

DYNARESOURCE INC  
Form 10-Q  
May 20, 2013

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended March 31, 2013

**OR**

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

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

Commission File Number 0-53237

**DYNARESOURCE, INC.**

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

Delaware 94-1589426

(State or other jurisdiction of incorporation or organization) (IRS Employer Identification No.)

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

(Address of principal executive offices)

(972) 868-9066

(Issuer's telephone number)

N/A

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

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

Yes  No

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

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

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

Yes  No .

As of May 20, 2013 there were **10,802,008** shares of Common Stock of the issuer outstanding.

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CERTIFICATIONS

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**DYNARESOURCE, INC.****(An Exploration Stage Company)****Consolidated Balance Sheets****March 31, 2013 and December 31, 2012**

	March 31, 2013 (Unaudited)	December 31, 2012 (Audited)
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$1,145,816	\$1,522,652
Accounts Receivable – Related Party	50,780	48,000
Foreign Tax Receivable	49,245	40,022
Other Current Assets	64,393	45,129
Total Current Assets	1,310,234	1,655,803
Fixed Assets:		
Mining Camp Equipment and Fixtures (Net of Accumulated Depreciation of \$811,250 and \$790,318)	186,987	207,919
Mining Properties (Net of Accumulated Amortization of \$520,529 and \$519,400)	4,182,838	4,183,967
Total Fixed Assets	4,369,825	4,391,886
Other Assets:		
Investment in Affiliate	70,000	70,000
Other Assets	213,105	197,283
Total Other Assets	283,105	267,283
<b>TOTAL ASSETS</b>	<b>\$5,963,164</b>	<b>\$6,314,972</b>
<b>LIABILITIES AND EQUITY</b>		
Current Liabilities:		
Accounts Payable	\$61,676	\$196,252
Accrued Expenses	160,073	160,210
	221,749	356,462
Long-Term Liabilities:		
Shareholder Advances	495,000	0
<b>TOTAL LIABILITIES</b>	<b>\$716,749</b>	<b>\$356,462</b>
Equity:		
Preferred Stock, \$1.00 par value, 10,000 shares authorized 1,000 and 1,000 shares issued and outstanding	\$1,000	\$1,000
Common Stock, \$0.01 par value, 25,000,000 shares authorized 10,802,008 and 10,802,008 shares issued and outstanding	108,020	108,020

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Preferred Rights	40,000	40,000
Additional Paid In Capital	40,429,500	40,429,500
Treasury Stock	(117,250 )	(50,750 )
Other Comprehensive Income	18,814	270,794
Accumulated Deficit	(6,002,516 )	(6,002,516 )
Accumulated Deficit Since Reentering the Development Stage	(23,909,530)	(23,714,647)
Total DynaResource, Inc. Stockholders' Equity	10,568,038	11,081,401
Noncontrolling Interest	(5,321,623 )	(5,122,891 )
TOTAL EQUITY	5,246,415	5,958,510
TOTAL LIABILITIES AND EQUITY	\$5,963,164	\$6,314,972

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

**DYNARESOURCE, INC.****(An Exploration Stage Company)****Consolidated Statements of Operations****For the Three Months Ended March 31, 2013 and 2012****And Cumulative Since Re-entering the Development Stage (January 1, 2007)****through March 31, 2013**

	2013	2012	Cumulative Since Reentering the Exploration Stage (January 1, 2007 through March 31, 2013)
REVENUES	\$0	\$0	\$346,726
EXPLORATION EXPENSES (exclusive of depreciation and amortization shown separately below)	0	234,871	15,336,829
GROSS PROFIT (DEFICIT)	0	(234,871 )	(14,990,103)
OPERATING EXPENSES			
Depreciation and Amortization	22,061	35,234	939,769
Stock Issued for Services	0	0	2,748,564
General and Administrative	720,010	781,755	9,955,148
TOTAL OPERATING EXPENSES	742,071	816,989	13,643,481
NET OPERATING INCOME (LOSS)	(742,071 )	(1,051,860 )	(28,633,584)
OTHER INCOME (EXPENSE)			
Portfolio Income	134	250	22,332
Currency Translation Gain (Loss)	348,634	381,491	(779,125 )
Other Income	0	0	(59,872 )
TOTAL OTHER INCOME (EXPENSE)	348,768	381,741	(816,665 )
NET INCOME (LOSS) BEFORE INCOME TAXES	(393,303 )	(670,119 )	(29,450,249)



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Provision for Income Taxes (Expense) Benefit	0	0	38,259
NET INCOME (LOSS)	\$(393,303 )	\$(670,119 )	\$(29,411,990)
Net Loss Attributable to Non-Controlling Interest	198,420	221,814	5,272,248
NET LOSS ATTRIBUTABLE TO DYNARESOURCE, INC. COMMON SHAREHOLDERS	(194,883 )	(448,305 )	(24,139,742)
Unrealized Loss on Securities Held for Sale	0	0	(735,760 )
Unrealized Currency Translation Gain (Loss)	(2,765 )	80,566	938,125
TOTAL COMPREHENSIVE INCOME (LOSS)	(197,648 )	(367,739 )	(23,937,377)
Comprehensive (Income) Loss Attributable To Non-Controlling Interest	312	(32,553 )	80,600
COMPREHENSIVE LOSS ATTRIBUTABLE TO DYNARESOURCE, INC. COMMON SHAREHOLDERS	\$(197,336 )	\$(400,292 )	\$(23,856,777)
EARNINGS PER SHARE, Basic and Diluted			
Weighted Average Shares Outstanding Basic and Diluted	10,802,008	10,615,903	
Income (Loss) per Common Share, Basic and Diluted	\$(0.0364 )	\$(0.0631 )	

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

**DYNARESOURCE, INC.****(An Exploration Stage Company)****Consolidated Statement of Changes in Stockholders' Equity****For the Three Months Ended March 31, 2013 (Unaudited)****and the Year Ended December 31, 2012 (Audited)**

	Common		Common		Preferred	Additional	Treasury	Other	Ac
	Shares	Amount	Shares	Amount	Rights	Paid-In Capital	Stock	Comprehensive Income	De
Stockholders' Equity, January 1, 2012	1,000	\$1,000	10,602,868	\$106,029	\$40,000	\$38,421,114	\$0	\$575,600	\$(6,
Sale of Common Shares			199,140	1,991		1,260,459			
Common Stock Options Issued						747,927			
Other Comprehensive Income								(304,806 )	)
Treasury Shares Purchased							(50,750 )		
Net Income (Loss)									
Stockholders' Equity, December 31, 2012	1,000	\$1,000	10,802,008	\$108,020	\$40,000	\$40,429,500	\$(50,750 )	\$270,794	\$(6,
Purchase of Treasury Shares							(66,500 )		
Other Comprehensive Income								(251,980 )	)

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Net Income

(Loss)

Stockholders'

Equity, March

1,000

\$1,000

10,802,008

\$108,020

\$40,000

\$40,429,500

\$(117,250)

\$18,814

\$(6,

31, 2013

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

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**DYNARESOURCE, INC.****(An Exploration Stage Company)****Consolidated Statements of Cash Flows****For the Three Months Ended March 31, 2013 and 2012****And Cumulative Since Re-entering the Development Stage (January 1, 2007)****through March 31, 2013****(Unaudited)**

	2013	2012	Cumulative Since Reentering the Development Stage (January 1, 2007) through March 31, 2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net Income (Loss)	\$(393,303 )	\$(670,119 )	\$(29,411,990)
Adjustments to reconcile net loss to cash used by operating activities:			
Issuance of Common Stock for Services	0	0	2,748,564
Issuance of Common Stock Options	0	217,364	779,403
Issuance of Preferred Stock for Services	0	0	1,000
Depreciation and Amortization	22,061	35,234	939,769
Loss on Disposition of Assets	0	0	28,006
Change in Operating Assets and Liabilities:			
Decrease in Accounts Receivable	0	0	199,143
Decrease in Foreign Tax Receivable	(9,223 )	(36,519 )	(40 )
(Increase) in A/R – Related Party	(2,780 )	0	(50,780 )
(Increase) Decrease in Other Current Assets	(19,264 )	(5,666 )	101,800
(Increase) in Other Assets	(15,822 )	(22,821 )	(213,105 )
(Decrease) in Accounts Payable	(134,576 )	(36,811 )	20,272
(Decrease) Increase in Accrued Expenses	(137 )	(2,697 )	55,937
(Decrease) in Deferred Tax Liability	0	0	(38,259 )
<b>CASH FLOWS (USED IN) OPERATING ACTIVITIES</b>	<b>(553,044 )</b>	<b>(522,035 )</b>	<b>(24,840,280)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Fixed Assets	0	0	(1,092,409 )
Retirement of Fixed Assets	0	0	623,652
Conversion of Note Receivable to Equity	0	0	750,000
Investment in Affiliate	0	0	(70,000 )
Note Receivable to Affiliate	0	0	(750,000 )
<b>CASH FLOWS (USED IN) INVESTING ACTIVITIES</b>	<b>0</b>	<b>0</b>	<b>(538,757 )</b>

## CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from DynaMexico Earn In	0	0	17,674,712
Proceeds from Sale of Common Stock	0	406,750	7,585,401
Repurchase of Common Stock Options	0	0	(10,000 )
Other Comprehensive Income (Loss)	(252,292 )	(356,346 )	(23,746 )
Shareholder Advances	495,000	0	495,000
Purchase of Treasury Stock	(66,500 )	0	(489,729 )
Sale of Treasury Stock	0	0	472,375
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	176,208	50,404	25,704,013

NET INCREASE (DECREASE) IN CASH (376,836 ) (471,631 ) 324,976

CASH AT BEGINNING OF PERIOD 1,522,652 2,670,933 820,840

CASH AT END OF PERIOD \$1,145,816 \$2,199,302 \$1,145,816

## SUPPLEMENTAL DISCLOSURES

Non-Cash Issuance of Common Shares for Services	\$0	\$0	\$2,748,564
Non-Cash Issuance of Preferred Shares for Services	\$0	\$0	\$1,000
Non-Cash Conversion of Note Receivable to Equity	\$0	\$0	\$750,000
Non-Cash Issuance of Stock Options	\$0	\$217,364	\$313,500
Non-Cash Dividend of Property	\$0	\$0	\$129,822
Cash Paid for Interest	\$0	\$0	\$0
Cash Paid for Income Taxes	\$0	\$0	\$0

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

**DYNARESOURCE, INC.**

**(An Exploration Stage Company)**

**Notes to the Consolidated Financial Statements**

**March 31, 2013**

**(Unaudited)**

**NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities, History and Organization:**

DynaResource, Inc. (The “Company” or “DynaResource”) was organized September 28, 1937, as a California corporation under the name of West Coast Mines, Inc. In 1998, the Company re-domiciled to Delaware and changed its name to DynaResource, Inc. The Company is in the business of acquiring, investing in, and developing precious metal properties, and the production of precious metals.

In 2000, the Company formed a wholly owned subsidiary, DynaResource de Mexico S.A. de C.V., chartered in Mexico (“DynaMexico”). This Company was formed to acquire, invest in and develop resource properties in Mexico. In 2005, the Company formed DynaResource Operaciones de San Jose De Gracia S.A. de C.V. (“DynaOperaciones”), and acquired effective control of Mineras de DynaResource, S.A de C.V. (formerly Minera Finestierre S.A. De C.V., “MinerasDyna”). The Company owned 25% of MinerasDyna and acquired effective control of MinerasDyna by acquiring the option to purchase the remaining 75% of the Shares of MinerasDyna. The Company exercised the option and finalized the acquisition of MinerasDyna in January 2010, and now owns 100% of MinerasDyna. The results of DynaMexico, DynaOperaciones and MinerasDyna are consolidated with those of the Company.

In January 2008, DynaMexico issued 15% of its outstanding common shares to Goldgroup Resources Inc. (“Goldgroup”), in exchange for \$3,000,000 USD cash contribution for exploration expenditures at the San Jose de Gracia property (“SJG”). In August 2008, DynaMexico issued an additional 10% of its outstanding common shares to Goldgroup in exchange for additional \$3,000,000 USD cash for exploration expenditures, and in March 2011, DynaMexico issued an additional 25% of its outstanding common shares to Goldgroup in exchange for additional \$12,000,000 USD cash for exploration expenditures (See Note 6 below). Goldgroup has contributed \$18,000,000 USD in aggregate to DynaMexico, and it directly or indirectly, currently owns 50% of the outstanding common shares of DynaMexico.

The Company produced approximately \$7,637,150 in revenues from production activities conducted during the years ended December 31, 2003 through 2006, and suspended this activity voluntarily to concentrate its efforts on exploration and development. In accordance with that decision, as of January 1, 2007, the Company reentered the Exploration Stage and has presented its cumulative results since reentering the Exploration Stage, in accordance with Accounting Standards Codification (“ASC”) 915 “*Development Stage Entities*”, and will continue this presentation until it again has revenues from operations.

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

Unaudited Interim Financial Statements:

The accompanying unaudited interim consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission. These financial statements are unaudited and, in the opinion of management, include all adjustments (consisting of normal recurring accruals) necessary to present fairly the balance sheet, statement of operations, statement of stockholders' equity and statement of cash flows for the periods presented in accordance with accounting principles generally accepted in the United States. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to SEC rules and regulations. It is presumed that users of this interim financial information have read or have access to the audited financial statements and footnote disclosure for the preceding fiscal year contained in the Company's Annual Report on Form 10-K. The results of operations for the three months ended March 31, 2013 are not necessarily indicative of the results of operations for the full year or any other interim period. The information included in this Form 10-Q should be read in conjunction with Management's Discussion and Analysis and Financial Statements and notes thereto included in the Company's December 31, 2012 Form 10-K.

Emerging Growth Company Critical Accounting Policy Disclosure

The Company qualifies as an “emerging growth company” under the 2012 JOBS Act. Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. As an emerging grown company, the Company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. The Company may elect to take advantage of the benefits of this extended transition period in the future.

Significant Accounting Policies:

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

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

Basis of Presentation:

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

Principles of Consolidation:

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

Foreign Currency Translation:

The functional currency for the subsidiaries of the Company is the Mexican peso. As a result, the financial statements of the subsidiaries have been re-measured from Mexican pesos into U.S. dollars using (i) current exchange rates for monetary asset and liability accounts, (ii) historical exchange rates for nonmonetary asset and liability accounts, (iii)



historical exchange rates for revenues and expenses associated with nonmonetary assets and liabilities and (iv) the weighted average exchange rate of the reporting period for all other revenues and expenses. In addition, foreign currency transaction gains and losses resulting from U.S. dollar denominated transactions are eliminated. The resulting re-measured gain or loss is reported as a separate component of stockholders' equity (comprehensive income (loss)).

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

Relevant exchange rates used in the preparation of the financial statements for the subsidiaries are as follows for the periods ended March 31, 2013 and December 31, 2012 (Mexican pesos per one U.S. dollar):

March 31, 2013

Current  
exchange rate for  
Pesos

Weighted  
average  
exchange rate for  
the period  
ended: Pesos 12.64

December 31, 2012

Current  
exchange rate for  
Pesos

Weighted  
average  
exchange rate for  
the year  
ended: Pesos 13.16

Cash and Cash Equivalents:

The Company considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. At times, cash balances may be in excess of the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. At March 31, 2013, the Company had a balance of \$804,827 that was in excess of the FDIC insurance limit of \$250,000. The carrying amount approximates fair market value.

Accounts Receivable and Allowances for Doubtful Accounts:

The allowance for accounts receivable is recorded when receivables are considered to be doubtful of collection. No allowance has been established as all receivables were deemed to be fully collectable.

Foreign Tax Receivable:

Foreign Tax Receivable (IVA) is comprised of recoverable value-added taxes charged by the Mexican government on goods and services rendered. Under certain circumstances, these taxes are recoverable by filing a tax return. Amounts paid for IVA are tracked and held as receivables until the funds are remitted. The total amounts of the IVA receivable as of March 31, 2013 and December 31, 2012 are \$49,245 and \$40,022, respectively.

Inventory:

As the Company ceased mining production in 2006, there is no inventory as of March 31, 2013 and December 31, 2012.

Fixed Assets:

Fixed assets are carried at cost. Depreciation is provided over each asset’s estimated useful life. Upon retirement and disposal, the asset cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the determination of the net income. Expenditures for geological and engineering studies, maintenance and claim renewals are charged to expense when incurred. Additions and significant improvements are capitalized and depreciated.

Mining Properties:

The Company is an ‘Exploration Stage’ company as defined in “*SEC Industry Guide 7*”. Mining properties consist of 33 mining concessions covering approximately 69,121 hectares, at the San Jose de Gracia property, the basis of which are deferred until the properties are brought into production, at which time they will be amortized on the unit of production method based on estimated recoverable reserves. The Company has elected to expense a minimal amount of amortization due to the effects of exploration activities on the recoverable reserves. If it is determined that the deferred costs related to a property are not recoverable over its productive life, those costs will be written down to fair value as a charge to operations in the period in which the determination is made. The amounts at which mineral

properties and the related deferred costs are recorded do not necessarily reflect present or future values.

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

- estimated recoverable ounces of gold, silver or other precious minerals;
- estimated future commodity prices;

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

A write-down to fair value will be recorded when the expected future cash flow is less than the net book value of the property or when events or changes in the property indicate that carrying amounts are not recoverable. This analysis will be completed as needed, and at least annually. As of the date of this filing, no events have occurred that would require write-down of any assets. As of March 31, 2013, no indications of impairment existed.

Exploration Costs:

Exploration costs not directly associated with proven reserves on the mining concessions are charged to operations as incurred. Exploration, development, direct field costs and administrative costs are expensed in the period incurred.

The carrying amounts of the mining concessions are reviewed at each calendar year end to determine whether there is any indication of impairment or at other times if indications of impairment exist.

As of March 31, 2013, no indications of impairment existed.

Advertising Costs:

The Company incurred no advertising costs for the three months ended March 31, 2013 and 2012.

Income Taxes:

Income is taxed at regular corporate rates per the Internal Revenue Code. Although the Company has tax loss carry-forwards (see Note 5), there is uncertainty as to utilization prior to their expiration. Accordingly, the future income tax asset amounts have been fully offset by a valuation allowance.

Use of Estimates:

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

Comprehensive Income:

ASC 220 "*Comprehensive Income*" establishes standards for reporting and display of comprehensive income and its components in a full set of general purpose financial statements. The Company's comprehensive income consists of net income and other comprehensive income (loss), consisting of unrealized net gains and losses on the translation of the assets and liabilities of its foreign operations. For the periods ended March 31, 2013 and December 31, 2012, the Company's components of comprehensive income were foreign currency translation adjustments and unrealized losses on securities held for sale.

Revenue Recognition:

The Company recognizes revenue in accordance with ASC 605-10, "*Revenue Recognition in Financial Statements*", ". Revenue is recognized when persuasive evidence of an arrangement exists, delivery or service has occurred, the sale price is fixed or determinable and receipt of payment is probable.

Revenues earned from the sale of precious metal concentrates are recognized as the title to the material is passed to the buyer upon delivery.

Earnings per Common Share:

Earnings (loss) per share are calculated in accordance with ASC 260 "*Earnings per Share*". The weighted average number of common shares outstanding during each period is used to compute basic earnings (loss) per share. Diluted earnings per share are computed using the weighted average number of shares and potentially dilutive common shares outstanding. Dilutive potential common shares are additional common shares assumed to be exercised. Potentially dilutive common shares consist of stock options and are excluded from the diluted earnings per share computation in periods where the Company has incurred a net loss, as their effect would be considered anti-dilutive.

There were no potentially dilutive common stock equivalents as of March 31, 2013, therefore basic earnings per share equals diluted earnings per share for the period ended March 31, 2013. The Company had 1,151,800 options and warrants outstanding at March 31, 2013. As the Company incurred a net loss during the period ended March 31, 2013, the basic and diluted loss per common share is the same amount, as any common stock equivalents would be considered anti-dilutive.

As the Company incurred a net loss during the three months ended March 31, 2012, the basic and diluted loss per common share is the same amount. As of March 31, 2012, the Company had zero stock options outstanding that could potentially have a dilutive effect on basic earnings per share in the future.

**Recently Issued Accounting Pronouncements:**

The Company does not expect the adoption of recently issued accounting pronouncements to have a significant impact on the Company's results of operations, financial position or cash flow. See Note 12 for a discussion of new accounting pronouncements.

**Reclassifications:**

Certain prior year balances have been reclassified to conform to current year presentation.

**NOTE 2 – FIXED ASSETS**

Fixed assets consist of the following at March 31, 2013 and December 31, 2012:

	2013	2012
Mining camp equipment and fixtures	\$547,818	\$547,818
Transportation equipment	268,253	268,253
Lab equipment	14,306	14,306
Machinery and equipment	43,187	43,187
Office furniture and fixtures	76,895	76,895
Office equipment	11,673	11,673
Computer equipment	36,105	36,105
Sub-total	998,237	998,237
Less: Accumulated depreciation	(811,250)	(790,318)
Total	\$186,987	\$207,919

Depreciation has been provided over each asset's estimated useful life. Depreciation expense was \$20,932 and \$22,915 for the three months ended March 31, 2013 and 2012, respectively.

**NOTE 3 – MINING PROPERTIES**

Mining properties consist of the following at March 31, 2013 and December 31, 2012:

	2013	2012
San Jose de Gracia (“SJG”):		
Mining Concessions	\$4,703,367	\$4,703,367
Less: Accumulated Amortization	(520,529 )	(519,400 )
Total Mining Properties	\$4,182,838	\$4,183,967

Amortization expense was \$1,129 and \$12,319 for the three months ended March 31, 2013 and 2012, respectively.

**NOTE 4 – INVESTMENT IN AFFILIATE**

Through December 31, 2010 the Company loaned a total of \$805,760 USD to DynaResource Nevada, Inc. (“DynaNevada”), a Nevada Corporation, which maintains one operating subsidiary in Mexico, DynaNevada de Mexico, SA de CV. (“DynaNevada de Mexico”). The terms of the Note Receivable provided for a “Convertible Loan”, repayable at 5% interest over a 3 year period, and convertible at the Company’s option into common stock of DynaNevada at \$.25 / Share. DynaNevada is a related entity (affiliate), and through its subsidiary DynaNevada de Mexico, has entered into an Option agreement with Grupo Mexico (IMMSA) in Mexico, for the exploration and development of approximately 3,000 hectares in the State of San Luis Potosi (“The Santa Gertrudis Property”). DynaNevada de Mexico exercised the Option with IMMSA in March 2010, so that DynaNevada de Mexico now owns 100% of the Santa Gertrudis Property. In June, 2010, DynaNevada de Mexico acquired an additional 6,000 hectares in the State of Sinaloa (the “San Juan Property”).

On December 31, 2010, the Company exercised its option to convert the note receivable and other receivable from DynaNevada into shares of common stock at a rate of \$.25 per share. The Company received 3,223,040 shares, which represents approximately 19.95% of the outstanding shares of DynaNevada. At the time of the exchange, DynaNevada’s net book value was approximately \$695,000, consisting of \$30,000 cash and the remainder unproven mining properties. DynaNevada has a contingent liability arising from the purchase of one of the mining properties, which Management believes has no merit. Based upon the above, Management estimated the value of the Company’s DynaNevada shares as of March 31, 2013 and December 31, 2012 to be \$70,000. Management believes the impairment is temporary, and therefore an unrealized loss of \$735,760 has been recorded in other comprehensive income.

**NOTE 5 – SHAREHOLDER ADVANCES**

Shareholders advanced funds to the Company in anticipation of converting the funds to Promissory Notes issued by the Company. The shareholders converted their advances on April 1, 2013 as described in Note 15 – Subsequent Events. These advances are classified as long term as the signed promissory notes are due December 31, 2015.

**NOTE 6 – INCOME TAXES**

The Company has adopted ASC 740-10, “Income Taxes”, which requires the use of the liability method in the computation of income tax expense and the current and deferred income taxes payable (deferred tax liability) or benefit (deferred tax asset). Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

The cumulative tax effect at the expected tax rate of 34% (blended for U.S. and Mexico) of significant items comprising the Company’s net deferred tax amounts as of March 31, 2013 and December 31, 2012 are as follows:

Deferred Tax Asset Related to:

	2013	2012
Prior Year	\$8,282,305	\$7,008,203
Tax Benefit for Current Year	133,723	1,274,102
Total Deferred Tax Asset	8,416,028	8,282,305
Less: Valuation Allowance	(8,416,028)	(8,282,305)



Net Deferred Tax Asset	\$0	\$0
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The net deferred tax asset and benefit for the current year is generated primarily from the cumulative net operating loss carry-forward which is approximately \$30,000,000 at March 31, 2013, and will expire in the years 2025 through 2031.

The realization of deferred tax benefits is contingent upon future earnings and is fully reserved at March 31, 2013.

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**NOTE 7 – MATERIAL AGREEMENTS**

**Financing/Sale of Stock of Subsidiary:**

On September 1, 2006 the Company and DynaMexico signed an “Earn In / Option Agreement” (“Option Agreement”) among DynaResource, DynaMexico (as “Seller”) and Goldgroup Resources Inc., of Vancouver, British Columbia, which subsequently became an affiliate of Goldgroup Mining, Inc. (Goldgroup Resources Inc. and Goldgroup Mining Inc. are together referred to as “Goldgroup”, and as “Buyer”).

The Option Agreement provided for Goldgroup to contribute \$18,000,000 on or before March 15, 2011 in exchange for fifty per cent (50%) of the total outstanding common shares of DynaMexico, the 100 % owner of the San Jose de Gracia Project in northern Sinaloa Mexico (“SJG”). The remaining balance of the \$18,000,000 was contributed on March 14, 2011 and Goldgroup now owns 50% of the outstanding common shares of DynaMexico.

**NOTE 8 – RELATED PARTY TRANSACTIONS**

The Company paid \$12,500 and \$0 to Dynacap Group, Ltd. (an entity controlled by officers of the Company) for consulting and other fees in the three months ended March 31, 2013 and 2012, respectively.

In addition, the Company has issued its stock to the following directors and consultants for the periods ended March 31, 2013 and March 31, 2012, respectively:

	2013	2012
Directors	\$ 0	\$ 0
Consultants	\$ 0	\$ 0
Totals	\$ 0	\$ 0

The above stock transactions were expensed as compensation in the financial statements.

As discussed in Note 4, the Company has made an investment in DynaNevada, an entity having common management with the Company.

**NOTE 9 – STOCKHOLDERS’ EQUITY**

**Authorized Capital.** The total number of shares of all classes of capital stock which the corporation shall have the authority to issue is 45,001,000 shares, consisting of (i) twenty-five million (25,000,000) shares of Common Stock, par value \$.01 per share (“Common Stock”), and (ii) 20,001,000 shares of Preferred Stock, par value \$0.0001 per share (“Preferred Stock”), of which one thousand (1,000) shares shall be designated as Series A Preferred Stock.

Series A Preferred Stock:

The Company has designated 1,000 shares of its Preferred Stock as Series A, having a par value of \$0.0001 per share. Holders of the Series A Preferred Stock have the right to elect a majority of the Board of Directors of the Company. In October 2007, the Company issued 1,000 shares of Series A Preferred Stock to its CEO. At December 31, 2012 and 2011 there were 1,000 shares of Series A Preferred Stock outstanding.

Preferred Stock:

In addition to the 1,000 shares designated as Series A Preferred Stock, the Company is authorized to issue 20,000,000 shares of Preferred Stock, having a par value of \$0.0001 per share. The Board of Directors of the Company has authority to issue the Preferred Stock from time to time in one or more series, and with respect to each series of the Preferred Stock, to fix and state by the resolution the terms attached to the Preferred Stock. At December 31, 2012 and 2011, there were no shares of Preferred Stock outstanding.

*Separate Series; Increase or Decrease in Authorized Shares.* The shares of each series of Preferred Stock may vary from the shares of any other series thereof in any or all of the foregoing respects and in any other manner. The Board of Directors may increase the number of shares of Preferred Stock designated for any existing series by a resolution adding to such series authorized and unissued shares of Preferred Stock not designated for any other series. Unless otherwise provided in the Preferred Stock Designation, the Board of Directors may decrease the number of shares of Preferred Stock designated for any existing series by a resolution subtracting from such series authorized and unissued shares of Preferred Stock designated for such existing series, and the shares so subtracted shall become authorized, unissued and undesignated shares of Preferred Stock.

Common Stock:

The Company is authorized to issue 25,000,000 common shares at a par value of \$0.01 per share. These shares have full voting rights. At March 31, 2013 and December 31, 2012, there were 10,802,008 and 10,802,008 shares outstanding, respectively. No dividends were paid in 2013 or 2012.

Preferred Rights:

The Company issued "Preferred Rights" and received \$158,500 in 2003 and \$626,000 in 2002, for the rights to percentages of revenues generated from the San Jose de Gracia Pilot Production Plant. This has been reflected as "Preferred Rights" in stockholders' equity. As of December 31, 2004, \$558,312 was repaid and as of December 31, 2005, an additional \$186,188 has been repaid, leaving a current balance of \$40,000 and \$40,000 as of March 31, 2013 and December 31, 2012, respectively.

Stock Issuances:

During the three months ended March 31, 2013, the Company issued no common shares.

During 2012, the Company issued 199,140 common shares for cash for \$5.00 per share.

Treasury Stock:

During 2013, the Company repurchased 20,051 shares for \$66,500.

During 2012, the Company repurchased 12,954 shares for \$50,750.

Treasury stock is accounted for by the cost method.

Options and Warrants:

The Company had 1,151,800 options or warrants outstanding at March 31, 2013.

During the three months ended March 31, 2013, no options or warrants were issued, none were exercised and none expired. The Company recorded expense related to the issuance of these options in accordance with the Black Scholes option pricing model.

**NOTE 10 – EMPLOYEE BENEFIT PLANS**

During the periods ended March 31, 2013 and December 31, 2012, there were no qualified or non-qualified employee pension, profit sharing, stock option, or other plans authorized for any class of employees.

**NOTE 11 – COMMITMENTS AND CONTINGENCIES**

The Company's 50% owned subsidiary DynaMexico is required to pay taxes in order to maintain the several mining concessions it owns. Additionally, DynaMexico is required to incur a minimum amount of expenditures each year for all concessions held. The minimum expenditures are calculated based upon the land area, as well as the age of the concessions. Amounts spent in excess of the minimum may be carried forward indefinitely over the life of the concessions, and are adjusted annually for inflation. Based on Management's business plans, the Company does not anticipate that DynaMexico will have any issues in meeting the minimum annual expenditures for the concessions, and DynaMexico retains sufficient carry forward amounts to cover over 20 years of the minimum expenditure (as calculated at the 2011 minimum, adjusted for annual inflation of 4%).

In September 2008, the Company entered into a 37 month lease agreement for its corporate office. In August, 2011 and then in August 2012, the Company entered into a one year extensions of the lease through August 31, 2013. The Company paid rent expense of \$11,760 and \$11,520 related to this lease for the three months ended March 31, 2013 and 2012.

The following is a schedule of minimum lease payments required under the existing lease as of March 31, 2013:

Year Ended December 31:	Amount
2013	\$ 19,200
2014 and beyond	0
Total	\$ 19,200

**NOTE 12 – NON-CONTROLLING INTEREST**

The Company's Non-controlling Interest recorded in the consolidated financial statements relates to a 50% interest in DynaResource de México, S.A. de C.V. Changes in Non-controlling Interest for the three months ended March 31, 2013 and the year ended December 31, 2012 were as follows:

	Three Months Ended Mar 31, 2013	Year ended Dec 31, 2012
Beginning balance	\$ (5,122,891 )	\$ (3,588,806 )
Operating income (loss)	(198,420 )	(1,525,745 )
Other comprehensive income (loss)	(312 )	(8,340 )
Ending balance	\$ (5,321,623 )	\$ (5,122,891 )

The Company began allocating a portion of other comprehensive income (loss) to the non-controlling interest with the adoption of FASB 160 as of January 1, 2009.

**NOTE 13 – RECENT ACCOUNTING PRONOUNCEMENTS**

In June 2011, the FASB issued Accounting Standards Update (“ASU”) No. 2011-05, “*Comprehensive Income – Presentation of Comprehensive Income.*” ASU No. 2011-05 eliminated the option to present the components of other comprehensive income as part of the statement of stockholders’ equity. It requires an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In December, 2011, the FASB issued ASU 2011-12, “*Comprehensive Income – Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in ASU 2011-05*” to defer the effective date of the specific requirement to present items that are reclassified out of accumulated other comprehensive income to net income alongside their respective components of net income and other comprehensive income. All other provisions of this update, which are to be applied retrospectively, are effective for fiscal years, and interim periods within those years, beginning December 15, 2011, The Company is currently evaluating the impact that the adoption will have on their consolidated financial statements.

In December 2011, the FASB issued ASU No. 2011-11, “*Balance Sheet – Disclosures about Offsetting Assets and Liabilities.*” ASU 2011-11 requires entities to disclose information about offsetting and related arrangements of financial instruments and derivative instruments and will be applied retrospectively for all comparative periods presented. ASU 2011-11 is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The Company is currently evaluating the impact that the adoption will have on its consolidated financial statements.

On January 1, 2012, the Company adopted guidance issued by the FASB on accounting and disclosure requirements related to fair value measurements. The guidance limits the highest-and-best-use measure to nonfinancial assets, permits certain financial assets and liabilities with offsetting positions in market or counterparty credit risks to be measured at a net basis, and provides guidance on the applicability of premiums and discounts. Additionally, the guidance expands the disclosures on Level 3 inputs by requiring quantitative disclosure of the unobservable inputs and assumptions, as well as description of the valuation processes and the sensitivity of the fair value to changes in unobservable inputs. Adoption of this new guidance did not have a material impact on our financial statements.

**NOTE 14 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

In September 2006, the guidance for fair value measurements and disclosure was updated to define fair value, establish a framework for measuring fair value, and expand disclosures about fair value measurements. This guidance does not require any new fair value measurements but rather eliminates inconsistencies in guidance found in various prior accounting pronouncements. The provisions of the updated guidance were adopted January 1, 2008. In February 2008, the FASB staff issued an update to the guidance which delayed the effective date for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. The Company adopted the updated guidance for the Company's nonfinancial assets and liabilities measured at fair value on a nonrecurring basis on January 1, 2009. The adoption of updated guidance did not have a material impact on the Company's financial position, results of operations or cash flows.

In October 2008, the guidance was further updated to provide guidance on how the fair value of a financial asset is to be determined when the market for that financial asset is inactive. The guidance states that determining fair value in an inactive market depends on the facts and circumstances, requires the use of significant judgment and, in some cases, observable inputs may require significant adjustment based on unobservable data. Regardless of the valuation technique used, an entity must include appropriate risk adjustments that market participants would make for nonperformance and liquidity risks when determining fair value of an asset in an inactive market. The guidance was effective upon issuance. The Company has incorporated the principles of updated guidance in determining the fair value of financial assets when the market for those assets is not active.

In April 2009, the guidance was further updated to provide additional guidance on determining fair value when the volume and level of activity for the asset or liability have significantly decreased and identifying circumstances that indicate when a transaction is not orderly. The provisions of this updated guidance were adopted April 1, 2009. The adoption of the guidance did not have an impact on the Company's fair value measurements.

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

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

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

*Level 3 Inputs* – Instruments with primarily unobservable value drivers.

As of March 31, 2013 and December 31, 2012, the Company's financial assets were measured at fair value using Level 3 inputs, with the exception of cash, which was valued using Level 1 inputs. There were no financial liabilities as of March 31, 2013. A description of the valuation of the Level 3 inputs is discussed in Note 4.

**Fair Value Measurement at March 31, 2013 Using:**

	<b>Quoted Prices In Active Markets For Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>Mar 31, 2013</b>			
Assets:			
Cash and Cash Equivalents	\$ 1,145,816	\$ 1,145,816	\$ -



Investment in Affiliate	70,000	-	-		70,000
	\$1,215,816	\$1,145,816	\$	-	\$ 70,000

**Fair Value Measurement at December 31, 2012**

**Using:**

	<b>December 31, 2012</b>	<b>Quoted Prices In Active Markets For Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Assets:				
Cash and Cash Equivalents	\$ 1,522,652	\$1,522,652	\$ -	\$ -
Investment in Affiliate	70,000	\$-	\$ -	\$ 70,000
	\$1,592,652	\$1,522,652	\$ -	\$ 70,000

**NOTE 15 – SUBSEQUENT EVENTS**

The Company has evaluated its activities subsequent to March 31, 2013 through May 13, 2013 and noted the following reportable events:

**Conversion of Shareholder Advances to Promissory Notes:**

Shareholders of the Company, who in March had advanced \$495,000 to the Company, converted their advances into Promissory Notes issued by the Company. The Company converted these funds and additional funds since March 31, 2013, so that as of May 20, 2013, the Company is obligated for \$1,430,000 in Promissory Notes (the “Notes”).

The Notes bear simple interest at twelve and a half percent (12.5%), with interest accrued for twelve months, and with the accrued interest to be added to the principal, and then interest will be paid by the Company, quarterly in arrears. The holders of the Notes (In Aggregate) are also entitled to receive ten percent (10%) of the net profits received by the Company, and generated from the bulk sampling material (if any, and up to fifty thousand tons) processed by DynaResource de Mexico or Mineras de DynaResource through the existing mill facilities at San Jose de Gracia. This net profit percentage (if any) would be paid quarterly in arrears based on the profits generated (if any) for the prior quarter. Such net profits (if any) are to be calculated after deducting all expenses related to the processing of the bulk sample material, and after a prior deduction of thirty three percent (33%) from the profits, to be deposited into a sinking fund cash reserve. The Notes mature on December 31, 2015.

The Company has the right to prepay the Notes with a ten percent (10%) penalty. The Note holder may, at any time prior to maturity or prepayment, convert any unpaid principal and interest into common stock of the Company at \$5.00 per share, and receive a warrant to purchase additional common shares of the Company for \$7.50 per share, with such warrant expiring on December 31, 2015.

## **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS**

*This report contains forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. The Company's actual results could differ materially from those set forth on the forward looking statements as a result of the risks set forth in the Company's filings with the Securities and Exchange Commission, general economic conditions, and changes in the assumptions used in making such forward looking statements.*

### General

#### **FORWARD-LOOKING STATEMENTS**

This quarterly report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, which we refer to in this quarterly report as the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, which we refer to in this quarterly 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 quarterly 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 quarterly 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 quarterly 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.

#### **IMPORTANT NOTE REGARDING CANADIAN DISCLOSURE STANDARDS**

The Company is an “OTC Reporting Issuer” as that term is defined in BC Multilateral Instrument 51-105, *Issuers Quoted in the U.S. Over-the-Counter Markets*, promulgated by the British Columbia Securities Commission. Accordingly, certain disclosure in this quarterly report has been prepared in accordance with the requirements of securities laws in effect in Canada, which differ from the requirements of United States securities laws. In Canada, an issuer is required to provide technical information with respect to mineralization, including reserves and resources, if any, on its mineral exploration properties in accordance with Canadian requirements, which differ significantly from the requirements of the United States Securities and Exchange Commission (the “SEC”) applicable to registration statements and reports filed by United States companies pursuant to the Securities Act or the Exchange Act. As such,

information contained in this quarterly report concerning descriptions of mineralization under Canadian standards may not be comparable to similar information made public by United States companies subject to the reporting and disclosure requirements of the SEC and not subject to Canadian securities legislation. This quarterly report may use the terms “measured mineral resources”, “indicated mineral resources” and “inferred mineral resources”. While these terms are recognized and required by Canadian securities legislation (under National Instrument 43-101, *Standards of Disclosure for Mineral Projects*), the SEC does not recognize them. United States investors are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted to reserves. In addition, “inferred mineral resources” have a great amount of uncertainty as to their existence and economic and legal feasibility. It cannot be assumed that all or any part of a measured mineral resource, indicated mineral resource or inferred mineral resource will ever be upgraded to a higher category. Under Canadian securities legislation, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, although they may form, in certain circumstances, the basis of a “preliminary economic assessment” as that term is defined in National Instrument 43-101, *Standards of Disclosure for Mineral Projects*. U.S. investors are cautioned not to assume that any part or all of any reported measured, indicated, or inferred mineral resource estimates referred to herein or in the Technical Report are economically or legally mineable.

## Company

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

Through its 50% 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 (SJG) Project in Sinaloa State, in northern Mexico. The SJG District covers 69,121 hectares (170,802 acres) on the west side of the Sierra Madre Mountains.

DynaResource owns a 50% common stock interest in DynaMéxico, and the remaining 50% common stock interest is held by Goldgroup Resources Inc., a wholly owned subsidiary of Goldgroup Mining Inc. DynaMexico owns 100% of SJG. Mineras de DynaResource S.A. de C.V. (“MinerasDyna”), a wholly owned subsidiary of the Company, 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 of personnel and consultants for the SJG Project.

## 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 mining concessions comprising the SJG District, all of which are formally held by DynaMéxico (with one exception: the San Miguel mining concession –see the Note 1 immediately following the below table), are granted by the Mexican government, or acquired from previous owners. DynaMexico’s mining 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.

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, and the 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-Q, 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	Title Issuance Date	Expiry Date	Area In Hectares
AMPL. SAN NICOLAS	183815	22/11/1988	21/11/2038	17.4234
AMPL. SANTA ROSA	163592	30/10/1978	29/10/2028	25.0000
BUENA VISTA	211087	31/03/2000	30/03/2050	17.9829
EL CASTILLO	214519	02/10/2001	01/10/2051	100.0000
EL REAL	212571	07/11/2000	06/11/2050	2037.9479
EL REAL 2	216301	30/04/2002	29/04/2052	280.1555
FINISTERRE FRACC. A	219001	28/01/2003	27/01/2053	18.7856
FINISTERRE FRACC. B	219002	28/01/2003	27/01/2053	174.2004
GUADALUPE	189470	05/12/1990	04/12/2040	7.0000
LA GRACIA I	215958	02/04/2002	01/04/2052	300.0000
LA GRACIA II	215959	02/04/2002	01/04/2052	230.0000
LA LIBERTAD	172433	15/12/1983	14/12/2033	97.0000
LA NUEVA AURORA	215119	08/02/2002	07/02/2052	89.3021
LA NUEVA ESPERANZA	226289	06/12/2005	05/12/2055	40.0000
LA UNION	176214	26/08/1985	25/08/2035	4.1098
LOS TRES AMIGOS	172216	27/10/1983	26/10/2033	23.0000
MINA GRANDE	163578	10/10/1978	09/10/2028	6.6588
NUEVO ROSARIO	184999	13/12/1989	12/12/2039	32.8781
PIEDRAS DE LUMBRE 2	215556	05/03/2002	04/03/2052	34.8493
PIEDRAS DE LUMBRE 3	218992	28/01/2003	27/01/2053	4.3098
PIEDRAS DE LUMBRE No.4	212349	29/09/2000	28/09/2050	0.2034
PIEDRAS DE LUMBRE UNO	215555	05/03/2002	04/03/2052	40.2754
SAN ANDRES	212143	31/08/2000	30/08/2050	385.0990
SAN JOSÉ	208537	24/11/1998	23/11/2048	27.0000
SAN MIGUEL (1)	183504	26/10/1988	25/10/2038	7.0000
SAN NICOLAS	163913	14/12/1978	13/12/2028	55.5490
SAN SEBASTIAN	184473	08/11/1989	07/11/2039	40.0000
SANTA MARIA	218769	17/01/2003	16/01/2053	4.2030
SANTA ROSA	170557	13/05/1982	12/05/2032	31.4887
SANTO TOMAS	187348	13/08/1986	12/08/2036	312.0000
TRES AMIGOS 2	212142	31/08/2000	30/08/2050	54.4672
FINISTERRE 4	231166	18/01/2008	17/01/2058	2142.1302
FRANCISCO ARTURO	230494	06/09/2007	27/03/2057	62481.3815
<b>TOTAL</b>				<b>69,121.4010</b>

(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.183604) 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.183604) 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*), DynaMexico maintains access and surface rights to the SJG Project pursuant to a surface lease agreement. Dated May 12, 2002, the surface lease, formally entitled “Land Occupation Agreement” between the El Ejido Santa Maria and DynaResource de Mexico, covers 4,399 hectares and has a term of 30 years. The surface lease is currently in good standing, and DynaMexico has no future financial obligations in order to maintain the surface lease, other than to conduct its mining activities in accordance with applicable Mexican environmental, mining and labor laws and regulations.



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 Mountains 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.

#### Historical Production

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

#### 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 ore shoots developed within the veins. The ore shoots appear to be controlled by dilational jogs and/or vein intersections. A total of 544 samples were collected in 1999-2000, and assayed an average 6.51 grams/ton gold.

#### Pilot Production Activities

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 production activity has provided significant benefits in terms of confirming production grades, metallurgy and process, efficiency of recoveries, and production costs – all of which are valuable for larger scale production plans.

#### Earn In / Option Agreement: Financing of Drilling - Exploration Programs

On September 1, 2006 the Company signed a “Stock Purchase and Earn In Agreement” (“Earn In”) between DynaResource, Inc. and DynaMexico, (“Seller”) and Goldgroup Mining, Inc. (formerly Goldgroup Resources, Inc.), of Vancouver, British Columbia.

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The Earn In provided for Goldgroup to contribute \$18,000,000 on or before March 15, 2011 in exchange for fifty per cent (50%) of the total outstanding shares of DynaMexico, the 100 % owner of the San Jose de Gracia District (“SJG”). Goldgroup now holds 50% of the outstanding shares of DynaMexico.

Drilling programs conducted pursuant to the Earn In/ Option Agreement 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](http://www.dynaresource.com).

### DynaMéxico Summary of Drilling Results

The drilling results obtained from San Jose de Gracia of holes drilled through March 31, 2011 (through DDH SJG 11-298) confirm the extensions of mineralization, down dip of historical workings, with confirmation of high grade gold (over 10 g/t), and including bonanza grades shoots which are consistent with historical and recent production grades. Specifically, San Pablo, Tres Amigos, La Purisima, and La Union areas have reported significant results. The summary of the drill results are described in an SJG Drill Summary File which is available on the SEC website referred to above.

### No Known Reserves

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

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 DynaMéxico-CAM SJG Mineral Resource Estimate and the formal National Instrument 43-101("NI 43-101") Technical Report for San Jose de Gracia (the "2012 DynaMéxico 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 for San Jose de Gracia

The Company received from DynaMéxico on February 14, 2012 a National Instrument 43-101 ("NI 43-101") Mineral Resource Estimate for the SJG property (the "2012 DynaMéxico CAM-SJG Mineral Resource Estimate", and the "2012 DynaMéxico Mineral Resource Estimate"), with an Effective Date of February 6, 2012. The 2012 DynaMéxico 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 2012 DynaMéxico Mineral Resource Estimate concentrates on four separate vein systems at SJG: Tres Amigos, San Pablo, La Union, and La Purisima.

### National Instrument 43-101 (NI 43-101) Technical Reports for San Jose de Gracia

The Company received from DynaMexico on March 28, 2012 a National Instrument 43-101 compliant (“NI 43-101”) Technical Report for the San Jose de Gracia Project (the “2012 DynaMexico Luna-CAM SJG Technical Report”, and 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”, and the “2012 DynaMexico Mineral Resource Estimate”). The Company filed the Technical Report on SEDAR ([www.sedar.com](http://www.sedar.com)) on March 28, 2012.

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

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.

### 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.

### Commissioning of Metallurgical Testing

During the fourth quarter 2012, DynaMexico, through MinerasDyna, engaged Kappes, Cassiday & 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.

### 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. Considering the foundational resource for SJG as reported in the 2012 DynaMexico-CAM SJG Mineral Resource Estimate, the Company expects DynaMexico to confirm a positive economic assessment for SJG in the Preliminary Economic Assessment Report expected to be commissioned by DynaMexico.

### 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 cotemporal with the LVS. Ignimbrites of the UVS are exposed at higher elevations on the property and are thought to act as a post mineralization cap rock, thereby indicating an Early to Mid Tertiary (Paleocene to Eocene) age for gold mineralization at San José de Gracia.

### Geologic Structure

Detailed mapping within the project area has defined several stages of deformation, beginning with compression during the Laramide Orogeny which affected the Paleozoic basement and formed flat-lying reverse faults, which have been reactivated as conduits for gold-bearing fluids in the La Prieta trend (Table 2). Extension in Tertiary time 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. 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 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. (“Mineras”).

#### Mineral Resource Estimate - Parameters Used to Estimate the Mineral Resource

The data base for the San Jose de Garcia Project consists of 372 drill holes of which 361 were diamond drill holes and the remaining 11, drilled in 1992, 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. Because 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. 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-Q 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.

### 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

Each of Mr. Luna and Mr. Sandefur is 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](http://www.sedar.com)) on March 28, 2012.

### 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 m<sup>3</sup> 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. (“Mineras”) has been named the exclusive operating entity at the San Jose de Gracia Project. DynaResource owns 100% of Mineras.

### DynaMexico General Power of Attorney

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

### Updated Mineral Resource Estimate

During the third quarter, Mineras 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.

### Metallurgical Testing

During the third quarter, Mineras engaged Kappes, Cassiday & 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.

### Preliminary Economic Assessment Report

The Company anticipates that DynaMexico will commission at least one Preliminary Economic Assessment Report for the SJG Project in the second quarter of 2013.

### 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. With the foundational resource for SJG as reported in the 2012 DynaMexico-CAM SJG Mineral Resource Estimate, the Company expects DynaMexico to confirm a positive economic assessment for SJG in the Preliminary Economic Assessment Report expected to be commissioned by DynaMexico.

### 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 2011, on average, current mine production has accounted for approximately 64% of the annual gold supply.

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

<b>Year</b>	<b>High</b>	<b>Low</b>	<b>Average</b>
2002	\$349	\$278	\$ 310
2003	\$416	\$320	\$ 363
2004	\$454	\$375	\$ 410
2005	\$536	\$411	\$ 444
2006	\$725	\$525	\$ 604
2007	\$841	\$608	\$ 695
2008	\$1,011	\$713	\$ 872
2009	\$1,213	\$810	\$ 972
2010	\$1,421	\$1,058	\$ 1,225
2011	\$1,895	\$1,319	\$ 1,572
2012	\$1,792	\$1,540	\$ 1,669
2013 (through May 17, 2013)	\$1,694	\$1,355	\$ 1,572

Source: Kitco, Reuters and the London Bullion Market Association

On May 17, 2013, the afternoon fixing gold price on the London Bullion Market was \$1,355 per ounce and the spot market gold price on the New York Commodity Exchange was \$1,356 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.

#### 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.

DynaMexico will file an Environmental Impact Study and post the appropriate bond at such time as it re-commences mining (as opposed to exploration) activities.

### 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.

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### RESULTS FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2013

**REVENUE.** Revenue for the three and nine months ended March 31, 2013 and 2012 was \$0 and \$0. The Company ceased its own production activities in 2006 in order to focus its efforts on exploration and drilling activity, for the purpose of defining commercial ore resources.

**COST OF EXPLORATION.** Exploration costs were \$0 and \$234,871 for the three months ended March 31, 2013 and 2012 respectively. The decrease in costs was due to the decrease in exploration and drilling activity from one year to the next.

**OPERATING EXPENSES.** Operating expenses for the three months ended March 31, 2013 and 2012 were \$742,071 and \$816,989 respectively. The above expenses include depreciation and amortization amounts of \$22,061 and \$35,234 for the three months ended March 31, 2013 and 2012, respectively.

**OTHER INCOME (EXPENSE).** Other income, exclusive of currency translation gain or (loss) was \$134 and \$250 for the three months ended March 31, 2013 and 2012, respectively. Currency translation gain or (loss) was \$348,634 and \$381,491 for the three months ended March 31, 2013 and 2012, respectively.

**NON-CONTROLLING INTEREST.** The non-controlling interest portion of our net loss for the three months ended March 31, 2013 and 2012 was \$198,420 and \$221,814, respectively. This is due to the Company reporting a smaller year over year loss.

COMPREHENSIVE (LOSS). Comprehensive loss includes the Company's net loss plus the unrealized currency translation gain (loss) for the period which was a loss of \$2,765 and a gain of \$80,556 for the three months ended March 31, 2013 and 2012, respectively.

LIQUIDITY AND CAPITAL RESOURCES. The Company has sufficient capital on hand to fund overhead operations through 2013.

## PLAN OF OPERATION

### Preliminary Economic Assessment Report

DynaMexico approved and released the National Instrument 43-101 (“NI 43-101”) Technical Report for SJG on March 28, 2012, and the Company now expects DynaMexico to commission a Preliminary Economic Assessment Report (“PEA”) in 2012. The Company expects the PEA to be commissioned to and compiled by a reputable firm and pursuant to National Instrument 43-101.

### Structure of Company / Operations

Activities in México are conducted by DynaMéxico, through an operating agreement with the operating subsidiary of DynaResource, Inc., Mineras de DynaResource SA de CV. (“MinerasDyna”); with the management of personnel being contracted by MinerasDyna through to the personnel management subsidiary, DynaResource Operaciones, SA de CV (“DynaOperaciones”). DynaResource, Inc. management and consultants continue to manage the 3 subsidiaries in México; while Chairman / CEO K.D. Diepholz is the President of each of the 3 companies. Management and administrative fees are charged by MinerasDyna and DynaOperaciones, which are eliminated in consolidation.

### Competitive Advantage

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

### Drilling Programs

Further drilling programs at SJG are projected for the late 2012 or spring 2013, dependent upon agreed funding arrangements, but those plans will take into consideration the recent NI 43-101 2012 DynaMexico-CAM SJG Mineral Resource Estimate and the recommendations made in the 2012 DynaMexico Luna-CAM SJG 43-101 Technical Report. Further drilling may be based upon recommendations made in the anticipated PEA report. The Company expects continued drilling at SJG in order to expand resources at San Pablo, Tres Amigos, La Cecena, Palos Chinos, La Union, La Purisima, and La Prieta. Additionally, the Company expects extensions to mineralization in all directions and down dip from the main target areas.

### Liquidity and Capital Resources

As of March 31, 2013, the Company maintained working capital of \$1,088,485, comprised of current assets of \$1,310,234 and current liabilities of \$221,749. This represents a decrease of \$210,856 from the working capital maintained by the Company of \$1,299,341 at December 31, 2012.

Net cash used in operations for the three months ended March 31, 2013 was \$553,044 compared to \$522,035 for the three months ended March 31, 2012. The amounts were substantially the same since the activities on the property were substantially the same in the first three months of 2013 and 2012.

Cash used for purchase of fixed assets was \$0 in the three months ended March 31, 2013 and \$0 for the same period in 2012.

Cash provided by financing activities for the three months ended March 31, 2013 was \$176,208 compared to \$50,404 for the same period in 2012.

Advances to Subsidiaries - DynaResource de Mexico ("DynaMexico")

As of March 31, 2013, Company reports an \$806,935 account receivable from DynaMexico for expenditures incurred in the normal course of business since June 2000.

As of December 31, 2012, the Company entered into an agreement with DynaMexico in which DynaMexico agreed to a fee of \$541,915 in order to continue to carry the amount as a receivable. The fee was calculated as if interest had been charged at 4% interest compounded monthly over the period in which the amounts accrued.

During the year ended December 31, 2012, the Company incurred additional expenditures of \$1,044,952 on behalf of DynaMexico, which was billed to DynaMexico in December 2012.

As of March 31, 2013 and December 31, 2012, the Company reports \$2,393,803 due from DynaMexico.

#### Advances to Subsidiaries - Mineras de DynaResource (“MinerasDyna”)

During 2012 and 2013, the Company advanced funds to MinerasDyna. MinerasDyna subsequently advanced funds to DynaMexico. At March 31, 2013, the total amount of \$180,000 is recorded as a receivable owed to MinerasDyna from DynaMexico. At May 20, 2013, the total amount of \$380,000 is recorded as receivable owned to MinerasDyna from DynaMexico.

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

The receivables from MinerasDyna and DynaMexico have been eliminated upon consolidation.

#### Advances from Goldgroup Mining Inc. (“Goldgroup”)

In January 2013, Goldgroup advanced \$120,000 USD to DynaMexico to pay 50 % of the taxes due on mining concessions owned by DynaMexico for the first semester 2013. This \$ 120,000 USD contribution from Goldgroup was the first contribution from Goldgroup to DynaMexico since March 2011. At May 20, 2013, no further amounts have been received from Goldgroup.

#### Company Proposal to DynaMexico to Capitalize Advances

At a Meeting of the Shareholders of DynaMexico on February 22, 2013, the Company, a 50% shareholder of DynaMexico, proposed to capitalize the total amount of receivables due from DynaMexico to the Company and MinerasDyna. DynaMexico shareholder Goldgroup (also a 50 % shareholder) voted against the proposal. Shareholder Goldgroup offered no alternative proposal for resolving the accounts payable of DynaMexico.

#### Future Advances to MinerasDyna and DynaMexico from the Company

The Company expects to make additional advances to MinerasDyna and DynaMexico. Any future advances are agreed to be accrued in the same manner as previous receivables, until or unless otherwise agreed between DynaMexico and the Company.

### **ITEM 3. Quantitative and Qualitative Disclosure about Market Risk.**



Not applicable.

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## **ITEM 4. Controls and Procedures**

### Evaluation of Disclosure Controls and Procedures

The company carried out an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of March 31, 2013. This evaluation was accomplished under the supervision and with the participation of our chief executive officer / principal executive officer, and chief financial officer / principal financial officer who concluded that the company's disclosure controls and procedures are effective to ensure that all material information required to be filed in the quarterly report on Form 10-Q has been made known to them.

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

Based upon an evaluation conducted for the period ended March 31, 2013, our Chief Executive Officer and Chief Financial Officer as of March 31, 2013, and as of the date of this Report, have concluded that as of the end of the period covered by this report, we have identified no material weakness in our internal controls.

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

### Management's Report on Internal Control Over Financial Reporting

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

Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate due to change in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management conducted an evaluation of the effectiveness of our internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal

Control—Integrated Framework at March 31, 2013. Based on its evaluation, our management concluded that, as of March 31, 2013, our internal control over financial reporting was effective.

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

Changes in Internal Controls over Financial Reporting

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

**PART II**

Item 1. Legal Proceedings

None.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Default Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

Exhibit Number: Name of Exhibit

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

SIGNATURES

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

DynaResource, Inc.

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

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

Date: May 20, 2013

