

DYNARESOURCE INC
Form 10-K
April 16, 2014
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, 2013

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

For the transition period from _____ to _____

Commission File Number: 000-30371

DYNARESOURCE, INC.

(Exact name of Registrant as specified in its charter)

Delaware 94-1589426
(State of Incorporation) (Employer Identification No.)

Edgar Filing: DYNARESOURCE INC - Form 10-K

222 W. Las Colinas Blvd., Suite 744 East Tower Irving, Texas 75039
(Address of principal executive offices) (Zip Code)

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

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 [X]

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 [X]

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

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

Large accredited filer Accredited filer

Non-accredited filer Smaller reporting company

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

Yes No

The aggregate market value of common stock, par value \$0.01 per share, held by non-affiliates of the registrant, based on the average bid and asked prices of the common stock on December 31, 2013 (the last business day of the

registrant's most recently completed fiscal year) was approximately \$27 million. For purposes of this computation, all officers, directors 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.

Number of common shares outstanding at April 15, 2014 11,052,008

DOCUMENTS INCORPORATED BY REFERENCE

Listed below are documents incorporated herein by reference and the part of this Report into which each such document is incorporated:

None.

DYNARESOURCE, INC.

FORM 10-K

TABLE OF CONTENTS

PART I

ITEM 1. Business	5
ITEM 1A. Risk Factors	19
ITEM 1B. Unresolved Staff Comments	23
ITEM 2. Properties	23
ITEM 3. Legal Proceedings	25
ITEM 4. Mine Safety Disclosures	26

PART II

ITEM 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	27
ITEM 6. Selected Financial Data	27
ITEM 7. Management’s Discussion and Analysis of Financial Condition and Results of Operation	27
ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk	38
ITEM 8. Financial Statements and Supplementary Data	38
ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	59
ITEM 9A. Controls and Procedures	59
ITEM 9B. Other Information	60

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance	60
ITEM 11. Executive Compensation	62
ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	64
ITEM 13. Certain Relationships and Related Transactions, and Director Independence	65
ITEM 14. Principal Accounting Fees and Services	65

PART IV

ITEM 15. Exhibits and Financial Statement Schedules	67
---	----

EXHIBIT INDEX

- 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 has elected to prepare reports under the Canadian Securities Administrators’ National Instrument 43-101 “Standards of Disclosure for Mineral Projects” (“NI 43-101”). These standards are materially different from the standards generally permitted in reports filed with the United States Securities and Exchange Commission (“SEC”).

The terms “mineral reserve”, “proven mineral reserve” and “probable mineral reserve” used in this report are Canadian mining terms defined in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum (the “CIM”) in the CIM Standards on Mineral Resources and Mineral Reserves, adopted by the CIM Council. These definitions differ from the definitions of those terms in Industry Guide 7 (“Guide 7”) promulgated by the SEC. 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. Under Guide 7 standards, a “Final” or “Bankable” feasibility study is required to report reserves, the three-year historical average precious metals prices are used in any reserve or cash flow analysis to designate reserves, and the primary environmental analysis or report must be filed with the appropriate government authority. One consequence of these differences is that “reserves” calculated in accordance with Canadian standards may not be “reserves” under Guide 7 standards. U.S. investors should be aware that the Company’s properties located in Mexico do not have “reserves” as defined by Guide 7 and are cautioned not to assume that any part or all of the disclosed mineralized material will be confirmed or

converted into Guide 7 compliant “reserves”.

Under NI 43-101, we report “Measured”, “Indicated” and “Inferred” resources, which are measurements that are generally not permitted in filings made with the SEC. The estimation of measured resources and indicated resources involve greater uncertainty as to their existence and economic feasibility than the estimation of proven and probable reserves. U.S. investors are cautioned not to assume that any part of measured or indicated resources will ever be converted into economically mineable reserves. The estimation of inferred resources involves far greater uncertainty as to their existence and economic viability than the estimation of other categories of resources. It cannot be assumed that all or any part of inferred resources will ever be upgraded to a higher category. Therefore, U.S. investors are also cautioned not to assume that all or any part of inferred resources exist, or that they can be mined legally or economically.

PART I

Item 1. Business

Company

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

History

The Company was incorporated in the State of California on September 28, 1937, under the name West Coast Mines, Inc. In November 1998, the Company re-domiciled from California to Delaware and changed its name to DynaResource, Inc. (aka “DynaUSA”).

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

Through its 80% owned Mexican subsidiary, DynaResource de México, S.A. de C.V. (“DynaMéxico”), the Company owns a portfolio of mining concessions that currently includes its interests in the San José de Gracia Project (“SJG”) in northern Sinaloa State, Mexico. The SJG District covers 69,121 hectares (170,802 acres) on the west side of the Sierra Madre mountain range.

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

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

At incorporation of DynaMexico, 100 shares of Fixed Capital Series “A” shares were issued with DynaUSA receiving 99 shares and Koy W. Diepholz receiving 1 share.

From January 2008 through March 2011, DynaMexico 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 contributing \$18,000,000 USD to DynaMexico. At the issuance of the 100 Series B Shares to Goldgroup, it owned 50% of the outstanding capital shares of DynaMexico.

On May 17, 2013, DynaResource agreed to acquire a Certificate for 300 Series "B" Variable Capital Shares of DynaMexico, in exchange for the settlement of accounts receivable from DynaMexico 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 on June 21, 2013, DynaUSA holds 80% of the total outstanding Capital of DynaMexico. DynaMexico owns 100% of the San Jose de Gracia Project in northern Sinaloa, Mexico ("SJG", and the "SJG Property"). (See table representation of the outstanding Capital of DynaMexico below).

The exchange of shares by DynaMexico for amounts payable to DynaUSA was unanimously approved by attending shareholders at a meeting of the shareholders of DynaMexico, held on the second call for shareholder's meeting on May 17, 2013 in Mazatlan, Sinaloa, Mexico. Of the total amount of \$31,090,170 Mexican Pesos exchanged for the 300 Shares, \$150,000 Mexican Pesos was accounted for at the nominal value of \$500 Mexican Pesos per share, and the remaining balance of \$30,940,710 Mexican Pesos was accounted for as a premium for the subscription of the shares agreed to be paid by DynaUSA.

The date of issuance of the 300 Series B Share Certificate was June 21, 2013. As a result of the issuance and exchange of the 300 Variable Capital shares for amounts owed to DynaUSA, the accounts payable amount owed by DynaMexico to DynaUSA was retired in full. MinerasDyna, the 100 % owned subsidiary of DynaUSA, continues to carry an amount receivable from DynaMexico of \$2,150,000 USD at December 31, 2013, and MinerasDyna continues to make cash advances to DynaMexico under the terms of the exploitation amendment agreement ("EAA"), below.

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

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

DynaResource currently owns 80% of the outstanding common shares of DynaMéxico.

On May 15, 2013, MinerasDyna entered into an Exploitation Amendment Agreement (“EAA”) with DynaMexico. The EAA grants to MinerasDyna 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 MinerasDyna to DynaMexico; and, (B) After Item (A) above, the receipt by MinerasDyna of 75 % of gross receipts received by DynaMexico from the sale of all minerals produced from SJG, to the point that MinerasDyna has received 200 % of its advanced funds; and, (C) After Items (A) and (B) above; the receipt by MinerasDyna of 50 % of all gross receipts received by DynaMexico 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, MinerasDyna shall receive a 2.5 % NSR (“Net Smelter Royalty”) on all minerals sold from SJG over 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 MinerasDyna with DynaMexico in April 2005, wherein MinerasDyna 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 provides for the continuation of the 20 Year Term from the date of the Second Amendment (July 15, 2011).

On June 17, 2013, DynaMexico received from the Secretaria de Medio Ambiente Y Recursos Naturales, the Federal Environmental Authority in Mexico (“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 Exploitation Permit”). Under the terms of the Semarnat-SJG Mill Permit, DynaMexico 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 September 30, 2013, DynaMexico received from the Secretaria de Medio Ambiente Y Recursos Naturales, the Federal Environmental Authority in México (“SEMARNAT”), the approval and permission which allows for the exploitation and mining activities at the San Pablo Area of SJG (“the Semarnat-SJG San Pablo Exploitation Permit” and the “Semarnat Exploitation Permit”). Under the terms of the Semarnat Exploitation Permit, DynaMéxico will be restricted to conducting exploitation activities within the San Pablo Area of SJG (as defined in the Map of the San Pablo area as submitted to Semarnat).

Subsequent to December 31, 2013, MinerasDyna entered into a 20 Year Land Lease Agreement with the Santa Maria Ejido Community surrounding San Jose de Gracia. The Land Lease Agreement is dated January 6, 2014 and continues through 2033. The Land Lease agreement covers an area of 4,399 hectares surrounding the main mineral resource

areas of SJG, and provides for annual lease payments by MinerasDyna of \$ 1,359,443 Pesos (approx. \$104,250 USD), commencing in 2014. Additionally, under the description of the 20 Year Land Lease, MinerasDyna expects to construct a Medical Facility at SJG in year 2014, and a Community Center in year 2015.

The Land Lease Agreement provides MinerasDyna 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).

Licenses and Concessions

The SJG District is comprised of 33 mining concessions covering 69,121 hectares (171,802 acres) and is located within the Sierra Madre gold-silver belt, where the majority of hydrothermal deposits in Mexico are located. The Company's 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 Mexico 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 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.

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, all of 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 Mexico and its Regulations.

Current Mining Concessions - San José de Gracia

Claim Name	Claim Number	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

Edgar Filing: DYNARESOURCE INC - Form 10-K

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

7

PIEDRAS DE LUMBRE 3	21899228/01/200327/01/20534.3098	31.62
PIEDRAS DE LUMBRE No.4	21234929/09/200028/09/20500.2034	63.22
PIEDRAS DE LUMBRE UNO	21555505/03/200204/03/205240.2754	31.62
SAN ANDRES	21214331/08/200030/08/2050385.0990	63.22
SAN JOSÉ	20853724/11/199823/11/204827.0000	111.27
SAN MIGUEL	18350426/10/198825/10/20387.0000	111.27
SAN NICOLAS	16391314/12/197813/12/202855.5490	111.27
SAN SEBASTIAN	18447308/11/198907/11/203940.0000	111.27
SANTA MARIA	21876917/01/200316/01/20534.2030	31.62
SANTA ROSA	17055713/05/198212/05/203231.4887	111.27
SANTO TOMAS	18734813/08/198612/08/2036312.0000	111.27
TRES AMIGOS 2	21214231/08/200030/08/205054.4672	63.22
FINISTERRE 4	23116618/01/200817/01/20582142.1302	5.08
FRANCISCO ARTURO	23049406/09/200727/03/205762481.3815	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: María 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 DynaMexico signed with each of Miguel Lopez Medina and Josefa Gonzalez Castro, respectively, agreements for the transfer to DynaMexico 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, DynaMexico 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, DynaMexico is required to first obtain the legal consent to such transfers, or the written relinquishment of first rights of refusal, from María Trinidad Acosta Salazar and Otilia Tracy Vizcarra (or court-appointed estate executor).

In addition to the San Miguel Transfer Agreements, DynaMexico 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 DynaMexico 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 DynaMexico and Margarita Tracy Vizcarra, the sister of the deceased Otilia Tracy Vizcarra.

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

(a) with respect to the Promise to Sell and Purchase Agreement signed on March 8, 2001 among DynaMexico and Maria Trinidad Acosta Salazar, to contact Ms. María Trinidad Acosta Salazar to demand compliance with such agreement by executing the definitive transfer to DynaMexico 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 DynaMexico 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 DynaMexico 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 DynaMexico pursuant to the Mining Act of Mexico and its Regulations (*Ley Minera y su Reglamento*), MinerasDyna maintains access and surface rights to the SJG Project pursuant to the 20 year

8

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 MinerasDyna of \$ 1,359,443 Pesos (approx. \$104,250 USD), commencing in 2014. Additionally, under the description of the 20 Year Land Lease, MinerasDyna expects to construct a Medical Facility at SJG in year 2014, and a Community Center in year 2015.

The Land Lease Agreement provides MinerasDyna 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).

Property Location

The San Jose de Gracia mining property surrounds the area of San Jose de Gracia, Sinaloa State, Mexico. San Jose de Gracia is located on the west side of the Sierra Madre mountain range in the Sierra Madre Gold-Silver Belt, approximately 100 kilometers inland from Los Mochis, Sinaloa Mexico and approximately 200 kilometers north of Mazatlan, Sinaloa.

Access

The San José de Gracia Project can be accessed by road, via a sealed highway from either 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 / early July 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 Mexico. 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 water well located close to the river which runs just west of the village of San José de Gracia. DynaMexico has obtained the water concession rights for this water source, which provide for usage of 1,000,000 cubic meters per year. Currently, DynaMexico estimates its consumption of water to be approximately 10,000 liters per week.

Accommodations

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

Offices – Camp Facilities

DynaMexico maintains an administrative and logistics office in Guamuchil, located 125 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.

The SJG property is described in more detail in this Form 10-K, under Item 2, Properties.

Sierra Madre Gold-Silver Belt in Mexico

Historical Production

SJG reports 1,000,000 Oz. gold historical production from a series of underground workings. The major production reported was 471,000 Oz. Au at the La Purisima area of SJG, at an average grade of 66.7 g/t; and production of 215,000 Oz. Au from the La Prieta area, at an average grade of 27.6 g/t. Mineralization at SJG has been traced on surface and underground over a 15 square kilometer area.

1997-1998 Drilling – Exploration Programs

A drill program was conducted at SJG in 1997 - 1998 by a prior majority owner. Approximately 6,172 meters drilling was completed in 63 core drill holes. Significant intercepts, including bonanza grades, outlined 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 - 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 1999-2000, and assayed an average 6.51 grams/ton gold.

Pilot Production Activities (2003 – 2006)

DynaMexico, conducting activities through its operating sister companies MinerasDyna and DynaOperaciones, mined high-grade veins at the San Pablo area of SJG from mid-2003 to June 2006. 18,250 Oz. gold was produced and sold from mill feed tonnage of 42,000 tons, at an average grade of approximately 15-20 g/t. Production costs were reported at approx. \$ 175. / Oz. Au in this small scale, pilot production operation.

Mined Tonnage	42,500 tons
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

The small scale mining and production activities at SJG consisted of improvements to an existing mill, including the installation of a gravity / flotation processing circuit, and initial test runs with tailings were completed in 2002. Actual mining at the higher grade San Pablo area of the property commenced in March 2003.

Suspension of Production Activities

The Company initiated the test production activity in 2003 at the time gold prices were depressed, and when exploration funding opportunities, while available, were deemed to be too dilutive by Company management. While the test production was considered successful (see results in the table above), a small scale production activity was not expected to provide the necessary capital in order to explore a project the size of SJG.

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

Earn In / Option Agreement – Financing of Drilling – Exploration Programs

As gold prices continued to appreciate into 2006, exploration financing opportunities increased and the Company negotiated and entered into an Earn In / Option Agreement with Goldgroup Mining Inc. (“Goldgroup”), dated September 1, 2006. The

10

terms of the Earn In / Option Agreement provided for Goldgroup to furnish \$18,000,000 USD financing to DynaMexico for exploration expenditures at SJG, in exchange for a 50% share interest in DynaMexico.

On June 21, 2013, DynaResource acquired a Certificate for 300 Series “B” Variable Capital Shares of DynaMexico, in exchange for the settlement of accounts receivable from DynaMexico 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 Capital of DynaMexico. DynaMexico owns 100% of the San Jose de Gracia Project in northern Sinaloa, Mexico.

No Known Reserves

Currently, the Company’s drilling programs (through DynaMexico) are exploratory in nature. The Company expects to commence pilot production activities in 2014.

The SJG Property is without known reserves

Under U.S. standards, 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.

Future Drilling – Exploration Programs

Further drilling programs at SJG are contemplated, in view of the 2012 DynaMexico-CAM SJG Mineral Resource Estimate and the formal National Instrument 43-101 (“NI 43-101”) Technical Report for San Jose de Gracia (the “2012 DynaMexico Luna-CAM SJG Technical Report”), and the updated NI 43-101 Technical Report, dated December 31, 2012 (See “Updated National Instrument 43-101 Technical Report for San Jose de Gracia”, below.)

The Company expects DynaMéxico 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 Cecena, 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.

National Instrument 43-101 (“NI 43-101”) Mineral Resource Estimate

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

National Instrument 43-101 Technical Report for San Jose de Gracia

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

The 2012 DynaMexico Luna-CAM SJG Technical Report was prepared by Mr. Ramon Luna, BS, P.Geo., of Servicios y Proyectos Mineros, Hermosillo, Mexico, and a Qualified Person as defined under NI 43-101; and by Mr. Robert Sandefur, BS, MSc, P.E., a senior reserve analyst for Chlumsky, Armbrust & Meyer LLC, Lakewood, CO., and a Qualified Person as defined under NI 43-101. The 2012 DynaMexico Luna-CAM SJG Technical Report includes as

Section Fourteen (14) a Mineral Resource Estimate for SJG as prepared by Mr. Sandefur (the “2012 DynaMexico-CAM SJG 43-101 Mineral Resource Estimate”, the “Resource Estimate”).

The Company filed the Technical Report on SEDAR (www.sedar.com) on March 28, 2012.

Updated National Instrument 43-101 Technical Report for San Jose de Gracia

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

Commissioning of an Updated Mineral Resource Estimate

During the fourth quarter 2012, DynaMexico, through MinerasDyna, commissioned Chlumsky, Armbrust & Meyer LLC, Lakewood, CO. (“CAM”), Mr. Robert Sandefur, BS, MSc, P.E., senior reserve analysis and a Qualified Person as defined under NI 43-101, for the purpose of updating the Mineral Resource Estimate at San Jose de Gracia and to include lower grade

mineralized areas of San Jose de Gracia using a .3 g/t Au cut off grade. This work is pending until the company deems it necessary to continue.

Commissioning of Metallurgical Testing

During the fourth quarter 2012, DynaMexico, through MinerasDyna, engaged Kappes, Cassidy & Associates, Reno, NV. ("KCA"), for the purpose of designing a metallurgical test program to confirm possible heap leach recoveries of specific mineralized areas of San Jose de Gracia. This work is pending until the company deems it necessary to continue.

Company Transition from Exploration to Mining – Production

The Company expects to transition its business from that of a purely exploration company, to an exploration and production company in 2014. The basis for the exploration and production activity is provided through the foundational resource for SJG as reported in the 2012 DynaMexico-CAM SJG Mineral Resource Estimate (and Technical Report), and supported further by the company's successful pilot production activities during the 2003-2006 period.

SEMARNAT Permission for Operating Mill Facility at San Jose de Gracia

On June 17, 2013, DynaMexico received from the Secretaria de Medio Ambiente Y Recursos Naturales, the Federal Environmental Authority in Mexico ("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, DynaMexico 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).

Rehabilitation of Pilot Mill Facility at San Jose de Gracia

Under the terms of the Exploitation Amendment Agreement ("EAA"), as described above, MinerasDyna is in process of the rehabilitating and planning the subsequent operation of the pilot mill facility at SJG. The SJG pilot mill facility (a gravimetric-flotation circuit) is projected to process bulk samples to be mined from selected target areas of SJG. Operations at SJG will be managed by MinerasDyna, and are projected to be similar to those conducted by DynaMexico during the 2003-2006 Period.

SEMARNAT Permission for Exploitation and Mining of the San Pablo Mine Area at San Jose de Gracia

On September 30, 2013, DynaMexico received from the Secretaria de Medio Ambiente Y Recursos Naturales, the Federal Environmental Authority in Mexico ("SEMARNAT"), the approval and permission which allows for the exploitation and mining activities at the San Pablo Area of SJG ("the Semarnat-SJG San Pablo Exploitation Permit" and, the "Semarnat Exploitation Permit").

Regional Geology & Mineral Deposits

San José de Gracia lies within the Sierra Madre Occidental Gold-Silver Belt, in a second-order Graben directly east of the regional-scale Grete Graben. The basement to the Sierra Madre Occidental consists of deformed Paleozoic sedimentary strata, which are non-conformably overlain by Tertiary mafic to felsic volcanic and 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 (Table 2). 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.

Mineralization & Alteration

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

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

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

1. *La Purisima Ridge trend;*

2. *Palos Chinos trend;*

3. *La Parilla to Veta Tierra trend (Including La Union);*

4. *San Pablo trend;*

5. *La Prieta trend, and*

6. *Los Hilos to Tres Amigos trend.*

Lab

A field laboratory is maintained within the camp facility. DynaMexico utilized the lab for internal assaying services during its production activities of 2003-2006. Assays were performed by DynaMexico personnel for mined mineralization, feed mineralization, gravity and flotation concentrates, and tailings. The current status of the lab and equipment is care and maintenance. The Company anticipates that MinerasDyna will utilize the lab facility in the future for providing check assays to support ongoing exploration and bulk sampling works.

Mineral Resource Estimate - Construction of Wireframes

Mineral Resources were estimated by Mr. Sandefur within wireframes constructed by technical personnel of Minop SA de CV ("Minop"), a subsidiary of Goldgroup Mining Inc. ("Goldgroup"). Minop was contracted by Mineras de

DynaResource SA de CV. (“MinerasDyna”).

Mineral Resource Estimate - Parameters Used to Estimate the Mineral Resource

The data base for the San Jose de Gracia Project consists of 372 drill holes of which 361 are diamond drill holes and the remaining 11 were reverse circulation holes, with a total drilling of 75,878 meters. The 2012 DynaMexico-CAM SJG Mineral Resource Estimate concentrates on four main mineralized vein systems at SJG: Tres Amigos, San Pablo, La Union, and La Purisima. Of the 372 drill holes, 368 were drilled to test these four main vein systems and the remaining four holes tested the Argillic Zone. Technical personnel of Minop 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 the Argillic Zone (3 holes).

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.

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 is 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 - 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 oriented subparallel to the general strike and dip of the vein system in each area. A sector search, corresponding to the faces of the search box with a maximum of two points per sector was used in estimation. A density of 2.68 based on within 'vein density' samples was used in the resource estimate. Within each of the four areas there are approximately 20 to 40 veins in the vein swarm. Resources were estimated by kriging using data from all veins in the swarm. In general, gold accounts for at least 80% of the value of contained metal at the project, so the variograms for gold were used in estimation of the four other metals. Mineral Resources at Tres Amigos and San Pablo were classified as "Indicated" as follows:

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

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

The veins at San Jose de Gracia have been historically mined for many years and historic mined volumes are not available. The one exception is the approximate 42,000 tonnes of ore processed by DynaMexico 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, CAM does not believe that significant mining has occurred within the volumes defined by the wireframes.

No Known Reserves

The SJG property is without known reserves. Mineral resources which are not mineral reserves do not have demonstrated economic viability. The quantity and grade of the "Indicated" and "Inferred" mineral resources reported in the mineral resource estimate contained in this Form 10 K are estimates only. There has been insufficient exploration to define any mineral reserves on the property, and it is uncertain if further exploration will result in discovery of mineral reserves.

Currently, the Company's drilling programs are exploratory in nature. However, The Company expects to commence pilot production activities in 2014 using the foundational resource for SJG as reported in the 2012 DynaMexico-CAM SJG Mineral Resource Estimate (and Technical Report), and supported further by the company's recent pilot production activities during the 2003-2006 period.

Mineral Resource Estimate and 43-101 Technical Report - Data Verification

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.

2012 DynaMexico CAM Mineral Resource Estimate and Technical Report - Qualified Persons

Mr. Luna and Mr. Sandefur each are a "Qualified Person" as that term is defined in National Instrument 43-101 and is "independent" as that term is also defined in National Instrument 43-101.

The Company filed the Technical Report on SEDAR (www.sedar.com) on March 28, 2012. And, on December 31, 2012, the Company filed an updated Technical Report on SEDAR.

DynaMexico Water Concession

The Company has been informed by DynaResource de Mexico, SA de CV. (“DynaMexico”), the 100% owner of SJG, that DynaMexico has secured the Water Rights Concession for the area surrounding SJG. The Director of Water Administration of the National Water Commission of Mexico (CONAGUA) formally certified in writing the rights of DynaResource de Mexico, S.A. de C.V. to legally use, exploit and extract 1,000,000 m³ of water per year from the DynaMexico extraction infrastructure located within the perimeter of the mining concessions comprising the San Jose de Gracia Mining Property in Sinaloa State, Mexico. CONAGUA determined that the DynaMexico water rights are not subject to any water rights concession or any other water extraction restriction. Water extracted by DynaMexico will be subject to applicable levies imposed by the Mexican tax authorities in accordance with current Mexican tax laws.

Exclusive Operating Entity at San Jose de Gracia

Under agreement with DynaMexico, Mineras de DynaResource SA de CV. (“MinerasDyna”) has been named the exclusive operating entity at the San Jose de Gracia Project. DynaResource owns 100% of MinerasDyna.

DynaMexico General Power of Attorney

The Chairman-CEO of DynaUSA also serves as the President of DynaMexico and as the President of MinerasDyna. And, the President of DynaMexico holds a broad power of attorney granted by the shareholders of DynaM xico which gives the current President significant and broad authority within DynaM xico.

Updated Mineral Resource Estimate

During the third quarter 2012, MinerasDyna commissioned Chlumsky, Armbrust & Meyer LLC, Lakewood, CO. (“CAM”), Mr. Robert Sandefur, BS, MSc, P.E., senior reserve analysis and a Qualified Person as defined under NI 43-101, for the purpose of updating the Mineral Resource Estimate at San Jose de Gracia and to include lower grade mineralized areas of San Jose de Gracia using a .3 g/t Au cut off grade. This work is pending until the company deems it appropriate to continue.

Metallurgical Testing

During the third quarter 2012, MinerasDyna engaged Kappes, Cassidy & Associates, Reno, NV. (“KCA”), for the purpose of designing a metallurgical test program to confirm possible heap leach recoveries of specific mineralized areas of San Jose de Gracia. This work is pending until the company deems it appropriate to continue.

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 2013, 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
2002	\$349	\$278	\$ 310
2003	\$416	\$320	\$ 363
2004	\$454	\$375	\$ 410
2005	\$536	\$411	\$ 444
2006	\$725	\$525	\$ 604
2007	\$841	\$608	\$ 695
2008	\$1,011	\$713	\$ 872
2009	\$1,213	\$810	\$ 972

15

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 (through April 8, 2014)	\$1,385	\$1,221	\$1,293

Source: Kitco, Reuters and the London Bullion Market Association

On April 8, 2014, the afternoon fixing gold price on the London Bullion Market was \$1,302 per ounce and the spot market gold price on the New York Commodity Exchange was \$1,310 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. DynaMexico is involved with reclamation matters with the oversight of Semarnat, the federal environmental agency of Mexico.

Exploration and Mining Permit Requirements (Mexico)

In respect of permit requirements for mineral exploration and mining in Mexico, 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 Mexico are required to file at the offices of the Federal Secretariat of the Environment and Natural Resources (“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 Mexico responsible for the review and issuance of a CSUP (referenced below), 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 “Change of Soil Use Permit” (“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 Mexico, 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 Mexico 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*.

DynaMexico Permit Filings / Permits

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

In June 2006, DynaMexico 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 DynaMexico will be required to file a re-activation application to re-activate the Explosives Permit.

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

On July 21, 2010, SEMARNAT authorized DynaMexico 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) DynaMexico’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 DynaMexico.

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

On December 20, 2010, SEMARNAT approved the CSUP Application filed by DynaMexico with respect to the San José de Gracia Project and authorized DynaMexico 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 DynaMexico 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 DynaMexico’s water rights are not subject to any water rights concession or any other water extraction restriction. Water extracted by DynaMexico will be subject to applicable levies imposed by the Mexican tax authorities under applicable tax laws.

- On June 17, 2013, DynaMexico received from the Secretaria de Medio Ambiente Y Recursos Naturales, the Federal Environmental Authority in Mexico (“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, DynaMexico 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 DynaMexico 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 September 30, 2013, DynaMexico 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.

Subsequent to December 31, 2013, MinerasDyna 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 MinerasDyna of \$ 1,359,443 Pesos (approx. \$104,250 USD), commencing in

2014. Additionally, under the description of the Land Lease Agreement, MinerasDyna expects to construct a Medical Facility at SJG in year 2014, and a Community Center in year 2015.

The land lease agreement provides MinerasDyna 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).

DynaMexico Bonding Requirements

Under the Exploration Permit issued to DynaMexico on July 21, 2010, SEMARNAT imposed upon DynaMexico 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 DynaMexico.

Under the CSUP issued to DynaMexico on December 20, 2010, SEMARNAT imposed upon DynaMexico 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 DynaMexico.

Permit Processing Times (In General)

Processing time for review and approval of a CSUP Application and Technical Justification Study varies depending on the workload of the SEMARNAT regional office where an application is filed, but a processing time of four months is typical.

Processing time for review and approval of an Environmental Impact Study varies depending on the workload of the SEMARNAT regional office where an application is filed, but a processing time of six months is typical.

Processing time for issuance of an Explosives Permit by SEDENA is approximately six months.

Processing time for issuance of a water rights concession by CONAGUA is approximately six months.

Item 1A. Risk Factors

Business Risk

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

The exploration and development of mineral deposits involve significant risks which a combination of careful evaluation, experience and knowledge may not eliminate. There is no assurance that the Company's exploration programs will result in further discoveries of commercial mineralization bodies.

Nature of Mineral Exploration and Mining

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

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

Competitive Business Conditions

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

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

Competition in the industry 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 Mexico, subject to rules and regulations for owning and maintaining mining concessions and surface rights, environmental, water rights, hazardous wastes, explosives, reclamation, and others. There can be no certainty that the Company maintains full compliance with all government regulations.

Mexico. Exploration and development of minerals in Mexico may be carried out through Mexican companies incorporated under Mexican law by means of obtaining exploration and development (exploitation) concessions. The Company's concessions are granted by the Mexican government, or acquired from previous owners, 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 Mexico provides for general environmental policies, with specific requirements set forth under regulations of the Ministry of Environment, Natural Resources and Fishing, which regulate all environmental matters with the assistance of the National Institute of Ecology and the Procuraduria Federal de Proteccion al Ambiente.

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

Commodities Prices

Any potential economic success of the Company's properties will depend to a large extent to the market price of commodities; the future price of which is impossible to predict.

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

The price of gold is affected by numerous factors beyond the Company's control, including inflation, fluctuation of the United States dollar and foreign currencies, global and regional demand, the purchase or sale of gold by central banks, and the political and economic conditions of major gold producing countries throughout the world. During the last five years, the market price of gold has fluctuated between approximately \$608 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.

No Significant Revenue

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

In June 2006, production activities at SJG were suspended, in order to focus on the exploration of the vast SJG district. Funds received by DynaMexico pursuant to the Earn In Agreement were utilized for exploration and related activities. In addition, the Company maintains overhead in the US and other costs which are not reimbursed. The Company and its subsidiaries have \$1,143,344 cash on hand at December 31, 2013. The Company could incur exploration expenses and corporate expenses greater than the amount of available cash on hand. The Company may need to raise additional funds in order to support its activities. If the Company needs to raise additional capital, its common stock 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 and CEO owns 100% of the Series A preferred stock, which give him the right to elect the majority of the board of directors.

K.W. ("K.D.") Diepholz, the Company's Chairman and CEO, owns 100% of the outstanding shares of Series A preferred stock, which hold special voting rights. As a result, Mr. Diepholz has the ability to elect the majority of the Company's Board of Directors. Such ownership and the resultant concentration of control may have the effect of delaying, deferring or preventing a change in control of the Company, even if the transaction would 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 revenue from operations, or otherwise operate at a profit, the value of investment in the Company could decline or be lost entirely.

Illiquid Market

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

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, to the best of its knowledge, title to all properties is in good standing. The Company has received legal opinions from legal counsel, the most recent of which is dated September 15, 2012, which confirm the title and good standing of DynaMexico and mineral claims comprising the SJG District. However, there can be no assurance of complete title, nor guarantee of title. The properties may be affected by undetected defects in title, such as the reduction in size of the mineral claims and other third party claims

affecting the Company's priority rights.

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 realized. The grade of mineralization actually recovered or produced could differ significantly from the resource estimates.

No Known Reserves

Currently, the Company's drilling programs (through DynaMexico) are exploratory in nature.

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.

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.

Competitive conditions affecting the Company could negatively impact our business

The potential value of the Company's mining property is directly related to the market price for gold. The price of gold may also have a significant influence on the market price of its common stock. If the Company obtains positive drill results and its property progresses to a point where a commercial production decision can be made, the decision to put a mine in production and to commit funds necessary for that purpose must be made long before any revenue from production would be received. A decrease in the market price of gold at any time during future exploration and development may prevent the Company's property from being economically mined or could result in the write-off of assets whose value is impaired as a result of lower gold prices. The price of gold is affected by numerous factors beyond our control, including inflation, fluctuation of the United States dollar and foreign currencies, global and regional demand, the purchase or sale of gold by central banks, and the political and economic conditions of major gold producing countries throughout the world. During the last five years, the market price of gold has fluctuated between approximately \$608 and \$1,895 per ounce. The volatility of gold prices represents a substantial risk which no amount of planning or technical expertise can fully eliminate. In the event gold prices decline and remain low for prolonged periods of time, we might be unable to develop our property and produce revenue.

Majority Ownership of DynaMéxico

DynaResource owns an 80% share interest in DynaMéxico – the 100 % owner of the SJG Project -- and the remaining 20% share interest is held by Goldgroup. As a consequence of this shared ownership, any benefits to be derived from the ownership of DynaMéxico are shared on an 80%/20 % basis between the Company and Goldgroup.

A wholly owned subsidiary of DynaResource -- Mineras de DynaResource S.A. de C.V. -- maintains an exclusive operating agreement with DynaMéxico. Additionally, another wholly owned subsidiary of DynaResource -- 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 Mexico.

Mr. K.W. (“K.D.”) Diepholz, the Company’s Chairman and CEO, is also President of DynaMexico and President of MinerasDyna, and Mr. Diepholz holds a broad power of attorney granted by the shareholders of DynaMéxico. The powers of attorney give Mr. Diepholz authority superior to that of any other person or group within DynaMéxico, (including the Board of Directors). The powers of attorney held by Mr. Diepholz are consistent with the laws in Mexico, whose laws are based on a civil code.

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 production in 2003–2006. Due to the uncertainties associated with exploration, including variations in geology and structure, there is no assurance that the Company’s efforts will be successful in identifying mineralization in sufficient quantities to define 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.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Executive Offices

The Company maintains its executive offices of approximately 2,100 sq. ft., at 222 W. Las Colinas Blvd., Suite 744 East Tower, Irving, Texas 75039, at \$3,840 per month, plus utility services. The Company renewed a prior 3 year lease for an additional 1 year term commencing September, 2013.

San Jose de Gracia Mineral Property

DynaMexico owns 100% of the mineral concessions at the San Jose de Gracia Property (“SJG”), located in Sinaloa State, Mexico, which is the only property in which DynaMexico retains an interest. The Company owns 80% of the outstanding shares of DynaMexico. DynaMexico holds title to 33 concessions covering approximately 69,121 hectares (170,802 acres).

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

Currently, the Company's drilling programs (through DynaMexico) are exploratory in nature.

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.

SJG History

SJG reports 1,000,000 Oz. Gold historical 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 a 15 square kilometer area.

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

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

DynaMexico mined high-grade veins at the San Pablo area of SJG from mid-2003 to June 2006, in a Pilot Production operation. 18,250 Oz Gold was produced and sold, from mill feed tonnage of 42,500 tons, at an average grade of 15-20 g/t. Average production costs during the production period were reported as \$175/Oz.

Drilling programs conducted from 2007 through 2011

Drilling programs completed 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.

National Instrument 43-101 ("NI 43-101") Mineral Resource Estimate for the San Jose de Gracia Property

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

National Instrument 43-101 Technical Report on the San Jose de Gracia Property

The Company received from DynaMexico on March 28, 2012 a National Instrument 43-101 ("NI 43-101") compliant Technical Report for the San Jose de Gracia Project (the "2012 DynaMexico Luna-CAM SJG Technical Report", the "Technical Report"), and approved by DynaResource de Mexico, SA de CV. ("DynaMexico"), the 100% owner of SJG.

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

The Company filed the Technical Report on SEDAR (www.sedar.com) on March 28, 2012.

Updated National Instrument 43-101 Technical Report for San Jose de Gracia

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

on SEDAR on December 31, 2012.

Regional Geology & Mineral Deposits

San José de Gracia lies within the Sierra Madre Occidental Gold-Silver Belt, in a second-order graben directly east of the regional-scale Grete Graben. The basement to the Sierra Madre Occidental consists of deformed Paleozoic sedimentary strata, which are non-conformably overlain by Tertiary mafic to felsic volcanic and 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 (Table 2). 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.

Mineralization & Alteration

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

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

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

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

Lab

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

Item 3. Legal Proceedings

US Litigation (Dallas, Texas) – Company as Plaintiff

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

The Petition requested that Goldgroup be enjoined from: (a) using or disseminating any confidential information belonging to DynaMéxico, (b) asserting that Goldgroup owns any interest in the San Jose de Gracia Project, rather than owning a common shares equity interest in DynaMéxico, (c) improperly disclosing that Goldgroup is the operator of the San Jose de Gracia

Project, rather than Mineras de DynaResource SA de C.V. (“Mineras”), and (d) failing to properly disclose that broad powers of attorney for acting on behalf of DynaMéxico are held by a DynaUSA senior executive.

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

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

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

Previously, the Dyna Parties have filed claims against Goldgroup in México, including, without limitation, claims for theft of confidential data and property of DynaMéxico, claims for issuing misleading and inaccurate disclosures and, claims related to Goldgroup's asserting that it owns interests that it does not own.

Goldgroup files for Arbitration

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

Litigation(s) in Mexico – Company is Plaintiff

The Company, and DynaMexico have filed several legal actions in Mexico against Goldgroup Mining Inc, Goldgroup Resources Inc., certain individuals employed or previously employed by Minop, S.A. de C.V. (a Company operating in Mexico and associated with Goldgroup Mining Inc.), and certain individuals retained as agents of Goldgroup Mining Inc. The Company and DynaMexico are plaintiffs in the actions filed in Mexico 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 Mexico. For purposes of confidentiality, the Company does not provide more specific disclosure in this Form 10-K.

Litigations – Company and/or Officers and Directors as Defendants

Other than the Goldgroup claim for arbitration above described, The Company, nor its Officers and Directors have received any formal notice of any legal actions filed against them, nor is the Company or its Officers and Directors aware of any legal actions filed against them.

Item 4. Mine Safety Disclosures

None.

26

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 set forth reflect inter-dealer prices, without retail mark-up or mark-down and without commissions; and may not reflect actual transactions.

Calendar Quarter Ending Low High

March 31, 2012	3.85	4.20
June 30, 2012	3.25	4.15
September 30, 2012	3.70	3.95
December 31, 2012	3.10	4.00
March 31, 2013	2.00	3.95
June 30, 2013	1.20	3.25
September 30, 2013	2.15	3.50
December 31, 2013	1.21	3.50

No cash dividends on the Company common stock have been declared or paid since the Company's inception. The Company had approximately 595 shareholders at December 31, 2013. This does not include shareholders that hold their shares in street name or with a broker.

During the fiscal year ended December 31, 2013, except as included in our Quarterly Reports on Form 10-Q or in our Current Reports on Form 8-K, we have not sold any equity securities not registered under the Securities Act.

During the fiscal year ended December 31, 2013, 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

General

The Company currently holds 80% of the outstanding shares of DynaResource de México, S.A. de C.V. (“DynaMéxico”), which owns 100% of the mineral concessions and related interest to the San José de Gracia mining District (“SJG”). SJG is currently comprised of 33 mining concessions covering approximately 69,121 hectares located in and around San José de Gracia, in northern Sinaloa State, México (“SJG”). SJG is located on the west side of the Sierra Madre Mountains, approximately 250 kilometers inland from the port city of Los Mochis, Sinaloa; and approximately 500 kilometers north of Mazatlan, Sinaloa.

The SJG is a High-Grade Mineralized System which reports historical production of over 1 M. Oz. AU, from a series of underground workings. DynaMéxico is focused on the exploration and future exploitation of this vein-hosted, near surface, and over 400 hundred M. down – dip gold potential, that occurs within fault breccia veins; and has been traced on surface and underground over a 15 Sq. Km. area.

Prior Drilling and Exploration Activity / SJG (1997 / 1998)

A drill program was conducted at SJG in 1997 - 1998 by Golden Hemlock Explorations, Ltd., a prior partner at SJG. Approximately 6,172 meters drilling was completed in 63 core drill holes. Significant intercepts, including bonanza grades, outlined down dip potential of the Northeast section (150 Meter NE to SW extent of the Drilling) of the Los Hilos to La Cecena to Tres Amigos Trend. And, Drill Hole 97-63 confirmed down dip and extension at the Palos Chinos Area of SJG.

Surface and underground sampling in 1999 - 2000 conducted by the Company confirmed high grades in historic workings and surface exposures throughout the SJG district and project area. These high grades outlined 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 1999-2000, and assayed an average 6.51 grams/ton (g/t) gold.

Pilot Production Activities (2003 – 2006)

During the period 2003 through 2006, DynaMéxico conducted underground mining and pilot production activities at SJG. The small scale production activities at SJG consisted of improvements to an existing mill, including the installation of a gravity / flotation processing circuit. Initial test runs with tailings from historical production were completed in 2002. Actual mining at the high grade San Pablo area of the SJG property commenced in March 2003. DynaMéxico produced 18,250 Oz. gold from Mid 2003 to June 2006; from mill feed tonnage of 42,500 tons, at an average grade of approximately 15-20 g/t. Production costs were reported at approx. \$175. /Oz.

Magnetic and IP Surveys

Magnetic and IP surveys were conducted throughout the SJG district in 2009, covering an area of approximately 15 Sq. Km.

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 Cecena, Los Hilos, and Tepehauje;

Palos Chinos;

La Prieta;

La Purisima; Down dip at Southeast end;

Argyllic Zone; + 250 M. Down;

Activity for the Year Ended December 31, 2013 and 2012

In 2013, MinerasDyna, the Company's 100% owned subsidiary, in accordance with the terms of the Exploitation Amendment Agreement, refurbished the pilot production facility at SJG, and rehabilitated the San Pablo mine, in order to process bulk mined ore samples from San Pablo through the pilot mill facility. DynaMexico received permits as discussed above for the rehabilitation and operation of the 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.

National Instrument 43-101 Mineral Resource Estimate (NI 43-101) for San Jose de Gracia

The Company received from DynaMexico on February 14, 2012 a National Instrument 43-101 ("NI 43-101") Mineral Resource Estimate for the SJG property, with an Effective Date of February 6, 2012.

The 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 Mineral Resource Estimate concentrates on four separate vein systems at SJG: Tres Amigos, San Pablo, La Union, and La Purisima.

Updated National Instrument 43-101 Technical Report for San Jose de Gracia

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

The Updated 2012 DynaMexico Luna-CAM SJG Technical Report - Selected Drill Results by Target AreaTres Amigos

Selected drill hole results for Tres Amigos follow:

Drill hole	Area	From m	To m	length (m)	Au g/t	Ag g/t	Cu%	Pb%	Zn%
97-002	Tres Amigos	42.70	58.20	15.50	3.99	15.10	0.38	0.00	0.00
97-006	Tres Amigos	27.80	29.65	1.85	6.46	45.50	1.10	0.03	0.32
97-007	Tres Amigos	57.00	67.00	10.00	3.41	12.20	0.09	0.00	0.00
97-009	Tres Amigos	100.00	102.00	2.00	13.53	3.10	0.02	0.01	0.50
97-012	Tres Amigos	24.50	26.20	1.70	8.57	34.90	0.39	1.00	4.30
97-013	Tres Amigos	95.00	107.50	12.50	20.80	21.80	0.43	0.06	0.15
97-035	Tres Amigos	126.00	132.00	6.00	8.84	14.20	0.28	0.00	0.13
97-037	Tres Amigos	35.90	37.20	1.30	11.97	15.00	0.19	0.22	3.60
97-039	Tres Amigos	40.20	43.20	3.00	29.50	44.60	0.58	0.95	7.45
97-040	Tres Amigos	78.00	80.00	2.00	14.88	10.90	0.19	0.17	0.10
97-040	Tres Amigos	92.00	94.00	2.00	10.81	16.30	0.38	0.01	0.78
97-040	Tres Amigos	104.00	108.00	4.00	7.21	4.80	0.04	0.00	0.25
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
97-050	Tres Amigos	78.00	80.00	2.00	8.53	10.80	0.05	0.78	2.00
08-102	Tres Amigos	158.66	162.47	3.81	5.10	6.60	0.14	0.01	0.19
08-104	Tres Amigos	67.45	68.80	1.35	26.20	327.90	1.60	0.23	0.01
08-113	Tres Amigos	25.10	26.70	1.60	13.40	3.20	0.00	0.01	0.90
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
08-118	Tres Amigos	27.84	31.88	4.04	5.18	30.50	0.38	0.80	5.68

08-118 Tres Amigos 52.65 53.73 1.08 13.70 13.90 0.06 0.98 4.53
 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
 10-152 Tres Amigos 174.42 175.55 1.13 9.85 16.68 0.18 0.05 0.15
 10-153 Tres Amigos 207.47 211.10 3.63 5.36 12.92 0.33 0.05 0.23
 10-154 Tres Amigos 73.00 74.75 1.75 21.89 9.30 0.00 0.00 0.02
 10-175 Tres Amigos 135.93 140.00 4.07 3.41 8.34 0.15 0.28 0.56
 10-175 Tres Amigos 241.59 245.40 3.81 6.37 3.41 0.02 0.00 0.03
 10-176 Tres Amigos 221.04 228.91 7.87 2.00 7.02 0.18 0.09 1.02

10-177	Tres Amigos	228.63	245.00	16.37	10.58	9.75	0.25	0.02	0.09
10-178	Tres Amigos	222.55	233.45	10.90	4.22	8.11	0.31	0.01	0.13
10-179	Tres Amigos	75.3	77.02	1.72	105.51	149.60	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
10-228	Tres Amigos	164.31	167.29	2.98	3.73	26.21	0.58	0.09	0.35
10-230	Tres Amigos	244.91	249.45	4.54	18.09	15.48	0.53	0.02	0.03
10-231	Tres Amigos	266.70	269.45	2.75	8.99	35.18	0.84	0.00	0.03
10-233	Tres Amigos	177.00	179.40	2.40	5.42	2.87	0.03	0.04	0.41
10-234	Tres Amigos	214.61	217.97	3.36	15.05	13.45	0.23	0.01	0.01
10-235	Tres Amigos	147.65	151.15	3.50	2.95	0.55	0.01	0.00	0.01
10-237	Tres Amigos	92.44	92.84	0.40	883.91	195.00	0.24	0.77	5.35
11-246	Tres Amigos	107.30	108.20	0.90	63.85	10.10	0.03	0.01	0.01
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
11-265	Tres Amigos	47.95	52.17	4.22	3.07	2.14	0.07	0.00	0.08
11-271	Tres Amigos	115.40	120.15	4.75	13.93	18.56	0.54	0.02	0.14
11-278	Tres Amigos	66.75	67.40	0.65	16.34	2.80	0.02	0.02	0.08
11-280	Tres Amigos	3.05	4.57	1.52	10.67	0.50	0.01	0.00	0.01

San Pablo

Selected drill hole results for San Pablo follow:

Drill hole	Area	From m	To m	length (m)	Au g/t	Ag g/t	Cu%	Pb%	Zn%
07-007	San Pablo	85.50	87.50	2.00	24.55	45.00	0.49	0.03	0.07
07-008	San Pablo	115.80	118.10	2.30	7.60	18.90	0.02	0.01	0.00
07-009	San Pablo	167.40	170.55	3.15	8.24	2.00	0.00	0.00	0.01
07-012	San Pablo	19.70	23.90	4.20	10.45	10.00	0.15	0.00	0.01
07-023	San Pablo	69.10	70.50	1.40	9.16	24.50	0.63	0.03	0.04
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
07-029	San Pablo	130.60	132.30	1.70	23.86	43.00	0.94	0.00	0.01
07-031	San Pablo	94.25	98.05	3.80	31.32	69.60	1.01	0.23	0.74
08-048	San Pablo	219.46	228.66	9.20	4.39	7.50	0.28	0.00	0.01
08-051	San Pablo	183.55	192.60	9.05	22.95	13.60	0.40	0.00	0.03
08-060	San Pablo	235.70	238.60	2.90	13.88	12.50	0.58	0.00	0.01
08-089	San Pablo	173.80	175.10	1.30	4.11	35.60	1.00	0.01	0.01
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	0.000	0.010	0.00
08-097	San Pablo	227.69	229.75	2.06	17.04	20.00	0.560	0.030	0.04
09-131	San Pablo	95.55	96.65	1.10	28.25	20.30	0.260	0.170	0.18
09-133	San Pablo	126.80	129.80	3.00	13.10	10.25	0.320	0.000	0.02
09-134	San Pablo	79.09	81.57	2.48	4.33	9.46	0.360	0.000	0.02
09-135	San Pablo	75.70	79.10	3.40	4.60	24.29	1.220	0.010	0.02
09-137	San Pablo	135.90	140.87	4.97	5.35	12.46	0.310	0.000	0.01
09-137	San Pablo	157.25	158.93	1.68	12.50	16.90	0.390	0.000	0.01
09-138	San Pablo	150.62	153.59	2.97	8.80	10.46	0.280	0.000	0.02
09-139	San Pablo	132.18	137.68	5.50	20.51	25.82	0.700	0.000	0.01
09-140	San Pablo	99.92	102.20	2.28	4.59	67.30	1.770	0.000	0.01
10-195	San Pablo	170.67	173.61	2.94	3.26	10.47	0.320	0.000	0.00
10-197	San Pablo	48.15	51.82	3.67	7.96	13.18	0.490	0.000	0.03
10-197	San Pablo	102.00	105.30	3.30	28.38	14.00	0.000	0.010	0.09
10-199	San Pablo	4.68	6.24	1.56	9.14	4.10	0.020	0.000	0.00
10-201	San Pablo	23.40	25.50	2.10	15.78	17.35	0.190	0.010	0.02
10-203	San Pablo	70.65	76.15	5.50	332.86	143.90	0.020	0.000	0.01
10-207	San Pablo	80.15	83.20	3.05	16.74	24.17	0.540	0.010	0.02
10-212	San Pablo	46.80	51.60	4.80	5.90	6.97	0.380	0.010	0.22
10-213	San Pablo	171.75	173.56	1.81	5.78	10.60	0.180	0.000	0.01
10-215	San Pablo	186.80	190.27	3.47	15.82	14.68	0.410	0.030	0.02
10-217	San Pablo	182.64	184.06	1.42	89.95	38.70	0.740	0.000	0.01
10-219	San Pablo	155.84	157.25	1.41	10.82	11.84	0.390	0.000	0.01
10-221	San Pablo	69.98	71.98	2.00	13.14	23.93	0.620	0.000	0.01
10-224	San Pablo	122.82	125.05	2.23	5.29	18.70	0.690	0.020	0.04
10-224	San Pablo	148.60	154.95	6.35	7.04	13.31	0.570	0.000	0.01
10-236	San Pablo	112.96	117.03	4.07	11.38	22.92	0.680	0.000	0.01
11-247	San Pablo	63.60	65.45	1.85	10.49	5.92	0.010	0.000	0.02
11-247	San Pablo	80.00	83.47	3.47	5.00	36.71	0.530	0.010	0.02
11-249	San Pablo	108.20	109.93	1.73	8.21	30.29	0.800	0.000	0.02
11-250	San Pablo	101.72	104.81	3.09	20.15	53.44	0.880	0.240	0.54
11-263	San Pablo	119.88	121.13	1.25	9.47	21.70	0.650	0.010	0.04
11-264	San Pablo	145.21	146.45	1.24	21.24	78.80	0.720	0.040	0.01
11-268	San Pablo	92.65	94.25	1.60	11.74	21.13	0.370	0.010	0.04

La Union

Selected drill hole results for La Union follow:

Drill hole Area From m To m length (m) Au g/t Ag g/t Cu% Pb% Zn%

92-001La Union	46.00	60.96	14.96	2.58	0.00	0.00	0.00	0.00
97-027La Union	20.30	21.30	1.00	6.14	12.50	0.05	0.24	0.04
97-029La Union	38.10	41.20	3.10	3.63	8.60	0.11	0.02	0.06
97-030La Union	75.00	78.10	3.10	4.62	9.10	0.50	0.00	0.01
97-031La Union	87.00	91.00	4.00	2.84	6.70	0.34	0.00	0.01
97-034La Union	45.70	47.70	2.00	8.87	4.10	0.14	0.00	0.01
08-061La Union	27.80	31.30	3.50	2.01	24.80	0.45	0.22	0.15
08-076La Union	32.75	34.85	2.10	36.09	47.80	0.43	0.80	1.06
08-080La Union	125.30	128.40	3.10	4.82	4.40	0.11	0.00	0.01
09-143La Union	55.36	56.76	1.40	12.08	8.80	0.13	0.01	0.01
10-208La Union	150.61	152.67	2.06	6.60	10.30	0.40	0.00	0.01
10-216La Union	39.24	42.20	2.96	12.36	3.45	0.06	0.00	0.01
10-218La Union	140.01	141.30	1.29	8.42	6.41	0.08	0.00	0.01
10-223La Union	29.52	31.14	1.62	9.90	6.60	0.02	0.00	0.02
10-223La Union	63.90	67.42	3.52	10.24	10.69	0.62	0.00	0.01
11-244La Union	73.82	74.86	1.04	9.79	65.20	1.42	0.03	0.37
11-252La Union	55.25	59.70	4.45	4.26	12.05	0.37	0.01	0.04
11-256La Union	51.61	52.85	1.24	144.08	138.60	1.06	1.61	1.78
11-256La Union	99.93							