

DYNARESOURCE INC
Form 10-K
April 16, 2018

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

FORM 10-K

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

For the fiscal year ended: December 31, 2017

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 registrant 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 1910 North Tower, Irving, Texas 75039
(Address of principal executive offices)

Registrant's telephone number, including area code: (972) 868-9066

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

None

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

Common Stock; \$0.01 Par Value
(Title of Class)

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

Yes No

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

Yes No

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 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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (p. 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (p. 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.

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

| | | |
|-------------------------|---|---------------------------|
| Large accelerated filer | | Accelerated filer |
| Non-accelerated filer | (Do not check if a smaller reporting company) | Smaller reporting company |
| | | Emerging growth company |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13 (a) of the Exchange Act.

Yes No

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

Yes No

The aggregate market value of the voting and non-voting common equity, par value \$0.01 per share, held by non-affiliates computed by reference to the price at which the common equity was last sold, as of the last business day of the registrant's most recently completed fiscal year end, December 31, 2017, was \$13,645,148 based on the closing price of \$1.11 per share as reported on the OTCQB. For purposes of this computation, all officers, directors, subsidiaries, and 10% beneficial owners of the registrant are deemed to be affiliates. Such determination should not be deemed an admission that such officers, directors or 10% beneficial owners are, in fact, affiliates of the registrant.

There were 17,722,825 shares outstanding of each of the registrant's classes of common stock (only 1 class) as of the latest practicable date (April 10, 2018).

DOCUMENTS INCORPORATED BY REFERENCE

Listed below are documents incorporated herein by reference.

None.

TABLE OF CONTENTS

PART I

| | |
|------------------------------------|----|
| ITEM 1. BUSINESS | 4 |
| ITEM 1A. RISK FACTORS | 8 |
| ITEM 1B. UNRESOLVED STAFF COMMENTS | 15 |
| ITEM 2. PROPERTIES | 16 |
| ITEM 3. LEGAL PROCEEDINGS | 30 |
| ITEM 4. MINE SAFETY DISCLOSURES | 33 |

PART II

| | |
|--|----|
| ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES | 34 |
| ITEM 6. SELECTED FINANCIAL DATA | 34 |
| ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION | 35 |
| ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK | 48 |
| ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA | 49 |
| ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE | 74 |
| ITEM 9. CONTROLS AND PROCEDURES | 74 |
| ITEM 9B. OTHER INFORMATION | 75 |

PART III

| | |
|---|----|
| ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE | 76 |
| ITEM 11. EXECUTIVE COMPENSATION | 80 |
| ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS | 82 |
| ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE | 83 |
| ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES | 84 |

PART IV

| | |
|---|----|
| ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES | 85 |
| SIGNATURES | 87 |
| EXHIBIT INDEX | |

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- Exhibit 31.1 CERTIFICATION OF CHIEF EXECUTIVE OFFICER, PURSUANT TO RULE 13A-14(A) OF THE EXCHANGE ACT, AS ENACTED BY SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
- Exhibit 31.2 CERTIFICATION OF CHIEF FINANCIAL OFFICER, PURSUANT TO RULE 13A-14(A) OF THE EXCHANGE ACT, AS ENACTED BY SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
- Exhibit 32.1 CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER, PURSUANT TO 18 UNITED STATES CODE SECTION 1350, AS ENACTED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

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 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.

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, certain disclosures 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.

While these terms are recognized and required by Canadian securities legislation (under National Instrument 43-101 (“NI 43-101”), entitled Standards of Disclosure for Mineral Projects), the SEC does not recognize these terms. Investors in the United States 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 NI 43-101. 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 in the NI 43-101 Technical Report and Mineral Resource

Estimate (compiled for DynaResource de Mexico SA de CV) are economically or legally mineable.

Under U.S. standards, as set forth in SEC Industry Guide 7, mineralization may not be classified as a “reserve” unless a determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. The SJG Property as described in this Annual Report on Form 10-K is without known reserves. Mineral resources which are not classified as mineral reserves have not “demonstrated economic viability.” The quantity of resources and the quality (grade) of resources reported as “Indicated” and “Inferred” mineral resources in the mineral resource estimate compiled for DynaResource de Mexico SA de CV, under the NI 43-101 Mineral Resource Estimate filed by the Company on SEDAR, are not disclosed in this Form 10-K. SEDAR is Canada’s System for Electronic Document Analysis and Retrieval, the mandatory document filing and retrieval system for Canadian public companies. There has been insufficient exploration to define any mineral reserves on the SJG Property, and it is not certain if further exploration will result in the definition of mineral reserves.

PART I

ITEM 1. BUSINESS

History and Organization

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 originally 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”).

We currently own 80% of the outstanding shares of DynaMéxico, and DynaMéxico currently holds a lien on 20% of the outstanding shares of DynaMéxico. DynaMéxico owns 100% of the mining concessions, equipment, camp and related facilities which comprise the San Jose de Gracia Property, in northern Sinaloa State, México. 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. DynaMineras currently conducts test mining and pilot milling operations, and other exploration activities in México.

In 2000, the Company formed DynaMéxico for the purpose of acquiring and holding mineral properties and mining concessions in México. DynaMéxico owns a portfolio of mining concessions which comprise the San José de Gracia Project (“SJG”). The mining concessions which comprise the SJG District cover 69,121 hectares (170,802 acres) on the west side of the Sierra Madre mountain range. At the incorporation of DynaMéxico, 100 shares of Fixed Capital Series “A” shares were issued, with DynaUSA receiving 99 shares and its CEO receiving 1 share.

In 2005, the Company formed DynaMineras. DynaMineras entered into an operating agreement with DynaMéxico on April 15, 2005. As a consequence of that agreement and subsequent amendments to that agreement, DynaMineras is the exclusive operating entity for the SJG Project.

Also in 2005, the Company formed another wholly owned subsidiary, DynaResource Operaciones, S.A. de C.V. (“DynaOperaciones”). DynaOperaciones entered into a personnel management agreement with DynaMineras and, as a consequence of that agreement, is the exclusive management company for personnel and consultants involved at the SJG Project.

From January 2008 through March 2011, DynaMéxico issued 100 Variable Capital Series “B” Shares to Goldgroup Resources Inc., a wholly owned subsidiary of Goldgroup Mining Inc., in Vancouver, BC. (“Goldgroup”), in exchange for Goldgroup’s total capital contributions of \$18,000,000 to DynaMéxico. At the time of the issuance of the 100 Series B Shares to Goldgroup, Goldgroup owned 50% of the outstanding capital shares of DynaMéxico.

On May 17, 2013, DynaUSA agreed to acquire a stock certificate for 300 Series “B” Variable Capital Shares of DynaMéxico, in exchange for the settlement of accounts receivable from DynaMéxico in the amount of \$31,090,710 Mexican Pesos (approximately \$2.4 million USD). After giving effect to the issuance of the 300 Series B Shares on June 21, 2013, DynaUSA owns 80% of the total outstanding Capital of DynaMéxico. (See table representation of the outstanding Capital of DynaMéxico below). The exchange of shares by DynaMéxico for amounts payable to DynaUSA was unanimously approved by shareholders at a meeting of the shareholders of DynaMéxico, held on the second call for shareholder's meeting on May 17, 2013 in Mazatlán, Sinaloa, México. The date of issuance of the 300 Series B Share Certificate was June 21, 2013. As a result of the issuance to DynaUSA of the 300 Variable Capital shares for amounts owed to DynaUSA, the accounts payable amount owed by DynaMéxico to DynaUSA was retired

in full.

After giving effect to the issuance to DynaUSA of the 300 Series B Variable Capital shares of DynaMéxico as described above, the current outstanding Capital of DynaMéxico is set forth in the table below:

| DynaMéxico Shareholder | Fixed Capital Series "A" Shares | Variable Capital Series "B" Shares | Total Capital Shares (Series A and B) |
|--------------------------|---------------------------------|------------------------------------|---------------------------------------|
| DynaResource, Inc. | 099 | 300 | 399 |
| Koy W. ("K.D.") Diepholz | 001 | - | 001 |
| Goldgroup Resources Inc. | - | 100 | 100 |
| Total Capital Issued | 100 | 400 | 500 |

DynaUSA currently owns 80% of the outstanding capital shares of 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.: Owned by DynaResource, Inc. | 80% |
|--|-----|

100% owner of the San Jose de Gracia Property;

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

Exclusive Operator of the San Jose de Gracia Project;

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

Entered into 20-year surface Rights agreement with the Santa Maria Ejido;

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

Personnel Management Company at San Jose de Gracia;

Exploitation Amendment Agreement (“EAA”)

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

(A) Reimbursement of all costs associated with financing, maintenance, exploration, development and exploitation of the SJG Property, which costs are to be charged and billed by DynaMineras to DynaMéxico; and

(B) After Item (A) above, 75% of gross receipts received by DynaMéxico from the sale of all minerals produced from SJG, to the point that DynaMineras has received 200% of its advanced funds; a 2.5% Net Smelter Royalty on all minerals sold from SJG over the term of the EAA. The total advances made by DynaMineras to DynaMéxico as of December 31, 2017 are \$6,125,000.

(C) After items (A) and (B) above, 50% of all gross receipts received by DynaMéxico from the sale of all minerals produced from SJG, and throughout the term of the EAA.

The EAA is the third and latest Amendment to the original Contract Mining Services and Mineral Production Agreement (the “Operating Agreement”), which was previously entered into by DynaMineras and DynaMéxico in April

2005, and in which DynaMineras was named the Exclusive Operating Entity at SJG. The Operating Agreement was first amended in September 2006 (the “First Amendment”), and amended again at July 15, 2011 (the “Second Amendment”). The Term of the Second Amendment is 20 years, and the EAA (Third Amendment) provides for the continuation of the 20 Year Term from the date of the Second Amendment (July 15, 2011).

Our objective is to increase the value of our shares through the exploration, development and extraction of gold, silver and other valuable minerals. We generally conduct our exploration activities as sole operator and our current flagship property is San Jose de Gracia.

Our principal executive office is located at 222 W. Las Colinas Blvd., Suite 1910 North Tower, Irving, Texas 75039. We can be reached by phone at (972) 868-9066 and by fax at (972) 868-9067. The Company's website is www.dynaresource.com.

In this report, "DynaResource, Inc.", the "Company", "DynaUSA", "our" and "we" refer to DynaResource, Inc. DynaResource de México SA de CV, the 100% owner of the mining concessions, camp, equipment, and related interests to San Jose de Gracia Property, is referred to a "DynaMéxico". DynaUSA owns 80% of DynaMéxico. Mineras de DynaResource SA de CV, the named exclusive operator at San Jose de Gracia Property under agreement with DynaMéxico, is referred to as "DynaMineras". DynaUSA owns 100% of DynaMineras. DynaResource Operaciones de San Jose de Gracia SA de CV, and the named manager of personnel and consultants who are actively involved at San Jose de Gracia under agreement with DynaMineras and DynaMéxico, is referred to as "DynaOperaciones". DynaUSA owns 100% of DynaOperaciones. The San Jose de Gracia Property is referred to as "SJG", or the "SJG Property", or the "SJG Project", or the "SJG District". DynaMéxico owns 100% of the SJG District. Further in this report, "Au" represents gold; "Ag" represents silver; "oz." represents ounces; "gpt" represents grams per metric tonne; "ft" represents feet; "m" represents meter, "km" represents kilometer; and "sq" represents square.

Segment Information

Our only current operating segment is México.

Products

The end use product produced at our test mining and pilot milling operations at SJG is either in the form of primarily gold-silver Dore, or primarily gold-silver concentrates. The end use product from current activities generally consists of approximately 100% concentrate and 0% Dore. Dore is an alloy consisting primarily of gold and silver but also containing other metals. Dore is sent to refiners to produce bullion that meets the required market standard of 99.95% gold and 99.9% silver. Gold-silver concentrates, or simply concentrate, is raw precious metals materials that has been crushed and ground finely to a sand-like product where gangue (waste) and non-precious metals are removed or reduced, thus concentrating the precious metals component. Concentrates processed and produced from San Jose de Gracia are shipped to third-party smelters, refineries or third parties for further processing or re-sale.

During 2017, we reported the delivery and sale of 10,740 net Oz gold contained in concentrates. All gold-silver concentrate originated from the San Jose de Gracia Property in México.

Gold-silver concentrates are sold at a small discount to the prevailing spot market price, based on the price per ounce of gold and silver quoted at the London PM fix, with the actual net precious metals prices received depending on the sales contract. Concentrates are priced by individual concentrate lots of 36 to 72 tons, or as a series of lots under contract, whereby the final selling price and gold-silver quantities are subject to final adjustments at the time of final purchase settlement.

Gold and Silver Pilot Processing Methods

Gold and silver are extracted from mined mineralized material, by crushing, grinding, milling, and further by simple gravity and flotation recoveries. The mineralized material is extracted by underground mining methods. The processing plant at the San José de Gracia mine is composed of conventional crushing and grinding circuits, and with gravity and flotation recovery methods. The gravity and flotation concentrates are dewatered or dried, and shipped to purchasers in semi-trailers.

Gold and Silver Reserves / No Known Reserves

The Company currently has no mineral “reserves” as defined by SEC Industry Guide 7 promulgated by the SEC.

General Government Regulations

México

Mining in México is subject to numerous federal, state and local laws, regulations and ordinances governing mineral rights, operations and environmental protection.

Mineral Concession Rights. Exploration and exploitation of minerals in México may be carried out through Mexican companies incorporated under Mexican law by means of obtaining mining concessions. Mining concessions are granted by the Mexican government for a period of fifty years from the date of their recording in the Public Registry of Mining and are renewable for a further period of fifty years upon application within five years prior to the expiration of such concession in accordance with the Mining Law and its regulations. Mining concessions are subject to annual work requirements and payment of annual surface taxes which are assessed and levied on a semi-annual basis. Such concessions may be transferred or assigned by their holders, but such transfers or assignments must be registered with the Public Registry of Mining in order to be valid against third parties. The holder of a concession must pay semi-annual duties in January and July of each year on a per hectare basis and in accordance with the amounts provided by the Federal Fees Law. During the month of May of each year, the concessionaire must file with the General Bureau of Mines, the work assessment reports made on each concession or group of concessions for the preceding calendar year. The regulations of the Mining Law provide tables containing the minimum investment amounts that must be made on a concession. This amount is updated annually in accordance with the changes in the Consumer Price Index.

Surface Rights. In México, while mineral rights are administered by the federal government through federally issued mining concessions, Ejidos (communal owners of land recognized by the federal laws in México) control surface access rights to the land. An Ejido may sell or lease lands directly to a private entity. While the Company has agreements or is in the process of negotiating agreements with the Ejido that impact all of its projects in México, some of these agreements may be subject to renegotiations.

Mining Royalties. In October 2013, the Mexican lower house passed a bill levying a tax-deductible mining royalty of 7.5% on earnings before the deduction of interest, taxes, depreciation and amortization, along with an additional 0.5% surcharge on precious metals revenue for mining companies. The effective date of the law was January 1, 2014.

Although there are a number of uncertainties surrounding the scope, calculation and enforcement of the royalty, based on the Company's current interpretation of the bill, the royalty or surcharge was not material for 2016.

Environmental Law. The Environmental Law in México, called the "General Law of Ecological Balance and Protection to the Environment" ("General Law"), provides for general environmental policies, with specific requirements for certain activities such as exploration set forth in regulations called "Mexican official norms". Responsibility for enforcement of the General Law, the regulations and the Mexican official norms is with the Ministry of Environment and Natural Resources, which regulate all environmental matters with the assistance of Procuradur'a Federal de Protección al Ambiente (known as "PROFEPA").

The primary laws and regulations used by the State of Sinaloa, where our San Jose de Gracia property is located, in order to govern environmental protection for mining and exploration are: The General Law, Forestry Law, Residues Law, as well as their specific regulations on air, water and residues, and the Mexican official norms (known as "NOM-120"). In order to comply with the environmental regulations, a concessionaire must obtain a series of permits during the exploitation and exploration stage. The time required to obtain the required permits is dependent on a number of factors including the type of vegetation and trees impacted by proposed activities.

Mining Permits. The Secretariat of Environmental and Natural Resources, the Mexican Government environmental authority ("SEMARNAT"), is responsible for issuing environmental permits associated with mining. Three main permits required before construction can begin are: Environmental Impact Statement (known in México as Manifesto Impacto Ambiental) ("MIA"), Land Use Change (known in México as Estudio Justificativo Para Cambio Uso Sueldo) ("ETJ"), and Risk Analysis (known in México as Analisis de Riesgo) ("RA"). A construction permit is required from the local municipality and an archaeological release letter must be obtained from the National Institute of Anthropology and History (known as "INAH"). An explosives permit is required from the ministry of defense before construction can begin. The Environmental Impact Statement is required to be prepared by a third-party contractor and submitted to SEMARNAT and must include a detailed analysis of climate, air quality, water, soil, vegetation, wildlife, cultural resources and socio-economic impacts. The Risk Analysis study (which is included into the Environmental Impact Statement and submitted as one complete document) identifies potential environmental releases of hazardous substances and evaluates the risks in order to establish methods to prevent, respond to, and control environmental emergencies. The Land Use Change requires that an evaluation be made of the existing conditions of the land, including a plant and wildlife study, an evaluation of the current and proposed use of the land, impacts to naturally occurring resources, and an evaluation of reclamation/re-vegetation plans.

Customers

The Company sells its concentrates to the buyer who offers the best terms based upon price, treatment costs, refining costs, and other terms of payment. During the year ended December 31, 2017, the Company sold gold-silver concentrates to the following purchasers:

| | |
|---------------------------|--|
| Dore: | None. |
| Gold-Silver Concentrates: | Mercuria Commodities Trading S.A. de C.V.; and Trafigura Mexico S.A de C.V. |

Employees

As of March 30, 2018, we had 200 employees, including 195 employees based in México, and 5 in the United States. Consultants are retained from time to time. Employees based in México and the United States include laborers, engineers, geologists, information technologists, office administrators, managers and executives. None of our employees in México are covered by union contracts and the Company believes we have good relations with our employees.

ITEM 1A. RISK FACTORS

This report, including Management's Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements that may be affected by several risk factors. The following information summarizes all material risks known to us at the date of filing this report.

Risks Relating to Our Company

Nature of Mineral Exploration and Mining

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 discoveries of commercial mineralized bodies.

The Company's future is dependent upon the success of its exploration programs, and the success of its test mining and pilot milling 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, and 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 México, 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 extends to the technical expertise to find, advance, and operate mineral properties; the labor to operate the properties; and the capital for the purpose of funding exploration and development activities on such properties. Many competitors explore for and mine precious metals and conduct refining and marketing operations on a world-wide basis. Such competition may make it more difficult for the Company to recruit or retain qualified employees, to obtain equipment and personnel to assist in its exploration and production activities, or to acquire the capital necessary to fund operations.

Government Regulations

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

México. Exploration and development of minerals in México 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, are filed in the Public Registry of Mining, and 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 México 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 México 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 México.

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 \$1,057 and \$1,895 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.

The volatility of mineral prices represents a substantial risk which no amount of planning or technical expertise can fully eliminate. In the event mineral prices decline and remain low for prolonged periods of time, we might be unable to develop our properties, which may adversely affect our results of operations, financial performance and cash flows. Our results of operations have been and could continue to be materially and adversely affected by the impairment of assets. An asset impairment charge may result from the occurrence of unexpected adverse events that impact our estimates of expected cash flows generated from our producing properties or the market value of our non-producing properties.

The volatility in gold, silver and copper prices is illustrated by the following table, which sets forth, for the periods indicated, the average market prices in U.S. dollars per ounce of gold and silver, based on the average daily London P.M. fix, and per pound of copper based on the London Metal Exchange Grade A copper settlement price.

| Metal | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|--------|------------|------------|------------|------------|------------|------------|------------|
| Gold | \$1,572.00 | \$1,669.00 | \$1,411.00 | \$1,266.00 | \$1,175.00 | \$1,236.00 | \$1,244.00 |
| Silver | 35.12 | 31.15 | 23.79 | 19.08 | 13.90 | 17.14 | 17.77 |
| Copper | 4.00 | 3.61 | 3.32 | 3.11 | 2.09 | 2.54 | 2.80 |

As of April 10, 2018, the price of gold was \$1,336 per ounce. Should a downward trend in prices occur, there is a possibility that we may record impairment charges in 2018, or in future years.

Revenue

The Company suspended its test pilot production activity in June 2006 in order to focus on exploration activities. The Company re-commenced test mining and pilot production work in 2014. There is a risk that the Company would expend available cash and funding in test mining and milling activities, and administration costs, and would not be able to obtain further funding to continue its work.

In 2007, the Company focused on the exploration of the vast SJG district. Funds received by DynaMéxico pursuant to the Earn In/Option Agreement (See Earn In / Option Agreement – Financing of Drilling – Exploration Programs (2006 – 2011)), were utilized for exploration and related activities.

In 2015, the Company commenced test mining and pilot milling operations. And during 2017, the Company improved and expanded its operations in order to increase outputs from the test mining and pilot milling activities.

The Company and its subsidiaries have \$3,528,735 cash on hand at December 31, 2017. The Company could incur test pilot production 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 could 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 / CEO, owns 100% of the outstanding shares of Series A preferred stock. The Series A preferred shares retain the right to elect a majority of the members of the Company's Board of Directors. Such ownership and concentration of control may have the effect of delaying, deferring or preventing a change in control of the Company, even if the transaction could be determined to be beneficial to Company stockholders as a whole.

Capital Needs

The Company may need to raise additional capital, which may not be available or may be too costly, and 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 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 sufficient 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 Over the Counter Market (“OTC”), and an active trading market may never materialize, and an investor may not be able to sell stock.

There is currently only a limited public market for the Company’s Common Stock and there can be no assurance that a more robust trading market will develop further or be maintained in the future. 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 may 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 SEC has adopted regulations which generally define a “penny stock” to be an equity security that has a market price of less than \$5.00 per share, subject to specific exemptions. The market price of the Company’s Common Stock may trade at less than \$5.00 per share and accordingly may be a “penny stock.” Brokers and dealers effecting transactions in “penny stock” must disclose certain information concerning the transaction, obtain a written agreement from the purchaser and determine that the purchaser is reasonably suitable to purchase the securities. These rules may restrict the ability of brokers or dealers to sell the Common Stock and may affect an investor’s ability to sell such shares.

Title Matters

No Guarantee of Title

The Company has investigated title to all mineral claims and properties, and, to the best of its knowledge, title to all mineral claims and properties comprising the SJG District is in good standing. However, there can be no assurance of complete title, nor guarantee of title. The mineral claims and 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 rights.

Our business requires substantial capital investment and we may be unable to raise additional funding on favorable terms to develop additional mining operations.

We will need to obtain additional financing, either in the form of debt or equity financing, to fund development of additional mining operations at the San Jose de Gracia project and to continue our administrative activities. Our ability to obtain necessary funding, in turn, depends upon a number of factors, including the state of the economy and applicable commodity prices. We may not be successful in obtaining the required financing for San Jose de Gracia or other purposes, on terms that are favorable to us or at all, in which case, our ability to continue operating would be adversely affected. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration or potential development and the possible partial or total loss of our interest in certain properties.

The feasibility of mining at our San Jose de Gracia property has not been established in accordance with SEC Industry Guide 7, and any funds spent on exploration and development could be lost.

A "reserve," as defined by Industry Guide 7 of the SEC, is that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination. A reserve requires a SEC-compliant feasibility study or other report demonstrating with reasonable certainty that the deposit can be economically extracted and produced. Since we have not received a SEC-compliant report on any of our properties, we currently have no reserves as defined by SEC Industry Guide 7, and there are no assurances that we will be able to prove that there are reserves on our properties.

The mineralized material identified on our properties, including the San Pablo mine where we are currently conducting test mining activities does not and may never demonstrate economic viability. Substantial expenditures are required to establish reserves through drilling and additional study and there is no assurance that reserves will be established. The feasibility of mining at San Jose de Gracia, or any other property has not been, and may never be, established. Whether a mineral deposit can be commercially viable depends upon a number of factors, including the particular attributes of the deposit, including size, grade, metallurgical recoveries and proximity to infrastructure; metal prices, which can be highly variable; and government regulations, including environmental and reclamation obligations. If we are unable to establish some or all of our mineralized material as proven or probable reserves in sufficient quantities to justify commercial operations, our investment in that property may be lost, and the market value of our securities may suffer.

There are significant risks and uncertainty associated with construction, commencing or expanding test mining and pilot production activities or changing operational plans without a current feasibility, pre-feasibility or scoping study. As such, the San Jose de Gracia property may ultimately be determined to lack one or more geological, engineering, legal, operating, economic, social, environmental, and other relevant factors reasonably required to serve as the basis for a final decision to successfully complete all or part of these projects.

The figures for our estimated mineralized material are based on interpretation and assumptions and may yield less mineral production under actual conditions than is currently estimated.

Unless otherwise indicated, mineralization figures presented in our filings with Canadian securities regulatory authorities (on SEDAR), news releases and other public statements that may be made from time to time are based upon estimates made by independent geologists and our internal geologists. When making determinations about whether to advance any of our projects to development, we must rely upon such estimated calculations as to the mineralized material and grades of mineralization on our properties. Until mineralized material is actually mined and processed, mineralized material and grades of mineralization must be considered as estimates only.

These estimates are imprecise and depend upon geological interpretation and statistical inferences drawn from drilling and sampling analysis, which may prove to be unreliable. We cannot ensure that:

these estimates will be accurate;

mineralization estimates will be accurate; or

this mineralization can be mined or processed profitably.

Any material changes in mineral estimates and grades of mineralization may affect the economic viability of placing a property into production and such property's return on capital. There can be no assurance that minerals recovered in small scale tests will be recovered in large-scale tests under on-site conditions or in production scale. The estimates contained in our public filings in Canada (on SEDAR) have been determined and valued based on assumed future prices, cut-off grades and operating costs that may prove to be inaccurate. Extended declines in market prices for gold and/or silver may render portions of our mineralization estimates uneconomic and result in reduced reported mineralization or adversely affect the commercial viability of one or more of our properties. Any material reductions in estimates of mineralization, or of our ability to extract this mineralization, could have a material adverse effect on our results of operations or financial condition.

Legislation has been enacted that affects the mining industry

In México, in October 2013, the Mexican lower house passed a bill proposing a tax-deductible mining royalty of 7.5% on earnings before the deduction of interest, taxes, depreciation and amortization, along with an additional 0.5% on precious metals revenue for precious metals mining companies. In addition, the long term corporate tax rate is expected to remain at 30% rather than being reduced to 28% as originally planned. The Mexican Senate approved the provisions of the Tax Reform on October 31, 2013. The effective date of the law was January 1, 2014.

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 the proceeds of such policy to the Company in the event of his death.

Uncertainty of Resource Estimate

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

The current formal resource estimate in respect of the SJG Property (the "NI 43-101 Mineral Resource Estimate") is 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 be achieved. The grade of mineralization actually recovered or produced could differ significantly from the resource estimates. In addition, under U.S. standards, as set forth in SEC Industry Guide 7, mineralization may not be classified as a "reserve" unless a determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. The SJG Property as described in this Annual Report is without known reserves. Mineral resources which are not classified as mineral reserves do not have "demonstrated economic viability." The quantity of resources and the quality (grade) of resources reported as "Indicated" and "Inferred" mineral resources in the mineral resource estimate compiled for DynaMéxico, under the NI 43-101 Mineral Resource Estimate filed by the Company on SEDAR, are not disclosed in this Form 10-K. There has been insufficient exploration to define any mineral reserves on the SJG Property, and it is not certain if further exploration will result in definition of mineral reserves.

No Known Reserves

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 1,000,000 Oz. Gold. The production occurred in the early 1900's, prior to the Mexican Revolution. Since that time, the property has seen small scale mining operations, from small scale local owners, to the Company's pilot production activities in 2003–2006 and 2014 to present. 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 proven or probable reserves, and further there is no assurance that any such 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.

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.

Our business is subject to U.S. Foreign Corrupt Practices Act and similar worldwide anti-bribery laws, a breach or violation of which could lead to civil and criminal fines and penalties, loss of licenses or permits and reputational harm.

We operate in certain jurisdictions that have experienced governmental and private sector corruption to some degree, and, in certain circumstances, strict compliance with anti-bribery laws may conflict with certain local customs and practices. For example, the U.S. Foreign Corrupt Practices Act and anti-bribery laws in other jurisdictions, generally prohibit companies and their intermediaries from making improper payments for the purpose of obtaining or retaining business or other commercial advantage, and often carry substantial penalties. There can be no assurance that our internal control policies and procedures always will protect it from recklessness, fraudulent behavior, dishonesty or other inappropriate acts committed by the Company's affiliates, employees or agents. As such, our corporate policies and processes may not prevent all potential breaches of law or other governance practices. Violations of these laws, or allegations of such violations, could lead to civil and criminal fines and penalties, litigation, and loss of operating licenses or permits, and may damage the Company's reputation, which could have a material adverse effect on our business, financial position and results of operations or cause the market value of our common shares to decline.

We are subject to foreign currency risk.

While we transact most of our business in U.S. dollars, expenses, such as labor, operating supplies, and property and equipment, are denominated in Mexican pesos. As a result, currency exchange fluctuations may impact our operating costs. The appreciation of non-U.S. dollar currencies against the U.S. dollar increases costs and the cost of purchasing property and equipment in U.S. dollar terms in México, which can adversely impact our operating results and cash flows. Conversely, a depreciation of non-U.S. dollar currencies usually decreases operating costs and property and equipment purchases in U.S. dollar terms in foreign countries.

The value of cash and cash equivalents denominated in foreign currencies also fluctuates with changes in currency exchange rates. Appreciation of non-U.S. dollar currencies results in a foreign currency gain on such investments and a depreciation in non-U.S. dollar currencies results in a loss. We have not utilized market risk sensitive instruments to manage our exposure to foreign currency exchange rates but may in the future actively manage our exposure to foreign currency exchange rate risk. We also hold portions of our cash reserves in Mexican currency.

Increased operating and capital costs could affect our profitability.

Costs at any particular mining location are subject to variation due to a number of factors, such as variable ore grade, changing metallurgy and revisions to mine plans in response to the physical shape and location of the mineralized bodies, as well as the age and utilization rates for the mining and processing-related facilities and equipment. In addition, costs are affected by the price and availability of input commodities, such as fuel, electricity, labor, chemical reagents, explosives, steel and concrete and mining and processing-related equipment and facilities. Reported costs

may also be affected by changes in accounting standards. A material increase in costs at any significant location could have a significant effect on our profitability and operating cash flow.

We could have significant increases in capital and operating costs over the next several years in connection with the development of new projects and in the sustaining and/or expansion of test mining and pilot processing operations. Costs associated with capital expenditures have escalated on an industry-wide basis over the last several years, as a result of factors beyond our control, including the prices of oil, steel and other commodities and labor, as well as the demand for certain mining and processing equipment. Increased capital expenditures may have an adverse effect on the profitability of and cash flow generated from existing operations, as well as the economic returns anticipated from new projects.

Majority Ownership of DynaMéxico

DynaUSA owns 80% of the outstanding share capital of DynaMéxico – the 100% owner of the SJG Project. As a consequence of this shared ownership (80%/20%), any current benefits to be derived from the ownership of DynaMéxico could be distributed on an 80%/20% basis.

A wholly owned subsidiary of DynaResource, Inc. -- Mineras de DynaResource S.A. de C.V. (“DynaMineras”) -- maintains an exclusive operating agreement with DynaMéxico. Additionally, another wholly owned subsidiary of DynaResource, Inc. -- DynaResource Operaciones de San Jose De Gracia S.A. de C.V. (“DynaOperaciones”) maintains an exclusive agreement to manage the personnel registered as employees in México.

The Company's Chairman and CEO, is also President of DynaMéxico and President of DynaMineras, and the CEO holds a broad power of attorney granted by the shareholders of DynaMéxico. The power of attorney gives the CEO broad authority to act for DynaMéxico. The power of attorney held by the CEO is consistent with the laws in México, whose laws are based on a civil code.

The nature of mineral exploration and production activities involves a high degree of risk and the possibility of uninsured losses that could materially and adversely affect our operations.

Exploration for and production of minerals is highly speculative and involves greater risk than many other businesses. Many exploration programs do not result in the discovery of mineralization, and any mineralization discovered may not be of sufficient quantity or quality to be profitably mined. Few properties that are explored are ultimately advanced to production. Our current exploration efforts are, and future development and mining operations we conduct will be, subject to all of the operating hazards and risks normally incident to exploring for and developing mineral properties, such as, but not limited to:

economically insufficient mineralized material;

fluctuations in production costs that may make mining uneconomical;

availability of labor, contractors, engineers, power, transportation and infrastructure;

labor disputes;

potential delays related to social, public health, and community issues;

unanticipated variations in grade and other geologic problems;

environmental hazards;

difficult surface or underground conditions;

water conditions;

industrial accidents;

metallurgical and other processing problems;

mechanical and equipment performance problems;

failure of pit walls or dams;

unusual or unexpected rock formations;

personal injury, fire, flooding, cave-ins and landslides; and

decrease in reserves or mineralized material due to a lower gold, silver, or copper price.

Any of these risks can materially and adversely affect, among other things, the development of properties, production quantities and rates, costs and expenditures, potential revenues and production dates. We currently have no insurance to guard against any of these risks, except in very limited circumstances. If we determine that capitalized costs associated with any of our mineral interests are not likely to be recovered, we would incur a write-down of our investment in these interests. All of these factors may result in losses in relation to amounts spent which are not recoverable.

We do not insure against all risks to which we may be subject in our operations.

While we currently maintain insurance to insure against general commercial liability claims and physical assets at our properties in México, we do not maintain insurance to cover all of the potential risks associated with our operations. We may also be unable to obtain insurance to cover other risks at economically feasible premiums or at all. Insurance coverage may not continue to be available or may not be adequate to cover liabilities. We might also become subject to liability for environmental, pollution or other hazards associated with mineral exploration and production which may not be insured against, which may exceed the limits of our insurance coverage, or which we may elect not to insure against because of premium costs or other reasons. Losses from these events may cause us to incur significant costs that could materially adversely affect our financial condition and our ability to fund activities on our property. A significant loss could force us to reduce or terminate our operations.

Shortages of critical parts and equipment may adversely affect our operations and development projects.

The mining industry has been impacted, from time to time, by increased demand for critical resources such as input commodities, drilling equipment, trucks, shovels and tires. These shortages have, at times, impacted the efficiency of our operations, and resulted in cost increases and delays in rehabilitation and refurbishing of projects, thereby impacting operating costs, capital expenditures, and production and construction schedules.

Our operations are subject to permitting requirements which could require us to delay, suspend or terminate our operations on our mining properties.

Our test mining and pilot milling operations, and including future exploration and drilling programs, require permits from the state and federal governments, including permits for the use of water and for drilling wells for water. We may be unable to obtain these permits in a timely manner, on reasonable terms or on terms that provide us sufficient resources to develop our properties, or at all. Even if we are able to obtain such permits, the time required by the permitting process can be significant. If we cannot obtain or maintain the necessary permits, or if there is a delay in receiving these permits, our timetable and business plan for exploration of our properties will be adversely affected, which may in turn adversely affect our results of operations, financial condition, cash flows and market price of our securities.

Title to mineral properties can be uncertain, and we are at risk of loss of ownership of one or more of our properties.

Our ability to explore and operate our properties depends on the validity of our title to that property. Our concessions in México are subject to continuing government regulation and failure to adhere to such regulations could result in termination of the concessions.

We cannot ensure that we will have an adequate supply of water to complete desired exploration or development of our mining properties.

Our test mining and pilot milling operations require significant quantities of water for mining, ore processing and related support facilities. Our operations in México are in areas where water is scarce and competition among users for continuing access to water is significant. Continuous operations at our mines is dependent on our ability to maintain our water rights. Although each of our operations currently has sufficient water rights and claims to cover our operational demands, we cannot predict the future circumstances relating to our water rights, claims and uses. Water shortages may also result from weather or environmental and climate impacts out of the Company's control.

We are subject to litigation risks.

All industries, including the mining industry, are subject to legal claims, with and without merit. Defense and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding, including regulatory proceedings, could have a material adverse effect on our financial position and results of operations.

Risks Relating to Our Common Stock

A small number of existing shareholders own a significant portion of DynaResource, Inc. common stock, which could limit your ability to influence the outcome of any shareholder vote.

The Chairman/CEO currently owns approximately 10.5% of total outstanding common shares and the management and members of the Board of Directors as a group own approximately 30.64% of common shares outstanding. These blocks of ownership could limit other stockholders' ability to influence the outcome of any shareholder vote.

Our stock price may be volatile, and as a result you could lose all or part of your investment.

In addition to other risk factors identified herein and to volatility associated with equity securities in general, the value of your investment could decline due to the impact of any of the following factors upon the market price of our common stock:

Changes in the worldwide price for gold, silver and/or copper;

Volatility in the equities markets;

Disappointing results from our exploration or test mining and pilot milling and production efforts;

Test pilot production rates lower than those targeted;

Political and regulatory risks;

Weather conditions, including unusually heavy rains;

Failure to meet our revenue or profit goals or operating budget;

Decline in demand for our common stock;

Downward revisions in securities analysts' estimates or changes in general market conditions;

Technological innovations by competitors or in competing technologies;

Investor perception of our industry or our prospects;

Actions by government central banks; and

General economic trends.

During the 2017 calendar year the price of our stock has ranged from a low of \$.90 to a high of \$1.75. In addition, stock markets in general have experienced extreme price and volume fluctuations and the market prices of securities have been highly volatile. These fluctuations are often unrelated to operating performance and may adversely affect the market price of our common stock. As a result, you may be unable to resell your shares at a desired price.

ITEM 1B.

UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We classify our mineral property as an "Exploration Property". We do not suggest that we have proven or probable reserves at our property as defined by the SEC. Under U.S. standards, as set forth in SEC Industry Guide 7, mineralization may not be classified as a "reserve" unless a determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. The SJG Property as described in this Annual Report on Form 10-K is without known reserves. Mineral resources which are not classified as mineral reserves do not have "demonstrated economic viability." The quantity of resources and the quality (grade) of resources reported as "Indicated" and "Inferred" mineral resources in the mineral resource estimate compiled for DynaMéxico, under and filed by the Company on SEDAR, are not disclosed in this Form 10-K. There has been insufficient exploration to define any mineral reserves on the SJG Property, and it is not certain if further exploration will result in the definition of mineral reserves.

San Jose de Gracia Mineral Property

San Jose de Gracia Property ("SJG") is a high-grade mineralized system which reports historical production of 1,000,000 Oz. gold ("Au"), from a series of underground workings and is located in the state of Sinaloa, México. The Company is focused on the exploration and future exploitation of this vein-hosted, near surface, and over 400 meters down dip gold potential, that occurs within fault breccia veins; and has been traced on surface and underground over a 15 Sq. kilometer area.

DynaMéxico owns 100% of the mineral concessions at the SJG Property, and all mineral concessions are contiguous. The SJG Property is currently the only property in which DynaMéxico retains an interest. The Company owns 80% of the outstanding capital shares of DynaMéxico. DynaMéxico holds title to 33 concessions covering approximately 69,121 hectares (170,802 acres).

Property Location

The property is located in and around San Jose de Gracia, Sinaloa State, México which is approximately 100 km northeast of Guamuchil, near the west coast of México. It is located on the west side of the Sierra Madre mountain range in the Sierra Madre Gold-Silver Belt. The topography is generally rugged with elevations varying from 400 meters in the valley bottoms to over 1,600 meters in the higher Sierra. Several roads on the property are accessible throughout the year, with the possible exception of July through September when the rainy season sometimes causes flooding and runoff to make the roads difficult to navigate.

Access

The San José de Gracia Project can be accessed by road, via a sealed highway from Culiacan, the capital city of the State of Sinaloa (located to the south of the San José de Gracia Project) or the city of Guamuchil (located to the southwest of SJG), to the small town of Sinaloa de Leyva, then by gravel mountainous road to the village of San José de Gracia.

The San José de Gracia Project can also be accessed by air. A gravel airstrip is located adjacent to the village of San José de Gracia which is located at the southwestern portion of the property at the SJG Project, and the airstrip is suitable for light aircraft.

Climate and Operating Season

The climate is semi-tropical with a rainy season dominating from late June through September. Operations at the San José de Gracia Project are, in part, dependent on the weather and some activities may be suspended during the rainy season.

Infrastructure and Local Resources

Power

A power line to the San José de Gracia Project has been installed by the Comisión Federal de Electricidad, the only authorized power producer in México. The power line was installed in March 2012 from the municipality of Sinaloa de Leyva (La Estancia area), a distance of approximately 75 kilometers.

The power line is currently 220 volts maximum capacity, which supports domestic use only, including the office and camp facilities at SJG, such as water pump, air conditioning, refrigeration, lights, internet, and fans, as well as local residential use. Currently, the SJG Project produces its own diesel-generated power for industrial use.

Water

The water source for the SJG camp is from a well located close to the river which runs just west of the village of San José de Gracia. DynaMéxico has obtained the water concession rights for this water source, which provide for usage of 1,000,000 cubic meters per year. DynaMéxico estimates its current consumption of water to be approximately 10,000 liters per week.

Accommodations

The mine site area camp maintains facilities which can accommodate 50 persons. The village of San José de Gracia maintains few stores, which offer only minimal goods.

Offices – Camp Facilities

DynaMéxico maintains an administrative and logistics office in Guamuchil, located 100 kilometers southwest of the SJG property. The SJG Project sources many of its supplies from Guamuchil, and from Los Mochis and Culiacan. A satellite dish installed at the SJG Property provides communications from the SJG Property to Guamuchil.

Lab

A field laboratory is maintained within the camp facility. The Company utilized the lab for assaying services during its production activities in 2003-2006. In the second half of 2016, the laboratory has been refurbished by DynaMineras and is currently utilized by on site personnel to provide assays for mined material, feed material, gravity and flotation concentrates, and tailings. DynaMineras anticipates utilizing the lab facility in the future for providing internal assays to support the exploration, test mining, and pilot milling activities.

Regional Geology & Mineral Deposits

San José de Gracia lies within the Sierra Madre Occidental (“SMO”) Gold-Silver Belt, in a second-order graben directly east of the regional-scale Grete Graben. The SMO is recognized as a highly prospective mineral belt for gold, silver and poly-metallic deposits. 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 volcanoclastic 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”).

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 co-temporal 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. Extension in Tertiary time led to the development of second order structures, trending south, southwest and southeast; 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.

Property Mineralization

High grade gold mineralization at San José de Gracia is found in vein structures hosted within andesite and rhyodacite of the Lower Volcanic Series (“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 hanging wall 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.

The characterization of the mineralization at San Jose de Gracia can be described as low sulphidation polymetallic epithermal gold type. 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 (Including San Pablo East);
4. San Pablo trend;
5. La Prieta trend, and
6. Los Hilos to Tres Amigos trend.

Licenses and Concessions

The SJG District is comprised of 33 mining concessions covering 69,121 hectares (170,802 acres) and is located within the Sierra Madre gold-silver belt, where the majority of hydrothermal deposits in México are located. The Company's mining concessions, all of which are formally held by DynaMéxico, are granted by the Mexican government, or acquired from previous owners. The Company's concessions are comprised of a combination of exploration concessions and development concessions, are filed in the Public Registry of Mining, and are scheduled to expire from 2028 through 2058. The concessions can be renewed prior to the expiry dates. The table below contains a listing of the mineral concessions currently held by DynaMéxico.

Under amendments to the Mining Act of México that came into effect on December 2006, the classifications of Mining Exploration Concessions and Mining Exploitation Concessions were replaced by a single classification of Mining Concessions valid for a renewable term of 50 years, commencing from the initial issuance date. To be converted into Mining Concessions at the time these amendments came into force, former exploration and exploitation concessions had to be in good standing at the time of conversion. All of the SJG concessions were converted to 50-year Mining Concessions at the time the amendments to the Mining Act came into effect. To renew the 50-year term, Mining Concessions must be in good standing at the time application is filed. An application for renewal must be filed within 5 years prior to expiration of the term.

To maintain Mining Concessions in good standing, the registered owner must (a) pay bi-annual mining duties ("assessment taxes") in advance, by January 31 and July 31 each year, (b) file assessment work reports by May 30 each year, for the preceding year (some exception rules apply), and (c) file by January 31 each year, statistical reports on exploration / exploitation work conducted for the preceding year.

The Notice of Commencement of Production Activities and Annual Production Reports must be filed annually by January 31 each year for those concessions where mineral ore extraction is taking place. As a general provision, registered owners of Mining Concessions must follow environmental and labor laws and regulations in order to maintain their Mining Concessions in good standing.

As of the date of this Form 10-K, the 33 mining concessions comprising the SJG Property are in good standing with respect to the payment of taxes and the filing of assessment work obligations imposed by the Mining Act of México and its Regulations. Included among the 33 mining concessions are 32 currently registered in the sole name of

DynaMéxico. DynaMéxico holds one mining concession (San Miguel t.183504) that in order to produce legal effects requires the consent or relinquishment of first rights of refusal from registered owners to the 50% undivided title. See the note following the table of mining concessions below, describing the steps needed to be taken by DynaMéxico to obtain title to the San Miguel mining concession.

Current Mining Concessions - San José de Gracia

| Claim Name | ClaimNumber | Staking date | Expiry | Hectares | Taxes / ha (pesos) |
|------------------------|-------------|--------------|------------|-------------|--------------------|
| AMPL. SAN NICOLAS | 183815 | 22/11/1988 | 21/11/2038 | 17.4234 | 111.27 |
| AMPL. SANTA ROSA | 163592 | 30/10/1978 | 29/10/2028 | 25.0000 | 111.27 |
| BUENA VISTA | 211087 | 31/03/2000 | 30/03/2050 | 17.9829 | 63.22 |
| EL CASTILLO | 214519 | 02/10/2001 | 01/10/2051 | 100.0000 | 31.62 |
| EL REAL 2 | 216301 | 30/04/2002 | 29/04/2052 | 280.1555 | 31.62 |
| FINISTERRE FRACC. A | 219001 | 28/01/2003 | 27/01/2053 | 18.7856 | 31.62 |
| FINISTERRE FRACC. B | 219002 | 28/01/2003 | 27/01/2053 | 174.2004 | 31.62 |
| GUADALUPE | 189470 | 05/12/1990 | 04/12/2040 | 7.0000 | 111.27 |
| LA GRACIA I | 215958 | 02/04/2002 | 01/04/2052 | 300.0000 | 31.62 |
| LA GRACIA II | 215959 | 02/04/2002 | 01/04/2052 | 230.0000 | 31.62 |
| LA LIBERTAD | 172433 | 15/12/1983 | 14/12/2033 | 97.0000 | 111.27 |
| LA NUEVA AURORA | 215119 | 08/02/2002 | 07/02/2052 | 89.3021 | 31.62 |
| LA NUEVA ESPERANZA | 226289 | 06/12/2005 | 05/12/2055 | 40.0000 | 7.6 |
| LA UNION | 176214 | 26/08/1985 | 25/08/2035 | 4.1098 | 111.27 |
| LOS TRES AMIGOS | 172216 | 27/10/1983 | 26/10/2033 | 23.0000 | 111.27 |
| MINA GRANDE | 163578 | 10/10/1978 | 09/10/2028 | 6.6588 | 111.27 |
| NUEVO ROSARIO | 184999 | 13/12/1989 | 12/12/2039 | 32.8781 | 111.27 |
| PIEDRAS DE LUMBRE 2 | 215556 | 05/03/2002 | 04/03/2052 | 34.8493 | 31.62 |
| PIEDRAS DE LUMBRE 3 | 218992 | 28/01/2003 | 27/01/2053 | 4.3098 | 31.62 |
| PIEDRAS DE LUMBRE No.4 | 212349 | 29/09/2000 | 28/09/2050 | 0.2034 | 63.22 |
| PIEDRAS DE LUMBRE UNO | 215555 | 05/03/2002 | 04/03/2052 | 40.2754 | 31.62 |
| SAN ANDRES | 212143 | 31/08/2000 | 30/08/2050 | 385.0990 | 63.22 |
| SAN JOSÉ | 208537 | 24/11/1998 | 23/11/2048 | 27.0000 | 111.27 |
| SAN MIGUEL (1) | 183504 | 26/10/1988 | 25/10/2038 | 7.0000 | 111.27 |
| SAN NICOLAS | 163913 | 14/12/1978 | 13/12/2028 | 55.5490 | 111.27 |
| SAN SEBASTIAN | 184473 | 08/11/1989 | 07/11/2039 | 40.0000 | 111.27 |
| SANTA MARIA | 218769 | 17/01/2003 | 16/01/2053 | 4.2030 | 31.62 |
| SANTA ROSA | 170557 | 13/05/1982 | 12/05/2032 | 31.4887 | 111.27 |
| SANTO TOMAS | 187348 | 13/08/1986 | 12/08/2036 | 312.0000 | 111.27 |
| TRES AMIGOS 2 | 212142 | 31/08/2000 | 30/08/2050 | 54.4672 | 63.22 |
| FINISTERRE 4 | 231166 | 18/01/2008 | 17/01/2058 | 2142.1302 | 5.08 |
| FRANCISCO ARTURO | 230494 | 06/09/2007 | 27/03/2057 | 62,481.3815 | 5.08 |
| TOTAL | | | | 69,121.4010 | |

(1) According to the records of the Mines Registry Office, the registered owners to 100% undivided title to the San Miguel (t.183504) mining concession are: Mar'a Trinidad Acosta Salazar (25%), Miguel López Medina (25%), Josefa González Castro (25%) and Otilia Tracy Vizcarra (25%). On October 17, 2000 and March 8, 2001, DynaMéxico signed with each of Miguel Lopez Medina and Josefa Gonzalez Castro, respectively, agreements for the transfer to DynaMéxico of 50% undivided title to the San Miguel (t.183504) mining concession (the "San Miguel Transfer Agreements").

In respect to the San Miguel Transfer Agreements, DynaMéxico has been advised that in order for the San Miguel Transfer Agreements to produce legal effects and be eligible for registration before the Mines Registry Office, DynaMéxico is required to first obtain the legal consent to such transfers, or the written relinquishment of first rights of refusal, from Mar'a Trinidad Acosta Salazar and Otilia Tracy Vizcarra (or court-appointed estate executor). In addition to the San Miguel Transfer Agreements, DynaMéxico has entered into the following Promise to Sell and Purchase Agreements (the "San Miguel Promise to Sell and Purchase Agreements"):

(a) Promise to Sell and Purchase Agreement signed on March 8, 2001 among DynaMéxico and Maria Trinidad Acosta Salazar, the registered owner to 25% undivided title to the San Miguel (t.183504) mining concession, and

(b) Promise to Sell and Purchase Agreement signed on December 15, 2000 among DynaMéxico and Margarita Tracy Vizcarra, the sister of the deceased Otilia Tracy Vizcarra.

In respect to the San Miguel Promise to Sell and Purchase Agreements, DynaMéxico has been advised that:

(a) with respect to the Promise to Sell and Purchase Agreement signed on March 8, 2001 among DynaMéxico and Maria Trinidad Acosta Salazar, to contact Ms. Mar'a Trinidad Acosta Salazar to demand compliance with such agreement by executing the definitive transfer to DynaMéxico of the 25% undivided title to the San Miguel (t.183504) mining concession registered in her name, and

(b) with respect to the Promise to Sell and Purchase Agreement signed on December 15, 2000 among DynaMéxico and Margarita Tracy Vizcarra, the sister of the deceased Otilia Tracy Vizcarra, the estate of Otilia Tracy Vizcarra requires the appointment of a court-appointed executor that would be capable under Mexican law to formally grant the estate's consent for the execution of the San Miguel Transfer Agreements, to relinquish the estate's first rights of refusal or to request court approval for the transfer to DynaMéxico of the 25% undivided interest in the San Miguel (t.183504) mining concession registered in the name of the deceased Otilia Tracy Vizcarra.

Surface Lease Rights

In addition to the surface rights held by DynaMéxico pursuant to the Mining Act of México and its Regulations (Ley Minera y su Reglamento), DynaMineras maintains access and surface rights to the SJG Project pursuant to the 20-year Land Lease Agreement (above). The 20 Year Land Lease Agreement with the Santa Maria Ejido Community surrounding San Jose de Gracia is 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. \$74,000 USD as of April 10, 2018), commencing in 2014. Additionally, under the description of the 20 Year Land Lease, DynaMineras constructed a Medical Facility at SJG in year 2017.

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, pilot production and exploration activities from the owners of the surface rights (Santa Maria Ejido community).

The Company expects DynaMineras will be successful in expanding the size and scope of the resources at SJG through continued drilling and development programs at San Pablo, Tres Amigos, La Ceceña, Palos Chinos, La Union, La Purisima, and La Prieta. The Company expects extensions to mineralization in all directions and down dip from the main target areas.

Mineral Reserves / No Known Reserves

Under U.S. standards, as set forth in SEC Industry Guide 7, mineralization may not be classified as a “reserve” unless a determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. The SJG property is without known reserves. Mineral resources which are not classified as mineral reserves do not have “demonstrated economic viability.” The quantity of resources and the quality (grade) of resources reported as “Indicated” and “Inferred” mineral resources in the mineral resource estimate compiled for DynaMéxico is not disclosed in this Form 10-K. There has been insufficient exploration to define any mineral reserves on the property, and it is not certain if further exploration will result in the definition of mineral reserves.

Sierra Madre Gold-Silver Belt in México

San Jose de Gracia - History

Historical production records from San Jose de Gracia (“SJG”) reported 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.

Lack of Historical Surface Disturbance or Contamination

Historical production at San Jose de Gracia occurred prior to the Mexican Revolution (pre-1910). The Company is not aware of any surface disturbance or contamination issues found on the surface or in the groundwater due to historical mining activities.

Since acquisition and consolidation of the project under DynaResource de Mexico SA de CV. (“DynaMéxico”), all activities conducted at San Jose de Gracia have been permitted in accordance with Mexico regulations, the specifics of which are described below:

On June 17, 2013, DynaResource de Mexico received from the Secretaria de Medio Ambiente Y Recursos Naturales (“Semarnat”), the federal environmental authority in Mexico, the approval and permission which allows for the rehabilitation and operation of the pilot mill facility at San Jose de Gracia (the “Semarnat Permit”). Under the terms of the Semarnat Permit, DynaMéxico is responsible for maintaining the San Jose de Gracia pilot mill facility, as well as the adjacent tailings pond area, in compliance with Semarnat regulations.

On September 30, 2013 DynaResource de Mexico also received from Semarnat, the approval and permission which allows for the exploitation and mining activities at the San Pablo Area of San Jose de Gracia (the “Semarnat Exploitation Permit”). Under the terms of the Semarnat Exploitation Permit, DynaMéxico’s exploitation and mining activities are restricted to the San Pablo Area of San Jose de Gracia.

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.

Pilot Production Activities (2003 – 2006)

DynaMéxico, conducting activities through its operating sister companies DynaMineras 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 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. 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 high-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 Pilot Operations (2006)

The Company initiated the test mining and pilot mill operations 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 rising and the Company was able to negotiate acceptable financing in order to fund exploration activities. Therefore, the Company suspended its test mining and pilot mill operations 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), small scale operations were not expected to provide the necessary capital in order to fund exploration of a project the size of SJG.

The earlier, limited-scope pilot operations provided significant benefits in terms of confirming production test mining and milling grades, metallurgy and process, efficiency of recoveries, and operational costs – all of which is valuable for larger scale production plans.

Earn In / Option Agreement – Financing of Drilling – Exploration Programs (2006 – 2011)

The Company entered into an Earn In / Option Agreement with Goldgroup Resources Inc., a subsidiary of Goldgroup Mining Inc., Vancouver, BC. (“Goldgroup”), dated September 1, 2006 (the “Goldgroup Earn In”). The terms of the Goldgroup Earn In provided for Goldgroup to contribute \$18,000,000 financing to DynaMéxico, in stages over the 5-year period, for exploration expenditures at SJG, in exchange for 50% of the outstanding share capital of DynaMéxico. The Goldgroup Earn In was completed March 15, 2011, and Goldgroup held 50% of outstanding capital of DynaMéxico at that date.

On June 21, 2013, DynaResource acquired a Certificate for 300 Series “B” Variable Capital Shares of DynaMéxico, in exchange for the settlement of accounts receivable from DynaMéxico in the amount of \$31,090,710 Mexican Pesos (approximately \$2.4 M USD). After the issuance and receipt of the 300 Series B Shares, DynaUSA holds 80% of the total outstanding share capital of DynaMéxico.

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://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.

Magnetic and IP Surveys (2009)

Magnetic and IP (“Induced Polarization”) surveys were conducted throughout the SJG district in 2009, covering an area of approximately 15 Sq. kilometers. IP is the primary geophysical target at SJG, and is expected to identify pyrite-based mineralization hosting gold. Initial Survey Grid lines were located approximately perpendicular to inferred geologic strike. The data response from these grid lines indicate one or more IP sources that dip northwest. Additional grid lines were crossed with the initial lines, and appear to identify two separate IP sources. Grid lines to the South appear to indicate an IP source at > 250 Meters.

Correlation between ground magnetic and IP--In general the correlation between the Magnetic and IP response and data was excellent.

Correlation with recent Drilling Programs and known Mineralization--The data response of the surveys correlated to the recent drilling programs and to the areas of known mineralization at SJG was excellent. Considering this excellent correlation to known mineralization, additional areas of SJG showing similar data response could be indicative of additional target areas.

Identification of Additional Resource Target Areas--Significant survey responses were reported for the following areas and are projected for follow up drilling:

San Pablo-Up Dip; San Pablo-Displacement Zone;
Tres Amigos-Down Dip and Northwest; Tres Amigos-Extension Northeast;
Orange Tree-Down Dip; La Prieta
La Ceceña, Los Hilos, and Tepehauje;

Palos Chinos;
La Purisima; Down dip at Southeast end;
Argillic Zone; + 250 M. down dip;

Technical Report According to Canadian National Instrument 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 NI 43-101 Mineral Resource Estimate, prepared in 2012, 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., 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.

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.

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 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 included Indicated Resources at Tres Amigos and San Pablo. Table summaries of Indicated and Inferred Resources are contained in the 2012 DynaMéxico-CAM Mineral Resource Estimate. The Resource Estimate has been filed, along with the Technical Report on SEDAR; but is not disclosed in this Form 10-K.

Selected Drill Hole Intercepts by Target Area (Excerpt from The Updated 2012 DynaM xico Luna-CAM SJG Technical Report)

Tres Amigos

| Drill hole | Area | From m | To m | length (m) | Au g/t | Ag g/t | Cu% | Pb% | Zn% |
|------------|-------------|--------|--------|------------|--------|--------|------|------|------|
| 97-013 | Tres Amigos | 95.00 | 107.50 | 12.50 | 20.80 | 21.80 | 0.43 | 0.06 | 0.15 |
| 97-039 | Tres Amigos | 40.20 | 43.20 | 3.00 | 29.50 | 44.60 | 0.58 | 0.95 | 7.45 |
| 97-045 | Tres Amigos | 100.00 | 106.00 | 6.00 | 11.46 | 3.40 | 0.03 | 0.02 | 0.17 |
| 97-047 | Tres Amigos | 124.94 | 132.00 | 7.06 | 7.51 | 15.40 | 0.09 | 0.27 | 3.42 |
| 08-115 | Tres Amigos | 153.30 | 159.00 | 5.70 | 8.31 | 8.30 | 0.17 | 0.00 | 0.07 |
| 08-116 | Tres Amigos | 134.80 | 138.10 | 3.30 | 21.74 | 9.90 | 0.06 | 0.04 | 0.15 |
| 10-150 | Tres Amigos | 285.61 | 288.49 | 2.88 | 10.93 | 14.24 | 0.32 | 0.01 | 0.03 |
| 10-150 | Tres Amigos | 312.80 | 321.81 | 9.01 | 3.97 | 2.35 | 0.09 | 0.00 | 0.03 |
| 10-151 | Tres Amigos | 208.38 | 216.20 | 7.82 | 22.19 | 14.70 | 0.36 | 0.01 | 0.06 |
| 10-154 | Tres Amigos | 73.00 | 74.75 | 1.75 | 21.89 | 9.30 | 0.00 | 0.00 | 0.02 |
| 10-175 | Tres Amigos | 241.59 | 245.40 | 3.81 | 6.37 | 3.41 | 0.02 | 0.00 | 0.03 |
| 10-177 | Tres Amigos | 228.63 | 245.00 | 16.37 | 10.58 | 9.75 | 0.25 | 0.02 | 0.09 |
| 10-179 | Tres Amigos | 75.3 | 77.02 | 1.72 | 105.51 | 49.60 | 0.03 | 0.01 | 0.06 |
| 10-179 | Tres Amigos | 174.85 | 179.52 | 4.67 | 5.70 | 15.89 | 0.11 | 0.00 | 0.16 |
| 10-226 | Tres Amigos | 205.05 | 213.09 | 8.04 | 18.47 | 19.77 | 0.42 | 0.13 | 0.22 |
| 10-227 | Tres Amigos | 176.95 | 186.75 | 9.80 | 8.42 | 11.92 | 0.41 | 0.04 | 0.33 |
| 10-230 | Tres Amigos | 244.91 | 249.45 | 4.54 | 18.09 | 15.48 | 0.53 | 0.02 | 0.03 |
| 10-234 | Tres Amigos | 214.61 | 217.97 | 3.36 | 15.05 | 13.45 | 0.23 | 0.01 | 0.01 |
| 10-237 | Tres Amigos | 92.44 | 92.84 | 0.40 | 883.91 | 195.00 | 0.24 | 0.77 | 5.35 |
| 11-257 | Tres Amigos | 60.84 | 63.33 | 2.49 | 5.37 | 9.28 | 0.25 | 0.01 | 0.40 |
| 11-257 | Tres Amigos | 92.00 | 94.66 | 2.66 | 5.00 | 6.74 | 0.25 | 0.02 | 1.16 |
| 11-260 | Tres Amigos | 63.40 | 71.15 | 7.75 | 7.84 | 10.68 | 0.16 | 0.12 | 2.28 |
| 11-271 | Tres Amigos | 115.40 | 120.15 | 4.75 | 13.93 | 18.56 | 0.54 | 0.02 | 0.14 |

San Pablo

| Drill hole | Area | From m | To m | length (m) | Au g/t | Ag g/t | Cu% | Pb% | Zn% |
|------------|-----------|--------|--------|------------|--------|--------|------|------|------|
| 07-012 | San Pablo | 19.70 | 23.90 | 4.20 | 10.45 | 10.00 | 0.15 | 0.00 | 0.01 |
| 07-026 | San Pablo | 65.90 | 67.80 | 1.90 | 34.00 | 18.70 | 0.21 | 0.01 | 0.05 |
| 07-027 | San Pablo | 142.80 | 148.85 | 6.05 | 13.72 | 28.60 | 1.06 | 0.02 | 0.04 |
| 07-031 | San Pablo | 94.25 | 98.05 | 3.80 | 31.32 | 69.60 | 1.01 | 0.23 | 0.74 |
| 08-051 | San Pablo | 183.55 | 192.60 | 9.05 | 22.95 | 13.60 | 0.40 | 0.00 | 0.03 |
| 08-090 | San Pablo | 190.70 | 191.90 | 1.20 | 11.55 | 48.50 | 1.00 | 0.02 | 0.02 |
| 08-092 | San Pablo | 124.80 | 125.80 | 1.00 | 23.31 | 0.50 | 0.00 | 0.01 | 0.00 |
| 08-097 | San Pablo | 227.69 | 229.75 | 2.06 | 17.04 | 20.00 | 0.56 | 0.03 | 0.04 |
| 09-133 | San Pablo | 126.80 | 129.80 | 3.00 | 13.10 | 10.25 | 0.32 | 0.00 | 0.02 |
| 09-138 | San Pablo | 150.62 | 153.59 | 2.97 | 8.80 | 10.46 | 0.28 | 0.00 | 0.02 |
| 09-139 | San Pablo | 132.18 | 137.68 | 5.50 | 20.51 | 25.82 | 0.70 | 0.00 | 0.01 |
| 10-197 | San Pablo | 48.15 | 51.82 | 3.67 | 7.96 | 13.18 | 0.49 | 0.00 | 0.03 |
| 10-203 | San Pablo | 70.65 | 76.15 | 5.50 | 332.86 | 143.90 | 0.02 | 0.00 | 0.01 |
| 10-207 | San Pablo | 80.15 | 83.20 | 3.05 | 16.74 | 24.17 | 0.54 | 0.01 | 0.02 |
| 10-215 | San Pablo | 186.80 | 190.27 | 3.47 | 15.82 | 14.68 | 0.41 | 0.03 | 0.02 |
| 10-221 | San Pablo | 69.98 | 71.98 | 2.00 | 13.14 | 23.93 | 0.62 | 0.00 | 0.01 |
| 10-224 | San Pablo | 122.82 | 125.05 | 2.23 | 5.29 | 18.70 | 0.69 | 0.02 | 0.04 |
| 10-224 | San Pablo | 148.60 | 154.95 | 6.35 | 7.04 | 13.31 | 0.57 | 0.00 | 0.01 |
| 10-236 | San Pablo | 112.96 | 117.03 | 4.07 | 11.38 | 22.92 | 0.68 | 0.00 | 0.01 |
| 11-249 | San Pablo | 108.20 | 109.93 | 1.73 | 8.21 | 30.29 | 0.80 | 0.00 | 0.02 |
| 11-250 | San Pablo | 101.72 | 104.81 | 3.09 | 20.15 | 53.44 | 0.88 | 0.24 | 0.54 |
| 11-268 | San Pablo | 92.65 | 94.25 | 1.60 | 11.74 | 21.13 | 0.37 | 0.01 | 0.04 |

San Pablo East

| Drill hole | Area | From m | To m | length (m) | Au g/t | Ag g/t | Cu% | Pb% | Zn% |
|------------|-------------|--------|--------|------------|--------|--------|------|------|------|
| 08-076 | San Pablo E | 32.75 | 34.85 | 2.10 | 36.09 | 47.80 | 0.43 | 0.80 | 1.06 |
| 10-208 | San Pablo E | 150.61 | 152.67 | 2.06 | 6.60 | 10.30 | 0.40 | 0.00 | 0.01 |
| 11-252 | San Pablo E | 55.25 | 59.70 | 4.45 | 4.26 | 12.05 | 0.37 | 0.01 | 0.04 |
| 11-256 | San Pablo E | 51.61 | 52.85 | 1.24 | 144.08 | 138.60 | 1.06 | 1.61 | 1.78 |
| 11-256 | San Pablo E | 99.93 | 101.29 | 1.36 | 9.04 | 3.30 | 0.01 | 0.00 | 0.01 |
| 11-298 | San Pablo E | 49.15 | 49.85 | 0.7 | 49.39 | 20.80 | 0.20 | 0.01 | 0.03 |

La Purisima

| Drill hole | Area | From m | To m | length (m) | Au g/t | Ag g/t | Cu% | Pb% | Zn% |
|------------|-------------|--------|--------|------------|--------|--------|------|------|------|
| 07-021 | La Purisima | 158.70 | 160.80 | 2.10 | 75.90 | 76.00 | 1.61 | 0.07 | 0.00 |
| 07-039 | La Purisima | 197.55 | 200.80 | 3.25 | 10.93 | 4.60 | 0.04 | 0.00 | 0.01 |
| 10-161 | La Purisima | 87.70 | 99.67 | 11.97 | 3.12 | 4.86 | 0.36 | 0.00 | 0.01 |
| 10-204 | La Purisima | 128.02 | 131.86 | 3.84 | 4.06 | 3.15 | 0.09 | 0.00 | 0.00 |
| 10-204 | La Purisima | 173.15 | 174.58 | 1.43 | 7.21 | 5.57 | 0.08 | 0.00 | 0.01 |
| 10-206 | La Purisima | 121.73 | 124.04 | 2.31 | 14.63 | 3.45 | 0.02 | 0.00 | 0.00 |
| 11-282 | La Purisima | 152.40 | 153.92 | 1.52 | 7.79 | 1.40 | 0.04 | 0.00 | 0.00 |
| 11-285 | La Purisima | 85.06 | 87.92 | 2.86 | 3.93 | 0.80 | 0.03 | 0.00 | 0.00 |
| 11-285 | La Purisima | 98.50 | 102.15 | 3.65 | 6.70 | 3.87 | 0.20 | 0.00 | 0.01 |
| 11-289 | La Purisima | 109.73 | 112.78 | 3.05 | 9.50 | 7.05 | 0.11 | 0.02 | 0.00 |
| 11-293 | La Purisima | 38.11 | 39.27 | 1.16 | 10.06 | 0.50 | 0.01 | 0.00 | 0.00 |
| 11-293 | La Purisima | 158.75 | 160.55 | 1.80 | 12.65 | 2.84 | 0.10 | 0.00 | 0.01 |

Block Model Calculation in Surpac Software--The Company has compiled its manual calculation and internal interpretation of the mineralization at SJG defined by drilling and production to date. The Company has also built the block model of mineralization at SJG using Surpac (Gemcom) software. The current block model at SJG confirms mineralization at San Pablo, Tres Amigos, La Union, Palos Chinos, and La Purisima, with portions of the mineralization in a high-grade category, and including mineralization at San Pablo and Tres Amigos, and is consistent with the CAM SJG Mineral Resource Estimate described above. The Company will continue this Surpac modeling work as additional drill programs are planned and completed.

Exploration and Mining Permit Requirements (México)

In respect of permit requirements for mineral exploration and mining in México, the most relevant applicable laws, regulations and official technical norms are the following: The Federal Mining Act, and its Regulations, the Federal Environmental Protection and Ecological Equilibrium Act, and its Regulations, the Federal Sustainable Forestry Development Act and its Regulations, the Federal Explosives and Firearms Act, the National Waters Act and the Mexican Official Norm 120.

To carry out mineral exploration activities, holders of mining concessions in México are required to file at the offices of the Secretaria de Medio Ambiente Y Recursos Naturales, the Federal Environmental Authority in México ("SEMARNAT") a "Notice of Commencement of Exploration Activities" under the guidelines of the Mexican Official Norm 120 ("Norm 120"). SEMARNAT is the office of the Federal Government of México responsible for the review and issuance of a Change of Soil Use Permit ("CSUP"), the review of a Technical Justification Study (referenced below) and the filing of Norm 120. Norm 120 is a notice to SEMARNAT only and has no processing time.

If contemplated mineral exploration activities fall outside of the parameters defined under Norm 120, a CSUP Application is required to be filed at the SEMARNAT under the guidelines of the Federal Sustainable Forestry Development Act and its Regulations. To meet the requirements for issuance of a CSUP, the applicant must also file a Technical Study ("Technical Justification Study") to justify the change of soil use from forestry to mining, to demonstrate that biodiversity will not be compromised, and to demonstrate that there will be no soil erosion or water quality deterioration on completion of the mineral exploration activities.

As a pre-requisite for issuance of a CSUP, Article 118 of the Federal Sustainable Forestry Development Act provides for the posting of a bond to the Mexican Forestry Fund for remediation, restoration and reforestation of the areas impacted by the mineral exploration activities.

To carry out mining activities in México, holders of mining concessions are also required to file an “Environmental Impact Assessment Study” (“Environmental Impact Study”) under the guidelines of the Federal Environmental Protection and Ecological Equilibrium Act and its Regulations, in order to evaluate the environmental impact of the contemplated mining activities.

As a pre-requisite for approval of an Environmental Impact Study, the Federal Environmental Protection and Ecological Equilibrium Act and its Regulations require the posting of a bond to guarantee remediation and rehabilitation of the areas impacted by the mining activities.

If the use of explosives materials is required for execution of mineral exploration or mining activities, an Application for General Permit for Use, Consumption and Storage of Explosive (“Explosives Permit”) is required to be filed at the offices of the Secretariat of National Defense (“SEDENA”) under the guidelines of the Federal Explosives and Firearms Act.

Under the Federal Mining Act, holders of mining concessions in México have the right to the use of the water coming from the mining works. However, certification of water rights and/or issuance of water rights concessions are required from the National Water Commission (“CONAGUA”) under the guidelines of the National Waters Act.

DynaMéxico Permit Filings / Permits History (2003 – 2017)

On February 10, 2003, SEDENA granted DynaMéxico an Explosives Permit for use and storage of explosives materials in SJG.

In June 2006, DynaMéxico ceased use of explosives materials in its mining activities at SJG, and requested suspension of the Explosives Permit. The Explosives Permit has been temporarily suspended by SEDENA and DynaMéxico will be required to file a re-activation application to re-activate the Explosives Permit.

On June 28, 2010, DynaMéxico filed a Preventive Exploration Notice at the office of SEMARNAT in connection with contemplated mineral exploration activities at the La Prieta, San Pablo, La Pur’sima, La Unión, Tres Amigos and La Ceceña areas of the San José de Gracia Project.

On July 21, 2010, SEMARNAT authorized DynaMéxico to conduct the mineral exploration activities referenced in the Preventive Exploration Notice, for a term of 36 months, as SEMARNAT determined that such activities fall within the framework of Norm 120. SEMARNAT’s approval was subject to the following conditions: (a) DynaMéxico’s filing of a CSUP Application (referenced below) and approval thereof by SEMARNAT, and (b) posting of a bond in the amount of \$134,487 Mexican Pesos to guarantee remediation and rehabilitation measures following the conclusion of the mineral exploration activities referenced in the Preventive Exploration Notice. The bond was timely posted by DynaMéxico.

On August 9, 2010, DynaMéxico filed a CSUP Application and a Technical Justification Study at the offices of SEMARNAT to carry out certain mineral exploration activities at the La Prieta, San Pablo, La Pur’sima, La Unión, Tres Amigos and La Ceceña areas of the San José de Gracia Project.

On December 20, 2010, SEMARNAT approved the CSUP Application and Technical Justification Study filed by DynaMéxico with respect to the San José de Gracia Project and authorized DynaMéxico to conduct mineral exploration activities on 5.463 hectares of the San José de Gracia Project for a term of 36 months.

On March 8, 2012, the Director of Water Administration of CONAGUA certified in writing the rights of DynaMéxico to use exploit and extract 1,000,000 cubic meters of water per year from the extraction infrastructure located in San José de Gracia. CONAGUA determined that DynaMéxico’s water rights are not subject to any water rights concession or any other water extraction restriction. Water extracted by DynaMéxico will be subject to applicable levies imposed by the Mexican tax authorities under applicable tax laws.

On June 17, 2013, DynaMéxico received from SEMARNAT, the approval and permission which allows for the rehabilitation and operation of the pilot mill facility at SJG (“the SEMARNAT-SJG Mill Permit,” and, the

"SEMARNAT Permit"). Under the terms of the SEMARNAT-SJG Mill Permit, DynaMéxico will be responsible to maintain the SJG pilot mill facility, and including the adjacent tailings pond area, in compliance with the regulations described in la Norma Oficial Mexicana ("NOM-141-SEMARNAT-2003).

On July 31, 2013, SEMARNAT authorized DynaMéxico to conduct the mineral exploration activities referenced in the Preventive Exploration Notice, for a term of an additional 18 months, extending the initial term of 36 months as SEMARNAT had determined on July 10, 2010. SEMARNAT determined that such activities fall within the framework of Norm 120.

On December 31, 2013, DynaMéxico received from SEMARNAT the approval and permission which allows for mining activities and the exploitation of the San Pablo area of San Jose de Gracia.

On January 6, 2014, DynaMineras entered into a 20 Year Land Lease Agreement with the Santa Maria Ejido Community surrounding San Jose de Gracia. The 20 Year Land Lease Agreement is 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. \$74,000 USD as of April 10, 2018), commencing in 2014. Additionally, under the description of the Land Lease Agreement, DynaMineras constructed a Medical Facility at SJG during 2017. The land lease agreement provides DynaMineras with surface access to the core resource areas of SJG (4,399 hectares), and allows for all permitted test mining, pilot production and exploration activities from the owners of the surface rights (Santa Maria Ejido community).

DynaMéxico Bonding Requirements (2010)

Under the Exploration Permit issued to DynaMéxico on July 21, 2010, SEMARNAT imposed upon DynaMéxico a bonding obligation in the amount of \$134,487 Mexican Pesos to guarantee remediation and rehabilitation measures following the conclusion of the mineral exploration activities referenced in the Preventive Exploration Notice. The bond was timely posted by DynaMéxico.

Under the CSUP issued to DynaMéxico on December 20, 2010, SEMARNAT imposed upon DynaMéxico a bonding obligation of \$116,911 Mexican Pesos for reforestation and remediation measures with respect to the San José de Gracia Project. The bond was timely posted by DynaMéxico.

Water Concession

The Company has secured the Water Rights Concession for the area surrounding SJG. The Director of Water Administration of the National Water Commission of México (CONAGUA) formally certified in writing the rights of DynaResource de México, S.A. de C.V. to legally “use”, exploit and extract 1,000,000 cubic meters of water per year from the DynaMéxico extraction infrastructure located within the perimeter of the mining concessions comprising the San Jose de Gracia Mining Property in Sinaloa State, México. CONAGUA determined that the DynaMéxico water rights are not subject to any water rights concession or any other water extraction restriction. Water extracted by DynaMéxico will be subject to applicable levies imposed by the Mexican tax authorities in accordance with current Mexican tax laws.

Test Underground Mining and Pilot Mill Operations (2015)

In July 2015, the Company commenced a capital investment program designed to increase tonnage and output from the test mining operations, and to increase volume and output through the pilot mill facility. Through DynaMineras, the Company was engaged in the implementation of this capital investment program from July through December 2015.

Capital Investment (2015)

The capital investment program consisted of a net total of \$3,565,000 USD and is generally described below:

Contract Mining (\$713,000); including \$250,000 Deposit (advance for services), and \$513,000 in direct mining costs, explosives, and payments to contractor;

Mine related costs (\$290,000); including mine plan development, permits, assays, consulting, mine supplies, and equipment items expensed;

Mill and Camp (\$613,000); Improvements to the Mill and Camp, including pre-operation expenses;

Personnel Costs (\$673,000); including payroll and consulting expenses;

Equipment (\$636,000); long term equipment purchases including transportation, mine loading and hauling, generators, compressors and pumps;

Overhead (\$285,000); including legal expenses, consulting, and administration;

IVA (\$272,000); Value added taxes paid, and refundable;

Land Use and Rental (\$83,000);

Year 2017 Improvements and Expansion

During 2017 the Company initiated and completed the following capital projects at SJG to improve and expand test mining and pilot milling operations:

| | |
|---|------------|
| Medical facility (SJG Clinic): | \$107,500; |
| Expanding camp, office, and infrastructures: | \$145,500; |
| Expanding tailings pond, installing liners: | \$265,000; |
| Improving, setting new foundation, and re-installing the Denver Mill: | \$257,500; |
| Installing Mill #3: | \$258,000; |
| Machinery & Equipment: | \$200,000; |
| Transportation: | \$40,000; |

Total: \$1,273,500;

Summary of Test Mining and Pilot Mill Operations for 2015, 2016, and 2017:

| Year | Total Tonnes Mined & Processed | Reported Mill Feed Grade (g/t Au) | Reported Recovery % | Gross Gold Concentrates Produced (Au oz.) | Net Gold Concentrates Sold (Au oz.) |
|------|--------------------------------|-----------------------------------|---------------------|---|-------------------------------------|
| 2015 | 7,180 | 8.30 | 78.0% | 1,495 | 1,308 |
| 2016 | 33,172 | 12.70 | 79.7 % | 10,836 | 8,668 |
| 2017 | 35,170 | 12.95 | 85 % | 12,636 | 10,740 |

DynaMineras expects to continue to increase its test underground mining activity and pilot milling operations in 2018; and projects the increased output to 250 tons/day from the mine and mill during 2018.

Additional Test Mining and Mill Operations Disclosure

The flow sheet for obtaining and processing mineralized material is described below:

Contract Mining: Mineralize material is mined from San Pablo mine by the contract miner, and according to the formal mine plan developed by the Company.

Mining Patio: Freshly mined mineralized material is transported by the contract miner outside the San Pablo Mine to the mine patio;

Pilot Mill Facility – General Description and Flow Sheet;

Mill Patio: Mineralized material is transported by Company dump trucks and articulated dump truck to the mill patio.

Crushing Circuit: Freshly mined mineralized material is loaded from the mill patio into the crushing circuit, comprised of a jaw crusher and cone crusher; and 1/2" crushed material is fed by conveyor belt to the fine mineralized material bin. The mineralized material is then sent by conveyor belt to the primary ball mill, which is a Hardinge conical mill.

Hardinge Mill: The mineralized material is then ground to -100 mesh particle size; and then fed to a holding tank;

Holding Tank: The mineralized material is pumped from the holding tank to the cyclone;

Cyclone: The course material plus (-100 Mesh) is fed to the Ball Mill #2, the Denver Mill; and fine material less (-100 Mesh) is fed to another holding tank.

Fine Screening System (Sweco Screen): The fine mineralized material is fed from the holding tank to the Sweco Screen; the fine mineralized material less (-200 Mesh) is fed to the spirals; the oversized material is fed to Ball Mill# 2.

Denver Mill: All mineralized material reground in the Denver Mill, is then fed to the holding tank prior to the Cyclone.

Spiral Gravity Concentration: Approximately 25% of the mineralized material is fed from the spirals to the Wifley table. Approximately 75% of the mineralized material is fed from the spiral concentration to the flotation conditioning tank.

Wifley Shaking Table: The concentrate from the spirals feed the Wifley shaking table, producing a high-grade gravity concentrate. The high-grade gravity concentrate is bagged and shipped for sale. (There are no chemicals present in the gravity concentrate.) It is estimated that the gravity concentrate produced is approx. 40% of the total recovered gold; and estimated that a 300-400 g/t Au would be the final gravity concentrate grade.

Flotation Conditioning Tank: The tailings from spirals and from the Wifley table are fed to the flotation conditioning tank. A low calculation of chemicals is added, with metered feeder, directly to the flotation feed tank. Sodium sulfide, a granular solid, is added also to the agitated flotation feed tank.

Flotation Chemicals: The following chemicals are added to the flotation feed tank: Na₂S (Sodium Sulfide), 400 g/mt (solid); Aero 343 Xanthate Collector 40-80 g/mt (liquid); Cytec 7249 conditioner 50 g/mt (liquid); Cytec 4037 Conditioner 20-40 g/mt (liquid); and Aerofroth 70 or 73 Frother 30 g/mt (liquid).

Rougher Flotation: The Rougher flotation consists of a bank of 8 flotation cells (or Hybrid float cell), which is fed by the conditioning tank. The rougher concentrate recovered from the rougher float cells or the first hybrid cell is bagged for shipment and sale. A very low percentage of chemicals remains in the rougher concentrate.

Scavenger and Cleaner Concentrate: The tailings of the rougher concentrate could be fed to the scavenger and cleaner float cells (or, a second hybrid cell). The cleaner concentrate would then be bagged and shipped for sale. A very low percentage of chemicals remains in the cleaner concentrate.

Circuit Tailings: The tailings from the flotation area are fed to the tailings impoundment area. Less than 10% of chemicals added at the conditioning tank remain in the tailings slurry. Chemicals do not appear in the water of the tailings; as confirmed by analysis.

Power: A 45 KW efficient diesel generator will supply power to the camp, mill lights and to the laboratory. Two 50 KW back-up diesel generators (Selmec, Kamag) are also available for camp use.

The mill primary generator is a 310 KW Cat Diesel and there is a 455 KW Cat Diesel mill back-up generator.

Diesel fuel is stored in a 10,000-liter storage tank that feeds the two large generators by gravity flow to a common 500-liter head tank. The fuel storage tank is contained within a secondary cement impoundment with controlled and oil-trapped drainage.

Electrical: The Company is in process of connecting electrical power sufficient to supply electrical power for the camp and mill.

ITEM 3.

LEGAL PROCEEDINGS

Arbitration filed by Goldgroup / DynaMéxico Complaint against Goldgroup

On March 14, 2014, Goldgroup filed for arbitration in the United States with the American Arbitration Association ("AAA"), citing the Earn In Agreement dated September 1, 2006 as the basis for the arbitration filing. The Company filed an answer on April 10, 2014, disputing that any issues exist which provide for arbitration.

On December 9, 2014, DynaMéxico filed an Ordinary commercial lawsuit (Civil Claims) against Goldgroup Mining Inc., its parent company Goldgroup Resources Inc., and the AAA, in the Thirty Sixth Civil Court in the Federal District of México, under file 1120 number / 2014 ("the DynaMéxico Trial"). The DynaMéxico Trial seeks to terminate the U.S.-based arbitration proceedings, as DynaMéxico believes there is no legal basis for arbitration, and to nullify the arbitration proceedings since Goldgroup previously sought recourse in the Mexican courts. In the DynaMéxico Trial, DynaMéxico also requests that substantial damages (in the amount of US \$50 million) be awarded to DynaMéxico against Goldgroup for:

- a) wrongfully using and disseminating confidential information and data belonging to DynaMéxico;
- b) asserting that Goldgroup owns any interest in the San Jose de Gracia Project in northern Sinaloa, México, rather than accurately disclosing that Goldgroup owns a common shares equity interest (shareholder's interest) in DynaMéxico;
- c) improperly disclosing the percentage of common shares equity interest (shareholder's interest) owned by Goldgroup in DynaMéxico;
- d)

improperly disclosing or implying that Goldgroup is the operator of the San Jose de Gracia Project;

e) attempting to delay, stop, or otherwise impair the financing of, and further development of, the SJG Project;

f) making numerous threats against DynaMéxico management and officers;

g) failing to properly disclose that broad powers of attorney for acting on behalf of DynaMéxico are held by an individual not affiliated with Goldgroup.

On October 5, 2016, in an appellate ruling, the Thirty Sixth Civil Court of the Superior Court of Justice of the Federal District of México (Tribunal Superior de Justicia del Distrito Federal), file number 1120/2014 declared, among other resolutions, that:

(a) The AAA must “cease and desist” from the arbitration proceeding;

(b) The AAA does not have jurisdiction to hear any conflict and/or interpretation arising from the Earn In/Option Agreement, dated September 1, 2006; and

(c) The AAA does not have jurisdiction to hear disputes arising between shareholders of DynaMéxico, which disputes do

(d) not arise directly and immediately from the Earn In/Option Agreement, dated September 1, 2006.

\$48M Damages Award to DynaMéxico

Also on October 5, 2015, in an appellate ruling, DynaMéxico was awarded in excess of US \$48 million in damages from Goldgroup Resources, Inc. by virtue of a Sentencia Definitiva (the “Definitive Sentence”) issued by the Thirty Sixth Civil Court of the Superior Court of Justice of the Federal District of México (Tribunal Superior de Justicia del Distrito Federal), File number 1120/2014. The Definitive Sentence included the considerations and resolutions by the Court, and additional Resolutions were also ordered in favor of DynaMéxico (together the damages award and the additional Resolutions are referred to as, the “Oct. 5, 2015 Resolution”).

A concise translation to English of the Oct. 5, 2015 Resolution (the resolution portion of the Definitive Sentence) is set forth below:

FIRST:

The action and litigation based on commercial law filed by DynaMéxico is valid and enforceable, and where Goldgroup and the American Arbitration Association were found to be in default, was proper.

SECOND:

Goldgroup is declared in breach of its corporate duties, for failure to refrain from claiming direct ownership of 50% of the San José de Gracia Mining Project.

THIRD:

Goldgroup is condemned and ordered to pay to DynaMéxico the amount of USD \$20,000,000 (Twenty Million Dollars) in damages caused by Goldgroup to DynaMéxico, deriving from its breach of obligations in refraining from claiming direct ownership of 50% of the San Jose de Gracia Mining Project; which amount should be paid within five days upon execution of this order and resolution.

FOURTH:

Goldgroup is condemned and ordered to pay to DynaMéxico the amount of USD \$28,280,808.34 (Twenty Eight Million Two Hundred and Eighty Thousand Eight Hundred and Eight and 34/100 Dollars), for breach of its corporate duty and covenants with regards to the San Jose de Gracia mining project, as a result of depriving profits from DynaMéxico which DynaMéxico could have earned for the sale of gold produced and extracted during the years 2013 and 2014; amounts that should be paid within five days upon execution of this order and resolution.

FIFTH:

Goldgroup is condemned and ordered to pay losses and damages to DynaMéxico, which Goldgroup continues to cause, until full payment of the above-mentioned amounts has been made, which damages and losses shall be calculated by an expert opinion in a corresponding legal procedure related to this litigation.

SIXTH:

Pursuant to Article 1424 of the Commercial Code of México, the arbitration provision established under clause 8.16 of the Earn In/Option Agreement, dated as of September 1, 2006, is ineffective and impossible to execute.

SEVENTH:

This Court declares that any controversy arising from the Earn In/Option Agreement must be brought and resolved under Mexican Law and by competent Mexican Courts with proper jurisdiction, in recognition of the waiver and exclusion of the arbitration clause (contained in the Earn In/Option Agreement) by both parties.

EIGHT:

This Court declares that the American Arbitration Association must abstain from hearing arbitration procedure number 50 501 T 00226 14, or any other ongoing and/or future arbitration proceeding already filed or that may be filed by the co-defendant Goldgroup against DynaResource.

NINTH:

This Court declares that the American Arbitration Association does not have jurisdiction to hear any conflict and/or interpretation arising from the Earn In/Option Agreement, dated September 1, 2006.

TENTH:

This Court declares, that the American Arbitration Association does not have jurisdiction to hear disputes arising between shareholders of DynaMéxico, which disputes do not arise directly and immediately from the Earn In/Option Agreement, dated September 1, 2006.

ELEVENTH:

This Court declares, that the American Arbitration Association does not have jurisdiction to hear any matters where Koy Wilber Diepholz, who is the President of the Board of Directors of DynaMéxico, and has been personally sued in relation to the arbitration clause established under clause 8.16 of the Earn In/Option Agreement, dated September 1, 2006, since he signed the mentioned instrument in representation of the Company and not in his personal capacity.

TWELFTH:

The expenses and costs associated with these proceedings are hereby waived.

THIRTEENTH:

LET IT SO BE PUBLISHED. A Copy of this Order and Sentence shall be found in the corresponding record.

ORDERED, adjudged and decreed by the Thirty Sixth Civil Judge of the Superior Court of the Federal District, Mr. JULIO GABRIEL IGLESIAS GOMEZ.

The October 5, 2015 Resolution constitutes a public record which may be reviewed through the Courts in México City.

Mexico City Court Approves Lien on Shares of DynaMéxico owned by Minority Interest Holder

On October 5, 2016, the Thirty-Sixth Civil Court of the Superior Court of Justice of the Federal District of Mexico (Tribunal Superior de Justicia del Distrito Federal) approved a Lien (referred to by the court as an “Embargo”), in favor of DynaMéxico, upon Stock Certificates in the name of Goldgroup Resources Inc. (“Goldgroup”). The Stock Certificates subject to the Lien (“Embargo”) constitute Shares of DynaMéxico (“the Goldgroup DynaMéxico Shares”).

The Goldgroup DynaMéxico Shares were seized as a partial recovery of assets by DynaMéxico after DynaMéxico was awarded more than \$ 48 M USD (Forty-Eight Million Dollars) in damages against Goldgroup (the “Damages against Goldgroup”) on October 05, 2015, as described in a Sentencia Definitiva (the “Definitive Sentence”) issued by the same court, the Thirty Sixth Civil Court of the Superior Court of Justice of the Federal District of México, File number 1120/2014. Excerpts from the Definitive Sentence appear below. In addition to the Damages against Goldgroup, the Definitive Sentence also included additional Resolutions ordered in favor of DynaMéxico (the Damages against Goldgroup and the additional Resolutions are together referred to as the “Oct. 5, 2015 Resolution”).

Denial of Amparo Appeal

On August 24, 2017 a Federal Amparo Judge (“Juzgado de Distrito”) in the State of Vera Cruz, Mexico, dismissed Goldgroup Resources Inc’s Amparo Trial Challenge to the \$48 M USD damages award previously granted in favor of DynaMéxico. Pursuant to the dismissal ruling, the \$48M USD damages award, previously granted to DynaMéxico by the Thirty-Sixth Civil Court of the Superior Court of Justice of the Federal District of Mexico on October 5, 2015 – was effectively confirmed.

Arbitration Ruling

In direct contradiction to the October 5, 2015 Definitive Sentence issued by court in México, on August 25, 2016 the American Arbitration Association - International Centre for Dispute Resolution, Denver office (the “AAA”) issued an Arbitration Ruling (the “Arbitration Ruling”) in favor of Goldgroup Resources Inc. against DynaMéxico and DynaResource, Inc. The Arbitration Ruling was the result of a proceeding in which neither DynaMéxico nor DynaResource participated, since the Definitive Sentence issued by the court in México effectively prohibited their participation in the Arbitration proceeding and should have prohibited Goldgroup Resources Inc. participation as well.

The Arbitration Ruling provides the following: (i) the Earn In/Option Agreement is still in force, and consequently Goldgroup may appoint two directors to the DynaMéxico board, and may participate in the appointment of a fifth director; (ii) the DynaMéxico Management Committee is reinstated, and must approve all budgets and expenditures; (iii) amounts expended by DynaMéxico that were not approved by the Management Committee are subject to repayment by DynaResource; (iv) the issuance of additional shares by DynaMéxico (and consequent dilution of Goldgroup’s equity interest) was in violation of the Earn In/Option Agreement; and (v) DynaResource and DynaMéxico are responsible for Goldgroup’s costs and professional fees associated with the Arbitration Ruling.

Unlike the vast majority of arbitration proceedings in the U.S., the Arbitration Ruling is not final. Since the Arbitration Ruling is subject to international rules, the ruling may be vacated by U.S. courts, or simply not recognized by U.S. courts, on a number of grounds. Accordingly, both DynaMéxico and DynaResource have timely requested relief from the United States Federal District Court in Colorado, via the filing of a Petition for Nonrecognition of Foreign Arbitral Award and/or Motion to Vacate Arbitration Award (the “Petition for Nonrecognition”), and a supporting brief. The Petition for Nonrecognition relies heavily upon the Mexican court’s Definitive Sentence, key excerpts of which appear immediately below.

The Mexican court has already ruled that “any controversy arising from the Earn In/Option Agreement must be brought and resolved under Mexican Law and by competent Mexican Courts with proper jurisdiction.” Consequently, the monetary awards against DynaResource – which are based upon a finding that the Earn In/Option Agreement is still in force – will not be enforceable if the Mexican court rules that the Earn In/Option Agreement is terminated. The Company believes that the potential for the assessment of a material monetary judgment against DynaResource is remote.

SIXTH:

Pursuant to Article 1424 of the Commercial Code of México, the arbitration provision established under clause 8.16 of the Earn In/Option Agreement, dated as of September 1, 2006, is ineffective and impossible to execute.

SEVENTH:

This Court declares that any controversy arising from the Earn In/Option Agreement must be brought and resolved under Mexican Law and by competent Mexican Courts with proper jurisdiction, in recognition of the waiver and exclusion of the arbitration clause (contained in the Earn In/Option Agreement) by both parties.

EIGHT:

This Court declares that the American Arbitration Association must abstain from hearing arbitration procedure number 50 501 T 00226 14, or any other ongoing and/or future ongoing arbitration already filed or to be filed by the defendant Goldgroup, based on the Earn In/Option Agreement dated September 1, 2006.

NINTH:

This Court declares that the American Arbitration Association does not have jurisdiction to hear any conflict and/or interpretation arising from the Earn In/Option Agreement, dated September 1, 2006.

TENTH:

This Court declares, that the American Arbitration Association does not have jurisdiction to hear disputes arising between shareholders of DynaMéxico, which disputes do not arise directly and immediately from the Earn In/Option Agreement, dated September 1, 2006.

ELEVENTH:

This Court declares, that the American Arbitration Association does not have jurisdiction to hear any matters where Koy Wilber Diepholz, who is the President of the Board of Directors of DynaMéxico, and has been personally sued in relation to the arbitration clause established under clause 8.16 of the Earn In/Option Agreement, dated September 1, 2006, since he signed the mentioned instrument in representation of the Company and not in his personal capacity.

(C) The Arbitration Ruling contains an acknowledgement by the AAA that the AAA was named as a defendant in the legal demand filed by DynaMéxico in the Thirty Sixth Civil Court of the Superior Court of Justice of the Federal District of México (the “DynaMéxico Legal Demand”). The Arbitration Ruling also contains a statement that the AAA was not properly served notice of the DynaMéxico Legal Demand.

(D) DynaMéxico obeyed the October 5, 2015 Court Order, and did not attend the Arbitration hearing.

(E) DynaMéxico will pursue all legal remedies in order to obtain a full dismissal of the Arbitration Ruling.

(F) The October 5, 2015 Court Order and the \$48 million USD award of damages against Goldgroup Resources Inc. remains in full force and effect as issued. DynaMéxico is currently pursuing all available remedies in order to collect \$48 million USD in damages from Goldgroup Resources Inc. (See Court Approves Lien on Shares of DynaMéxico owned by Goldgroup Resources, above).

DynaUSA and DynaMéxico filed Motion to Vacate Arbitration Ruling

On November 17, 2016, DynaUSA and DynaMéxico filed a Motion to Vacate the Arbitration Ruling in United States District Court, District of Colorado.

Recommendation to Vacate Arbitration Ruling issued by United States Magistrate Judge

On February 13, 2018 a Recommendation to Vacate the Arbitration Ruling was issued by a United States Magistrate Judge of the United States District Court, District of Colorado.

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

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

DynaResource and DynaMéxico filed a response on January 9, 2016, and the matter is pending. DynaMéxico will vigorously defend against all such complaints by Goldgroup, as there exists no legal basis for the complaint by Goldgroup against the May 17, 2013 shareholders meeting of DynaMéxico.

Litigation(s) in México – Company as Plaintiff

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

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

ITEM 4.

MINE SAFETY DISCLOSURES

As the Company has no mines located in the United States or any of its territories, the disclosure required by this Item is not applicable.

PART II

ITEM 5.

MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company's common stock is traded on the OTC Markets under the symbol "DYNR". The following table sets forth, for the periods indicated, the high and low bid quotations which reflect inter-dealer prices, without retail mark-up or mark-down and without commissions; and may not reflect actual transactions. All amounts are denominated in U.S. dollars.

Year ended December 31, 2017 Low High

| | | |
|----------------|------|------|
| First Quarter | 1.00 | 1.60 |
| Second Quarter | 1.01 | 1.35 |
| Third Quarter | 0.90 | 1.35 |
| Fourth Quarter | 0.90 | 1.25 |

Year ended December 31, 2016 Low High

| | | |
|----------------|------|------|
| First Quarter | 1.10 | 1.65 |
| Second Quarter | 1.30 | 1.50 |
| Third Quarter | 1.41 | 1.95 |
| Fourth Quarter | 1.20 | 1.99 |

As of April 10, 2018, there were outstanding 17,722,825 shares of our common stock, which were held by approximately 569 shareholders of record. This figure does not include shareholders that hold their shares in street name or with a broker.

Dividend Policy

No cash dividends on the Company common stock have been declared or paid since the Company's inception. Payment of future dividends, if any, will be at the discretion of our Board of Directors after taking into account various factors, including the terms of any credit arrangements, our financial condition, operating results, current and anticipated cash needs and plans for growth. Our initial earnings, if any, will likely be retained to finance our growth. At the present time, we are not party to any agreement that would limit our ability to pay dividends.

During the fiscal year ended December 31, 2017, except as included in our Quarterly Reports on Form 10-Q or in our Current Reports on Form 10-K, we have not sold any equity securities not registered under the Securities Act.

During the fiscal years ended December 31, 2017 and 2016, no securities of the Company were authorized for issuance under equity compensation plans.

ITEM 6.

SELECTED FINANCIAL DATA

Not applicable.

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 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.

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, certain disclosures 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.

While these terms are recognized and required by Canadian securities legislation (under National Instrument 43-101 (“NI 43-101”), entitled Standards of Disclosure for Mineral Projects), the SEC does not recognize these terms. Investors in the United States 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 NI 43-101. 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 in the DynaMéxico NI 43-101 Technical Report and DynaMéxico 43-101 Mineral Resource Estimate (compiled for DynaResource de Mexico SA de CV), are economically or legally mineable.

Under U.S. standards, as set forth in SEC Industry Guide 7, mineralization may not be classified as a “reserve” unless a determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. The SJG Property as described in this Annual Report on Form 10-K is without known reserves. Mineral resources which are not classified as mineral reserves do not have “demonstrated economic viability.” The quantity of resources and the quality (grade) of resources reported as “Indicated” and “Inferred” mineral resources in the DynaMéxico 43-101 Mineral Resource Estimate compiled for DynaResource de Mexico SA de CV, under Canadian National Instrument 43-101 and filed by the Company with SEDAR, are not disclosed in this Form 10-Q. There has been insufficient exploration to define any mineral reserves on the SJG Property, and it is not certain if further exploration will result in the definition of mineral reserves.

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”).

We currently conduct operations in México through our operating subsidiaries. We currently own 80% of the outstanding shares of DynaResource de México, S.A. de C.V. (“DynaMéxico”). DynaMéxico owns 100% of mining concessions, equipment, camp and related facilities which comprise the San Jose de Gracia Property, in northern Sinaloa State, México. 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.

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).

In 2005, the Company formed Mineras de DynaResource S.A. de C.V. (“DynaMineras”), a wholly owned subsidiary. DynaMineras entered into an operating agreement with DynaMéxico on April 15, 2005. As a consequence of that agreement and subsequent amendments to that agreement, DynaMineras is the exclusive operating entity for the SJG Project.

Also in 2005, the Company formed another wholly owned subsidiary, DynaResource Operaciones, S.A. de C.V. (“DynaOperaciones”). DynaOperaciones entered into a personnel management agreement with DynaMineras and, as a consequence of that agreement, is the exclusive management company for personnel and consultants involved at the SJG Project.

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. Executive 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 a 20-year Surface Rights Agreement with the Santa Maria Ejido (See Surface Rights Agreement below);

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

Personnel Management Company at San Jose de Gracia;

Pilot Production Activities (2003 – 2006)

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

Technical Report According to Canadian National Instrument 43-101 (2012)

In 2012, DynaMéxico commissioned Servicios y Proyectos Mineros ("SPM") for the production of a Technical Report according to the Canadian National Instrument 43-101 ("the DynaMéxico NI 43-101 Technical Report") 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 (the "DynaMéxico NI 43-101 Mineral Resource Estimate").

Parameters Used to Estimate the DynaMéxico NI 43-101 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 DynaMéxico NI 43-101 Mineral Resource Estimate, prepared in 2012, 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. 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.

DynaMéxico NI 43-101 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 DynaMineras.

DynaMéxico NI 43-101 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 SJG Project, so the variograms for gold were used in estimation of the four other metals.

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.

DynaMéxico NI 43-101 Mineral Resource Estimate and DynaMéxico NI 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.

The Company received from DynaMéxico on February 14, 2012, a Mineral Resource Estimate according to Canadian National Instrument 43-101 for San Jose de Gracia (the "DynaMéxico NI 43-101 Mineral Resource Estimate"). The DynaMéxico NI 43-101 Mineral 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 DynaMéxico NI 43-101 Mineral Resource Estimate concentrates on four separate main vein systems at SJG: Tres Amigos, San Pablo, La Union, and La Purisima.

The DynaMéxico NI 43-101 Mineral Resource Estimate prepared by Mr. Robert Sandefur for the DynaMéxico NI 43-101 Technical Report included Indicated Resources at Tres Amigos and San Pablo. The "DynaMéxico NI 43-101 Mineral Resource Estimate also included an Inferred Resource for the four vein systems. Table summaries of Indicated and Inferred Resources are contained in the DynaMéxico NI 43-101 Mineral Resource Estimate. The DynaMéxico NI 43-101 Mineral Resource Estimate has been filed, along with the DynaMéxico NI 43-101 Technical Report, on SEDAR; but is not disclosed in this Form 10-Q.

Updated Technical Report According to Canadian National Instrument 43-101 (2012)

The Company received from DynaMéxico, an updated Technical Report according to Canadian National Instrument 43-101, which included the DynaMéxico NI 43-101 Mineral Resource Estimate (the “Updated DynaMéxico NI 43-101 Technical Report”). The Updated DynaMéxico NI 43-101 Technical Report was approved by DynaMéxico, and filed by the Company on SEDAR; but is not disclosed in this Form 10-Q.

No Known Reserves

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

Exploitation Amendment Agreement (“EAA”)

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

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

The total unpaid advances made by DynaMineras to DynaMéxico as of December 31, 2017 is \$2,539,639. And, in addition, the total balance owed by DynaMéxico to the Company as of December 31, 2017 is \$4,000,000. The EAA is the third and latest Amendment to the original Contract Mining Services and Mineral Production Agreement (the “Operating Agreement”), which was previously entered into by DynaMineras with DynaMéxico in April 2005, wherein DynaMineras was named the Exclusive Operating Entity at SJG. The Operating Agreement was previously amended in September 2006 (the “First Amendment”) and amended again at July 15, 2011 (the “Second Amendment”). The Term of the Second Amendment is 20 years, and the EAA (Third Amendment) provides for the continuation of the 20 Year Term from the date of the Second Amendment (July 15, 2011).

Surface Rights Agreement

On January 6, 2014 DynaMineras entered into a 20-year surface rights agreement with the Santa Maria Ejido Community surrounding the San Jose de Gracia Property (the “20 Year SRA”). The 20 Year SRA covers an area of 4,399 hectares surrounding the main mineral resource areas of SJG and provides for annual lease payments by DynaMineras of \$1,359,443 Pesos (approx. \$74,000 USD), commencing in 2014. The 20-year SRA provides DynaMineras with surface access to the core resource areas of SJG, and allows for all permitted mining, pilot production and exploration activities from the owners of the surface rights (Santa Maria Ejido community).

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

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

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

Test Underground Mining and Pilot Mill Operations (2015)

In July 2015, the Company commenced a capital investment program designed to increase tonnage and output from the test mining operations, and to increase volume and output through the pilot mill facility. Through DynaMineras, the Company was engaged in the implementation of this capital investment program from July through December 2015.

Capital Investment (2015)

The capital investment program consisted of a net total of \$3,565,000 USD as generally described below:

Contract Mining (\$713,000); including \$250,000 Deposit (advance for services), and \$513,000 in direct mining costs, explosives, and payments to contractor;

Mine related costs (\$290,000); including mine plan development, permits, assays, consulting, mine supplies, and equipment items expensed;

Mill and Camp (\$613,000); Improvements to the Mill and Camp, including pre-operation expenses;
 Personnel Costs (\$673,000); including payroll and consulting expenses;
 Equipment (\$636,000); long term equipment purchases including transportation, mine loading and hauling, generators, compressors and pumps;
 Overhead (\$285,000); including legal expenses, consulting, and administration;
 IVA (\$272,000); Value added taxes paid, and refundable;
 Land Use and Rental (\$83,000);

Year 2017 Improvements and Expansion

During 2017 the Company initiated capital projects at SJG in the amount of \$1,273,500 USD to improve and expand test mining and pilot milling operations:

| | |
|---|--------------|
| Medical facility: | \$107,500; |
| Expanding camp, office, and infrastructures: | \$145,500; |
| Expanding tailings pond, installing liners: | \$265,000; |
| Improving, setting new foundation, and re-installing the Denver Mill: | \$257,500; |
| Installing Mill #3: | \$258,000; |
| Machinery & Equipment: | \$200,000; |
| Transportation: | \$40,000; |
| Total: | \$1,273,500; |

Summary of Test Mining and Pilot Mill Operations for 2015, 2016, and 2017:

| Year | Total Tonnes Mined & Processed | Reported Mill Feed Grade (g/t Au) | Reported Recovery % | Gross Gold Concentrates Produced (Au oz.) | Net Gold Concentrates Sold (Au oz.) |
|------|--------------------------------|-----------------------------------|---------------------|---|-------------------------------------|
| 2015 | 7,180 | 8.30 | 78.0% | 1,495 | 1,308 |
| 2016 | 33,172 | 12.70 | 79.7 % | 10,836 | 8,668 |
| 2017 | 35,170 | 12.95 | 85 % | 12,636 | 10,740 |

DynaMineras expects to continue to increase its test underground mining activity and pilot milling operations in 2018; and projects the increased output to 250 tons/day from the mine and mill during 2018.

Structure of Company / Operations

Activities in México are conducted by Mineras de DynaResource S.A. de C.V. (“DynaMineras”); with the management of personnel being contracted by DynaMineras through to the personnel management subsidiary, DynaResource Operaciones, S.A. de C.V. (“DynaOperaciones”). Management of DynaResource, Inc. and consultants continue to manage the operating companies in México; while the Chairman/CEO of DynaUSA is the President of each of the operating companies in México. Fees for Management and administration are charged by DynaMineras and DynaOperaciones, which are eliminated in consolidation.

Exploitation Amendment Agreement

In 2013, DynaMineras, in accordance with the terms of the Exploitation Amendment Agreement, commenced the rehabilitation of the San Pablo Mine and the refurbishment of the pilot production facility at SJG. DynaMéxico received permits as discussed above for the rehabilitation and operation of the pilot mill facility and the exploitation and mining of the San Pablo area of SJG. The basis for the mining activity and the operation of the pilot mill facility are the NI 43-101 Mineral Resource Estimate, the Technical Report, the block models prepared as a result of the recent drilling activity, and the recent production history of 2003-2006.

Competitive Advantage

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

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

The Company's operating subsidiaries, DynaMineras and DynaOperaciones, receive monthly fees for management of the SJG activities and personnel. These fee amounts are eliminated in consolidation. Other than those intercompany fees, the Company reported revenue of \$10,850,091 in 2017 and \$9,496,105 in 2016.

Capital Requirements

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

Gold

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

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

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

| Year | High | Low | Average |
|------|---------|-------|---------|
| 2005 | \$536 | \$411 | \$444 |
| 2006 | \$725 | \$525 | \$604 |
| 2007 | \$841 | \$608 | \$695 |
| 2008 | \$1,011 | \$713 | \$872 |
| 2009 | \$1,213 | \$810 | \$972 |

| | | | |
|------|---------|---------|---------|
| 2010 | \$1,421 | \$1,058 | \$1,225 |
| 2011 | \$1,895 | \$1,319 | \$1,572 |
| 2012 | \$1,792 | \$1,540 | \$1,669 |
| 2013 | \$1,694 | \$1,192 | \$1,411 |
| 2014 | \$1,380 | \$1,140 | \$1,265 |
| 2015 | \$1,303 | \$1,057 | \$1,175 |
| 2016 | \$1,366 | \$1,151 | \$1,236 |
| 2017 | \$1,379 | \$1,101 | \$1,244 |

Source: Kitco, Reuters and the London Bullion Market Association

On April 10, 2018, the afternoon fixing gold price on the London Bullion Market was \$1,336 per ounce and the spot market gold price on the New York Commodity Exchange was \$1,336 per ounce.

Condition of Physical Assets and Insurance

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

Environmental Matters

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

Results for the Years Ended December 31, 2017 and 2016

Test Underground Mining and Pilot Mill Operations (2015)

In July 2015, The Company commenced a capital investment program designed to increase tonnage and output from the test mining operations, and to increase volume and output through the pilot mill facility. The Company, through DynaMineras was engaged in the implementation of this capital investment program from July through December 2015. And, as a result, the Company accomplished mining and milling volumes of 100 tons/day of mineralized material, in January 2016.

Capital Investment (2015)

The capital investment program consisted of a net total of \$3,565,000 USD and is generally described below:

Contract Mining (\$713,000); including \$250,000 Deposit (advance for services), and \$513,000 in direct mining costs, explosives, and payments to contractor;

Mine related costs (\$290,000); including mine plan development, permits, assays, consulting, mine supplies, and equipment items expensed;

Mill and Camp (\$613,000); Improvements to the Mill and Camp, including pre-operation expenses;

Personnel Costs (\$673,000); including payroll and consulting expenses;

Equipment (\$636,000); long term equipment purchases including transportation, mine loading and hauling, generators, compressors and pumps;

Overhead (\$285,000); including legal expenses, consulting, and administration;

IVA (\$272,000); Value added taxes paid, and refundable;

Land Use and Rental (\$83,000);

Year 2017 Improvements and Expansion

During 2017 the Company initiated capital projects at SJG in the amount of \$1,273,500 USD to improve and expand test mining and pilot milling operations:

Medical facility: \$107,500;

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| | |
|---|------------|
| Expanding camp, office, and infrastructures: | \$145,500; |
| Expanding tailings pond, installing liners: | \$265,000; |
| Improving, setting new foundation, and re-installing the Denver Mill: | \$257,500; |
| Installing Mill #3: | \$258,000; |
| Machinery & Equipment: | \$200,000; |
| Transportation: | \$40,000; |
| Total: | |
| \$1,273,500; | |

Summary of Test Mining and Pilot Mill Operations for 2015, 2016, and 2017:

| Year | Total Tons Mined & Processed | Reported Mill Feed Grade (g/t Au) | Reported Recovery % | Gross Gold Concentrates Produced (Au oz.) | Net Gold Concentrates Sold (Au oz.) |
|------|------------------------------|-----------------------------------|---------------------|---|-------------------------------------|
| 2015 | 7,180 | 8.30 | 78.0% | 1,495 | 1,308 |
| 2016 | 33,172 | 12.70 | 79.7 % | 10,836 | 8,668 |
| 2017 | 35,170 | 12.95 | 85 % | 12,636 | 10,740 |

DynaMineras expects to continue to increase its test underground mining activity and pilot milling operations in 2018; and projects the increased output from to 250 tons/day from the mine and mill during 2018.

Test pilot operations in 2017 yielded 35,170 Tons mined and processed from underground test mining activity and pilot milling operations; and the production of approximately 12,636 gross Oz Au, and net of dry weight adjustments at the buyer's facilities, the production of approximately 10,740 Oz Au. The Company reports net revenue of \$10,850,091 net of buyer's price discount and refining and treatment costs.

Test pilot operations in 2016 yielded 33,172 tons mined and processed from underground mining activity and pilot mill operations; and the production of approximately 10,863 gross Oz Au, and net of dry weight adjustments at buyer's facilities, the production of approximately 8,668 Oz Au. The Company reported net revenue of \$9,496,105 net of buyer's price discount and refining and treatment costs.

DynaMineras expects to continue its test underground mining activity and pilot milling operations in 2018; and projects the output of 250 tons/day from the mine and mill in 2018.

REVENUE. Revenues for the years ended December 31, 2017 and 2016 were \$10,850,091 and \$9,496,105, respectively. The Company continued the test mining and pilot mill processing at San Jose de Gracia, including the production and sale of precious metals concentrates.

PRODUCTION COSTS RELATED TO SALES. Production costs related to sales for the years ended December 31, 2017 and 2016 were \$1,120,011 and \$1,044,011, respectively. These are expenses directly related to the milling, packaging and shipping of gold and other precious metals product.

MINE PRODUCTION COSTS. Mine production costs for the years ended December 31, 2017 and 2016 were \$1,295,543 and \$734,542, respectively. These costs are directly related to the extraction of mine tonnage to be processed at the mill.

MINE EXPLORATION COSTS. Mine exploration costs for the years ended December 31, 2017 and 2016 were \$3,539,523 and \$2,006,824, respectively. These are the cost of extracting waste material to reach the materials to be extracted for processing.

MINE EXPANSION COSTS: Mine expansion costs for the years ended December 31, 2017 and 2016 were \$253,231 and \$0, respectively. These were the cost associated with preparing the San Jose de Gracia East Mine for production. The Company expects to complete the mine expansion project in the first quarter of 2018 and begin actively mining the San Jose de Gracia East mine in the second quarter.

TRANSPORTATION. Transportation costs for the years ended December 31, 2017 and 2016 were \$576,315 and \$262,755, respectively. These are the costs of transporting the product to the customer for treatment and sale.

CAMP, WAREHOUSE AND SUPPORT FACILITIES. Camp, warehouse and support facility cost for the years ended December 31, 2017 and 2016 were \$1,226,897 and \$501,044, respectively. These are the support cost of the mining facilities including housing, food, security and warehouse operations.

PRE-PILOT-PRODUCTION EXPENSES. Pre-Pilot Production Expenses for the years ended December 31, 2017 and 2016 were \$0 and \$64,795, respectively. These expenses were the expenses of the Company commencing mining and milling operations incurred prior to commencing of test mining. These expenses include refurbishment, facilitation of and cleaning of the mill and mine operations

PROPERTY HOLDING COSTS. Property holding costs for the years ended December 31, 2017 and 2016 were \$702,599 and \$504,495, respectively. These costs are concessions taxes, leases on land and other direct costs of maintaining the property.

GENERAL AND ADMINISTRATIVE EXPENSES. General and administrative expenses for the years ended December 31, 2017 and 2016 were \$2,609,675 and \$2,784,856 respectively. These are the cost of operating the Company not directly associated with the mine operations including management, accounting and legal expenses.

OTHER INCOME (EXPENSE). Other income for the years ended December 31, 2017 and 2016 was \$3,155,274 and \$(19,985), respectively. Included in this category in 2016 is interest expense of \$(119,532), other expense of \$(156,882), Change in Derivative Liability of \$276,647, and currency transaction gain or (loss) of \$(20,218). Included in this category in 2017 is interest expense of \$(158,944), change in derivative of \$1,924,582 and currency transaction gain or (loss) of \$1,388,573.

NON-CONTROLLING INTEREST. The non-controlling interest portion of the net loss for the years ended December 31, 2017 and 2016 was \$125,501 and \$347,179, respectively. This represents the non-controlling interest share of DynaMéxico's loss.

OTHER COMPREHENSIVE INCOME (LOSS). Comprehensive income (loss) includes the Company's net income (loss) plus the unrealized currency translation gain (loss) for the period. The Company's other comprehensive loss for the years ended December 31, 2017 and 2016 consisted of unrealized currency losses of \$(1,781,733) and \$(147,757) respectively.

Liquidity and Capital Resources

As of December 31, 2017, the Company had working capital of \$(1,824,854), comprised of current assets of \$5,530,670 and current liabilities of \$7,355,524, of which \$3,181,508 is a derivative liability. This represents an increase of \$2,468,075 from the working capital maintained by the Company of \$(4,142,929) (as restated – see note 17) with a derivative liability of \$5,106,090 as of December 31, 2016. The primary reason for this deficit is recognition of financial statement derivatives incurred in the issuance of Preferred C shares in 2015. The Company continued to ramp up the operations to the refurbishment of the pilot mill facility and the rehabilitation of the San Pablo mine at San Jose de Gracia.

Net cash provided (used) in operations for the year ended December 31, 2017 was \$2,058,586 compared to \$535,136 in the year ended December 31, 2016. This was primarily due to the large accrual for back concession taxes.

Net cash (used) in investing activities for the years ended December 31, 2017 and 2016 was \$(1,273,189) and \$(145,030), respectively. The increase was due to the mining expansion project consisting primarily of the refurbishing of one of the Company's Mill and the construction of a new third meal, expansion of the camp facilities to accommodate double the manpower and mining capacity, the buildings of a tailing ponds, and the purchase of numerous machinery and equipment for the expansion.

Cash provided (used) provided by financing activities for the year ended December 31, 2017 was \$2,328,106 compared to (\$310,000) for the year ended December 31, 2016. The primary components for the year ended December 31, 2017 was the exercise of 1,000,000 Warrants at \$2.50/share and the repayment of promissory note and payment of long term debt compared to the year ended December 31, 2016 consisting of the repayment of a note for \$150,000 and dividends paid of \$160,000. Proceeds from financing were utilized to refurbish the pilot mill facility and to rehabilitate the San Pablo mine, and to prepare to process bulk mined samples through the mill facility.

Non-controlling Interest

Under the terms of the Earn In Agreement (September 1, 2006 to March 15, 2011), Goldgroup Mining Inc. and its wholly owned subsidiary Goldgroup Resources, Inc. (Goldgroup), through 2010, had contributed capital to DynaMéxico in order to acquire 25% of the outstanding shares (a shareholder interest) of DynaResource de México, S.A. de C.V. (DynaMéxico). In March 2011, Goldgroup had contributed a total of \$18 M USD capital to DynaMéxico in order to acquire a total of 50% of the outstanding shares (a shareholder interest) of DynaMéxico. From March 2011 through May 2013, Goldgroup owned 50% of the outstanding shares of DynaMéxico, and since May 2013 to current

date Goldgroup owns 20% of the outstanding shares of DynaMéxico. The applicable portion of the earnings or loss attributable to Goldgroup is offset in this section. In the years ended December 31, 2017 and 2016 the portion of the net loss attributable to Goldgroup was \$(125,501) and \$(347,179), respectively.

Off-Balance Sheet Arrangements

As of December 31, 2017, we did not have any off-balance sheet arrangements (as that phrase is defined by SEC rules applicable to this report) which have or are reasonably likely to have a material adverse effect on our financial condition, results of operations or liquidity.

Plan of Operation

The Plan of operation for the next twelve months includes DynaMineras continuing the improvement and expansion of the test mining and pilot milling operations at SJG. The Company funds its general and administrative expenses in the US. The Company's operating subsidiaries, DynaMineras and DynaOperaciones, receive monthly fees for management of SJG activities and personnel. These amounts are eliminated in consolidation. The Company believes that cash on hand, and including cash flow generated from its current operations, is adequate to fund its ongoing general and administrative expenses through 2018. The Company may seek additional debt funding during the next 24 months depending on results of its pilot operations, market conditions, and other factors.

Capital Expenditures

The Company's primary activities relate to the exploitation of the SJG property through its 100% owned operating subsidiary, DynaMineras. DynaMineras is conducting activities at SJG under the terms of the Exploitation Amendment Agreement (the "EAA", or, "operating agreement") with DynaMéxico.

Sampling Process-Core Drill Holes

The geological data reported from core drill holes contained in this report was verified by an appropriate quality control person using industry standard quality controls and quality assurance protocols utilized in exploration activities. Standard reference samples and various duplicates are inserted in each batch of assays. Drill core samples are cut by saw on site and samples splits are prepared for shipment, sealed and then shipped for assaying. Samples were sent to a certified assayer (Inspectorate Exploration & Mining Services Ltd., Vancouver, BC.) and analyzed for gold by fire assay and for silver and 34 other trace and major elements in accordance with standard industry practices.

Drilling Programs

In the period September 2006 through December 31, 2011, funding from Goldgroup provided for DynaMéxico's completing approximately 68,741 meters drilling at San Jose de Gracia, resulting in a defined NI 43-101 Mineral Resource Estimate as described in the 2012 DynaMéxico-CAM SJG Mineral Resource Estimate. The Company expects DynaMineras to plan continued and subsequent drilling programs at San Pablo, Tres Amigos, La Ceceña, Palos Chinos, La Union, La Purisima, and La Prieta / Rosario / Rudolpho. The Company expects further drilling programs to confirm extensions to mineralization in all directions and down dip from the main target areas.

Mineralization at San José de Gracia

The Company was informed by DynaMéxico that it had outlined significant mineralization from drilling activity at San Pablo, Tres Amigos, La Union, and La Purisima areas of SJG as described in the recent NI 43-101 2012 DynaMéxico-CAM SJG Mineral Resource Estimate. Further drilling is expected to outline additional mineralization at these 4 major target areas at SJG, while additional mineralization is also expected to be defined at La Prieta and the area Northeast of Tres Amigos. Other areas at SJG indicate clear potential to develop additional mineralization.

No Known Reserves

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

Exploitation Amendment Agreement ("EAA")

On May 15, 2013, DynaMineras entered into an Exploitation Amendment Agreement ("EAA") with DynaMéxico. The EAA grants to DynaMineras the right to finance, explore, develop and exploit the SJG Property, in exchange for: (A) Reimbursement of all costs associated with financing, maintenance, exploration, development and exploitation of the SJG Property, which costs are to be charged and billed by DynaMineras to DynaMéxico; and, (B) After Item (A) above, the receipt by DynaMineras of 75% of gross receipts received by DynaMéxico from the sale of all minerals produced from SJG, to the point that DynaMineras has received 200% of its advanced funds; and, (C) after items (A) and (B) above; the receipt by DynaMineras of 50% of all gross receipts received by DynaMéxico from the sale of all minerals produced from SJG, and throughout the term of the EAA; and, (D) in addition to Items (A), (B), and (C) above, DynaMineras shall receive a 2.5% NSR ("Net Smelter Royalty") on all minerals sold from SJG over the term of

the EAA. The total Advances made by DynaMineras to DynaMéxico as of December 31, 2014 is \$4,025,000. The EAA is the third and latest Amendment to the original Contract Mining Services and Mineral Production Agreement (the “Operating Agreement”), which was previously entered into by DynaMineras with DynaMéxico in April 2005, wherein DynaMineras was named the Exclusive Operating Entity at SJG. The Operating Agreement was previously amended in September 2006 (the “First Amendment”) and amended again at July 15, 2011 (the “Second Amendment”). The Term of the Second Amendment is 20 years, and the EAA (Third Amendment) provides for the continuation of the 20 Year Term from the date of the Second Amendment (July 15, 2011).

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 and as the President of DynaMineras. 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.

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

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

Capital Advances to Subsidiaries

DynaResource de México (“DynaMéxico”)

In May 2013, the Company acquired additional shares in the outstanding equity in DynaMéxico in exchange for the retirement of accounts receivable of \$2,393,803, which amount was due from DynaMéxico at December 31, 2012. As a result, as of May 17, 2013, the Company owns 80% of the outstanding equity of DynaMéxico.

At December 31, 2014, the Company issued 1,333,333 shares of its common stock to DynaMineras in exchange for \$4,000,000 receivable it held from DynaMéxico.

As of December 31, 2017, and December 31, 2016 DynaMineras owed the Company \$6,346,500 and \$6,525,000, respectively.

As of December 31, 2017, and December 31, 2016 DynaMéxico owed the Company \$4,000,000 and \$4,000,000, respectively.

As of December 31, 2017, and December 31, 2016 DynaOperaciones owed the Company \$225,000 and \$225,000, respectively.

As of December 31, 2017, and December 31, 2016 DynaMéxico owed DynaMineras \$2,539,639 and \$2,125,000, respectively.

As of December 31, 2017, and December 31, 2016 DynaOperaciones owed DynaMineras \$6,077,325 and \$3,580,249, respectively.

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

Future Advances to DynaMineras and DynaMéxico from the Company

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

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

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

Note Receivable and Investments in Affiliate

DynaResource Nevada, Inc., a Nevada Corporation (“DynaNevada”), with one operating subsidiary in México, DynaNevada de México, S.A. de C.V. (“DynaNevada de México”) have common officers, directors and shareholders. The total amount loaned by the Company to DynaNevada at December 31, 2010 was \$805,760. The terms of the Note Receivable provided for a “Convertible Loan,” repayable at 5% interest over a 3-year period, and convertible at the Company’s option into Common Stock of DynaNevada at \$0.25 / Share. On December 31, 2010, the Company converted its receivable from DynaNevada into 3,223,040 Shares of DynaNevada; and as a result, the Company owns 19.92% of the outstanding share capital of DynaNevada. DynaNevada is a related entity, and through its subsidiary in México (DynaNevada de México), (“DynaNevada de México”), has entered into an Option agreement with Grupo México (“IMMSA”) in México, for the exploration and development of approximately 3,000 hectares in the State of San Luis Potosi (“the Santa Gertrudis Property”). In March 2010, DynaNevada de México completed the Option with IMMSA so that it now owns 100% of Santa Gertrudis. In June 2010, DynaNevada de México acquired an additional 6,000 Hectares in the State of Sinaloa (“the San Juan Property”). The Company has loaned additional funds to DynaNevada since 2010 for maintenance of concessions and other nominal required fees and expenses. The Company had a receivable from DynaResource Nevada, Inc. of \$0 and \$0 at December 31, 2017 and 2016 respectively. The Company has investment balance in DynaResource Nevada, Inc. of \$70,000 and \$70,000 as of December 31, 2017 and 2016, respectively.

Minority Interest Holder in DynaMéxico Attempts to Interfere with Activities at San Jose de Gracia (2016)

Goldgroup Mining Inc., Vancouver, BC. (“GGA.TO” – “Goldgroup Mining”), a Minority Interest Holder in DynaMéxico through a Mexican subsidiary Goldgroup Resources Inc., issued a press release on June 27, 2016 claiming to announce a closing of mining operations at the SJG Project, which was misleading, deceptive, and proved to be false. Goldgroup Mining issued the June 27 press release without independently confirming the facts – and admitted its failure to confirm the facts in the release. DynaMéxico corrected the misleading press release issued by Goldgroup Mining as described below:

1. DynaMéxico herein states the facts:

(a) Following an unscheduled inspection of the mining operations at the SJG Project on June 26, 2016 by a Sinaloa State governmental agency, an order of temporary work stoppage was quickly overturned by Sinaloa State court order.

(b) The Sinaloa State Court ruled that the unscheduled inspection and the temporary suspension of mining operations at the SJG Project, were improper. The Sinaloa State Court further ordered the immediate removal of the temporary suspension.

(c) Following the Sinaloa State Court Order, all mining operations at SJG promptly resumed normal activities.

2. DynaMéxico herein states further facts:

(a) Following a second unscheduled inspection of the mining and milling operations at the SJG Project on August 18, 2016 by a Sinaloa State governmental agency, an order of temporary work stoppage was quickly overturned by a second Sinaloa State court order.

(b) The Sinaloa State Court ruled that the unscheduled inspection and the temporary suspension of mining and milling operations at the SJG Project, were again improper. Once again, the Sinaloa State Court further ordered the immediate removal of the temporary suspension.

(c) Following the second Order issued by the Sinaloa State Court, all mining and milling operations at SJG once again promptly resumed normal activities.

3. The award of damages in excess of \$48 million USD against Goldgroup Resources Inc. (“Goldgroup Resources”, a wholly owned subsidiary of Goldgroup Mining Inc.), by virtue of a sentence issued on October 5, 2015 by the Thirty Sixth Civil Court of the Superior Court of Justice of the Federal District of México, remains as ordered by the court.

4. On October 5, 2016, the Thirty-Sixth Civil Court of the Superior Court of Justice of the Federal District of Mexico (Tribunal Superior de Justicia del Distrito Federal) approved a Lien (referred to by the court as an “Embargo”), in favor of DynaMéxico, upon Stock Certificates in the name of Goldgroup Resources Inc. (“Goldgroup”). The Stock Certificates subject to the Lien (“Embargo”) constitute Shares of DynaMéxico (“the Goldgroup DynaMéxico Shares”).

(a) Goldgroup Mining Inc., the parent company (“Goldgroup Mining”), has not disclosed the \$48 million award of damages, Nor the Lien against the Shares, nor has Goldgroup Mining disclosed the unsuccessful efforts of its subsidiary to challenge the \$ 48 million damages award, in its Annual Information Form -- the equivalent of its annual report to shareholders.

(b) An unrelated lawsuit, in which the amount in controversy was only \$3 million, was disclosed by Goldgroup Mining Inc.

(c) Goldgroup Resources currently holds a minority interest in the outstanding share capital of DynaMéxico. Goldgroup Resources has challenged this level of ownership through the legal system, but this challenge has also been unsuccessful. The ownership of Goldgroup Resources in the capital of DynaMéxico remains at 20%.

(d) Goldgroup Mining, the parent company, has not disclosed the unsuccessful efforts of Goldgroup Resources to challenge this ownership level in DynaMéxico, in its Annual Information Form.

(e) Since 2005, the exclusive operator of the SJG Project, under contract with (and an affiliate of) DynaMéxico, is Mineras de DynaResource S.A. de C.V. (“DynaMineras”). This operating control of the SJG Project has continued uninterrupted since 2005, before Goldgroup Resource contributed any capital investment to DynaMéxico.

(f) Goldgroup Mining, the parent company, has not disclosed that DynaMineras has operating control of the SJG Project, in its Annual Information Form.

(g) Since 2000, the President of DynaMéxico holds broad powers of attorney granted by the shareholders of DynaMéxico. The powers of attorney give the President broad authority to act for DynaMéxico. The powers of attorney existed before Goldgroup Resources contributed any capital investment to DynaMéxico.

(h) Goldgroup Mining, the parent company, has not disclosed the existence of the powers of attorney held by the President of DynaMéxico, in its Annual Information Form.

DynaMéxico’s further clarifying statements regarding the SJG Project:

(a) In recent years, Goldgroup Mining and Goldgroup Resources (“Goldgroup”) have continuously misrepresented ownership interest and shareholder position related to DynaMéxico and the SJG Project;

(b) DynaMéxico, since May 2000, owns 100% of the mining concessions and related interest comprising the SJG Project;

(c) At no time has Goldgroup owned any interest in the SJG Project; rather its only ownership interests have been earned under agreement as a common shares equity interest (shareholder’s interest) of DynaMéxico;

(d) DynaResource, Inc., Irving, Texas (OTCQB: DYNR - "DynaUSA") currently owns 80% of the outstanding share Capital of DynaMéxico; Goldgroup currently owns 20% of the outstanding share capital of DynaMéxico;

(e) At no time during its involvement as a common shares equity interest holder (shareholder) of DynaMéxico, has Goldgroup been an operator at the SJG Project;

(f)

There is no joint venture agreement with Goldgroup involving the SJG Project;

(g) Since the earning of its shareholder's interest in DynaMéxico (March 2011), Goldgroup has continuously refused to contribute funds to the ongoing maintenance, advance, and further development of the SJG Project;

(h) Consistently and continuously since March 2011, Goldgroup has sought to, and threatened to stop, delay, or otherwise impair and negatively impact the financing, maintenance, advance and further development of the SJG Project;

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

ITEM 7A.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Not applicable.

ITEM 8.

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Incorporated into and forming an integral part of this Form 10-K are the audited financial statements for the Company for the years ended December 31, 2017 and 2016. The financial statements as of December 31, 2017 of the Company included in this Form 10-K have been audited by Whitley Penn LLP, an independent registered public accounting firm, as set forth in their report. The financial statements as of December 31, 2016 of the Company included in this Form 10-K have been audited by MaloneBailey, LLP, an independent registered public accounting firm, as set forth in their report. The financial statements have been included in reliance upon the authority of them as experts in accounting and auditing.

Financial Statements included in the Form 10-K:

Reports of Independent Registered Public Accounting Firms

Consolidated Balance Sheets as of December 31, 2017 and 2016

Consolidated Statements of Operations for the Years Ended December 31, 2017 and 2016

Consolidated Statement of Changes in Stockholders' Equity (Deficit) for the Years Ended December 31, 2017 and 2016

Consolidated Statements of Cash Flows for the Years Ended December 31, 2017 and 2016

Notes to the Consolidated Financial Statements for the Years Ended December 31, 2017 and 2016

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors, Management, and Stockholders of
DynaResource, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of DynaResource, Inc. and subsidiaries (the “Company”) as of December 31, 2017, and the related consolidated statements of income and comprehensive income, changes in stockholders’ equity (deficit), and cash flows for the year then ended, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

We have served as the Company's auditor since 2018.

/s/ Whitley Penn LLP
Dallas, Texas
April 16, 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Management of
DynaResource, Inc.
Irving, Texas

We have audited the accompanying consolidated balance sheet of DynaResource, Inc. (a Delaware Corporation) and its subsidiaries (collectively, the “Company”) as of December 31, 2016, and the related consolidated statements of operations and comprehensive loss, shareholders’ equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DynaResource, Inc. and its subsidiaries as of December 31, 2016, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ MaloneBailey, LLP
www.malonebailey.com
Houston, Texas
April 26, 2017

DYNARESOURCE, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016

| | 2017 | 2016 |
|---|---------------------|--------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and Cash Equivalents | \$3,528,735 | \$2,197,005 |
| Accounts Receivable | 323,315 | 454,140 |
| Inventories | 907,982 | 561,238 |
| Foreign Tax Receivable | 732,241 | 1,083,364 |
| Other Current Assets | 38,397 | 73,871 |
| Total Current Assets | 5,530,670 | 4,369,618 |
| Mining Equipment and Fixtures (Net of Accumulated Depreciation of \$974,154 and \$821,132) | 1,698,070 | 578,743 |
| Mining Concessions | 4,132,678 | 4,132,678 |
| Investment in Affiliate | 70,000 | 70,000 |
| Other Assets | 61,894 | 15,450 |
| TOTAL ASSETS | \$11,493,312 | \$9,166,489 |
| LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT) | | |
| Current Liabilities: | | |
| Accounts Payable | \$803,291 | \$851,197 |
| Accrued Expenses | 2,059,199 | 1,367,510 |
| Due to Non-Controlling Interest | 231,500 | 231,500 |
| Derivative Liabilities | 3,181,508 | 5,106,090 |
| Convertible Notes Payable | 950,625 | 956,250 |
| Current Portion of Long Term Debt | 129,401 | - |
| Total Current Liabilities | 7,355,524 | 8,512,547 |
| Long Term Debt, Less Current Portion | 237,910 | - |
| TOTAL LIABILITES | 7,593,434 | 8,512,547 |
| Preferred Stock, Series C, \$0.0001 per value, 1,733,221 shares Authorized, issued and outstanding | 4,333,053 | 4,333,053 |
| STOCKHOLDERS' EQUITY (DEFICIT) | | |
| Preferred Stock, Series A, \$0.0001 par value, 1,000 shares authorized, issued and outstanding | 1 | 1 |
| Common Stock, \$0.01 par value, 25,000,000 shares authorized | | |

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| | | |
|--|--------------|--------------|
| 17,722,825 and 16,722,825 issued and outstanding | 177,228 | 167,228 |
| Preferred Rights | 40,000 | 40,000 |
| Additional Paid In Capital | 56,622,159 | 55,083,783 |
| Treasury Stock, 778,980 and 1,112,313 shares | (2,223,891) | (3,175,515) |
| Accumulated Other Comprehensive income | 1,265,853 | 3,771,532 |
| Accumulated Deficit | (50,898,357) | (53,551,567) |
| Total DynaResource Inc. Stockholders' Equity | 4,982,993 | 2,335,462 |
| Non-Controlling Interest | (5,416,168) | (6,014,573) |
| TOTAL EQUITY (DEFICIT) | (433,175) | (3,679,111) |
| | | |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$11,493,312 | \$9,166,489 |

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

DYNARESOURCE, INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

| | 2017 | 2016 |
|--|--------------|-------------|
| REVENUE | \$10,850,091 | \$9,496,105 |
| COSTS AND EXPENSES OF MINING OPERATIONS | | |
| Production Cost Applicable to Sales | 1,120,011 | 1,044,011 |
| Mine Production Costs | 1,295,543 | 734,542 |
| Mine Exploration Costs | 3,539,523 | 2,006,824 |
| Mine Expansion Costs | 253,231 | - |
| Camp, Warehouse and Facilities | 1,226,897 | 501,044 |
| Transportation | 576,315 | 262,755 |
| Pre-Pilot Production Costs | - | 64,795 |
| Property Holding Costs | 702,599 | 504,495 |
| General and Administrative | 2,609,675 | 2,784,856 |
| Depreciation and Amortization | 153,862 | 77,638 |
| Total Operating Expenses | 11,477,656 | 7,980,960 |
| NET OPERATING INCOME (LOSS) | (627,565) | 1,515,145 |
| OTHER INCOME (EXPENSE) | | |
| Foreign Currency Gains (Losses) | 1,388,573 | (20,218) |
| Interest Expense | (158,944) | (119,532) |
| Derivatives Mark-to-Market Gain | 1,924,582 | 276,647 |
| Other Income (Expense) | 1,063 | (156,882) |
| Total Other Income (Expense) | 3,155,274 | (19,985) |
| NET INCOME BEFORE TAXES | 2,527,709 | 1,495,160 |
| PROVISION FOR INCOME TAXES | - | - |
| NET INCOME | \$2,527,709 | \$1,495,160 |
| DEEMED DIVIDEND FOR SERIES C PREFERRED | (173,320) | (173,797) |
| LOSS ATTRIBUTABLE TO NON-CONTROLLING INTEREST | 125,501 | 347,179 |
| NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS | \$2,479,890 | \$1,668,542 |
| EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF DYNARESOURCE, INC. | | |
| Basic Earnings Per Common Share | \$0.15 | \$0.10 |
| Weighted Average Shares Outstanding - Basic | 17,076,250 | 16,722,825 |
| Diluted Earnings Per Common Share | \$0.14 | \$0.10 |
| Weighted Average Shares Outstanding - Diluted | 18,943,790 | 18,560,464 |

| | | |
|--------------------------------------|-------------|-------------|
| OTHER COMPREHENSIVE INCOME (LOSS) | | |
| Foreign Currency Translation Loss | (1,781,773) | (147,757) |
| TOTAL OTHER COMPREHENSIVE LOSS | (1,781,773) | (147,757) |
| | | |
| TOTAL COMPREHENSIVE INCOME | \$745,936 | \$1,347,403 |
| | | |
| ATTRIBUTABLE TO: | | |
| EQUITY HOLDERS OF DYNARESOURCE, INC. | \$147,531 | \$791,777 |
| NON-CONTROLLING INTEREST | \$598,405 | \$555,626 |

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

DYNARESOURCE, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

| | Preferred Series A Shares | Series A Amount | Common Shares | Common Amount | Preferred Rights | Paid In Capital | Treasury Shares | Treasury Amount | Accumulated Comprehensive Income |
|-------------------------------------|---------------------------------|-----------------------|------------------|------------------|---------------------|--------------------|--------------------|--------------------|--|
| Balance, December 31, 2015 | 1,000 | \$1 | 16,722,825 | \$167,228 | \$40,000 | \$55,083,783 | 1,112,313 | \$(3,175,515) | \$4,822,094 |
| Other Comprehensive Income | | | | | | | | | (1,050,562) |
| Paid Dividend on Pref Shares | | | | | | | | | |
| Net Income | | | | | | | | | |
| Balance, December 31, 2016 | 1,000 | 1 | 16,722,825 | 167,228 | 40,000 | 55,083,783 | 1,112,313 | (3,175,515) | 3,771,532 |
| Sale of Common Stock for Cash | | | 1,000,000 | 10,000 | | 2,490,000 | | | |
| Issuance of Treasury Shares | | | | | | (951,624) | (333,333) | 951,624 | |
| Other Comprehensive Income | | | | | | | | | (2,505,679) |
| Net Income | | | | | | | | | |
| Balance, December 31, 2017 | 1,000 | \$1 | 17,722,825 | \$177,228 | \$40,000 | \$56,622,159 | 778,980 | \$(2,223,891) | \$1,265,853 |

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

DYNARESOURCE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

| | 2017 | 2016 |
|--|--------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net Income | \$2,527,709 | \$1,495,160 |
| Adjustments to reconcile net income to cash provided by operating activities | | |
| Change in Derivatives | (1,924,582) | (276,647) |
| Depreciation and Amortization | 153,862 | 77,638 |
| Write off of Receivable from Affiliate | - | 157,679 |
| Change in Operating Assets and Liabilities | | |
| Accounts Receivable | 130,825 | (366,861) |
| Inventories | (346,744) | (529,405) |
| Foreign Tax Receivable | 351,123 | (643,604) |
| Other Assets | (10,970) | (79,698) |
| Accounts Payable | (47,906) | 63,587 |
| Accrued Expenses | 1,225,269 | 637,287 |
| CASH FLOWS PROVIDED BY OPERATING ACTIVITIES | 2,058,586 | 535,136 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of Equipment | (1,273,189) | (145,030) |
| CASH FLOWS USED IN INVESTING ACTIVITIES | (1,273,189) | (145,030) |
| CASH FLOW FROM FINANCING ACTIVITIES: | | |
| Proceeds from Sale of Common Stock | 2,500,000 | - |
| Payment of Dividends | - | (160,000) |
| Payments of Promissory Notes - Related Parties | (5,625) | (150,000) |
| Payments of Long Term Debt | (166,269) | - |
| CASH FLOW PROVIDED BY (USED IN) FINANCING ACTIVITIES | 2,328,106 | (310,000) |
| Effects of Foreign Exchange | (1,781,773) | 194,300 |
| NET INCREASE IN CASH | 1,331,730 | 274,406 |
| CASH AT BEGINNING OF PERIOD | 2,197,005 | 1,922,599 |
| CASH AT END OF PERIOD | \$3,528,735 | \$2,197,005 |
| SUPPLEMENTAL DISCLOSURES | | |
| Cash Paid for Interest | \$158,686 | \$119,532 |
| Cash Paid for Income Taxes | \$- | \$- |
| NON-CASH TRANSACTION | | |
| Issuance of Treasury Shares | \$951,624 | \$- |
| Conversion of Accounts Payable to Long-Term Debt | \$533,580 | \$- |

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

DYNARESOURCE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities, History and Organization

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 production of precious metals.

In 2000, the Company formed a wholly owned subsidiary, DynaResource de México S.A. de C.V., chartered in México (“DynaMéxico”). This Company was formed to acquire, invest in and develop resource properties in México. DynaMéxico owns a portfolio of mining concessions that currently includes its interests in the San José de Gracia Project (“SJG”) in northern Sinaloa State, México. The SJG District covers 69,121 hectares (170,802 acres) on the west side of the Sierra Madre mountain range. The Company currently owns 80% of the outstanding capital of DynaMéxico.

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 Finesterra S.A. de C.V., “DynaMineras”). The Company owned 25% of DynaMineras and acquired effective control of DynaMineras by acquiring the option to purchase the remaining 75% of the Shares of DynaMineras. The Company finalized the option and acquisition of DynaMineras in January 2010, and now owns 100% of DynaMineras. The results of these subsidiaries are consolidated with those of the Company.

From January 2008 through March 2011, DynaMéxico issued 100 Variable Capital Series “B” shares to Goldgroup Resources, Inc., a wholly owned subsidiary of Goldgroup Mining Inc. Vancouver BC (“Goldgroup”), in exchange for Goldgroup’s contribution of \$18,000,000 to DynaMéxico. At March 14, 2011, Goldgroup owned 50% of the outstanding capital shares of DynaMéxico.

On June 21, 2013, DynaResource acquired a Certificate for 300 Series “B” Variable Capital Shares of DynaMéxico, in exchange for the settlement of accounts receivable from DynaMéxico in the amount of \$31,090,710 Mexican Pesos (approximately \$2.4 million USD). After the issuance and receipt of the 300 Series B Shares, DynaUSA holds 80% of the total outstanding Capital of DynaMéxico.

The Company elected to become a voluntary reporting issuer in Canada in order to avail itself of Canadian regulations regarding reporting for mining properties and, more specifically, National Instrument 43-101 (“NI 43-101”). This regulation sets forth standards for reporting resources in a mineral property and is a standard recognized in the mining industry.

Reclassifications and Adjustments

Certain financial statement reclassifications have been made to prior period balances to reflect the current period’s presentation format; such reclassifications had no impact on the Company’s consolidated statements of income or consolidated statements of cash flows and had no material impact on the Company’s consolidated balance sheets. Certain prior year balances have been adjusted to reflect a correction for unrecorded liabilities. See Note 17.

Significant Accounting Policies

The Company's management selects accounting principles generally accepted in the United States of America and adopts methods for their application. The application of accounting principles requires the estimating, matching and timing of revenue and expense. The accounting policies used conform to generally accepted accounting principles which have been consistently applied in the preparation of these financial statements.

The financial statements and notes are representations of the Company's management which is responsible for their integrity and objectivity. Management further acknowledges that it is solely responsible for adopting sound accounting practices, establishing and maintaining a system of internal accounting control and preventing and detecting fraud. The Company's system of internal accounting control is designed to assure, among other items that: 1) recorded transactions are valid; 2) valid transactions are recorded; and 3) transactions are recorded in the proper period in a timely manner to produce financial statements which present fairly the financial condition, results of operations and cash flows of the Company for the respective periods presented.

Basis of Presentation

The Company prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States.

Principles of Consolidation

The financial statements include the accounts of DynaResource, Inc., as well as DynaResource de México, S.A. de C.V. (80% ownership), DynaResource Operaciones S.A. de C.V. (100% ownership) and Mineras de DynaResource S.A. de C.V. (100% ownership). All significant inter-company transactions have been eliminated. All amounts are presented in U.S. Dollars unless otherwise stated.

Non-Controlling Interest

The Company's subsidiary, DynaResource de México S.A. de C.V, is 20% owned by Goldgroup Mining, Inc. On May 17, 2013, the ownership changed from 50% to 20%. The Company accounts for this outside interest as "non-controlling interest".

Investments in Affiliates

The Company owns a 19.95% interest in DynaResource Nevada, Inc., a Nevada Corporation ("DynaNevada"), with one operating subsidiary in México, DynaNevada de México, S.A. de C.V. ("DynaNevada de México"), together "DynaNevada". The Company accounts for this investment using the cost basis. The Company has significant influence over DynaNevada, but not control, due to the lack of a majority voting interest in the entity. DynaNevada has been dormant for several years. DynaUSA has no plan or intention of future funding with DynaNevada nor are any other transactions with DynaNevada contemplated at this time. The Company therefore accounts for this investment using the cost basis. The investment was \$70,000 and \$70,000 at December 31, 2017 and 2016, respectively.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents. At times, cash balances may be in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limits.

Accounts Receivable and Allowances for Doubtful Accounts

The allowance for accounts receivable is recorded when receivables are considered to be doubtful of collection. As of December 31, 2017, and 2016, respectively, no allowance has been made.

Foreign Tax Receivable

Foreign Tax Receivable is comprised of recoverable value-added taxes ("IVA") charged by the Mexican government on goods and services rendered. Under certain circumstances, these taxes are recoverable by filing a tax return. Amounts paid for IVA are tracked and held as receivables until the funds are remitted. The total amounts of the IVA receivable as of December 31, 2017 and December 31, 2016 are \$732,241 and \$1,083,364, respectively.

Inventory

Inventories are carried at the lower of cost or net realizable value and consist of mined tonnage, and gravity and flotation concentrates, and gravity tailings or flotation feed material. The inventories are \$907,982 and \$561,238 as of December 31, 2017 and December 31, 2016, respectively.

Proven and Probable Reserves (No Known Reserves)

The definition of proven and probable reserves is set forth in SEC Industry Guide 7 ("Industry Guide 7"). Proven reserves for which (1) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes, grade and/or quality are computed from the results of detailed sampling and (2) the sites for inspection, sampling and measurement are spaced so closely and the geological character is so well defined that size, shape, depth and mineral content of the reserves are well-established. Probable reserves are reserves for which quantity and grade and/or quality are computed from information similar to that used for proven (measured) reserves, but the sites for inspection, sampling, and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance,

although lower than that for proven (measured) reserves, is high enough to assume continuity between points of observations.

As of December 31, 2017, none of the Company's properties contain resources that satisfy the definition of proven and probable reserves. The Company classifies the development of its properties, including the San Jose de Gracia Property, as exploration stage projects since no proven or probable reserves have been established under Industry Guide 7.

Property

Substantially all costs, including design, engineering, construction, and installation of equipment are expensed as incurred as the Company has not established proven and probable reserves on any of its properties. Only certain types of equipment which has alternative uses or significant salvage value, may be capitalized without proven and probable reserves. Depreciation is computed using the straight-line method with the exception of mining equipment. Mining equipment is depreciated using the units-of-production method based on tonnes processed over the estimated total mine life. Office furniture, equipment and light vehicles are being depreciated on a straight-line method over estimated economic lives ranging from 3 to 5 years. Leasehold improvements, which relate to the Company's corporate office, are being amortized over the term of the lease of 10 years. Trailers, heavy vehicles and other site equipment are being depreciated on a straight-line method over estimated economic lives from 5 to 15 years. Buildings are being depreciated on straight line method over an estimated economic life of 20 years.

Design, Construction, and Development Costs: Mine development costs include engineering and metallurgical studies, drilling and other related costs to delineate an ore body, the removal of overburden to initially expose an ore body at open pit surface mines and the building of access ways, shafts, lateral access, drifts, ramps and other infrastructure at underground mines.

When proven and probable reserves as defined by Industry Guide 7 exist, development costs are capitalized, and the property is a commercially minable property. Mine development costs incurred either to develop new ore deposits, expand the capacity of operating mines, or to develop mine areas substantially in advance of current production would be capitalized. Costs of start-up activities and costs incurred to maintain current production or to maintain assets on a standby basis are charged to operations as incurred. Costs of abandoned projects are charged to operations upon abandonment. All capitalized costs would be amortized using the units of production method over the estimated life of the ore body based on recoverable ounces to be mined from proven and probable reserves.

Certain costs to design and construct mining and processing facilities may be incurred prior to establishing proven and probable reserves. As no proven and probable reserves have been established on any of the Company's properties, design, construction and development costs are not capitalized at any of the Company's properties, and accordingly, substantially all costs are expensed as incurred, resulting in the Company reporting larger losses than if such expenditures had been capitalized. Additionally, the Company does not have a corresponding depreciation or amortization of these costs going forward since these expenditures were expensed as incurred as opposed to being capitalized. As a result of these and other differences, the Company's financial statements may not be comparable to the financial statements of mining companies that have established reserves.

Mineral Properties Interests

Mineral property interests include acquired interests in development and exploration stage properties, which are considered tangible assets. The amount capitalized relating to a mineral property interest represents its fair value at the time of acquisition. When a property does not contain mineralized material that satisfies the definition of proven and probable reserves, such as with the San Jose de Gracia Property, capitalized costs and mineral property interests are amortized using the straight-line method once production begins. As of December 31, 2017, the mining interests have been in the pilot production stage and therefore, no amortization has been expensed. Mining properties consist of 33 mining concessions covering approximately 69,121 hectares at the San Jose de Gracia property ("SJG"), the basis of which are amortized on the unit of production method based on estimated recoverable resources. If it is determined that the deferred costs related to a property are not recoverable over its productive life, those costs will be written down to fair value as a charge to operations in the period in which the determination is made. The amounts at which mineral properties and the related costs are recorded do not necessarily reflect present or future values.

Impairment of Assets: The Company reviews and evaluates its long-lived assets for impairment when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Mineral properties are monitored for impairment based on factors such as mineral prices, government regulation and taxation, the Company's continued right to explore the area, exploration reports, assays, technical reports, drill results and its continued plans to fund exploration programs on the property.

For operating mines, recoverability is measured by comparing the undiscounted future net cash flows to the net book value. When the net book value exceeds future net undiscounted cash flows, an impairment loss is measured and recorded based on the excess of the net book value over fair value. Fair value for operating mines is determined using a combined approach, which uses a discounted cash flow model for the existing operations and a market approach for the fair value assessment of exploration land claims. Future cash flows are estimated based on quantities of recoverable mineralized material, expected gold and silver prices (considering current and historical prices, trends and related factors), production levels, operating costs, capital requirements and reclamation costs, all based on life-of-mine plans. The term "recoverable mineralized material" refers to the estimated amount of gold or other commodities that will be obtained after taking into account losses during processing and treatment of mineralized material. In estimating future cash flows, assets are grouped at the lowest level for which there are identifiable cash flows that are largely independent of future cash flows from other asset groups. The Company's estimates of future cash flows are based on numerous assumptions and it is possible that actual future cash flows will be significantly

different than the estimates, as actual future quantities of recoverable minerals, gold, silver and other commodity prices, production levels and costs and capital are each subject to significant risks and uncertainties.

The recoverability of the book value of each property will be assessed annually for indicators of impairment such as adverse changes to any of the following:

estimated recoverable ounces of gold, silver or other precious minerals;

estimated future commodity prices;

estimated expected future operating costs, capital expenditures and reclamation expenditures.

A write-down to fair value will be recorded when the expected future cash flow is less than the net book value of the property or when events or changes in the property indicate that carrying amounts are not recoverable. This analysis will be completed as needed, and at least annually. As of the date of this filing, no events have occurred that would require write-down of any assets. As of December 31, 2017, and 2016, no indications of impairment existed.

Asset Retirement Obligation: As the Company is not obligated to remediate the mining properties, no Asset Retirement Obligation (“ARO”) has been established. Changes in regulations or laws, any instances of non-compliance with laws or regulations that result in fines, or any unforeseen environmental contamination could result in a material impact to the amounts charged to operations for reclamation and remediation. Significant judgments and estimates are made when estimating the fair value of AROs. Expected cash flows relating to AROs could occur over long periods of time and the assessment of the extent of environmental remediation work is highly subjective. Considering all of these factors that go into the determination of an ARO, the fair value of the AROs can materially change over time.

Pre-Pilot Production Costs

During 2016, the Company has conducted rehabilitation activity at the San Pablo mine and has refurbished the Pilot Mill Facility at San Jose de Gracia and, in general prepared for test mining and pilot milling (“Pilot Production”) Operations. The costs associated with the rehabilitation, preparation, clean up and facilitation of this process are expensed as pre-pilot production costs.

Property Holding Costs

Holding costs to maintain a property on a care and maintenance basis are expensed in the period they are incurred. These costs include security and maintenance expenses, lease and claim fees and payments, and environmental monitoring and reporting costs.

Exploration Costs

Exploration costs are charged to operations and expenses as incurred. Exploration, development, direct field costs and administrative costs are expensed in the period incurred.

Foreign Currency Translation

The functional currency for the subsidiaries of the Company is the Mexican Peso. As a result, the financial statements of the subsidiaries have been re-measured from Mexican Pesos into U.S. dollars using (i) current exchange rates for monetary asset and liability accounts, (ii) historical exchange rates for nonmonetary asset and liability accounts, (iii) historical exchange rates for revenues and expenses associated with nonmonetary assets and liabilities and (iv) the weighted average exchange rate of the reporting period for all other revenues and expenses. In addition, foreign currency translation gains and losses are reported as a separate component of stockholders’ equity and comprehensive income (loss).

The financial statements of the subsidiaries should not be construed as representations that Mexican Pesos have been, could have been or may in the future be converted into U.S. dollars at such rates or any other rates.

Relevant exchange rates used in the preparation of the financial statements for the subsidiaries are as follows for the periods ended December 31, 2017 and December 31, 2016 (Mexican Pesos per one U.S. dollar):

| | Dec 31, 2017 | Dec 31, 2016 |
|-----------------------|--------------|--------------|
| Current exchange rate | Pesos 19.73 | 20.65 |

Weighted average exchange rate for the period ended Pesos 18.12 18.69

The Company recorded currency transaction gains (losses) of \$1,388,573 for the year ended December 31, 2017 and \$(20,218) in 2016.

Income Taxes

The Company accounts for income taxes under ASC 740 "Income Taxes" using the liability method, recognizing certain temporary differences between the financial reporting basis of liabilities and assets and the related income tax basis for such liabilities and assets. This method generates either a net deferred income tax liability or asset for the Company, as measured by the statutory tax rates in effect. The Company derives the deferred income tax charge or benefit by recording the change in either the net deferred income tax liability or asset balance for the year. The Company records a valuation allowance against any portion of those deferred income tax assets when it believes, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred income tax asset will not be realized.

Income from the Company's subsidiaries in México are taxed at applicable Mexican tax law.

On December 22, 2017, the 2017 Tax Cuts and Jobs Act (the "Act") was signed into law. Among other provisions, the Act reduced the highest corporate tax rate from 35% to 21%. With the passage of the Act, the Company's deferred tax assets and liabilities were restated as of the effective date of the law to reflect the new applicable rate. The reduction to the net deferred tax asset was charged to tax expense in the period of the change and offset by a valuation allowance stemming from historical net operating loss carryforwards.

Use of Estimates

In order to prepare financial statements in conformity with accounting principles generally accepted in the United States, management must make estimates, judgments and assumptions that affect the amounts reported in the financial statements and determines whether contingent assets and liabilities, if any, are disclosed in the financial statements. The ultimate resolution of issues requiring these estimates and assumptions could differ significantly from resolution currently anticipated by management and on which the financial statements are based.

Comprehensive Income (Loss)

ASC 220 "Comprehensive Income" establishes standards for reporting and display of comprehensive income and its components in a full set of general purpose financial statements. The Company's comprehensive income consists of net income and other comprehensive income (loss), consisting of unrealized net gains and losses on the translation of the assets and liabilities of its foreign operations. For the periods ended December 31, 2017 and December 31, 2016, the Company's components of comprehensive income were foreign currency translation adjustments.

Revenue Recognition

The Company recognizes revenue in accordance with ASC 605-10, "Revenue Recognition in Financial Statements". Revenue is recognized when persuasive evidence of an arrangement exists, delivery or service has occurred, the sale price is fixed or determinable and receipt of payment is probable. Revenues earned from the sale of precious metal concentrates are recognized when both the buyer and seller agree on the % of gold as determined by sample assays and when it is delivered to the Buyer. Subsequently, a "final settlement" is calculated and any remaining balance is paid.

Stock-Based Compensation

The Company accounts for stock options at fair value as prescribed in ASC 718. The Company estimates the fair value of each stock option at the grant date by using the Black-Scholes option-pricing model and provides for expense recognition over the service period, if any, of the stock option.

The Company accounts for stock options issued and vesting to non-employees in accordance with ASC Topic 505-50 "Equity -Based Payment to Non-Employees" and accordingly the value of the stock compensation to non-employees is based upon the measurement date as determined at either (a) the date at which a performance commitment is reached, or (b) at the date at which the necessary performance to earn the equity instruments is complete. Accordingly, the fair value of these options is being "marked to market" quarterly until the measurement date is determined.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash, receivables, payables and long-term debt. The carrying amount of cash, receivable and payables approximates fair value because of the short-term nature of these items. The carrying amount of long-term debt approximates fair value due to the relationship between the interest rate on long-term debt and the Company's incremental risk adjusted borrowing rate.

Per Share Amounts

Earnings per share are calculated in accordance with ASC 260 "Earnings per Share". The weighted average number of common shares outstanding during each period is used to compute basic earnings (loss) per share. Diluted earnings per share are computed using the weighted average number of shares and potentially dilutive common shares

outstanding. Potentially dilutive common shares are additional common shares assumed to be exercised. Potentially dilutive common shares consist of stock options and convertible preferred shares and convertible notes and are excluded from the diluted earnings per share computation in periods where the Company has incurred a net loss, as their effect would be considered anti-dilutive.

The Company had 2,523,689 warrants outstanding at December 31, 2017 exercisable at \$2.50 per share, which upon exercise, would result in the issuance of 2,523,689 shares of common stock. The Company also had convertible debt instruments as of December 31, 2017 which, upon conversion at a valuation of \$2.50 per share, would result in the issuance of 380,250 shares of stock.

The Company had 3,593,689 warrants outstanding at December 31, 2016 exercisable at \$2.50 per share, which upon exercise, would result in the issuance of 3,593,689 shares of common stock. The Company also had convertible debt instruments as of December 31, 2016 which, upon conversion at a valuation of \$2.50 per share, would result in the issuance of 382,500 shares of stock.

| | Years ended December 31 | |
|---|-------------------------|-------------|
| | 2017 | 2016 |
| Net income | \$2,479,890 | \$1,668,542 |
| Shares: | | |
| Weighted average number of common shares outstanding, Basic | 17,076,250 | 16,722,855 |
| Diluted weighted average number of common shares outstanding, Diluted | 18,943,790 | 18,560,464 |
| Basic earnings per share | \$0.15 | \$0.10 |
| Diluted earnings per share | \$0.14 | \$0.10 |

Related Party Transactions

FASB ASC 850, "Related Party Disclosures" requires companies to include in their financial statements disclosures of material related party transactions. The Company discloses all material related party transactions. A party is considered to be related to the Company if the party directly or indirectly or through one or more intermediaries, controls, is controlled by, or is under common control with the Company. Related parties also include principal owners of the Company, its management, members of the immediate families of principal owners of the Company and its management and other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. A party which can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests is also a related party."

Recently Issued Accounting Pronouncements

Stock compensation

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-09 amending several aspects of share-based payment accounting. This guidance requires all excess tax benefits and tax deficiencies to be recorded in the income statement when the awards vest or are settled, with prospective application required. The guidance also changes the classification of such tax benefits or tax deficiencies on the statement of cash flows from a financing activity to an operating activity, with retrospective or prospective application allowed. Additionally, the guidance requires the classification of employee taxes paid when an employer withholds shares for tax-withholding purposes as a financing activity on the statement of cash flows, with retrospective application required. This ASU is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2016. As such, The Company adopted these provisions as of the fiscal year beginning January 1, 2017. There was no material effect of the new provisions on our consolidated financial statements and

related disclosures.

In May 2017, the FASB issued ASU 2017-09, Compensation – Stock Compensation (Topic 718): Scope of Modification Accounting (“ASU 2017-09). ASU 2017-09 provides clarity and reduce both (1) diversity in practice and (2) cost and complexity when applying the guidance in Topic 718, Compensation—Stock Compensation, to a change to the terms or conditions of a share-based payment award. The amendments in this update provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. The amendments in this update are effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted. As such, The Company is required to adopt these provisions as of the fiscal year beginning on January 1, 2018. The amendments in this update should be applied prospectively to an award modified on or after the adoption date. We are currently assessing the potential impact of ASU 2017-09 on our consolidated financial statements and results of operations.

61

Leases

In February 2016, FASB issued ASU 2016-02— Leases (Topic 842). The update is intended to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The amendments in this update are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application of the amendments in this update is permitted. As such, The Company is required to adopt these provisions as of the fiscal year beginning on January 1, 2019. The Company is currently evaluating the impact of FASB ASU 2016-02 and expects the adoption thereof will have a material effect on The Company's presentation of balance sheet assets and liabilities based on the present value of future lease payments, but does not expect a material effect on the presentation of expenses and cash flows.

Revenue:

Revenue from Contracts with Customers: In May 2014, ASC 606 was issued related to revenue from contracts with customers. Under this guidance, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. The updated standard will replace most existing revenue recognition guidance under GAAP when it becomes effective and permits the use of either the retrospective or cumulative effect transition method. Early adoption is not permitted. The standard will be effective for the Company's fiscal year beginning January 1, 2018, including interim reporting periods within that year. The new guidance is not expected to have an impact on the Company's consolidated financial statements. The Company has analysis the standard and will implement any relevant provisions for the interim periods beginning January 1, 2018.

Inventory

In July 2015, FASB issued ASU 2015-11— Inventory (Topic 330): “Simplifying the Measurement of Inventory”. The update is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. As such, the Company adopted these provisions beginning on January 1, 2017. The amendments in this Update should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. The update is part of FASB's Simplification Initiative, the objective of which is to identify, evaluate, and improve areas of generally accepted accounting principles (GAAP) for which cost and complexity can be reduced. Pursuant to the update, an entity should measure inventory at the lower of cost and net realizable value. The amendments in the update more closely align the measurement of inventory in GAAP with the measurement of inventory in International Financial Reporting Standards (IFRS). Adoption of the new guidance did not have an impact on the Company's consolidated financial statements.

NOTE 2 – INVENTORIES

The Company commenced underground test mining and pilot milling activities (“pilot production”) in the 2nd quarter of 2014. Rehabilitation of the San Pablo Mine and refurbishing of the Pilot Mill Facility and construction of the adjacent tailings pond continued through 2016. Inventories are carried at the lower of cost or fair value and consist of mined tonnage, gravity-flotation concentrates, and gravity tailings (or, flotation feed material). Inventory balances of December 31, 2017 and December 31, 2016, respectively, were as follows:

| 2017 | 2016 |
|------|------|
|------|------|

| | | |
|--|-----------|-----------|
| Mined Tonnage, Gold-Silver Concentrates, and/or Gravity Tailings (Flotation Feed Material) | \$907,982 | \$561,238 |
| Total Inventories | \$907,982 | \$561,238 |

NOTE 3 – PROPERTY

Property consists of the following at December 31, 2017 and December 31, 2016:

| | 2017 | 2016 |
|---------------------------------|-------------|-----------|
| Camp buildings and improvements | \$418,639 | \$- |
| Machinery and equipment | 1,368,736 | 955,555 |
| Transportation equipment | 289,165 | 249,848 |
| Office furniture and fixtures | 78,802 | 75,829 |
| Office equipment | 152,805 | 118,646 |
| Construction in progress | 364,917 | - |
| Sub-total | 2,673,064 | 1,399,875 |
| Less: Accumulated depreciation | (974,994) | (821,132) |
| Total Property | \$1,698,070 | \$578,743 |

The Company purchased equipment of \$1,273,189 and \$145,030 in the years ended December 31, 2017 and 2016, respectively.

Depreciation has been provided over each asset's estimated useful life. Depreciation expense was \$153,862 and \$77,638 for the years ended December 31, 2017 and 2016, respectively.

NOTE 4 – MINING CONCESSIONS

Mining properties consist of the following at December 31, 2017 and December 31, 2016:

| | 2017 | 2016 |
|--|------|------|
|--|------|------|

San Jose de Gracia (“SJG”):

| | | |
|--------------------------|-------------|-------------|
| Total Mining Concessions | \$4,132,678 | \$4,132,678 |
|--------------------------|-------------|-------------|

Depletion expense was \$0 and \$0 for the years ended December 31, 2017 and 2016, respectively.

NOTE 5 – INVESTMENT IN AFFILIATE/RECEIVABLES FROM AFFILIATE/OTHER ASSETS

Through December 31, 2017, the Company loaned a total of \$805,760 to DynaResource Nevada, Inc. (“DynaNevada”), a Nevada Corporation, which owns 100% of one operating subsidiary in México, DynaNevada de México, S.A. de C.V. (“DynaNevada de México”). 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 \$.25 / Share. DynaNevada is a related entity (affiliate), and through its subsidiary, DynaNevada de México has entered into an Option agreement with Grupo México (IMMSA) in México, for the exploration and development of approximately 3,000 hectares in the State of San Luis Potosi (“The Santa Gertrudis Property”). DynaNevada de México exercised the Option with IMMSA in March 2010, so that DynaNevada de México now owns 100% of the Santa Gertrudis Property. In June 2010, DynaNevada de México acquired an additional 6,000 hectares in the State of Sinaloa (the “San Juan Property”).

On December 31, 2010, the Company exercised its option to convert the note receivable and other receivable from DynaNevada into shares of common stock at a rate of \$.25 / Share. The Company received 3,223,040 shares, which represents approximately 19.95% of the outstanding shares of DynaNevada. At the time of the exchange, DynaNevada’s net book value was approximately \$695,000, consisting of \$30,000 cash and the remainder unproven mining properties. Based upon the above, Management estimated the value of the Company’s DynaNevada shares as of December 31, 2017 and December 31, 2016 to be \$70,000 and \$70,000, respectively. The loss was taken to “other income (loss) on the income statement in previous years.

In 2016 the Company deemed \$159,143 of receivable for funds, previously advanced to DynaNevada in order for DynaNevada to meet its basis filing and reporting obligations with the Mexican authorities relating to tax returns and paying taxes on its mining concessions, to be uncollectable and wrote them off. As of December 31, 2017, and December 31, 2016 the Company had no remaining receivable from DynaNevada.

NOTE 6 – CONVERTIBLE PROMISSORY NOTES

Notes Payable – Series I

In April and May 2013, the Company entered into note agreements with shareholders in the principal amount of \$1,495,000, of which \$340,000 was then converted to preferred shares within the same year, netting to proceeds of \$1,155,000 (the “Series I Notes”). The Series I 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 I Notes (in aggregate) are also entitled to receive ten percent (10%) of the net profits received by the Company, on the first fifty thousand tons processed through the mill facilities at San Jose de Gracia. Such net profits (if any) are to be calculated after deducting “all expenses related to the production”, and after a prior deduction of thirty-three percent (33%) from the net profits, to be deposited into a sinking fund cash reserve. To date, the Company has not produced any net profits as calculated in accordance with the Series I Notes.

The Notes originally matured on December 31, 2015. 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 extended the maturity date of the Series I Notes to December 31, 2016. The remaining Series I Notes were further extended to December 31, 2017. The Company paid \$5,625 to one Series I debt holder during 2017. In December 2017 the Company reached agreement with seven of the Series I noteholders to extend the notes totaling \$759,375 to December 31, 2018. The remaining note was paid off on January 5, 2018. (See note 14)

The Company has the right to prepay the Series I Notes with a ten percent (10%) penalty.

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, 2018.

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, on the second fifty thousand tons processed through the mill facilities at San Jose de Gracia. Such net profits (if any) are to be calculated after deducting “all expenses related to the production”¹, and after a prior deduction of thirty-three percent (33%) from the net profits, to be deposited into a sinking fund cash reserve. To date, the Company has not produced any net profits as calculated in accordance with the Series II Notes.

The Notes originally matured on December 31, 2015. In April 2015, the Company received allonges (note extensions) from all noteholders to ensure that all notes were in good standing and confirmed the maturity of the Series II notes to be December 31, 2016. At December 31, 2016, the remaining Series II Notes were further extended to December 31, 2017. In December 2017 the remaining three Series II notes were extended to December 31, 2018.

The Company has the right to prepay the Series II Notes with a ten percent (10%) penalty.

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, 2018.

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 \$33,120 of accrued interest (total of \$842,903) was contracted to convert into 337,162 common shares. In addition, 337,162 warrants were issued which provide the option to purchase common shares at \$2.50, with all warrants expiring December 31, 2017. The Company recorded \$826,347 inducement expense related to these conversion transactions. On August 17, 2015, these common shares and warrants were issued.

At December 31, 2017, the principal and capitalized interest balance on the remaining Series I Notes was \$759,375, and the principal and capitalized interest on the Series II Notes was \$191,250, for a total Note balance of \$950,625. At December 31, 2016, the principal and capitalized interest balance on the remaining Series I Notes was \$765,000, and the principal and capitalized interest on the Series II Notes was \$191,250, for a total Note balance of \$956,250. The accrued interest for these notes was \$30,141 and \$29,883 as of December 31, 2017 and 2016, respectively.

NOTE 7 – INCOME TAXES

The Company has adopted ASC 740-10, “Income Taxes”, which requires the use of the liability method in the computation of income tax expense and the current and deferred income taxes payable (deferred tax liability) or benefit (deferred tax asset). Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. The cumulative tax effect at the expected tax rate of 21% and 34%, respectively (blended for U.S. and México) of significant items comprising the Company’s net deferred tax amounts as of December 31, 2017 and December 31, 2016 are as follows:

Deferred Tax Asset Related to:

| 2017 | 2016 |
|------|------|
|------|------|

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| | | |
|---|--------------|--------------|
| Prior Year | \$17,244,045 | \$17,719,823 |
| Tax Benefit for Current Year | (114,148) | (475,778) |
| Permanent Difference Due to Rate Change | (4,564,600) | - |
| Total Deferred Tax Asset | 12,565,297 | 17,244,045 |
| Less: Valuation Allowance | (12,565,297) | (17,244,045) |
| Net Deferred Tax Asset | \$- | \$- |

The income tax provision for the Company as of December 31, 2017 and 2016 differs from those computed using the statutory federal tax rate of 34% due to the following differences:

| | 2017 | 2016 |
|--|-------------|-------------|
| Book Income | \$2,527,709 | \$1,495,160 |
| Tax Expense at Statutory Rates | 859,421 | 508,354 |
| Permanent Difference Due to Rate Change | 4,860,392 | - |
| Other Permanent Differences | (653,180) | (32,576) |
| Change in Valuation Allowance | (5,072,597) | (489,536) |
| Other | 5,964 | 13,758 |
| Provision for (Benefit from) Income Taxes, Net | \$- | \$- |

The net deferred tax asset and benefit for the current year is generated primarily from the cumulative net operating loss carry-forward which is approximately \$48,800,000 at December 31, 2017 and will expire in the years 2026 through 2032.

The realization of deferred tax benefits is contingent upon future earnings and is fully reserved at December 31, 2017.

On December 11, 2013, the Mexican government enacted a tax reform that increased the effective tax rate applicable to the Company's Mexican operations. The law, effective January 1, 2014, increased the future corporate income tax rate to 30%, created a 10% withholding tax on dividends paid to non-resident shareholders and created a new Extraordinary Mining duty which is equal to 0.5% of gross revenues from the sale of gold, silver and platinum. Furthermore, the reform introduced a Special Mining Duty of 7.5%. The Special Mining Duty is deductible for income tax purposes. The Special Mining Duty is generally applicable to earnings before income tax, depreciation, depletion, amortization and interest. There will be no deductions related to development type costs but exploration and prospecting costs are deductible when incurred. Certain non-deducted exploration expenditures incurred prior to January 1, 2014 are also deductible in the calculation of the Special Mining Duty. For the years ended December 31, 2017 and 2016, the Company had no taxes payable under the 7.5% Special Mining Duty.

The Company or its subsidiaries file income tax returns in the United States and México. These tax returns are subject to examination by local taxation authorities provided the tax years remain open to audit under the relevant statute of limitations. The following summarizes the open tax years by major jurisdiction:

United States: 2014 to 2017
México: 2013 to 2017

The Company does not have any other material items of temporary or permanent differences, which give rise to deferred tax assets or liabilities.

NOTE 8 – STOCKHOLDERS' EQUITY

Authorized Capital. The total number of shares of all classes of capital stock which the corporation shall have the authority to issue is 45,001,000 shares, consisting of (i) twenty million and one thousand (20,001,000) shares of Preferred Stock, par value \$0.0001 per share ("Preferred Stock"), of which one thousand (1,000) shares shall be designated as Series A Preferred Stock and (ii) twenty-five million (25,000,000) shares of Common Stock, par value \$0.01 per share ("Common Stock").

Series A Preferred Stock

The Company has designated 1,000 shares of its Preferred Stock as Series A, having a par value of \$0.0001 per share. Holders of the Series A Preferred Stock have the right to elect a majority of the Board of Directors of the Company. In October 2007, the Company issued 1,000 shares of Series A Preferred Stock to its CEO. At December 31, 2017 and December 31, 2016, there were 1,000 and 1,000 shares of Series A Preferred Stock outstanding, respectively.

Series C Senior Convertible Preferred Shares

On June 30, 2015, 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). Legal fees of \$45,000 were deducted from the proceeds of this transaction at closing. 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. During 2016, the company paid Dividends of \$160,000 to the holder of Series C Convertible Preferred Stock. The Dividend is calculated at 4.0% of \$433,053 payable annually on June 30. At December 31, 2017 the dividend was \$173,320 in arrears.

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 \$2.41 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.

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.

In 2015, due to underlying anti-dilutive provisions contained in the Series C Preferred Shares and the Golden Post Warrant, the Company incurred derivative liabilities of \$1,531,789 in connection with the Series C Preferred Shares, and \$2,963,378 in connection with the Golden Post Warrant. Additionally, the Company fully accreted the discount related to the Series C Preferred Shares and the Golden Post Warrant in the amount of \$4,637,179, which is reflected “below” the net income (loss) amount. Also in 2015, the Company reported \$87,374 deemed dividend for Golden Post Rail related to its 4% dividend terms. As the Company has not declared these dividends, it is required only as an item “below” the net income (loss) amount. At December 31, 2017 the total Derivative Liability was \$3,181,508 which included \$2,513,638 for the Series C Preferred Shares, and \$1,649,719 in connection with the Golden Post Warrant. The Deemed Dividend for 2017 and 2016 was \$173,320, and \$173,797 respectively.

Due to the nature of this transaction as mandatorily redeemable, the preferred shares are classified as “temporary equity” on the balance sheet.

Preferred Series C

| | |
|--|-------------|
| Carrying Value, December 31, 2015 | \$4,333,053 |
| Issuances at Fair Value, Net of Issuance Costs | 0 |
| Bifurcation of Derivative Liability | 0 |
| Relative Fair Value of Warrants – Preferred Stock Discount | 0 |
| Accretion of Preferred Stock to Redemption Value | 0 |
| Carrying Value, December 31, 2016 | 4,333,053 |
| Issuances at Fair Value, Net of Issuance Costs | 0 |
| Bifurcation of Derivative Liability | 0 |
| Relative Fair Value of Warrants – Preferred Stock Discount | 0 |
| Accretion of Preferred Stock to Redemption Value | 0 |
| Carrying Value, December 31, 2017 | 4,333,053 |

Preferred Stock (Undesignated)

In addition to the 1,000 shares designated as Series A Preferred Stock and the 1,733,221 shares designated as Series C Preferred Shares, the Company is authorized to issue an additional 16,266,779 shares of Preferred Stock, having a par value of \$0.0001 per share. The Board of Directors of the Company has authority to issue the Preferred Stock from time to time in one or more series, and with respect to each series of the Preferred Stock, to fix and state by the resolution the terms attached to the Preferred Stock. At December 31, 2017 and December 31, 2016, there were no other shares of Preferred Stock outstanding.

Separate Series; Increase or Decrease in Authorized Shares. The shares of each series of Preferred Stock may vary from the shares of any other series thereof in any or all of the foregoing respects and in any other manner. The Board

of Directors may increase the number of shares of Preferred Stock designated for any existing series by a resolution adding to such series authorized and unissued shares of Preferred Stock not designated for any other series. Unless otherwise provided in the Preferred Stock Designation, the Board of Directors may decrease the number of shares of Preferred Stock designated for any existing series by a resolution subtracting from such series authorized and unissued shares of Preferred Stock designated for such existing series, and the shares so subtracted shall become authorized, unissued and undesignated shares of Preferred Stock.

Common Stock

The Company is authorized to issue 25,000,000 common shares at a par value of \$0.01 per share. These shares have full voting rights. At December 31, 2017 and December 31, 2016, there were 17,722,825 and 16,722,825 shares outstanding, respectively. No dividends were paid for the years ended December 31, 2017 and 2016, respectively.

Preferred Rights

The Company issued "Preferred Rights" for the rights to percentages of revenues generated from the San Jose de Gracia Pilot Production Plant and received \$158,500 in 2003 and \$626,000 in 2002. This has been reflected as "Preferred Rights" in stockholders' equity. As of December 31, 2004, \$558,312 was repaid and as of December 31, 2005, an additional \$186,188 was repaid, leaving a current balance of \$40,000 and \$40,000 as of December 31, 2017 and December 31, 2016, respectively.

Stock Issuances

2017 Activity

During the year ended December 31, 2017, the Company issued 1,000,000 common shares for the exercise of stock warrants at \$2.50 a share for total proceeds of \$2,500,000. In addition, the Company issued 333,333 shares of treasury stock as additional compensation for exercise of the warrants at above market price.

2016 Activity

None.

Treasury Stock

During the year ended December 31, 2017 the Company issued 333,333 treasury shares as additional compensation for the exercise of stock warrants at an above market price as discussed above. At December 31, 2017 and 2016, 778,980 and 1,112,313 treasury shares were outstanding.

Warrants

2017 activity

The Company had 2,523,689 warrants outstanding at December 31, 2017. 1,000,000 warrants were exercised at \$2.50 a share during the year and 70,000 warrants expired.

2016 activity

The Company had 3,593,689 warrants outstanding at December 31, 2016. There were no warrants issued or exercised in 2016 and 567,500 warrants expired in 2016.

The Company recorded no expense related to the issuance of these warrants since these warrants were issued in common stock for cash sales and note conversions.

| | Number of Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (Years) | Intrinsic Value |
|---------------------------------|---------------------|------------------------------------|--|--------------------|
| Balance at December 31, 2015 | 4,161,189 | \$3.07 | 3.17 | \$- |
| Granted | - | \$- | | \$- |
| Exercised | - | \$- | | \$- |
| Forfeited | (567,500) | \$7.02 | | \$- |
| Balance at December 31, 2016 | 3,593,689 | \$2.45 | 2.51 | \$- |
| Granted | - | \$- | | \$- |
| Exercised | (1,000,000) | \$2.50 | | \$- |
| Forfeited | (70,000) | \$2.50 | | \$- |
| Balance at December 31, 2017 | 2,523,689 | \$2.45 | 1.51 | \$- |

| | | | | |
|-------------------------------------|-----------|--------|------|-----|
| Exercisable at December 31, 2017 | 2,523,689 | \$2.45 | 1.51 | \$- |
|-------------------------------------|-----------|--------|------|-----|

NOTE 9 – RELATED PARTY TRANSACTIONS

Related Party Transactions

The Company follows FASB ASC subtopic 850-10, Related Party Disclosures, for the identification of related parties and disclosure of related party transactions. Pursuant to ASC 850-10-20, related parties include: a) affiliates of the Company; b) entities for which investments in their equity securities would be required, absent the election of the fair value option under the Fair Value Option Subsection of Section 825–10–15, to be accounted for by the equity method by the investing entity; c) trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management; d) principal owners of the Company; e) management of the Company; f) other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests; and g) other parties that can significantly influence the management or operating policies of the transacting parties or that have an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

Material related party transactions are required to be disclosed in the consolidated financial statements, other than compensation arrangements, expense allowances, and other similar items in the ordinary course of business. However, disclosure of transactions that are eliminated in the preparation of consolidated or combined financial statements is not required in those statements. The disclosures shall include: a) the nature of the relationship(s) involved; b) a description of the transactions, including transactions to which no amounts or nominal amounts were ascribed, for each of the periods for which statements of operation are presented, and such other information deemed necessary to an understanding of the effects of the transactions on the financial statements; c) the dollar amounts of transactions for each of the periods for which statements of operations are presented and the effects of any change in the method of establishing the terms from that used in the preceding period; and d) amounts due from or to related parties as of the date of each balance sheet presented and, if not otherwise apparent, the terms and manner of settlement.

Dynacap Group Ltd.

The Company paid \$165,250 and \$116,750 to Dynacap Group, Ltd. (“Dynacap”, an entity controlled by the CEO of the Company) for consulting and other fees during the years ended December 31, 2017 and 2016, respectively. Dynacap retains 2 individuals, who are family members of the CEO, as independent contractors who provide administrative and executive support services to the Company. Dynacap has provided these services to the Company for recent years.

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

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

DynaResource Nevada, Inc. and DynaNevada de México S.A. de C.V. (together “DynaNevada”)

Previous advances to DynaNevada for maintenance of its corporate obligations and mining concessions totaling \$159,143 were written off as uncollectable in 2016.

NOTE 10 – 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 recent business activities and current and forward plans and considering expenditures on mining concessions since 2002-2017 and continuing expenditures in current and forward activities, the Company does not anticipate that DynaMéxico will have any difficulties meeting the minimum annual expenditures for the concessions (\$388 – \$2,400 Mexican Pesos per hectare). DynaMéxico retains sufficient carry-forward amounts to cover over 10 years of the minimum expenditure (as calculated at the 2017 minimum, adjusted for annual inflation of 4%).

In addition to the surface rights held by DynaMéxico pursuant to the Mining Act of México and its Regulations (Ley Minera y su Reglamento), DynaMineras maintains access and surface rights to the SJG Project pursuant to the 20-year Land Lease Agreement. The 20 Year Land Lease Agreement with the Santa Maria Ejido Community surrounding San Jose de Gracia was dated January 6, 2014 and continues through 2033. It covers an area of 4,399 hectares surrounding the main mineral resource areas of SJG and provides for annual lease payments by DynaMineras of \$1,359,443 Pesos (approx. \$72,000 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).

The Company leases office space for its corporate headquarters in Irving, Texas. In September 2017, the Company entered into a sixty-six month extension of the lease through 2023. As part of the agreement the Company received six months free rent as a finish out allowance. The Company capitalized the leasehold improvement costs and amortized them over the rent abatement period as rent expense. The Company incurred rent expense of \$71,399 and \$67,746 for the office lease in the years ended December 31, 2017 and 2016, respectively.

Future minimum lease obligations are as follow for the years ending December 31:

| YEAR | AMOUNT |
|--------------|------------------|
| 2018 | \$67,324 |
| 2019 | \$82,474 |
| 2020 | \$84,280 |
| 2021 | \$86,086 |
| 2022 | \$87,892 |
| Thereafter | \$14,849 |
| TOTAL | \$422,905 |

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.

Damages Awarded to DynaMéxico in México Litigation

On October 5, 2016, DynaResource de México SA de C.V. (“DynaMéxico”), was awarded in excess of \$48 M USD (Forty-Eight Million Dollars) in damages from Goldgroup Resources, Inc. (the “Goldgroup Damages”) by virtue of a Sentencia Definitiva (the “Definitive Sentence”) issued by the Thirty Sixth Civil Court of the Superior Court of Justice of the Federal District of México (Tribunal Superior de Justicia del Distrito Federal), File number 1120/2014. The Definitive Sentence included the considerations and resolutions by the Court, and additional Resolutions were also ordered in favor of DynaMéxico (together the Goldgroup Damages and the additional Resolutions are referred to as, the “Oct. 5, 2015 Resolution”). The October 5, 2015 Resolution is described in Part II, Item 1., Legal Proceedings. As of December 31, 2017 the decision remains under appeal.

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 3. Legal Proceedings. And, see Item 7. Management’s Discussion and Analysis of Financial Conditions and Results of Operations).

NOTE 11 – DERIVATIVE LIABILITIES

Preferred Series C Stock

As discussed in Note 8, the Company analyzed the embedded conversion features of the Series C Preferred Stock and determined that the stock qualified as a derivative liability and is required to be bifurcated and accounted for as such since the host and the embedded instrument are not clearly and closely related. The Company performed a valuation of the conversion feature. In performing the valuation, the Company applied the guidance in ASC 820, “Fair Value Measurements”, to nonfinancial assets and liabilities that are recognized or disclosed at fair value on a nonrecurring basis. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). To measure fair value, the Company incorporates assumptions that market participants would use in pricing the asset or liability and utilizes market data to the maximum extent possible.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The Company considered the inputs in this valuation to be level 3 in the fair value hierarchy under ASC 820 and used an equity simulation model to determine the value of conversion feature of the Series C Preferred Stock based on the

assumptions below:

| | | |
|----------------------------|---------|---------|
| | 2017 | 2016 |
| Annual volatility rate | 153% | 123% |
| Risk free rate | 2.20% | 1.93% |
| Holding Period | 5 years | 5 years |
| Fair Value of common stock | \$1.11 | \$1.75 |

For the year ended December 31, 2017, an active market for the Company's common stock did not exist. Accordingly, the fair value of the Company's common stock was estimated using a valuation model with level 3 inputs.

The below table represents the change in the fair value of the derivative liability during the years ended December 31, 2017 and 2016:

| Year Ended | 2017 | 2016 |
|---|-------------|-------------|
| Fair value of derivative (stock), beginning of year | \$2,592,492 | \$2,419,359 |
| Change in fair value of derivative | (1,060,703) | 173,093 |
| Fair value of derivative on the date of issuance | - | - |
| Fair value of derivative(stock), end of year | \$1,531,789 | \$2,592,452 |

Preferred Series C Warrants

As discussed in Note 8, the Company analyzed the embedded conversion features of the Series C Preferred Stock and determined that the Warrants qualified as a derivative liability and is required to be bifurcated and accounted for as such since the host and the embedded instrument are not clearly and closely related. The Company performed a valuation of the conversion feature. In performing the valuation, the Company applied the guidance in ASC 820, "Fair Value Measurements", to nonfinancial assets and liabilities that are recognized or disclosed at fair value on a nonrecurring basis. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). To measure fair value, the Company incorporates assumptions that market participants would use in pricing the asset or liability and utilizes market data to the maximum extent possible.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The Company considered the inputs in this valuation to be level 3 in the fair value hierarchy under ASC 820 and used an equity simulation model to determine the value of conversion feature of the Warrants based on the assumptions below:

| | | |
|----------------------------|---------|---------|
| | 2017 | 2016 |
| Annual volatility rate | 153% | 123% |
| Risk free rate | 2.20% | 1.93% |
| Holding Period | 5 years | 5 years |
| Fair Value of common stock | \$1.11 | \$1.75 |

For the year ended December 31, 2017, an active market for the Company's common stock did not exist. Accordingly, the fair value of the Company's common stock was estimated using a valuation model with level 3 inputs.

The below table represents the change in the fair value of the derivative liability during the years ended December 31, 2017 and 2016:

| Year Ended | 2017 | 2016 |
|--|-------------|-------------|
| Fair value of derivative (warrants), beginning of year | \$2,513,638 | \$2,963,378 |
| Change in fair value of derivative | (863,919) | (449,740) |
| Fair value of derivative on the date of issuance | - | - |
| Fair value of derivative(warrants), end of year | \$1,649,719 | \$2,513,638 |

NOTE 12 – 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 50% through May 13, 2013, and 20% thereafter. Changes in Non-Controlling Interest for the years ended December 31, 2017 and December 31, 2016, respectively were as

follows:

| | Year Ended December 31, 2017 | Year Ended December 31, 2016 |
|--|------------------------------------|------------------------------------|
| Beginning balance | \$(6,014,573) | \$(6,570,199) |
| Operating income (loss) | (125,501) | (347,179) |
| Share of Other Comprehensive Income (loss) | 723,906 | 902,805 |
| Ending balance | \$(5,416,168) | \$(6,014,573) |

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.

NOTE 13 – 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 December 31, 2017, and December 31, 2016, the Company's financial assets were measured at fair value using Level 3 inputs, with the exception of cash, which was valued using Level 1 inputs. A description of the valuation of the Level 3 inputs is discussed in Note 11.

| Fair Value Measurement at December 31, 2017 Using: | Quoted Prices in Active Markets For Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|--|---|---|
| Assets: | | | |
| None | - | - | - |
| Totals | \$- | \$- | \$- |
| Liabilities: | | | |
| Derivative Liabilities | \$3,181,508 | - | 3,181,508 |
| Totals | \$3,181,508 | \$- | \$3,181,508 |
| Fair Value Measurement at December 31, 2016 Using: | | | |
| Assets: | | | |
| None | - | - | - |
| Totals | \$- | \$- | \$- |
| Liabilities: | | | |
| Derivative Liabilities | \$5,106,690 | - | 5,106,690 |
| Totals | \$5,106,690 | \$- | \$5,106,690 |

NOTE 14 – SUBSEQUENT EVENTS

On January 5, 2018 the Company paid off one Series I Convertible Note Payable including principal of \$112,500 and accrued interest of \$3,516.

On February 27, 2018 the Company entered into a financing agreement for unpaid mining concession taxes for the year ended December 31, 2016 in the amount of \$550,202. The Company paid an initial 20% payment of \$110,044

and financed the balance over 36 months at an interest rate of 18%.

Recommendation to Vacate Arbitration Ruling issued by United States Magistrate Judge

On February 13, 2018 a Recommendation to Vacate the Arbitration Ruling was issued by a United States Magistrate Judge of the United States District Court, District of Colorado (See “Litigation”).

NOTE 15 – REVENUE CONCENTRATION

The Company had certain customers whose revenue individually represented 10% or more of the Company’s total revenue, or whose accounts receivable balances individually represented 10% or more of the Company’s total accounts receivable, as follows:

For each of the twelve months ended December 31, 2017 and 2016, two customers accounted for 100% of revenue.

At both December 31, 2017 and 2016, one customer accounted for 100% of accounts receivable.

NOTE 16 – NOTES PAYABLE

In June 2017, the Company entered into financing agreements for unpaid mining concession taxes for the period July 1, 2014 to December 31, 2015 in the amount of \$533,580. The Company paid an initial 20% payment in the amount of \$106,716 and financed the balance over 36 months at 18% interest.

The following is a summary of the transaction during the year ended December 31, 2017:

| | |
|---|-----------|
| Property Holding Taxes June 1, 2014 – December 31, 2015 | \$533,580 |
| Initial payment of 20% | (106,716) |
| 2017 principal payments | (59,553) |
| Balance at December 31, 2017 | \$367,311 |

At December 31, 2017 future maturities of notes payable are as follows
Year Ending December 31:

| | |
|-------|-----------|
| 2018 | \$129,401 |
| 2019 | 154,715 |
| 2020 | 83,195 |
| Total | \$367,311 |

NOTE 17 – ADJUSTMENT OF PRIOR PERIODS

In the second quarter 2017, we identified certain property taxes amounting to \$541,245 from 2014 and 2015, and \$319,232 from 2016, which were not expensed as required, and an over accrual of \$150,000 for legal expenses at December 31, 2016. The Company assessed the materiality of this misstatement in the 2016 and 2015 periods financial statements in accordance with the SEC's Staff Accounting Bulletin (SAB) No. 99, codified in ASC No. 250, Presentation of Financial Statements, and concluded that the misstatement was not material to any prior periods. In accordance with SAB 108, the Company has adjusted the year ended December 31, 2016 and the balance sheet as of December 31, 2016. The following presents these adjustments in detail:

| BALANCE SHEET | Previously Reported Dec 31, 2016 | Adjustments | Adjusted Balance Dec 31, 2016 |
|------------------------------|--|-------------|-------------------------------------|
| Accounts Payable | \$309,952 | \$541,245 | \$851,197 |
| Accrued Expenses | 1,198,278 | 169,232 | 1,357,510 |
| Total Liabilities | 7,802,070 | 710,477 | 8,512,547 |
| Accumulated Deficit | (53,013,185) | (538,382) | (53,551,567) |
| Non-Controlling Interest | (5,842,478) | (172,095) | (6,014,573) |
| Total Equity (Deficit) | (2,968,634) | (710,477) | (3,679,111) |
| Total Liabilities and Equity | \$9,166,489 | \$— | \$9,166,489 |

INCOME STATEMENT

Year Ended December 31, 2016

Previously Reported Adjustments Adjusted

COSTS AND EXPENSES OF MINING OPERATIONS

| | | | |
|--|-------------|-------------|-------------|
| Property Holding Costs | \$185,263 | \$319,232 | \$504,495 |
| General and Administrative | 2,598,916 | (150,000) | 2,448,916 |
| Total Operating Expenses | 7,811,728 | 169,232 | 7,980,960 |
| NET OPERATING INCOME (LOSS) | 1,684,377 | (169,232) | 1,515,145 |
| NET INCOME (LOSS) BEFORE TAXES | 1,664,392 | (169,232) | 1,495,160 |
| NET INCOME (LOSS) | 1,664,392 | (169,232) | 1,495,160 |
| ATTRIBUTABLE TO NON-CONTROLLING INTERESST | 283,333 | 63,846 | 347,179 |
| NET INCOME (LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS | \$1,773,928 | \$(105,386) | \$1,668,542 |
| Basic Loss Per Common Share | \$0.11 | \$(0.01) | \$0.10 |
| Diluted Loss Per Common Share | \$0.09 | \$0.01 | \$0.10 |

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure on Controls and Procedures.

We carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of December 31, 2017. This evaluation was accomplished under the supervision and with the participation of our chief executive officer / principal executive officer and our financial consultant who concluded that our disclosure controls and procedures are not effective to ensure that all material information required to be filed in the annual report on Form 10-K has been made known to them. The evaluation did not include a 404A assessment. For purposes of this section, the term disclosure controls and procedures means controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Act (15 U.S.C. 78a et seq.) is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. Disclosure, controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934, as amended (the "Act") is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Our internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes, in accordance with generally accepted accounting principles in the United States of America. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of inherent limitations, a system of internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate due to change in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management conducted an evaluation of the effectiveness of our internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework (2013 Internal Control—Integrated Framework) at December 31, 2017. Based on its evaluation, our management concluded that, as of December 31, 2017, our internal control over financial reporting was not effective. We have identified two areas which contain material weaknesses. First; the size of the Company

and limitations inherent in companies with limited accounting staff prevent the desired multiple checks and balances prior to processing daily operations. We need more compensating controls. Though adequate processes are in place and functioning, subsequent reviews are deemed necessary to identify unauthorized transactions. Secondly; the same inherent current limitation on company staffing requires specialized outside accounting assistance to implement additional procedures that are effective, and another review to the process, to ensure that all material information required to be filed in the annual report on Form 10-K has been made known to them. The material weaknesses identified will be addressed with the implementation of revised internal control procedures to be developed and approved by the Board of Directors and the Companies external auditors. A material weakness is a deficiency, or a combination of control deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to the attestation by the Company's registered public accounting firm pursuant to rules of the SEC that permit the Company to provide only management's report in this annual report.

Changes in Internal Controls over Financial Reporting

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

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to the attestation by the Company's registered public accounting firm pursuant to rules of the SEC that permit the Company to provide only management's report in this annual report.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The Company has a code of business conduct and ethics that applies to all employees, officers and directors. The code of business conduct and ethics is available on our website at www.dynaresource.com and we will post any amendments to, or waivers from, the code of ethics on that website.

The following table lists the names and ages of the executive officers, directors and key consultants of the Company. The directors will continue to serve until the next annual shareholders meeting, or until their successors are elected and qualified. All Directors have been elected to serve through 2018. All officers serve at the discretion of the President, Chairman of the Board of Directors, and members of the Board of Directors.

| Name | Age | Position | Held Since |
|--|-----|--|--------------------------------|
| K. W. ("K.D.") Diepholz 1303 Regency Court Southlake, Texas 76092 | 60 | Chairman of The Board | May 1995 |
| | | CEO/President | May 1997 |
| | | Treasurer | May 1997 |
| Dr. Jose Vargas Lugo Enrique Dunant Y5 de Mayo #963 L-3 Fracc, Los Parques Guamuchil, Sin CP 81460 | 57 | Director of Operations - México, President - México Operations; | August 2011 |
| | | Director; | May 2013 |
| Eduardo Luna Sierra Grande #134 Fraccionamiento Lomas de Mazatlán Mazatlán, Sinaloa México 82110 | 73 | Senior Advisor to President of Mineras de DynaResource; Director | February 2017 February 2017 |
| | | | |
| Pedro Ignacio Teran Cruz Sierra Grande #134 Fraccionamiento Lomas de Mazatlán Mazatlán, Sinaloa México 82110 | 58 | Executive Vice President, Director of Exploration and Resource Development; Board Member | 2008-2013; March 2016 |
| | | | December, 2014 |
| John C. Wasserman 222 W. Las Colinas Blvd. Suite 744 East Tower Irving, TX. 75039 | 78 | Independent Director | December 2015 |
| Dale G. Petrini 222 W. Las Colinas Blvd. Suite 744 East Tower Irving, TX. 75039 | 63 | Independent Director | December 2016 |
| Philip K. Rose 222 W. Las Colinas Blvd. | 29 | Independent Director | July 2015 |

Suite 744 East Tower
Irving, TX. 75039

| | | | |
|--|----|--|---------------|
| Bradford J. Saulter 7618 Straits Lane Rowlett, Texas 75088 | 58 | Vice President – Investor Relations | May 1998 |
| Nicolas Miguel Sierra Grande #134 Fraccionamiento Lomas de Mazatlán Mazatlán, Sinaloa México 82110 | | Controller for Mexico Operations; | May 2017 |
| Raul Garcia Reimbert Sierra Grande #134 Fraccionamiento Lomas de Mazatlán Mazatlán, Sinaloa México 82110 | 56 | Special Advisor to President of Mineras de DynaResource; | November 2016 |

K.W. (“K.D.”) Diepholz. Mr. Diepholz has been involved in the resource sectors, primarily as an investor/entrepreneur, since 1980. He founded KWD Properties Corp. an Oil and Gas exploration and production company in 1983 and served as an executive manager to this Oil and Gas concern, and as a General partner to several limited partnerships. Mr. Diepholz has served in a variety of capacities with DynaResource, Inc. from 1994 to the present, and has served as Chairman of the Board, President, CEO and Treasurer since 1995. Mr. Diepholz has special skills in the areas of negotiation, business development, project planning and management, corporate financing, acquisition analysis, investment program interpretation and structuring, and executive management. Mr. Diepholz has been instrumental to the Company in the negotiations of the following: the acquisition of 24.9% Net Profits Interest in the San José de Gracia in 1995; the acquisition of an additional 25% interest in San José de Gracia in 1998; the acquisition and consolidation of 100% of the rights to the San José de Gracia from prior owners, culminating in March 2000; the acquisition and consolidation of several outstanding Concessions at the San José de Gracia from previous Mexican owners during 2000-2003; the direction and management of the test mining and pilot mill operations at San José de Gracia during 2003-2006; the negotiation of the Stock Purchase/Earn In Agreement in 2006; the negotiation of the surface rights agreement with the Santa Maria Ejido in 2013; the negotiation of the financing agreement with Golden Post Rail, LLC, and the general financing of, and the general management of the Company since inception. In addition to his roles with the Company, Mr. Diepholz serves as Chairman and CEO of DynaResource Nevada, Inc., an affiliated company, and as President of DynaNevada de Mexico, a wholly owned subsidiary of DynaResource Nevada Inc. Mr. Diepholz is also the current President of the following subsidiaries of the Company in Mexico: DynaResource de Mexico, Mineras de DynaResource, and DynaResource Operaciones.

Dr. Jose Vargas Lugo. Dr. Vargas is a licensed physician with graduate from the Universidad Nacional Autonoma de México (UNAM) and is a 4th year law student at Universidad Autonoma de Sinaloa (UAS). Dr. Vargas commenced his involvement with the mining business with Minera Industrial Peñoles as a Medical Assistant to the Mining Services Division of Peñoles in Fresnillo, Zacatecas. Since 1993, Dr. Vargas has been a supplier of industrial goods and services in and around the municipalities of Sinaloa de Leyva and Mocorito Sinaloa. Dr. Vargas has worked with companies such as Compañía Minera El Rosarito, which was conducting operations at San Jose de Gracia during the period 1993 – 1995. Dr. Vargas later provided services and supplies to Mineras Finestierre at San Jose de Gracia, and to Minera Pangea, which was owned by Queenstake Resources, then Nevada Pacific, and now US. Gold. Dr. Vargas began working with DynaResource de México in spring 2000; as it commenced activities to acquire and consolidate the San Jose de Gracia District. Over the past + 10 Years, Dr. Vargas has proven to be an integral part of the Company’s activities at San Jose de Gracia and in Sinaloa State; involved in all facets of the Company’s business. Dr. Vargas has proven instrumental in the areas of public relations, community relations, governmental affairs, environmental matters, and overall management of the company’s business activities in México.

Eduardo Luna. Mr. Luna is a respected and successful senior executive with over 40 years’ experience in the mining industry. Mr. Luna’s experience includes serving as a Member of the Board of Directors for major mining companies which have achieved success at the highest level of the mining industry. Mr. Luna currently serves as a member of the Board of Directors of Silver Wheaton. Mr. Luna has also served as a Member of the Board of Directors of Goldcorp Inc., Alamos Gold Inc., and Primero Mining Corp.

In addition to his roles on company boards, Mr. Luna served in a variety of operational capacities. From 1991 to 2005, Mr. Luna served as President of Luismin SA de CV in Mexico, which operated the Tayoltita Project for Goldcorp in Mexico. Mr. Luna also served as an Executive Vice President of Goldcorp. More recently, Mr. Luna served as President of Mexican Operations for Primero Mining from 2010-2015, the time frame during which Primero Mining operated the Tayoltita Project.

During his distinguished career, Mr. Luna has received several mining industry recognitions and appointments, which include:

National Mining Award, Mexico, 1997;

President of the Mexican Chamber of Mines;

President of the Consulting Board for the School of Mines, Universidad de Guanajuato;

Member of the Advisory Boards of the School of Mines of National University of Mexico and University of Zacatecas;

President of The Silver Institute 2002 – 2003.

Mr. Luna received a Bachelor's degree in Mining Engineering from Universidad de Guanajuato, 1971; an MBA from Tecnológico de Monterrey, 1979; and an Advanced Management degree from Harvard Business School.

In 1997 Mr. Luna was appointed Trustee of Fundación Pro Niños de la Calle, a charity that works with children living on the streets of Mexico City.

Pedro Ignacio Teran Cruz. Mr. Teran is a graduate Geologist from the Universidad de Sonora, México. He has over 28 years' experience in mineral exploration, mine development is a successful and respected Geological Consultant in México and is credited with defining significant resources at several projects. From 1986 to 1992, he was Project Geologist for Minera Real de Angeles, SA de CV (Frisco/Placer Dome Inc, now Alamos Gold), in which under his participation, explored and discovered the "Mulatos Gold Deposit" Sonora, México, and later as a Project Manager, the "San Felipe Gold Project" BC, México, both now in production. From 1992 to 1996, Mr. Teran worked as a Mine Geologist with Hecla Mining Co and explored and advanced into production the open pit "La Choya Gold Mine". From 1996 to 1999, Mr. Teran worked as Geology Superintendent for Compañ' a Minera Lluvia de Oro (Santa Cruz Gold, Now NWM Mining Corp.) and at the open pit "Lluvia de Oro Gold Mine", Sonora, México. From 1999 to 2001, Mr. Teran worked as a Consultant Geology performing due diligences for Tara Gold Resources in several projects located in la Sierra Madre Occidental. From 2001 to 2005, he worked as Manager of Geology Department for the Compañ' a Minera Pangea SA de CV (Queenstake Resources, Nevada Pacific and now McEwen Mining), in the "El Magistral Gold Mine" Sinaloa, México. Under his direction of exploration, the reserves were increased substantially and formed part of the team to put the project in production. During 2005 and part of 2006, Mr. Teran worked as Data Manager for Linear Gold Corp. in the "Ixhuatan Project" Chiapas, México. He built the computer block model and Resources Estimation. From 2006 to 2008, he worked as Project Manager for Pediment Exploration Ltd., now Argonaut Gold Inc. in the "San Antonio Gold Project" located in BCS, México.

Since 2008, Mr. Teran began working as a Consultant Geologist with DynaResource, Inc. in the "San Jose de Gracia Gold Project" located in Sinaloa, México, an advanced exploration project. Mr. Teran now is working 100% of his time with the DynaResource Team and with full focus at San Jose de Gracia.

Bradford J. Saulter. Attended University of Texas, Austin, Texas; Marketing Department of Metagram, Inc., a Dallas National Marketing Company; Regional Manager for Lugar, Lynch, & Associates, A Dallas Financial Services Company, Involved in Sales & Marketing of Various Investment Products; Independent Marketing Consultant; Series 22 & 63 Securities License; Vice President / Marketing - Dynacap Group Ltd. (1992 - Present); Director: Farm Partners, Inc. (1992 - Present), Vice President – Investor Relations - DynaResource, Inc., Dallas, Texas (1995 to present).

John C. Wasserman. Mr. Wasserman is a Partner with Wasserman, Bryan, Landry & Honold, LLP Law firm, Perrysburg Ohio. He is a stockholder of the Company and brings the following credentials to the Board of Directors:

University of Detroit (PHB); Ohio State University, Law School (JD) – Graduate work in business administration; University of Toledo – Undergraduate and Graduate work in business administration; Admitted to practice before Ohio Supreme Court, U.S. Supreme Court, U.S. District Court for Northern District of Ohio, Sixth Circuit U.S. Court of Appeals; Member, Ohio State, Lucas County, Ohio (past President) and Toledo, Ohio Bar Associations; Board Member, Corporate and Board Secretary, Blue Water Satellite, Inc.; Board Member, TechTol of Toledo, Inc.; Member and current chair of the City of Waterville, Ohio Planning Commission; Member of the ten year Plan Committee of Waterville, Ohio; Member, Past Board Member, Secretary Treasurer and President of Toledo, Ohio Rotary; Past Assistant District Governor, Area 4 of District 6600 of Rotary International; Member of Timberlake Investments, LLC, an investment LLC; Board Member, Victory Center of Toledo, Ohio; Member, Succession Committee, DynaResource, Inc.; Member/Managing Partner/Member, numerous LLCs/Partnerships for real estate developments and investments.

Mr. Wasserman has been employed with the Ohio Attorney General office, as Special Counsel; and with Ohio Bureau of Unemployment, as Hearing Officer; and as a Former Acting Judge, Maumee, Ohio, Municipal Court; Past Toledo, Ohio Exchange Club Member (President). Mr. Wasserman was selected one of Jaycees Top Ten Young men of Toledo, Ohio; was Co Author – Management Considerations of a Business Entity in the Environment of Chapter XI Reorganization Proceedings Under the New Federal Bankruptcy Code Effective October 1, 1979 published in

Midwest Business Administration Association; was an Expert witness in real estate mandamus case: Lucas County Common Pleas Court, State ex rel Ad Hoc Committee of Waterville Citizens for Initiative and Referendum Petitions, Etc., Realtor vs. City of Waterville and Dale Knepper, Clerk of Council, City of Waterville, Respondents, Case No. CI-2013-1137.

Dale G. Petrini. Mr. Petrini brings over 40 years of extensive international project and manufacturing experience to the Board of DynaResource, Inc. During his 40+ years with The Dow Chemical Company, Houston, Texas, Mr. Petrini was the engineering sponsor, advisor and led the project development for several international mega projects totally over \$50 billion USD. In his latest role for Dow, he was responsible for the project development of mega project growth opportunities in Latin America.

Previously, Mr. Petrini was responsible for Global Construction Management and Global Capital Procurement for Dow with offices and personnel located throughout the world. In addition, he was the Plant Manager for several production units and led the respective business management teams.

Mr. Petrini earned his civil engineering degree from The University of Michigan and is a registered licensed professional engineer. He holds dual citizenship in the US and EU.

Philip K. Rose. Mr. Rose is the appointee to the Board of Directors by Golden Post, LLC., the holder of the Series C convertible preferred shares. Mr. Rose is a 2011 graduate of Texas Christian University in Fort Worth, Texas.

Consultants

Nicolas Miguel Padilla (Comptroller in Mexico):

Mr. Padilla received his Degree in Public Accounting from the Universidad Michoacana de San Nicolás de Hidalgo, School Generation 1978-1982. Mr. Padilla is Certificated by CENEVAL Año 2010 Professional Patent No. 7330509.

Most recently, Mr. Padilla was employed by Primero Servicios Mineros, S.A. de C.V., Primero Mining Corp., at the Unidad Tayoltita; where he was Comptroller-Manager from February 2014 Until September 2016. Prior to serving as Comptroller for Primero, Mr. Padilla served as Superintendent of Administration from July 2010 to July 2011, and Mr. Padilla served as Manager of Administration and Services-Comptroller from August 2011 to January 2014.

Previous to serving Primero, Mr. Padilla served as Chief Accountant for Los Filos S.A. de C.V., a subsidiary of Goldcorp, Inc. during the period April 2004 to June 2010. And before serving Los Filos S.A. de C.V. as Chief Accountant, Mr. Padilla served as Superintendent of Administration-Comptroller for Luismin, S.A. de C.V., a subsidiary of Goldcorp, Inc., during the period November 1990 to March 2004.

Mr. Padilla joined Mineras de DynaResource S.A. de C.V., a subsidiary of DynaResource, Inc., as Comptroller-Mexico, in June 2017.

Raul Garcia Reimbert. (Security and Risk Advisor)

Mr. Garcia Reimbert is a graduated engineer in Mining and Metallurgist and Lawyer from the Universidad Nacional Autonoma de Mexico, he also has a Master as a Mine Expert Engineer from the Ecole des Mines, Nancy, France and several specializations in Holistic Risk Management, Crisis Management and Business Administration that provides over 35 years of experience in the mining industry and risk management activities. Mr. Garcia Reimbert is the fifth generation of miners in his family.

Mr. Garcia Reimbert served as Plan Engineer at SICARTSA (1981 -1983) and as Corporate Risk Manager at Grupo Peñoles / Fresnillo (1983 - 2011). From 2011 up to date, Mr. Garcia Reimbert is the CEO of Cabinet Reimbert, a company specialized in Risk Management, Security, Environmental, Community and Legal Solutions for the Mining industry and others. His portfolio includes global and local mining companies, global manufacturing companies, as well as governmental agencies.

Mr. Garcia Reimbert was also a professor for 15 years at the Universidad Nacional Autonoma de Mexico, and from 2015 at Federal Governmental agencies. Mr. Garcia Reimbert also serves as the National Treasurer of The Mexican Mines, Metallurgists, and Geologist Engineers Society. Mr. Gracia Reimbert has received recognitions as The Best Mexican Risk Manager in 1999 and One of the Most Influential Security Specialists in Mexico for 2016.

Mr. Garcia Reimbert, was retained as Special Advisor to DynaResource in November 2016.

To the knowledge of the Company, no present or former director, executive officer, or person nominated to become a director or executive of the Company, or consultants to the Company, has ever:

1.
Filed a bankruptcy petition by or against any business of which such person was a general partner or executive officer whether at the time of the bankruptcy or with two years prior to that time;
2.
Had any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
3.
Been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; and,
4.
Been found by a court of competent jurisdiction (in a civil action), the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed suspended or vacated.

ITEM 11. EXECUTIVE COMPENSATION

The following officers received the following compensation for the years ended December 31, 2016 and 2015. These officers(*) do not have employment contracts with the Company.

| Name and principal position | Year | Salary | Bonus | Stock Awards | Option Awards | Non-equity incentive plan compensation | Nonqualified deferred compensation | All other compensation * |
|--|------|-----------|----------|--------------|---------------|--|------------------------------------|--------------------------|
| K.W. (“K.D.”) Diepholz, CEO/President | 2017 | \$251,039 | None | None | None | None | None | \$45,000 |
| | 2016 | \$225,000 | None | None | None | None | None | \$14,750 |
| Dr. Jose Vargas Lugo; EVP., s President of México Operation | 2017 | \$90,000 | None | None | None | None | None | None |
| | 2016 | \$90,000 | None | None | None | None | None | None |
| Eduardo Luna Sr. Advisor to President of Mineras de DynaResource | 2017 | \$166,670 | None | None | None | None | None | None |
| | 2016 | None | None | None | None | None | None | None |
| *Rene L.F. Mladovich; former GM of San Jose de Gracia Project | 2017 | \$54,250 | None | None | None | None | None | None |
| | 2016 | \$137,500 | \$10,000 | None | None | None | None | None |
| *Robert (“Chip”) Allender, Jr., Former EVP. Dir of Operations | 2017 | None | None | None | None | None | None | None |
| | 2016 | \$54,405 | None | None | None | None | None | None |
| *David S. Hall, Former CFO | 2017 | None | None | None | None | None | None | None |
| | 2016 | \$33,732 | None | None | None | None | None | None |
| Pedro Ignacio Teran Cruz, Dir. of Exp. and Resource Dev. | 2016 | \$120,000 | None | None | None | None | None | None |
| | 2016 | \$120,000 | None | None | None | None | None | None |
| Bradford J. Saulter, VP, Investor Relations | 2017 | \$90,000 | None | None | None | None | None | \$20,000 |
| | 2016 | \$72,000 | None | None | None | None | None | None |

* As disclosed in the financial statements, the Company paid consulting fees to Dynacap Group, Ltd.

| Name and principal position | Number of Securities Underlying Unexercised options (#) exercisable | Option Awards | | | Option expiration date | Stock Awards |
|---|---|--|------------------------------|-----------------------|------------------------|---|
| | | Number of Securities Underlying Unexercised options (#) un-exercisable | Equity incentive plan awards | Option exercise price | | Number of share awards that have not vested |
| K.W. (“K.D.”) Diepholz CEO/President | None | None | None | N/A | N/A | None |
| Dr. Jose Vargas Lugo President of México Operations | None | None | None | N/A | N/A | None |
| Rene L.F. Mladovich GM of San Jose de Gracia Project (2016) | None | None | None | N/A | N/A | None |
| Robert (“Chip”) Allender, Jr. Director of Mining Operations (2016) | None | None | None | N/A | N/A | None |
| Pedro Ignacio Teran Cruz; Dir. of Expl. | None | None | None | N/A | N/A | None |
| David S. Hall CFO, 2015 to May 2016 | None | None | None | N/A | N/A | None |
| Bradford J. Saulter | None | None | None | N/A | N/A | None |
| John C. Wasserman | None | None | None | N/A | N/A | None |

ITEM 12.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth the amount and nature of beneficial ownership of each of the executive officers and directors of the Company and each person known to be a beneficial owner of more than five percent of the issued and outstanding shares of common stock of the Company as of December 31, 2017. The following table sets forth the information based on 17,722,825(1) common shares issued and outstanding (1) as of December 31, 2017.

| COMMON STOCK | Beneficial Owner | Address | Common Shares | Percent Ownership |
|--------------|---|---|---------------|-------------------|
| Common Stock | K.W. ("K.D.") Diepholz Chairman / CEO | 222 W. Las Colinas Blvd. Suite 1910 North Tower Irving, Texas 75039 | 1,865,100 | 10.50% |
| Common Stock | Mineras de DynaResource SA de CV. | CP 82110, Mazatlán, Sinaloa, Mexico | 504,300 | 2.8% |
| Common Stock | Gareth Nichol | Denver, Colorado | 2,333,333 | 13.16% |
| Common Stock | Dr. Jose Vargas Lugo EVP, Director | Plutarco Elias Calles 47 Guamuchil Sin. Mex. 81450 | 274,508 | 1.5% |
| Common Stock | Pedro I. Teran Cruz EVP; Director | Hermosillo, Sonora Mexico | 37,500 | .21% |
| Common Stock | Bradford J. Saulter VP., Investor Relations | 222 W. Las Colinas Blvd. Suite 1910 North Tower Irving, Texas 75039 | 124,439 | .70% |
| Common Stock | John C. Wasserman Director; | Waterville, Ohio 43566 | 134,389 | .758% |
| Common Stock | Dale G. Petrini Director | Houston, Texas 77027 | 156,330 | .935% |
| Common Stock | Eduardo Luna; Director | Mexico City; Mexico | | |
| ** | Philip A. Rose (2) Director | Westlake, Texas | | |
| | All Officers, Directors and Beneficial owners as a Group (10 holders) | | 5,429,899 | 30.64 % |

(1)

Does Not Include (i) 1,733,221 shares of common stock issuable upon the conversion of 1,733,221 shares of Series C Convertible Preferred Stock, which are currently convertible, and (ii) 2,166,527 shares of common stock issuable upon the exercise of a warrant, which is exercisable, and subsequent conversion into common shares.

(2)

Mr. Rose is a Director of the Company, elected by the holder of the Series C Preferred Shares.

No officer or director holds options which are either (a) vested or (b) will vest within 60 days.

OPTIONS/WARRANTS

The officers and directors and those 5% beneficial owners held the following options/warrants as of December 31, 2017:

None

PREFERRED SHARES (SERIES A)

| Preferred Series | Beneficial Owner | Address | Preferred Shares | Percent Ownership |
|------------------|--------------------------------|---|------------------|-------------------|
| Series "A" | K.W. ("K.D.") Diepholz, CEO | 1303 Regency Court Southlake, Texas76092 | 1,000 | 100.0% |

PREFERRED SHARES (SERIES C)

| Preferred Series | Beneficial Owner | Address | Preferred Shares | Percent Ownership |
|------------------|------------------|---|------------------|-------------------|
| Series "C" | Golden Post LLC. | 1110 Post Oak Place Westlake, Texas76262 | 1,733,221 | 100.0% |

ITEM 13.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Dynacap Group Ltd.

The Company paid \$165,250 and \$116,750 to Dynacap Group, Ltd. ("Dynacap", an entity controlled by the CEO of the Company) for consulting and other fees during the years ended December 31, 2017 and 2016, respectively. Dynacap retains 2 subcontractors who provide accounting, administrative and executive support services to the Company during recent years.

Cash Advances by Management

In 2015, the Company converted \$175,000 of advances from the CEO for the issuance of 70,000 shares of common (at \$2.50 per share) as well as 70,000 warrants, exercisable at \$2.50 per share, expiring December 31, 2017. These shares were issued in August 2015. The Company repaid the \$150,000 advance to the former CFO in 2016.

Stock Issued to Management

None

The Company is not aware of any other material relationships or related transactions between the Company and any officers, directors or holders of more than five percent of any class of outstanding securities of the issuer.

ITEM 14.

PRINCIPAL ACCOUNTING FEES AND SERVICES

(1) Audit Fees

The aggregate fees billed for professional services rendered by our auditors, for the audit of the registrant's annual financial statements and review of the financial statements included in the registrant's Form 10-K and Form 10-Q(s) or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements, for fiscal years 2017 and 2016 was \$100,000 and \$108,155, respectively.

(2) Audit Related Fees

None

(3) Tax Fees

None

(4) All Other Fees

None

(5) Audit Committee Policies and Procedures

The Company does not have an audit committee.

(6) If greater than 50 percent, disclose the percentage of hours expended on the principal accountant's engagement to audit the registrant's financial statements for the most recent fiscal year that were attributed to work performed by persons other than the principal accountant's full-time, permanent employees.

Not applicable.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The exhibits listed in the accompanying exhibit index are filed (except where otherwise indicated) as part of this report.

- | No. | Description |
|------|--|
| 31.1 | Certification of the Company's Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act |
| * | of 2002 |
| 31.2 | Certification of the Company's Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of |
| * | 2002 |
| 32.1 | Certification of the Company's Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. |
| * | Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

* Filed herewith.

Exhibit Number; Name of Exhibit

31.1

Certification of Chief Executive Officer, pursuant to Rule 13a-14(a) of the Exchange Act, as enacted by Section 302 of the Sarbanes-Oxley Act of 2002.

31.2

Certification of Chief Financial Officer, pursuant to Rule 13a-14(a) of the Exchange Act, as enacted by Section 302 of the Sarbanes-Oxley Act of 2002.

32.1

Certification of Chief Executive Officer and Chief Financial Officer, pursuant to 18 United States Code Section 1350, as enacted by Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the Company caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

DYNARESOURCE, INC.

Dated: April 16, 2018 By: /s/ K.W. ("K.D.") DIEPHOLZ
K.W. (K.D.) Diepholz, Chairman of the Board of Directors and Chief Executive Officer

In accordance with the Exchange Act, this Report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|--|-------------------|
| /s/ K.W. ("K.D.") DIEPHOLZ K.W. (K.D.) Diepholz | Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer) | April 16, 2018 |
| /s/ K.W. ("K.D.") DIEPHOLZ K.W. (K.D.) Diepholz | Acting Chief Financial Officer (Principal Financial and Accounting Officer) | April 16, 2018 |