

DYNARESOURCE INC  
Form 10-Q  
February 04, 2009

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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 September 30, 2008

OR

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

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

Commission File Number 0-53237

DYNARESOURCE, INC.

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

Delaware  
(State or other jurisdiction of incorporation or  
organization)

94-1589426  
(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 ☒.

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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 December 31, 2008, there were 9,073,913 shares of Common Stock of the issuer outstanding.

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DYNARESOURCE, INC.  
(An Exploration Stage Company)  
Consolidated Balance Sheets  
September 30, 2008 and December 31, 2007

	Sept 30, 2008 (Unaudited)	Dec 31, 2007 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 1,850,159	\$ 2,060,665
Accounts Receivable (Net of Allowance of \$0 and \$0)	0	13,079
Foreign Tax Receivable	232,049	151,852
Other Current Assets	189,864	72,063
Total Current Assets	2,272,072	2,297,659
<b>Fixed Assets:</b>		
Mining Camp Equipment and Fixtures (Net of Accumulated Depreciation of \$345,301 and \$325,507)	354,306	389,731
Mining Properties (Net of Accumulated Amortization of \$378,510 and \$288,510)	4,376,832	4,414,857
Total Fixed Assets	4,731,138	4,804,588
Deposits	5,790	0
<b>TOTAL ASSETS</b>	<b>\$ 7,009,000</b>	<b>\$ 7,102,247</b>
<b>LIABILITIES, MINORITY INTEREST AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 0	\$ 0
Accrued Expenses	68,455	40,165
Total Liabilities	68,455	40,165
Minority Interest	(321,933)	344,980
<b>Shareholders' Equity:</b>		
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, \$.01 par value, 12,500,000 shares authorized, 8,508,127 and 8,276,824 shares issued and outstanding respectively	85,081	82,768
Preferred Rights	40,000	40,000
Additional Paid In Capital	20,611,514	15,874,681
Treasury Stock	( 7,500)	( 7,500)
Other Comprehensive Income	(75,833)	41,711
Accumulated Deficit	( 6,002,516)	( 6,002,516)
Accumulated Deficit Since Reentering the Development Stage	(7,389,268)	(3,313,042)
Total Shareholders' Equity	7,261,478	6,717,102
<b>TOTAL LIABILITIES, MINORITY INTEREST AND STOCKHOLDERS' EQUITY</b>	<b>\$ 7,009,000</b>	<b>\$ 7,102,247</b>

See accompanying summary of accounting policies and notes to financial statements.

DYNARESOURCE, INC.  
(An Exploration Stage Company)  
Consolidated Statement of Operations  
For the Three and Nine Months Ended September 30, 2008 and 2007  
And Cumulative Since Reentering the Development Stage (January 1, 2007)  
(Unaudited)

	Three Months Ended		Nine Months Ended		Cumulative Since Reentering Development Stage (Jan 1, 2007)
	Sept 30, 2008	Sept 30, 2007	Sept 30, 2008	Sept 30, 2007	
REVENUES	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
COST OF REVENUE (exclusive of depreciation and amortization shown separately below)					
Exploration Costs	1,633,167	280,312	3,761,004	1,081,469	5,858,382
GROSS MARGIN	(1,633,167)	(280,312)	(3,761,004)	(1,081,469)	(5,858,382)
OPERATING EXPENSES:					
Depreciation and Amortization	36,598	4,671	109,794	14,012	256,185
General and Administrative	505,901	169,079	962,801	484,508	1,939,313
TOTAL OPERATING EXPENSES	542,499	173,750	1,072,595	498,520	2,195,498
NET OPERATING (LOSS)	(2,175,666)	(454,062)	(4,833,599)	(1,579,989)	(8,053,880)
OTHER INCOME					
Portfolio Income	515	873	1,260	5,303	7,887
Other Income	28	0	2,282	0	2,282
TOTAL OTHER INCOME	543	873	3,542	5,303	10,169
NET INCOME (LOSS) BEFORE MINORITY INTEREST AND TAXES	(2,175,123)	(453,189)	(4,830,057)	(1,574,686)	(8,043,711)
Provision for Income Tax Benefit	0	0	0	0	38,259
Minority (Earnings) Loss in Subsidiary	347,103	0	666,913	0	666,913
NET LOSS	\$ (1,828,020)	\$ (453,189)	\$ (4,163,144)	\$ (1,574,686)	\$ (7,338,539)
Other Comprehensive Income:					
Currency Translation Gain (Loss)	(237,547)	545,768	86,921	411,150	79,096
COMPREHENSIVE LOSS	\$ (2,065,567)	\$ 92,579	\$ (4,076,223)	\$ (1,163,536)	\$ (7,259,443)
Earnings (Loss) per share, Basic	\$ (0.25)	\$ (0.12)	\$ (0.49)	\$ (0.15)	
Weighted Shares Outstanding, Basic	8,388,079	7,875,000	8,279,709	7,875,000	

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Earnings (Loss) per share, Diluted	\$	(0.21)	\$	(0.12)	\$	( 0.41)	\$	( 0.15)
Weighted Shares Outstanding, Diluted		9,908,886		7,875,000		9,967,427		7,875,000

See accompanying summary of accounting policies and notes to financial statements.

DYNARESOURCE, INC.  
 (An Exploration Stage Company)  
 Consolidated Statements of Cash Flows  
 For the Nine Months Ended September 30, 2008 and 2007  
 And Cumulative Since Reentering the Development Stage (January 1, 2007)  
 (Unaudited)

	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007	Cumulative Since Reentering Development Stage (Jan 1, 2007)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss	\$ (4,163,144)	\$ (1,574,686)	\$ (7,338,539)
Adjustments to reconcile net deficit to cash used by operating activities:			
Issuance of common stock for services	181,658	0	291,245
Issuance of preferred stock for services	0	0	1,000
Depreciation and amortization	109,794	14,012	256,185
Minority interest	(666,913)	0	(666,913)
Change in assets and liabilities:			
Decrease in accounts receivable	13,079	199,143	199,143
(Increase) in foreign tax receivable	(80,197)	(39,815)	(182,845)
(Increase) in other current assets	(117,801)	(85,197)	(112,773)
Increase in deposits	(5,789)	0	(5,789)
(Decrease)/ increase in accrued expenses	28,290	(43,057)	(77,085)
(Decrease) in deferred tax liability	0	(38,259)	(38,259)
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>	<b>(4,701,023)</b>	<b>(1,567,859)</b>	<b>(7,674,630)</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
Purchase of fixed assets	(36,347)	(48,527)	(118,479)
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(36,347)</b>	<b>(48,527)</b>	<b>(118,479)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from DynaMexico Earn In	4,050,000	1,047,992	7,093,004
Proceeds from sale of common stock	517,488	223,975	1,662,802
Repurchase of common stock options	(10,000)	0	(10,000)
Other comprehensive income (loss)	(117,545)	96,249	5,026
Purchase of treasury stock	0	( 7,500)	( 7,500)
<b>CASH FLOWS PROVIDED BY FINANCING ACTIVITIES</b>	<b>4,439,943</b>	<b>1,360,716</b>	<b>8,743,332</b>
Effect of exchange rate on cash	86,921	411,150	79,096
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(210,506)</b>	<b>155,480</b>	<b>1,029,319</b>
Cash, beginning of period	2,060,665	820,840	820,840
Cash, end of period	\$ 1,850,159	\$ 976,320	\$ 1,850,159
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>			
Interest paid	\$ 0	\$ 0	\$ 0



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Income taxes paid	\$	0	\$	0	\$	0
Non-cash dividend of property	\$	0	\$	0	\$	129,822

See accompanying summary of accounting policies and notes to financial statements.

DYNARESOURCE, INC.

(An Exploration Stage Company)  
Notes to the Consolidated Financial Statements  
September 30, 2008

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

### Nature of Activities, History and Organization:

DynaResource, Inc. (The “Company”) 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 Finesterre, S.A. de C.V.) (“MinerasDyna”). The Company owns 25% of Mineras and acquired effective control of Mineras by acquiring the option to purchase the remaining 75% of the Shares of Mineras for seventy five pesos (approximately \$7.00 in United States Dollars), as of December 31, 2007. The Agreement also provided that the other shareholders of MinerasDyna relinquish and forfeit any and all rights, interests and claims in and to the Corporation and in or to any of the rights or assets owned or controlled by the Corporation. The Option expires at January 6, 2010. The results of Mineras are consolidated with those of the Company in the Company’s Financial Statements.

In January 2008, the Company transferred 15% of the ownership of DynaMexico to Goldgroup Resources Inc., in exchange for \$3,000,000 Cash contribution and exploration expenditures at SJG, and in August 2008, the Company transferred an additional 10% of the ownership of DynaMexico to Goldgroup Resources Inc., in exchange for an additional \$3,000,000 Cash and exploration expenditures at SJG (See Note 6 below). Through September 30, 2008, Goldgroup has contributed \$ 7,093,004 to DynaMexico, and it currently owns 25% of DynaMexico.

The Company produced approximately \$7,000,000 in revenues from production activities during the years ended December 31, 2003 through December 31, 2006, and suspended this activity voluntarily in June, 2006 to concentrate its efforts on financing and exploration activities. In accordance with that decision, as of January 1, 2007, the Company re-entered the Exploration Stage and has presented its cumulative results since reentering the Exploration Stage, in accordance with Statement of Financial Accounting Standard (SFAS) No. 7, “Accounting and Reporting by Development Stage Enterprises”. The company will continue this presentation until it again reports revenues from operations.

### Unaudited Interim Financial Statements:

The accompanying unaudited interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States and applicable Securities and Exchange Commission (“SEC”) regulations for interim financial information. 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

sheets, statements of operations and statements 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 Form 10 that was effective on July 15, 2008. Operating results for the interim periods presented are not necessarily indicative of the results that may be expected for the year ending December 31, 2008.

#### 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. It is also necessary for management to determine, measure and allocate resources and obligations within the financial process according to those principles. 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 being presented.

Management believes that all adjustments necessary for a fair statement of the results of the three month and nine month periods ending September 30, 2008 and September 30, 2007 have been made.

#### 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.

The subsidiary's functional currency is the U.S. dollar. As a result, the financial statements of the subsidiary 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 recorded in other comprehensive (loss) income.

The financial statements of the subsidiary 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 subsidiary are as follows for the six months ended September 30, 2008 (Mexican pesos per one U.S. dollar):

	September 30, 2008
Current exchange rate	Pesos. 10.97

Weighted average exchange rate for the nine months ended	Pesos.	10.51
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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 FDIC insurance limits. The carrying amount approximates fair market value.

Accounts Receivable and Allowance for Doubtful Accounts:

The allowance reserve 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 collectible.

Inventory:

As the Company suspended its production activities in 2006, there is no inventory as of June 30, 2008 and as of December 31, 2007.

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 34 concessions 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. 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.

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. If such indication of impairment exists, the asset's recoverable amount will be reduced to its estimated fair value. As of December 31, 2007 no indications of impairment existed.

Use of Estimates:

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

**Revenue Recognition:**

The Company recognizes revenue 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 (Loss) per Common Share:**

Earnings (loss) attributable to common stock is based on the weighted average number of shares of common stock and common stock equivalents outstanding during the year. Diluted loss per share is computed using the weighted average number of shares and dilutive potential common shares outstanding.

**Comprehensive Income:**

SFAS No. 130 "Reporting 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.

**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 10 for a discussion of new accounting pronouncements.

**Fair Value of Financial Instruments:**

In accordance with the reporting requirements of SFAS No. 107, Disclosures About Fair Value of Financial Instruments, the Company calculates the fair value of its assets and liabilities which qualify as Financial Instruments under this statement and includes this additional information in the notes to the financial statements when the fair value is different than the carrying value of those financial instruments. At September 30, 2008, the Company did not have any financial instruments other than cash and cash equivalents.

**NOTE 2 – FIXED ASSETS**

Fixed assets are stated at cost and consist of the following at September 30, 2008:

Mining camp equipment and fixtures	\$ 454,563
Transportation equipment	139,453
Lab equipment	14,306
Machinery and equipment	33,211
Office furniture and fixtures	22,376
Office equipment	3,448
Computer equipment	32,250
Sub-total	\$ 699,607
Less: Accumulated depreciation	(345,301)



Total	\$ 354,306
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Depreciation has been provided over each asset's estimated useful life. Depreciation expense was \$19,794 and \$14,012 for the nine months ended September 30, 2008 and 2007 respectively,

## NOTE 3 – MINING PROPERTIES

Mining properties are carried at the lower of cost or market value and consist of the following at September 30, 2008:

## San Jose de Gracia:

Mining concessions	\$ 4,754,648
Less: Accumulated amortization	(378,510)
Total	\$ 4,376,138

Amortization expense was \$90,000 and \$0 for the nine months ended September 30, 2008 and 2007, respectively.

## NOTE 4 – INCOME TAXES

During the year ended December 31, 2007, the Company adopted Financial Accounting Standards Board (FASB) Interpretation No. 48, “Accounting for Uncertainty in Income Taxes” (FIN 48), which supplements SFAS No. 109, “Accounting for Income Taxes”, by defining the confidence level that a tax position must meet in order to be recognized in the financial statements. The Interpretation requires that the tax effects of a position be recognized only if it is “more-likely-than-not” to be sustained based solely on its technical merits as of the reporting date. The more-likely-than-not threshold represents a positive assertion by management that a company is entitled to the economic benefits of a tax position. If a tax position is not considered more-likely-than-not to be sustained based solely on its technical merits, no benefits of the tax position are to be recognized. Moreover, the more-likely-than-not threshold must continue to be met in each reporting period to support continued recognition of a benefit. With the adoption of FIN 48, companies are required to adjust their financial statements to reflect only those tax positions that are more-likely-than-not to be sustained. Any necessary adjustment would be recorded directly to retained earnings and reported as a change in accounting principle.

The Company did not provide any current or deferred U.S. federal income tax provision or benefit for any of the periods presented, as the Company has experienced operating losses since reentering the development stage. The Company provided a full valuation allowance on the net deferred tax asset, consisting of net operating loss carry forwards, because management has determined that it is more-likely-than-not that the Company will not earn income sufficient to realize the deferred tax assets during the carry forward period.

The components of the Company’s deferred tax asset as of September 30, 2008 are as follows:

	September 30, 2008
Net operating loss carry forward	\$ 4,553,206
Valuation allowance	(4,553,206)
Net deferred tax asset	\$ 0

A reconciliation of the statutory income tax rates and the effective rate is as follows:

	September 30, 2008
Tax at statutory rate (blended U.S. and Mexico)	34%
Valuation allowance	(34%)

Effective rate

-

Upon adoption of FIN 48, the Company had no gross unrecognized tax benefits that, if recognized, would favorably affect the effective income tax rate in future periods. The Company has not accrued any additional interest or penalties as a result of the adoption of FIN 48.

The Company has nominal net operating profits in DynaResource de Mexico SA. de CV., Mineras de DynaResource SA de CV., and DynaResource Operaciones de San Jose De Gracia SA. de CV. and will be subject to Mexican corporate tax for any future net revenues.

## NOTE 5 – MATERIAL AGREEMENTS

Concessions and Interest related to the San Jose de Gracia Property:

In March 2000, The Company entered into agreements to complete the acquisition and consolidation of 100% of the San Jose de Gracia Property and related mining interests. Pursuant to these agreements, the Mining Concessions and related interests comprising the San Jose de Gracia property were transferred to the Company.

In March 2005, the Company issued 115,000 common shares; received a cash payment of \$15,000; and accepted a mutual release from the vending parties; to complete the acquisition agreements.

Financing/Sale of Stock:

On September 1, 2006 the Company signed an “Earn In / Option Agreement” (“Earn In”) between: DynaResource, Inc. (“DynaResource”) and DynaResource de Mexico S.A. de C.V. (“DynaMexico”), (“Seller”); and Goldgroup Resources, Inc., of Vancouver, British Columbia (“Goldgroup”), (“Buyer”), and Together, (“the Parties”).

The Earn In provides for the sale of up to fifty percent (50%) of the total outstanding shares of DynaMexico, the wholly owned subsidiary of DynaResource, and the owner of the San Jose de Gracia District in northern Sinaloa Mexico (“SJG”); in exchange for the total cash contributions to DynaMexico, and expenditures related to the exploration and development of the SJG, in the amount of \$18,000,000 by Goldgroup; contributed in four (4) phases, as set forth below:

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

Pursuant to the Earn In Agreement:

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

DynaResource attached its audited, consolidated financial statements at December 31, 2005;

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

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

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

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

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

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

#### Operations through Subsidiaries:

Activities related to the exploration and development of SJG are being conducted by MinerasDyna as the Exclusive Operator of the SJG Project; through contract from DynaMexico, the 100 % owner of the SJG Property; with the management of personnel being contracted by MinerasDyna through to the personnel management subsidiary, DynaOperaciones.

#### Phase 2 and Phase 3 of Earn In Completed:

On December 28, 2007 Goldgroup completed Phase II of the Earn In Agreement, through the contributions of Capital of \$3,368,088 to DynaMexico and the expenditures related to the exploration of SJG of 27,063,453 pesos, with the remainder held in cash in DynaMexico. In January 2008, 15% of the Shares of DynaMexico were transferred to Goldgroup.

At June 30, 2008, the Company reports total deposits to DynaMexico by Goldgroup in excess of \$ 5,500,000. USD; with total expenditures through DynaMexico of \$ 51,220,979.87 pesos.

On July 16, 2008, the Goldgroup completed Phase III of the Earn In Agreement through total contributions of capital under the Earn In Agreement of \$6,118,009 with total expenditures related to the exploration of SJG of \$57,252,898 pesos, with the remainder held in cash in DynaMexico. In August 2008, an additional 10% of the Shares of DynaMexico were transferred to Goldgroup, so that Goldgroup now owns 25% of DynaMexico.

Continuing with Phase III exploration activities, at September 30, 2008 the Company reported total deposits to DynaMexico by Goldgroup in excess of \$ 7,400,000 USD, with total expenditures through DynaMexico of 69,507,475.43 pesos.

#### Memorandum of Understanding, ("MOU"):

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

- Mineras de DynaResource ("MinerasDyna") as the exclusive operating entity at SJG, pursuant to the operating agreement with DynaResource de Mexico ("DynaMexico");
-

DynaMexico owns the SJG 100%, and all Records, Data and information pursuant thereto. Any information disseminated regarding SJG must be disclosed as originating from DynaMexico;

- The SJG Management Committee is not a legal entity and has no authority or ability to sign contracts or incur obligations or liabilities to DynaMexico, MinerasDyna, or DynaOperaciones;
- The SJG Management Committee does not have the authority to act for or represent DynaMexico, MinerasDyna, DynaOperaciones, or the SJG Property;
- All personnel or consultants related to the SJG Project must be employed or contracted through MinerasDyna or DynaOperaciones and must be accountable to the employing / contracting entity;

## NOTE 6 – RELATED PARTY TRANSACTIONS

In the nine months ended September 30, 2008 and 2007, the Company paid \$121,531 and \$85,497 respectively to Dynacap Group, Ltd. (an entity controlled by officers of the Company) for consulting and other fees.

## NOTE 7 – STOCKHOLDERS' EQUITY

### Preferred Stock

The Company is authorized to issue 10,000 Series “A” Preferred Shares at a par value of \$1.00 per share. These shares have full voting rights. In October 2007, the Company issued 1,000 shares of Preferred A shares to its CEO, K.D. Diepholz. These Series A Preferred Shares retain the right to elect a majority of the Board of Directors. There were 1,000 and 0 Series A Preferred Shares outstanding at December 31, 2007 and 2006, respectively.

### Common Stock

The Company is authorized to issue 12,500,000 common shares at a par value of \$0.01 per share. These shares have full voting rights. At September 30, 2008, there were 8,508,127 shares outstanding. At December 31, 2007, there were 8,276,824 shares outstanding. As of December 31, 2007, the Company had not paid any cash dividends; but in September 2007 made a non-cash dividend of property totaling \$129,822.

### Preferred Rights

The Company issued “Preferred Rights” and received \$158,500 in 2003 and \$626,250 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, leaving a balance of \$226,188. As of December 31, 2005, \$186,188 has been repaid, leaving a balance of \$40,000. At December 31, 2007 the balance remains at \$ 40,000.

### Treasury Stock

Treasury stock is accounted for by the cost method. The Company may from time to time purchase and resell its own common stock. Treasury stock activity is presented in the consolidated statement of stockholders’ equity.

### Options and Warrants

There are 2,664,094 options outstanding at September 30, 2008.

929,348 options entitle the holder to purchase one share of the Company’s common stock at a price of \$2.50 per share. On August 31, 2007 the expiration date was extended from November 15, 2007 to November 15, 2008. 145,235 options have been exercised since issuance.

456,654 options entitle the holder to purchase one share of the Company’s common stock at a price of \$3.75 per share. On August 31, 2007 the expiration date was extended from November 15, 2007 to November 15, 2009. 12,000 options have been exercised since issuance.

240,917 Options entitle the holder to purchase one share of the Company’s common stock at a price of \$5.00 per share. On August 31, 2007 the expiration date was extended from July 1, 2008 to November 15, 2009. No options were exercised or cancelled since issuance.





150,000 options entitle the holder to purchase one share of the Company's common stock at a price of \$2.50 per share. On August 31, 2007 the expiration date was extended from February 1, 2009 to November 15, 2009. No options were exercised or cancelled since issuance.

500,000 options entitle the holder to purchase one share of the Company's common stock at a price of \$2.50 per share. On August 31, 2007 the expiration date was extended from February 1, 2009 to November 15, 2009. No options were exercised or cancelled since issuance.

365,295 options entitle the holder to purchase one share of the Company's common stock at a price of \$5.00 per share. The options expire November 15, 2009. No options were exercised or cancelled since issuance.

21,880 options entitle the holder to purchase one share of the Company's common stock at a price of \$10.00 per share and expire November 15, 2009. No options were exercised or cancelled since issuance.

#### NOTE 8 – EMPLOYEE BENEFIT PLANS

There is currently no qualified or non-qualified employee pension, profit sharing, stock option, or other plans authorized for any class of employees.

#### NOTE 9 – COMMITMENTS AND CONTINGENCIES

Three additional Mining Concessions in Mexico were applied for, and at the time that Title of these Concessions are completed to DynaMexico, would extend the SJG District by approximately 95,000 Hectares.

#### NOTE 10 - RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Standards ("SFAS") No. 157, Fair Value Measurements ("SFAS No. 157"), which defines fair value, establishes a framework for consistently measuring fair value under GAAP and expands disclosures about fair value measurements. SFAS No. 157 became effective for the Company on January 1, 2008. SFAS No. 157 establishes a hierarchy in order to segregate fair value measurements using quoted prices in active markets for identical assets or liabilities, significant other observable inputs and significant unobservable inputs. For assets and liabilities that are measured at fair value on a recurring basis, SFAS No. 157 requires disclosure of information that enables users of financial statements to assess the inputs used to determine fair value based on the aforementioned hierarchy. See Note 11 for further information regarding our assets and liabilities that are measured at fair value on a recurring basis.

In February 2008, the FASB issued FASB Staff Position ("FSP") 157-2 "Partial Deferral of the Effective Date of Statement 157". FSP 157-2 delays the effective date of SFAS No. 157 to fiscal years beginning after November 15, 2008 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The Company has adopted SFAS No. 157 as of January 1, 2008 related to financial assets and financial liabilities. Refer to Note 11 for additional discussion on fair value measurements. The Company is currently evaluating the impact of SFAS No. 157 related to nonfinancial assets and nonfinancial liabilities on the Company's financial position, results of operations and cash flows.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115 ("SFAS No. 159"). SFAS No. 159 permits entities to

choose to measure eligible items at fair value at specified election dates and report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. SFAS No. 159 was effective for the Company on January 1, 2008. However, the Company has not elected to apply the provisions of SFAS No. 159 to any of our financial assets and financial liabilities, as permitted by the Statement.

#### NOTE 11 – ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

In December 2007, the FASB issued SFAS No. 141(R), Business Combinations (“SFAS No. 141(R)”) which replaces SFAS No. 141, Business Combinations, and requires the acquirer of a business to recognize and measure the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree at fair value. SFAS No. 141(R) also requires transaction costs related to the business combination to be expensed as incurred. SFAS No. 141(R) is effective for business combinations for which the acquisition date is on or after fiscal years beginning after December 15, 2008. Management does not believe that adoption of this statement will have a material impact on the Company’s consolidated financial position or results of operations.

In December 2007, the FASB issued SFAS No. 160, Non-controlling Interests in Consolidated Financial Statements (“SFAS No. 160”). This Statement amends ARB No. 51, Consolidated Financial Statements, to establish accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS No. 160 is effective for fiscal years beginning after December 15, 2008. We are currently evaluating the effect that the adoption of SFAS No. 160 will have on our consolidated financial position, results of operations and cash flows.

In March 2008, the FASB issued FASB Statement No. 161, Disclosures about Derivative Instruments and Hedging Activities. The new standard is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity’s financial position, financial performance, and cash flows. It is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The new standard also improves transparency about the location and amounts of derivative instruments in an entity’s financial statements; how derivative instruments and related hedged items are accounted for under Statement 133; and how derivative instruments and related hedged items affect its financial position, financial performance, and cash flows. Management is currently evaluating the effect of this pronouncement on financial statements.

In June 2008, the Securities and Exchange Commission announced that it has approved a one-year extension of the compliance date for smaller public companies to meet the section 404(b) auditor attestation requirement of the Sarbanes-Oxley Act. With the extension, small companies will now be required to provide the attestation reports in their annual reports for the fiscal years ending on or after December 15, 2009.

#### NOTE 12 – FAIR VALUE OF FINANCIAL INSTRUMENTS

In September 2006, the FASB issued SFAS 157, Fair Value Measurement. SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS 157 was effective for our financial assets and liabilities on January 1, 2008. The FASB delayed the effective date of SFAS 157 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually) to fiscal years beginning after November 15, 2008.

SFAS 157’s valuation techniques are based on observable and unobservable inputs. Observable inputs reflect readily obtainable data from independent sources, while unobservable inputs reflect our market assumptions. The Standard classifies these inputs into the following hierarchy:

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 September 30, 2008, the Company had no financial instruments with Level 1, Level 2 or Level 3 Inputs.

## 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

The Company's majority owned subsidiary, DynaResource de Mexico, S.A. de C.V. ("DynaMexico"), owns 100% of the mineral concessions to the San Jose de Gracia mining property ("SJG") covering approximately 95,000 hectares located in and around San Jose de Gracia, Sinaloa State, Mexico. San Jose de Gracia is located on the west side of the Sierra Madre Mountains, approximately 100 kilometers inland from Guamuchil and approximately 200 kilometers north of Mazatlan, Sinaloa.

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

Earlier drill programs conducted at SJG in 1997-98, primarily at Tres Amigos at the Northeast area of SJG, included over 6,200 Meters in 63 Drill Holes. The results from this '97-'98 Drilling are reported in the Company's Form 10/A.

During the period 1998-2003, The Company focused its efforts on acquiring and consolidating the SJG district; and DynaMexico currently reports a 100 % ownership of the entire SJG district (currently approximately 100,000 Hectares).

From March 2003 through June 2006, the Company conducted a "Test" / "Pilot" production operation at SJG, at the small scale capacity of approximately 100 Tons / Day. During this period the Company mined high grade veins at the San Pablo area of SJG, with the below results:

Mined Tonnage:	42,000 Tons;
Production (Oz. Au.)	18,250 Oz.;
Average Grade:	20 g/t.;
Recovery Efficiency (Plant):	85 %;
Recovery in Concentrate	90 %
(Sales):	
Production Cost (Average);	\$ 175 / Oz.

The Company initiated the Test Production activity at the time Gold prices were depressed, and with exploration funding opportunities, while available, were deemed to be too dilutive by Company Management. While the Test production was a success (see results above), a small scale production activity was not expected to provide the necessary capital in order to explore a project the size of SJG. However, The Company expects the results of the production activity to provide significant benefits to the exploration drilling to be conducted at San Pablo and other areas of SJG; while at the same time the production activity confirmed production grades, efficiency of recoveries, and production costs for this Test operation.

As Gold prices appreciated later in 2003, and continuing upward to \$ 700 / Oz. in 2006; exploration financing opportunities increased, and the Company negotiated and entered into the “Earn In / Option agreement” with Goldgroup Resources, Inc., dated September 1, 2006. The Terms of the Earn In / Option agreement provides for \$ 18 M. USD. in exploration funding and expenditures made related to SJG, in exchange for 50 % of the Shares of DynaMexico, while also providing for proven industry professionals to the SJG project. (See Earn In / Option Agreement.)

#### Drilling and Assays:

During the Quarter ending September 30, 2008; Approximately 4,981.78 meters drilling was accomplished in 24 drill holes (08-87 to 08-109); as well as geochemical sampling and mapping, and data consolidation into Surpac Software. Drilling costs during the period were 6,945,128.46 pesos. Assays received for the core drills holes drilled during the quarter are shown below in Tabular form.

DH_ID	FROM	TO	INTERV	Au (g/t)	Gold composites			Equiv GOLD Ag-Cu- Pb-Zn
					Au interval		including	
SJG08-87	91.3	91.9	0.6	6.21	0.60	m @	6.21	6.33
SJG08-87	93	94	1	0.12				
SJG08-87	102	103.7	1.7	0.443				
SJG08-87	109	109.6	0.6	0.162				
SJG08-87	118.6	120.3	1.7	0.637				
SJG08-88	205.9	206.4	0.5	2.132	1.00	m @	1.22	1.22
SJG08-88	206.4	206.9	0.5	0.316				
SJG08-89	173.8	175.1	1.3	4.52				
SJG08-89	175.1	176.3	1.2	0.48	3.80	m @	2.64	2.64
SJG08-89	176.3	177.6	1.3	2.746				
SJG08-89	196.8	199.2	2.4	0.125				
SJG08-89	201.6	202.6	1	1.025				
SJG08-89	202.6	204.4	1.8	0.275	4.30	m @	0.55	0.55
SJG08-89	204.4	205.9	1.5	0.553				
SJG08-89	207.4	208.8	1.4	0.365				
SJG08-89	210.8	211.4	0.6	1.078				
SJG08-89	211.4	211.6	0.2	0.584	3.00	m @	0.67	0.67
SJG08-89	211.6	213.8	2.2	0.56				
SJG08-90	175.3	175.5	0.2	0.519				
SJG08-90	184.1	186.3	2.2	0.15				
SJG08-90	190.7	191.3	0.6	17.87	1.20	m @	12.54	13.76
SJG08-90	191.3	191.9	0.6	7.21				
SJG08-90	194.1	196.4	2.3	1.326	3.30	m @	2.28	2.49
SJG08-90	196.4	197.4	1	4.46				
SJG08-91	191.2	191.4	0.2	17.53	0.20	m @	17.53	17.53
SJG08-92	124.8	125.8	1	0.198				
SJG08-92	125.8	126.8	1	0.442	4.20	m @	0.60	0.60
SJG08-92	126.8	127.9	1.1	0.988				
SJG08-92	127.9	129	1.1	0.725				
SJG08-92	133.2	134.2	1	0.458				
SJG08-92	134.2	135.3	1.1	2.458	4.10	m @	1.38	1.38
SJG08-92	135.3	136.5	1.2	1.987				
SJG08-92	136.5	137.3	0.8	0.135				
SJG08-92	140.1	140.8	0.7	1.407				
SJG08-92	140.8	142.7	1.9	0.35				
SJG08-92	142.7	143.1	0.4	1.648	4.90	m @	3.14	3.14
SJG08-92	143.1	144.6	1.5	0.212				
SJG08-92	144.6	145	0.4	31.94			0.40 m @	31.94
SJG08-92	148	150.3	2.3	0.124				
SJG08-92	153.9	156.1	2.2	0.146				



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SJG08-92	156.1	158.3	2.2	0.106								
SJG08-92	160.6	165.5	4.9	0.524								
SJG08-92	179	179.5	0.5	14.719	0.50	m @	14.72					14.72
SJG08-93	35	37.4	2.4	1.05								
SJG08-93	125.9	127.1	1.2	1.532								
SJG08-93	138.4	138.8	0.4	35.77	0.40	m @	35.77					35.77
SJG08-93	153.4	155.2	1.8	1.086								
SJG08-93	215.5	217.8	2.3	0.378								
SJG08-93	217.8	219.6	1.8	0.35								
SJG08-93	221.5	223.7	2.2	0.124								
SJG08-93	237.5	239.3	1.8	0.326								
SJG08-93	239.3	241.6	2.3	0.308	8.60	m @	0.38					0.38
SJG08-93	241.6	243.8	2.2	0.572								
SJG08-93	243.8	246.1	2.3	0.326								
SJG08-94	277.6	279.9	2.3	0.414								
SJG08-95	137.9	138.6	0.7	1.285								
SJG08-95	191.7	193.7	2	0.524								
SJG08-95	216.8	219.1	2.3	0.109								
SJG08-95	219.1	219.4	0.2	2.29								
SJG08-96	245.5	246.3	0.8	1.311								
SJG08-96	246.3	247	0.8	0.945	2.10	m @	2.22					2.36
SJG08-96	247	247.6	0.6	4.75								
SJG08-97	227	227.7	0.7	1.023								
SJG08-97	227.7	228.6	0.9	15.28175								
SJG08-97	228.6	229.2	0.6	11.101	4.30	m @	7.71	2.10	m @	15.07		8.89
SJG08-97	229.2	229.8	0.6	18.724								
SJG08-97	229.8	231.3	1.6	0.502								
SJG08-98	204.6	206.5	1.9	0.369								
SJG08-98	206.5	208.4	1.9	0.345	3.80	m @	0.36					0.60
SJG08-98	208.4	210.3	1.9	0.214								
SJG08-98	211.9	214.4	2.5	0.448	2.50	m @	0.448					0.47
SJG08-98	222.3	224	1.7	0.12								
SJG08-98	227.6	229.4	1.8	0.205								
SJG08-98	230.7	231.2	0.5	2.165	0.50	m @	2.165					2.32
SJG08-99	124	125.7	1.7	1								
SJG08-99	125.7	127.4	1.7	0.679	3.40	m @	0.84					0.88
SJG08-99	241	242.8	1.8	0.149								
SJG08-99	242.8	244.6	1.8	0.532								
SJG08-99	244.6	246.4	1.8	0.379	3.60	m @	0.46					0.47
SJG08-100	204.5	206.5	2	0.25								
SJG08-100	206.5	208.6	2.1	0.818								
SJG08-100	208.6	210.7	2.1	0.519	9.40	m @	0.49					
SJG08-100	210.7	212.3	1.6	0.498								

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SJG08-100	212.3	213.9	1.6	0.298								
SJG08-100	221.4	223.2	1.8	0.162								
SJG08-100	223.2	225	1.8	0.235	2.20	m @	0.23					0.36
SJG08-100	225	225.4	0.4	0.205								
SJG08-100	225.4	227.4	2	0.142								
SJG08-100	227.4	229.4	2	0.289								
SJG08-100	229.4	231.4	2	0.958								
SJG08-100	231.4	233.4	2	0.715	9.40	m @	0.50					0.55
SJG08-100	233.4	235.1	1.7	0.202								
SJG08-100	235.1	236.8	1.7	0.25								
SJG08-102	142.85	144.8	1.95	0.233	1.95	m @	0.233					0.34
SJG08-102	154.6	156.3	1.7	0.294								
SJG08-102	156.3	158	1.73	0.499								
SJG08-102	158.03	158.7	0.63	1.164								
SJG08-102	158.66	159.4	0.76	5.304	7.87	m @	2.75					3.02
SJG08-102	159.42	160	0.58	11.527				2.54	m @	6.49		
SJG08-102	160	161.2	1.2	4.804								
SJG08-102	161.2	162.5	1.27	2.434								
SJG08-102	164.5	166.5	2	0.349								
SJG08-102	179.35	180.3	0.99	0.265								
SJG08-102	184.55	186.4	1.8	0.236								
SJG08-102	195.41	195.9	0.51	0.958								
SJG08-102	206.7	208.2	1.5	7.927	3.25	m @	3.91	1.50	m @	7.927		4.16
SJG08-102	208.2	210	1.75	0.46								
SJG08-102	213.5	215.1	1.6	0.494								
SJG08-102	215.64	217.6	1.94	1.013	6.00	m @	0.55					0.63
SJG08-102	217.58	219.5	1.92	0.282								
SJG08-102	250.5	252.1	1.57	0.58								
SJG08-103	139.5	140.4	0.9	1.234	0.90	m @	1.234					1.76
SJG08-103	172.6	174.6	2	0.096								
SJG08-103	174.6	175.8	1.2	0.392	20.50	m @	0.31	1.20	m @	4.911		0.46
SJG08-103	193.9	195.1	1.2	4.911								
SJG08-103	195.1	197	1.9	0.055								
SJG08-103	197	198.8	1.8	0.138								
SJG08-103	198.8	200.3	1.5	0.214								
SJG08-103	200.3	201.7	1.4	0.273								
SJG08-103	201.7	202.3	0.6	0.362	8.60	m @	0.35					0.80
SJG08-103	202.3	204.5	2.2	0.329								
SJG08-103	204.5	205.9	1.4	0.323								
SJG08-103	205.9	207.4	1.5	0.605								
SJG08-103	213.3	215.2	1.9	0.027								
SJG08-103	215.2	216.3	1.1	2.564	1.10	m @	2.564					
SJG08-104	67.4	68.8	1.4	26.96	2.80	m @	13.70	1.40	m @	26.96		16.24
SJG08-104	68.8	70.2	1.4	0.432								
SJG08-104	102.2	103.1	0.9	0.169								
SJG08-104	103.1	103.9	0.8	0.404	0.80	m @	0.404					0.43
SJG08-105	103.1	104.8	1.7	0.062								

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SJG08-105	104.8	106.1	1.3	0.602	1.30	m @	0.602	2.86
SJG08-105	204.6	206.4	1.8	0.005				
SJG08-105	206.4	208.2	1.8	0.657	3.00	m @	0.68	1.02
SJG08-105	208.2	209.4	1.2	0.719				
SJG08-106	174.8	175.3	0.5	1.7	0.50	m @	1.7	3.68
SJG08-106	215.4	217.9	2.5	0.829	2.50	m @	0.829	0.98
SJG08-106	131.4	133	1.6	0.217	1.60	m @	0.217	2.39
SJG08-107	134.1	136	1.9	0.232	1.90	m @	0.232	0.27
SJG08-108	217.2	218.3	1.1	0.321	1.10	m @	0.321	1.21
SJG08-108	221.9	223.9	2	0.228				
SJG08-108	223.9	225.8	1.9	0.736	7.30	m @	0.80	0.94
SJG08-108	225.8	227.7	1.9	0.216				
SJG08-108	227.7	229.2	1.5	2.392				

## Competition

The Company retains the rights to concessions over the area of the San Jose de Gracia property and currently sees no competition for mining on the lands covered by those concessions. In general, if the Company re-starts production activity, the market for produced Gold or other precious metals products would be subject to global market prices for those products. Such global market prices fluctuate daily, and the Company's sales of any products produced will be dependent upon such prices. The company was successful in selling gold concentrates produced from SJG in prior years; and the Company expects willing buyers in the future, to purchase based upon global spot prices, less processing charges and any deductions.

## Potential Risks:

### Funding of Goldgroup Resources Inc.:

Funding for the exploration activity at SJG is primarily due to the Capital contributions to DynaMexico from Goldgroup Resources Inc. There is no certainty that this funding will continue or that the Earn In / Option Agreement will be completed. Should the funding of Goldgroup cease, the Company would be required to fund further exploration work through its own capital reserves, or to obtain alternate financing sources. Any alternate funding sources could result in additional dilution to shareholders.

### Potential Conflicts with Shareholder:

While the Company believes it has negotiated and authorized proper agreements for the financing and exploration of SJG, there exist potential conflicts with Goldgroup Resources Inc. Goldgroup carries the majority of seats on the SJG Management Committee, which is charged with responsibility of approving the budgets and approving technical plans to the SJG Project. At the Same time, MinerasDyna has been named at the exclusive operator of the SJG Project, and MinerasDyna is managed by officers of DynaResource. Also, DynaResource carries a majority of the seats on the Board of Directors of DynaMexico, and also carries 100 % of the Seats on the Boards of MinerasDyna and 100 % of the Seats of the Board of DynaOperaciones. Mr. K.D. Diepholz, chairman and CEO of DynaResource, Inc. and Mr. Charles E. Smith, CFO of DynaResource, Inc. are the President and Secretary respectively for DynaMexico, MinerasDyna, and DynaOperaciones. Inherent in the structure of Ownership and Operation of the SJG Project is the potential for conflicts that would materially affect operations.

### Mineable Resource:

There is no certainty that the explorations works at SJG would result in the definition of a mineable resource at SJG. While the company believes there is already in place enough mineable ore at SJG to supply a commercial production operation; there is no certainty that the Company's opinion will be proven correct. If a mineable resource is not confirmed at SJG, the Company's investment at SJG could be lost.

## Employees

The Company employs three officers in its corporate office in Dallas, Texas and employs approximately thirty persons through subsidiaries in Mexico.

## Governmental Regulation and Environmental Matters

Environmental laws that impact our operations include those relating to air quality, solid waste management and water quality. These laws are complex and subject to frequent change. They impose strict liability in some cases without regard to negligence or fault. Sanctions for noncompliance may include revocation of permits, corrective action orders, administrative or civil penalties and criminal prosecution. Some environmental laws provide for joint and several strict liabilities for remediation of spills and releases of hazardous substances. In addition, businesses may be subject to claims alleging personal injury or property damage as a result of alleged exposure to hazardous substances, as well as damage to natural resources. These laws also may expose us to liability for the conduct of or conditions caused by others, or for acts that complied with all applicable laws when performed. However, we have and continue to maintain excellent relations with the government authorities by compliance with the laws and communication with them concerning environmental matters.

## RESULTS FOR THE QUARTER ENDED September 30, 2008

**REVENUE.** Revenue for the three months ended September 30, 2008 and the three months ended September 30, 2007 was \$0 due to our decision to stop the limited production that we were engaged in through the end of 2006 and to concentrate our efforts on drilling the property to define an ore resource. The funds for this drilling have come from Goldgroup Resources, Inc. under our Earn-In Agreement with them as described elsewhere in this 10-Q. Revenue for the nine months ended September 30, 2008 was \$0 compared to \$0 for the nine months ended September 30, 2007.

**COST OF REVENUE - EXPLORATION COSTS** were \$1,633,167 and \$ 280,312. for the three months ended September 30, 2008 and 2007 respectively, the increase due to the acceleration of exploration activities at our San Jose de Gracia property. Exploration costs were \$ 3,761,004 and \$ 1,081,469 for the nine months ended September 30, 2008 and 2007 respectively, the increase again due to the acceleration of exploration activities.

**OPERATING EXPENSES.** Total operating expenses for the three months ended September 30, 2008, were \$542,499 compared to expenses for the period ended September 30, 2007 of \$173,750. The above expenses include depreciation which was \$36,598 and \$4,671 for the three months ended September 30, 2008 and 2007, respectively. Total operating expenses for the nine months ended September 30, 2008 were \$1,072,595 compared to expenses for the period ended September 30, 2007 of \$498,250. The above expenses include depreciation which was \$109,764 and \$14,012 for the nine months ended September 30, 2008 and 2007, respectively. The increase in expenses is attributed to the increased activity of 2008 over 2007 in our exploration drilling activities.

**OTHER INCOME (EXPENSE).** Other income for the three months ended September 30, 2008 was \$543 compared to the same period ended September 30, 2007 of \$873. Other income (expense) for the nine months ended September 30, 2008 was \$3,542 compared to the same nine months ended September 30, 2007 of \$ 5,303.

**MINORITY INTEREST.** The minority interest portion of our loss for the three months ended September 30, 2008 was \$347,103 compared to \$0 for the period ended September 30, 2007 and the minority interest portion of our loss for the nine months ended September 30, 2008 was \$666,913 compared to \$0 for the same nine months ended September 30, 2007. This is due to our minority interest holder having an interest in 2008 and no minority interest in 2007.

**NET INCOME (LOSS).** Net loss for the three months ended September 30, 2008 was \$(1,828,020) compared to net income for the period ended September 30, 2007 of \$(453,189). Net loss for the nine months ended September 30, 2008 was \$(4,163,144) compared to the same period ended September 30, 2007 of \$(1,574,686). The decrease in net income is due to the aforementioned change in activities.

**COMPREHENSIVE (LOSS).** Comprehensive loss includes our net loss plus the currency translation gain (loss) for the period which was \$(237,547) for the three months ended September 30, 2008 compared to \$545,768 for the same period ended September 30, 2007. Our comprehensive loss includes the currency translation gain of \$86,921 for the nine months ended September 30, 2008 compared to \$411,150 for the same period ended September 30, 2007.

**LIQUIDITY AND CAPITAL RESOURCES.** The Company has sufficient capital on hand to fund overhead operations and some exploration activities for the next twelve months. Goldgroup is responsible to fund exploration activities at SJG in accordance with the Earn-In Agreement. In July, 2008 Goldgroup advised that they have the funds on hand to complete the option under the Earn-In Agreement and that they intend to complete this option.

#### 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 September 30, 2008. This evaluation was accomplished under the supervision and with the participation of the Company's Chief Executive Officer / Principal Executive Officer, and its 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 September 30, 2008, the Company's Chief Executive and Chief Financial Officer as of September 30, 2008, and as of the date of this Report, have identified no material weakness in Company internal controls:

Corporate expenses of DynaResource are 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

Company management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. The Company's 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 December 31, 2008. Based on its evaluation, our management concluded that, as of

September 30, 2008, 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 has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.



PART II

Item No. 1. Not Applicable.

ItemThe Company issued 21,880 shares of common stock for Cash, 157,235 shares for the exercise of options and the No. Company issued 52,188 for services.  
2.

Items No. 3, 4, 5. Not Applicable.

Item No. 6. Exhibits and Reports on Form 8-K

(a) None

(b) 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 Quarterly Report to be signed on its behalf by the undersigned, thereunto duly authorized.

DynaResource, Inc.

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

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

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

Date: January 30, 2009

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