 2.45 g/t. (3.55 g/t. AU Equivalent), Including 1.9 M of 4.054 g/t.; And, 8.4 M. of 8.43 g/t., Including 4.1 M. of 16.82 g/t., with Copper Credits, And, Including 1.9 M. of 34.433 g/t.;

  - DDH 07-27 (130 M. West of 07-26), Vertical Hole; 6.1 M. of 13.16 g/t. (15.40 g/t. AU Equivalent), Including 3.8 M. of 19.25 g/t., And Including 1.95 M. of 21.789 g/t., Including 1.8 M. of 17.646 g/t.;

  - DDH 07-28 (50 M. North of 07-27); - 60 Degree Hole; 5.3 M. of 1.93 g/t. (2.29 g/t. AU Equivalent), Including 2.3 M. of 3.902 g/t., with Zinc Credits, Including 1.1 M. of 4.839 g/t.;

- DDH 07-29 (Same Location as 07-28, Vertical Hole); 1.2 M. of 6.331g/t., with Copper Credits; 1.7 M. of 26.235 g/t., with Copper Credits; And, 1.4 M. of 2.707 g/t.;

- DDH 07-30 (70 M. South, 20 M. West of 07-27, Vertical Hole) 1.6 M. of 5.94 g/t. (6.50 g/t AU Equivalent), with Copper and Zinc Credits; .9 M. of 4.26 g/t. (6.35 g/t. AU Equivalent), with Copper Credits;

- DDH 07-31 (Same Location as 07-30; - 60 Degree Hole); 8.30 M. of 48.24 g/t., Or, 7.5 M. of 53.98 g/t., with Copper and Zinc Credits; Including 5.35 M. of 75.695 g/t., with Copper and Zinc Credits; Including 3.8 M. of 104.01 g/t., with Copper and Zinc Credits; Including 1.5 M. of 233.613 g/t., with Copper and Zinc Credits;

- DDH 07-34 (Same Location as 07-04; 50 M. North, 10 M. East of 07-09 and 10); Appears to be the North Limit of SP Ore Shoot; Vertical Hole); 2.2 M. of 1.028 g/t.;

- DDH 08-48 (Approx. 30 M. S., 125 M. W. of 08-27); 13.60 M. of 3.19 g/t., Or, 11.04 M. of 3.840 g/t.; Including 3.68 M. of 6.490 g/t.; and Including 3.68 M. of 6.80 g/t.; And Including 1.84 M. of 7.758 g/t.; with Copper Credits;

- DDH 08-51 (Approx. 100 M. West, 10 M. South of 07-30/31); 14.20 M. of 14.79 g/t., Including 10.78 M. of 19.44 g/t.; Or Including 9.05 M. of 22.95 g/t.; And, Including 3.50 M. of 42.32 g/t; with Copper Credits;

- DDH 08-60 (Approx. 20 M. N., 85 M. W. of 08-51); 9 M. of 5.02 g/t., Including 7.1 M. of 6.27 g/t., And, Including 2.2 M. of 17.315 g/t and Including 1 M. of 26.8 g/t.; with Copper Credits;

  - DDH 08-89 (Approx. 115 M. W., 15 M. S. of 07-09); 3.8 M. of 2.64 g/t., Including 1.3 M. of 4.520 g/t;

- DDH 08-90 (Approx. 15 M. W., 55 M. S. of 08-89); 6.7 M. of 3.564 g/t, Including .6 M. of 17.870 g/t; Including .6 M of 7.210 g/t; With Credits;
- DDH 08-91 (Approx. 15 M. W., 55 M. S. of 08-90); .2 M. of 17.530 g/t.;
- DDH 08-92 (Same Location as 08-51; 75 Degree Hole; Approx. 15 M. W., 55 M. S. of 08-91); 2.3 M. of 2.1 g/t.; And, 4.9 M. of 3.14 g/t., Including .4 M. of 31.94 g/t; And, .5 M. of 14.719 g/t.;
- DDH 08-93 (Same Location as 08-56; 60 Degree Hole; Approx. 15 M. W., 55 M. S. of 08-92); 5.8 M., Including .4 M of 35.770 g/t.;
- DDH 08-96 (Approx. 25 M. N., 70 M. W. of 08-60); 2.1 M. of 2.22 g/t., Including .55 M. of 4.750 g/t;
- DDH 08-97; (Approx. 175 M. W. of 08-51, 60 Degree Hole); 4.3 M. of 7.71 g/t. (8.89 g/t. AU Equivalent), Including 2.78 M. of 12.927 g/t., Including .6 M. of 18.724 g/t; and Including .9 M. of 15.2817 g/t.; with Copper and Zinc Credits;
- DDH 08-98 (Approx. 165 M. W. of 08-56; 75 Degree Hole); .5 M. of 2.165 g/t.;

Company Management believes the recent drilling at San Pablo has defined a sizeable Inferred Resource, using a Cut Off grade of 2 g/t., with an average grade of 10 g/t.; which is expected to be further defined into a mineable resource. Infill drilling and further extensions to San Pablo area are projected for 2009 – 2010. A 43-101 compliant Technical Report and estimate of Resource is expected in 2009.