DYNARESOURCE INC
Form 10-Q
August 14, 2015

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 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)

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 [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. 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 [X]

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

Yes [ ] No [X].

As of August 13, 2015, there were 16,315,663 shares of Common Stock of the issuer outstanding.

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CERTIFICATIONS

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PART I

ITEM 1. FINANCIAL STATEMENTS

DYNARESOURCE, INC.

Consolidated BALANCE SHEETS

	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$2,535,583	$250,959
Stock Subscription Receivable	3,500,000	—
Accounts Receivable	—	19,496
Inventories	95,837	100,000
Foreign Tax Receivable and Other Current	264,250	209,061
Total Current Assets	6,395,670	579,516
Mining Equipment and Fixtures (Net of Accumulated Depreciation of $915,646 and $967,207)	198,181	205,374
Mining Concessions	4,194,439	4,194,439
Investments in Affiliate	70,000	70,000
Receivables from Affiliate	167,666	172,968
Other Assets	21,856	44,568
TOTAL ASSETS	$11,047,812	$5,266,865
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts Payable	$287,735	$231,315
Note Payable	—	203,500
Due to Non-controlling Interest	231,500	231,500
Advances from Related Parties	325,000	—
Accrued Expenses	1,238,838	838,732
Total Current Liabilities	2,083,073	1,505,047
Notes Payable	1,512,909	1,509,855
Note Payable—Related Party	281,250	250,000
Financial Statement Derivative Liabilities	5,178,458	—

TOTAL LIABILITIES	$9,055,690	$3,264,902
Preferred Stock, Series C, $.0001 par value, 1,600,000 shares Authorized, 1,600,000 and 0 shares issued and outstanding	$4,333,053	$—
Stockholders' Equity:		
Preferred Stock, Series A, $.0001 par value, 1,000 shares 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, 16,315,663 and 14,146,024 shares issued and outstanding	163,156	141,461
Preferred Rights	40,000	40,000
Additional Paid In Capital	53,759,304	50,042,582
Treasury Stock	(5,406,615)	(4,152,750)
Accumulated Other Comprehensive Income	3,668,966	2,495,629
Accumulated Deficit	(48,165,453)	(40,383,731)
Total DynaResource, Inc. Stockholders' Equity	4,059,359	8,183,192
Non-controlling Interest	(6,400,290)	(6,181,229)
TOTAL EQUITY	$(2,340,931)	$2,001,963
TOTAL LIABILITIES AND EQUITY	$11,047,812	$5,266,865

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

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DYNARESOURCE, INC.

Consolidated Statements of Operations

(unaudited)

	Three Months June 30, 2015	Three Months June 30, 2014	Six Months June 30, 2015	Six Months June 30, 2014
REVENUES	$—	$586,846	$144,558	$586,846
COSTS AND EXPENSES OF MINING OPERATIONS				
Production Costs Applicable to Sales	20,000	105,993	45,000	105,993
Mine Operating Costs	40,000	56,453	95,000	56.453
Pre-Pilot Production Costs	316,406	23,833	800,561	844,179
Exploration Costs	—	—	—	—
Property Holding Costs	116,705	287,023	236,317	287,023
General and Administrative	377,966	532,648	720,644	864,118
Share Based Compensation	—	687,500	486,135	687,500
Depreciation and Amortization	6,100	18,578	17,810	36,443
Total Operating Expenses	877,177	1,712,028	2,401,467	2,881,709
NET OPERATING LOSS	(877,177)	(1,125,182)	(2,256,909)	(2,294,863)
OTHER INCOME (EXPENSE)				
Foreign Currency Gains (Losses)	(381,854)	(87,068)	(844,683)	6,974
Interest Income (Expense)	(49,441)	(56,137)	(160,021)	(98,475)
Other Income (Expense)	—	65	—	172
Total Other Income (Expense)	(431,295)	(143,140)	(1,004,704)	(91,329)
NET LOSS BEFORE TAXES	(1,308,472)	(1,268,322)	(3,261,613)	(2,386,192)
TAXES	—	—	—	—
NET LOSS	$(1,308,472)	$(1,268,322)	$(3,261,613)	$(2,386,192)
Accretion Expense of Preferred Stock to Redemption Value	(4,637,178)	—	(4,637,178)	—
ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	$53,879	$158,567	$117,069	$297,776
ATTRIBUTABLE TO COMMON SHAREHOLDERS	$(5,891,771)	$(1,109,755)	$(7,781,722)	$(2,088,416)

EARNINGS PER SHARE DATA				
ATTRIBUTABLE TO THE EQUITY HOLDERS OF DYNARESOURCE, INC:				
Basic and Diluted Loss per Common Share	$(.38)	$(.10)	$(.52)	$(0.19)
Weighted Average Shares Outstanding, Basic and Diluted	15,367,437	11,067,182	15,054,383	11,059,595
OTHER COMPREHENSIVE LOSS				
NET LOSS PER ABOVE	$(1,308,472)	$(1,268,322)	$(3,261,613)	$(2,386,192)
Accretion Expense of Preferred Stock to Redemption Value	(4,637,178)	—	(4,637,178)	—
Foreign Currency Translation Gains (Losses)	(336,591)	5,821	(1,071,345)	(14,035)
TOTAL OTHER COMPREHENSIVE LOSS	(336,591)	5,821	(1,071,345)	(14,035)
TOTAL COMPREHENSIVE LOSS	$(6,282,241)	$(1,262,501)	$(8,970,136)	$(2,400,227)
ATTRIBUTABLE TO:				
EQUITY HOLDERS OF DYNARESOURCE, INC.	$(6,225,865)	$(950,957)	$(8,868,144)	$(2,088,416)
NON-CONTROLLING INTERESTS	$(56,276)	$(311,544)	$(101,992)	$(311,811)
TOTAL COMPREHENSIVE LOSS	(6,282,241)	(1,262,501)	(8,970,136)	(2,400,227)

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

DYNARESOURCE, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	June 30, 2015 (Unaudited)	June 30, 2014 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	$(3,261,613)	$(2,386,192)
Adjustments to reconcile net loss to cash used in Operating activities		
Issuance of Common Stock for Services	435,000	687,500
Issuance of Treasury Shares for Services	51,135	—
Depreciation and Amortization	17,810	36,443
Change in Operating Assets and Liabilities:		
Accounts Receivable	19,496	(276,144)
Inventory	—	(223,000)
Receivables from Affiliate and Other Current	5,302	(57,248)
Foreign Tax Receivable	(61,324)	(226,902)
Accounts Payable	55,334	(29,699)
Accrued Liabilities	377,477	376,638
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES	(2,361,383)	(2,098,604)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase/Retirement of Property	58,754	(23,744)
Other Assets	22,712	(54,936)
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES	81,466	(78,680)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Advance from Related Party	325,000	—
Proceeds from Promissory Notes	500,000	250,000
Proceeds of Sale of Common Stock	2,917,750	—
Proceeds of Sale of Preferred Stock, Series B	—	1,101,000
Payment of Note Payable	(203,500)	—
Purchase of Treasury Stock	—	(7,500)
Loan from Non-Controlling Interest	—	111,500
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	3,539,250	1,455,000
Effect of Foreign Exchange	1,025,291	(11,338)
NET INCREASE (DECREASE) IN CASH	2,284,624	(733,622)
CASH AT BEGINNING OF PERIOD	250,959	1,143,344

CASH AT END OF PERIOD	$2,535,583	$409,722
SUPPLEMENTAL DISCLOSURES		
Cash Paid for Interest	7,442	61,235
Cash Paid for Income Taxes	—	—
NON CASH TRANSACTIONS		
Redemption of Preferred Stock, Series B for Common Stock	$—	$13,613
Conversion of Accrued Interest to Notes	$34,304	$147,291
Advance Conversion to Common Stock	$—	$11,322
Issuance of Preferred Series C Stock Less Legal Costs	3,455,000	—
Derivative Liabilities due to Golden Post	5,178,458	—
Accretion of Preferred Stock to Redemption Value	$4,637,178	$—
Issuance of Common Stock for Treasury Stock	$1,305,000	$—

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

DYNARESOURCE, INC.

Consolidated Statements of Changes in Stockholders' Equity

	Preferred Series A Shares	Preferred Series A Amount	Preferred Series B Shares	Preferred Series B Amount	Common Shares	Common Amount	Preferred Rights	Additional Paid In Capital	Treasury Shares	Treasury Amount	Other Comprehensive Income	Accumulated Deficit
Balance, January 1, 2015	1,000	1	—	—	14,146,024	141,461	40,000	50,042,582	1,378,013	(4,152,750)	2,495,629	(40,383,73
Sale of Common Shares					1,169,500	11,695		2,906,055				
Issuance of Shares to Subs					750,000	7,500		1,297,500	750,000	(1,305,000)		
Issuance of Common Shs for Services					250,000	2,500		432,500				
Issuance of Treasury Shs for Services									(20,000)	51,135		
Other Comprehensive Income											1,173,337	
Issuance of Warrants related to Golden Post Funding								(3,025,758)				
Derivatives related to Golden Post Funding								2,106,425				
Accretion Expense for Preferred Stock to Redemption												(4,637,178

Value Fractional Shares					139							
Net Loss												(3,144,54
Balance, June 30,2015	1,000	1	—	—	16,315,663	163,156	40,000	53,759,304	2,108,013	(5,406,615)	3,668,966	(48,165,45

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

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DYNARESOURCE, INC.

Notes to the UNAUDITED Consolidated Financial Statements

June 30, 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 and six months ended June 30, 2015 and 2014, the Consolidated Balance Sheets as of June 30, 2015 (unaudited) and December 31, 2014, and the unaudited Consolidated Statements of Cash Flows for the six months ended June 30, 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.

Certain amounts for the three and six month periods ending June 30, 2014 have been adjusted to current reporting format.

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 with the Company. 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”), 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 $167,666 and an investment balance of $70,000 as of June 30, 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 individual 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 it 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 interest balances on the Series I Notes as of June 30, 2015 and December 31, 2014 were $793,125 and $1,285,607, respectively. The principal and interest balances on the Series II Notes as of June 30, 2015 and December 31, 2014 were $191,250 and $474,278, respectively, for total Note balances of $984,375 and $1,759,885 as of June 30, 2015 and December 31, 2014, respectively. The accrued interest for these notes was $110,178 and $109,292 as of June 30, 2015 and December 31, 2014, respectively. The principal balance on the Note—Related Party was $0 and $250,000 as of June 30, 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.

One Series II Note had accrued interest of $34,304 converted to Note balance as of June 30, 2015.

Note Conversions Contracts

On June 30, 2015, the Company entered into conversion agreements with six (6) note holders. Principal and interest in the amount of $809,784 plus $33,119 of accrued interest (total of $842,903) was contracted to convert into 337,161 common shares. In addition, 337,161 warrants are to be issued which provide the option to purchase common shares at $2.50, with all warrants expiring December 31, 2017. These common shares and warrants have not yet been issued and continue to be classified as notes payable and accrued interest as of June 30, 2015.

NOTE 4 – STOCKHOLDERS' EQUITY

Issuance of Series C Senior Convertible Preferred Shares

During the three months ended June 30, 2015, on June 30, the Company issued 1,600,000 Series C Senior Convertible Preferred Shares (the "Series C Preferred Shares") at $2.50 per share for gross proceeds of $ 4,000,000, as well as issuing 133,221 additional Series C Preferred Shares due to anti-dilution provisions (with no cash remuneration). These Series C Preferred Shares are convertible to common shares at $2.50 per share, through February 20, 2020. The Series C Preferred Shares may receive a 4% per annum dividend, payable if available, and in arrears. A description of the transaction which included the issuance of the Series C Preferred Shares is included below.

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

1. On May 6, 2015, the Company, Golden Post Rail, LLC, a Texas limited liability company ("Golden Post"), and Mr. Koy W. ("K.D.") Diepholz, Chairman-CEO of the Company entered into a Securities Purchase Agreement (the "SPA"). Pursuant to the SPA, Golden Post acquired the following securities:

a) 1,600,000 shares of Series C Senior Convertible Preferred Stock (the "Series C Preferred") at a purchase price of $2.50 per share ($4M USD), plus an additional 133,221 shares of Series C Preferred pursuant to anti-dilution provisions. The Series C Preferred is entitled to receive dividends at the per share rate of four percent (4%) per annum, ranks senior (in priority) to the Common Stock, the Series A Preferred Stock, and each other class or series of equity security of the Company. The Series C Preferred is convertible into Common Stock of the Company at the price of $2.50 per share, and is entitled to anti-dilution protection for (i) subsequent equity issuances by the Company and (ii) changes in the Company's ownership of DynaResource de México SA de CV ("DynaMéxico"). The Series C Preferred is also entitled to preemptive rights, and the holder has the right to designate one person to the Company's Board of Directors as a Class III director.

b) A Common Stock Purchase Warrant (the "Golden Post Warrant") for the purchase of 2,166,527 shares of the Company's Common Stock, at an exercise price of $2.50 per share, and expiring June 30, 2020. The anti-dilution protections contained in the terms of the Series C Preferred are essentially replicated in the Golden Post Warrant.

2. On May 6, 2015, the Company executed a Promissory Note (the "Golden Post Note") payable to Golden Post in the principal amount of $500,000, and bearing interest at 8%. The principal amount of the Golden Post Note and accrued interest to June 30, 2015 in the amount of $6,000 were credited against amounts payable to the Company pursuant to the Securities Purchase Agreement described above.

3. Pursuant to the SPA, the Company executed 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.

Due to underlying anti-dilutive provisions contained in the Series C Preferred Shares and the Golden Post Warrant, the Company incurred derivative liabilities of $2,152,700 in connection with the Series C Preferred Shares, and $3,025,758 in connection with the Golden Post Warrant. Additionally, the Company elected to fully accrete the discount related to the Series C Preferred Shares and the Golden Post Warrant in the amount of $4,637,178, which is reflected "below" the net income (loss) amount.

Common Stock Issuances

During the three months ended June 30, 2015, the Company issued 1,020,000 common shares for cash at $2.50 per share. These stock issuances also included the issuance of 1,020,000 warrants exercisable at $2.50 per share, expiring December 31, 2017. During the six months ended June 30, 2015, the Company issued 1,169,500 common shares for cash at $2.50 per share, and the Company issued 1,319,000 Warrants, with 1,020,000 of these warrants exercisable at $2.50 per share expiring December 31, 2017 and 149,500 warrants exercisable at $5 per share through December 31, 2015 and 149,500 warrants exercisable at $7.50 per share, expiring December 31, 2016.

During the six months ended June 30, 2015, the Company issued 750,000 shares to Mineras de DynaResource SA de CV. ("DynaMineras", a 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 six months ended June 30, 2015, the Company issued 250,000 shares to Dynacap, a related party, for services rendered at a fair value of $1.74 per share.

Treasury Stock Distributions

In August, 2014, the Company distributed 20,000 treasury shares. During the first quarter 2015, the Company recognized $51,135 in expense for the distribution of 20,000 treasury shares.

Note Conversion Agreements

As described in Note 3, Six (6) Noteholders have contracted to convert principal and interest in the amount of $809,784 plus $33,119 of accrued interest (total of $842,903) into 337,161 shares of common stock ($2.50 per share). In addition, 337,161 warrants are to be issued, exercisable at $2.50 per share, expiring December 31, 2017. . These common shares and warrants have not yet been issued and continue to be classified as notes payable and accrued interest as of June 30, 2015.

NOTE 5 – SUBSCRIPTIONS RECEIVABLE

As described in Note 4 above, the transactions with Golden Post Rail LLC were executed May 6, 2015, consummated June 30, 2015, and funded July 1, 2015. Therefore, a subscription receivable was accounted for as of June 30, 2015 in the amount of $3,500,000. The $3,500,000 was collected July 1, 2015, less attorney fees, insurance costs, and accrued interest on the Golden Post Note, totaling $108,800.

Additionally, the $500,000 principal amount of the Golden Post Note and accrued interest to June 30, 2015 in the amount of $6,000 were credited against amounts payable to the Company pursuant to the Securities Purchase Agreement described above.

NOTE 6 – RELATED PARTY TRANSACTIONS

Dynacap Group Ltd.

The Company paid $16,000 and $23,000 to Dynacap Group, Ltd. (an entity controlled by an officer of the Company ("Dynacap") for consulting and other fees during the three and six months ended June 30, 2015. For the three and six months ended June 30, 2014, the amounts paid to Dynacap were $18,750 and $53,750, respectively.

The Company also issued 250,000 shares of common stock in February, 2015 to Dynacap for services performed.

Cash Advances by Management

Company Chairman/CEO contributed $175,000, and Company CFO contributed $150,000 in the six months ended June 30, 2015 as advances to the Company.

CFO Conversion Contract of Note Receivable

On June 30, 2015, the Company's CFO contracted to convert a $281,500 note ($250,000 principal and $31,250 interest) plus accrued interest of $6,792 into 115,217 common shares and 115,217 warrants. These shares and warrants have not been issued and continue to be carried as notes payable and accrued interest.

NOTE 7 – 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 2014 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 a 20 year Land Lease Agreement with the Santa Maria Ejido community adjacent to San Jose de Gracia. The 20 Year Land Lease Agreement with the Santa Maria Ejido 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. $85,000 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 June, 2015, the Company entered into a one-year extension of the lease through August 31, 2016. The Company paid rent expense of $31,234 and $25,000 related to this lease for the six months ended June 30, 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 8 – 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 six months ended June 30, 2015 and 2014, respectively were as follows:

	June 30, 2015	June 30, 2014
Beginning balance	$(6,181,229)	$(5,729,836)
Operating income (loss)	(117,069)	(297,776)
Share of other comprehensive income (loss)	(101,992)	(14,035)
Ending balance	$(6,400,290)	$(6,041,647)

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.

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NOTE 9 – SUBSEQUENT EVENTS

On July 1, 2015, the Company received $3,500,000 (less costs of $108,800), from Golden Post Rail LLC, as described in Note 4 above.

NOTE 10 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The ASC guidance for fair value measurements and disclosure establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs – Quoted prices for identical instruments in active markets.

Level 2 Inputs – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 Inputs – Instruments with primarily unobservable value drivers.

As of June 30, 2015 and 2014, carrying value of the Company's financial assets and liabilities, such as cash, receivables, inventories approximate fair value because of their short maturity. The derivative liabilities are measured at fair value using quoted market prices and estimated volatility factors based on historical quoted market prices for the Company's common stock and are classified within Level 3 of the valuation hierarchy.

Fair Value Measurement at June 30, 2015 Using:

	June 30, 2015	**Quoted Prices In Active Markets For Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Derivative Liabilities	5,178,458	—	—	$ 5,178,458
Totals	5,178,458	—	—	$ 5,178,458
Fair Value Measurement at June 30, 2014 Using:				
Liabilities:				
None	—	—	—	$ —
Totals	—	—	—	$ —

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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.

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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);

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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

Suspension of Production Activities (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.

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)	Tonnes	Au g/t	Au Oz	Ag g/t	Ag Oz	Cu%	CuKg	Pb%	PbKg	Zn%	ZnKg
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

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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)	Tonnes	Au g/t	Au Oz	Ag g/t	Ag Oz	Cu%	CuKg	Pb%	PbKg	Zn%	ZnKg
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											