LyondellBasell Industries N.V.
Form S-4
May 17, 2012
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As filed with the Securities and Exchange Commission on May 17, 2012

Registration No. 333-[ ]

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

LyondellBasell Industries N.V.

(Exact name of registrant as specified in its charter)

The Netherlands	**2860**	**98-0646235**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification Number)**

Stationsplein 45

3013AK Rotterdam

The Netherlands

31 10 275 5500

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Craig B. Glidden

Stationsplein 45

3013AK Rotterdam

The Netherlands

31 10 275 5500

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box: ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: ¨

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. (Check one):

Large accelerated filer	þ	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issue Tender Offer) ¨

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer) ¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Note(1)	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee(1)
6% Senior Notes Due 2021	$1,000,000,000	100%	$1,000,000,000	$114,600

(1) Calculated pursuant to Rule 457(f)(2) under the Securities Act of 1933.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant files a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offering is not permitted.

SUBJECT TO COMPLETION, DATED MAY 17, 2012

PROSPECTUS

LYONDELLBASELL INDUSTRIES N.V.

OFFER TO EXCHANGE

$1,000,000,000 6% Senior Notes Due 2021 FOR $1,000,000,000 6% Senior Notes Due 2021 that have been registered under the Securities Act of 1933

The Exchange Offer:

The exchange offer is not conditional upon any minimum principal amount of outstanding 6% Senior Notes due 2021 (the outstanding notes) being tendered for exchange.

Tenders of outstanding notes may be withdrawn at any time prior to the expiration of the exchange offer.

The exchange offer expires at 11:59 p.m., New York City time, on , 2012, unless extended. We do not currently intend to extend the expiration date.

The exchange of outstanding notes will not be a taxable event for U.S. federal income tax purposes.

We will not receive any proceeds from the exchange offer.

The Exchange Notes:

The terms of the exchange notes to be issued in exchange for the outstanding notes (the exchange notes) are identical to the outstanding notes, except that the exchange notes will be registered under the Securities Act of 1933 and will not contain restrictions on transfer, registration rights or provisions for additional interest.

Resale of Exchange Notes:

Broker-dealers who receive exchange notes pursuant to the exchange offer acknowledge that they will deliver a prospectus in connection with any resale of such exchange notes.

Broker-dealers who acquired outstanding notes as a result of market-making or other trading activities may use this prospectus for the exchange offer, as supplemented or amended, in connection with resales of the exchange notes.

You should consider carefully the risk factors beginning on page 11 of this prospectus before participating in the exchange offer.

Neither the Securities and Exchange Commission, nor any state securities commission, has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2012

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This prospectus is part of a registration statement we filed with the Securities and Exchange Commission (the Commission or SEC). In making your investment decision, you should rely only on the information contained or incorporated by reference in this prospectus and in the accompanying letter of transmittal. We have not authorized anyone to provide you with any other information. We are not making an offer to sell these securities or soliciting an offer to buy these securities in any jurisdiction where an offer or solicitation is not authorized or in which the person making that offer or solicitation is not qualified to do so or to anyone whom it is unlawful to make an offer or solicitation. You should not assume that the information contained in this prospectus is accurate as of any date other than its respective date.

Each broker-dealer that receives exchange notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such exchange notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act of 1933, as amended (the Securities Act). This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of exchange notes received in exchange for outstanding notes where such outstanding notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. We have agreed that, starting on the expiration date and ending on the close of business on the first anniversary of the expiration date, we will make this prospectus, as amended or supplemented, available to any broker-dealer for use in connection with any such resale. See Plan of Distribution.

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WHERE TO FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-4 (Reg. No. 333-) with respect to the securities being offered hereby. This prospectus does not contain all of the information contained in the registration statement, including the exhibits and schedules. You should refer to the registration statement, including the exhibits and schedules, for further information about us and the securities being offered hereby. Statements we make in this prospectus about certain contracts or other documents are not necessarily complete. When we make such statements, we refer you to the copies of the contracts or documents that are filed as exhibits to the registration statement because those statements are qualified in all respects by reference to those exhibits. This prospectus incorporates important business and financial information about us that is not included in or delivered with the prospectus. As described below, the registration statement, including exhibits and schedules, is on file at the offices of the SEC and may be inspected without charge or may be obtained without charge to holders of outstanding notes upon written or oral request. **To obtain timely delivery of any requested information, holders of outstanding notes must make any request no later than five business days prior to the expiration of the exchange offer. To obtain timely delivery, you must request the information no later than [ ], 2012.**

We file annual, quarterly and current reports and other information with the SEC. You may inspect and copy such materials at the public reference room maintained by the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Copies of the materials may also be obtained from the SEC at prescribed rates by writing to the public reference room maintained by the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. The SEC maintains a web site on the Internet at http://www.sec.gov.

The SEC allows us to incorporate by reference the information we have filed with the SEC. This means that we can disclose important information to you without actually including the specific information in this prospectus by referring you to other documents previously filed with the SEC. The information incorporated by reference is an important part of this prospectus.

We incorporate by reference in this prospectus the following documents that we have previously filed with the SEC:

- Annual Report on Form 10-K for the year ended December 31, 2011, as filed with the SEC on February 29, 2012;
- Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 as filed with the SEC on April 30, 2012;
- Definitive Proxy Statement on Schedule 14A, as filed with the SEC on March 29, 2012; and
- Current Reports on Form 8-K filed with the SEC on September 27, 2011 (as amended by Amendment No. 1 filed on January 31, 2012), March 1, 2012, March 26, 2012, March 27, 2012, April 10, 2012, May 7, 2012, May 11, 2012 and May 15, 2012.

We also incorporate by reference any future filings we make with SEC under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act (other than Current Reports on Form 8-K that have been furnished (and not filed), unless such information is expressly incorporated herein by a reference in a furnished Current Report on Form 8-K or other furnished document) until the Exchange Offer has been completed. All filings we file under the Exchange Act after the date of this initial registration statement on Form S-4 and prior to effectiveness of such registration statement shall also be deemed to be incorporated by reference into the prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for all purposes to the extent that a statement contained herein or in any other subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or

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supersedes the statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

You may request a copy of any document incorporated by reference in this prospectus and any exhibit specifically incorporated by reference in those documents, at no cost, by writing or telephoning us at the following address or phone number and may view the documents by accessing our website at www.lyondellbasell.com:

LyondellBasell Industries N.V.

c/o Lyondell Chemical Company

1221 McKinney Street, Suite 700

Houston, Texas 77010

Attn: Secretary to the Supervisory Board

(713) 309-7200

ENFORCEABILITY OF CIVIL LIABILITIES AGAINST FOREIGN PERSONS

LyondellBasell Industries N.V. is organized under the laws of The Netherlands. LyondellBasell Industries N.V. has agreed, in accordance with the terms of the indenture under which the exchange notes will be issued, to accept service of process in any suit, action or proceeding with respect to the indenture or the exchange notes brought in any federal or state court located in New York City by an agent designated for such purpose, and to submit to the jurisdiction of such courts in connection with such suits, actions or proceedings. However, it may be difficult for securityholders to enforce judgments of courts of the U.S. predicated upon the civil liability provisions of the U.S. federal securities laws against certain of LyondellBasell Industries N.V. s assets. A judgment of a U.S. court based solely upon civil liability under those laws may be unenforceable outside of the U.S. In addition, awards of punitive damages in actions brought in the U.S. or elsewhere may be unenforceable in jurisdictions outside of the U.S.

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FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements, which can be identified by the words anticipate, estimate, believe, continue, could, in may, plan, potential, predict, should, will, expect, objective, projection, forecast, goal, guidance, outlook, effort,

We based the forward-looking statements on our current expectations, estimates and projections about ourselves and the industries in which we operate in general. We caution you these statements are not guarantees of future performance as they involve assumptions that, while made in good faith, may prove to be incorrect, and involve risks and uncertainties we cannot predict. In addition, we based many of these forward-looking statements on assumptions about future events that may prove to be inaccurate. Accordingly, our actual outcomes and results may differ materially from what we have expressed or forecast in the forward-looking statements. Any differences could result from a variety of factors, including the following:

- if we are unable to comply with the terms of our credit facilities and other financing arrangements, those obligations could be accelerated, which we may not be able to repay;
- we may be unable to incur additional indebtedness or obtain financing on terms that we deem acceptable, including for refinancing of our current obligations; higher interest rates and costs of financing would increase our expenses;
- our ability to implement business strategies may be negatively affected or restricted by, among other things, governmental regulations or policies;
- the cost of raw materials represents a substantial portion of our operating expenses, and energy costs generally follow price trends of crude oil and natural gas; price volatility can significantly affect our results of operations and we may be unable to pass raw material and energy cost increases on to our customers;
- industry production capacities and operating rates may lead to periods of oversupply and low profitability;
- uncertainties associated with worldwide economies create increased counterparty risks, which could reduce liquidity or cause financial losses resulting from counterparty exposure;
- the negative outcome of any legal, tax and environmental proceedings may increase our costs;
- we may be required to reduce production or idle certain facilities because of the cyclical and volatile nature of the supply-demand balance in the chemical and refining industries, which would negatively affect our operating results;
- we may face operating interruptions due to events beyond our control at any of our facilities, which would negatively impact our operating results, and because the Houston refinery is our only North American refining operation, we would not have the ability to increase production elsewhere to mitigate the impact of any outage at that facility;
- regulations may negatively impact our business by, among other things, restricting our operations, increasing costs of operations or requiring significant capital expenditures;

we face significant competition due to the commodity nature of many of our products and may not be able to protect our market position or otherwise pass on cost increases to our customers;

we rely on continuing technological innovation, and an inability to protect our technology, or others technological developments could negatively impact our competitive position; and

we are subject to the risks of doing business at a global level, including fluctuations in exchange rates, wars, terrorist activities, political and economic instability and disruptions and changes in governmental policies, which could cause increased expenses, decreased demand or prices for our products and/or disruptions in operations, all of which could reduce our operating results.

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Any of these factors, or a combination of these factors, could materially affect our future results of operations (including those of our joint ventures) and the ultimate accuracy of the forward-looking statements. These forward-looking statements are not guarantees of future performance, and our actual results and future developments (including those of our joint ventures) may differ materially from those projected in the forward-looking statements. Our management cautions against putting undue reliance on forward-looking statements or projecting any future results based on such statements or present or prior earnings levels.

All subsequent written and oral forward looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section and any other cautionary statements that may accompany such forward looking statements. Except as otherwise required by applicable law, we disclaim any duty to update any forward looking statements, all of which are expressly qualified by the statements in this section, to reflect events or circumstances after the date of this prospectus.

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus and does not contain all of the information that may be important to you. You should read the entire prospectus, including the financial data and related notes and the information incorporated by reference into this prospectus, before making an investment decision. In this prospectus, the terms our, we, us, LyondellBasell, the Company, and similar terms refer to LyondellBasell Industries N.V. and include all of our consolidated subsidiaries unless the context requires otherwise. Finally, the term you refers to a holder of the outstanding notes or the exchange notes.

In this prospectus we refer to the notes to be issued in the exchange offer as the exchange notes and the notes issued on November 14, 2011 as the outstanding notes. We refer to the exchange notes and the outstanding notes collectively as the notes.

The Company

Overview

We are the world s third largest independent chemical company based on revenues and an industry leader in many of our product lines. We are a top worldwide producer of propylene oxide, polyethylene, ethylene and propylene and the world s largest producer of polypropylene and polypropylene compounds. Additionally, we are a leading provider of technology licenses and a supplier of catalysts for polyolefin production. Our refinery in Houston, Texas is among North America s largest full conversion refineries capable of processing significant quantities of heavy, high-sulfur crude oil. We participate in the full petrochemical value chain, from refining to specialized end uses of petrochemical products, and we believe that our vertically integrated facilities, broad product portfolio, manufacturing flexibility, superior technology base and operational excellence allow us to extract value across the full value chain.

Emergence from Chapter 11 Proceedings

We were formed to serve as the parent holding company for certain subsidiaries of LyondellBasell Industries AF S.C.A. (LyondellBasell AF) after completion of proceedings under chapter 11 of title 11 of the U.S. Bankruptcy Code. LyondellBasell AF and 93 of its subsidiaries were debtors (the Debtors) in jointly administered bankruptcy cases (the Bankruptcy Cases) in the U.S. Bankruptcy Court in the Southern District of New York (the Bankruptcy Court). Other subsidiaries of LyondellBasell AF were not involved in the Bankruptcy Cases. On April 23, 2010, the Bankruptcy Court approved our Third Amended and Restated Plan of Reorganization and we emerged from bankruptcy on April 30, 2010 (the date of our emergence from bankruptcy being the Emergence Date).

Prior to the Emergence Date, we had not conducted any business operations. Accordingly, unless otherwise noted or suggested by context, all financial information and data and financial statements and corresponding notes incorporated herein by reference, as of and prior to the Emergence Date, as contained in this prospectus, reflect the actual historical consolidated results of operations and financial condition of LyondellBasell AF for the periods presented and do not give effect to the Plan of Reorganization or any of the transactions contemplated thereby or the adoption of fresh-start accounting. Thus, such financial information may not be representative of our performance or financial condition after the Emergence Date. Except with respect to such historical financial information and data and financial statements and corresponding notes incorporated herein by reference or as otherwise noted or suggested by the context, all other information contained in this prospectus relates to us and our subsidiaries following the Emergence Date.

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As of the Emergence Date, LyondellBasell AF s equity interests in its indirect subsidiaries terminated and we now own and operate, directly and indirectly, substantially the same business as LyondellBasell AF owned and operated prior to emergence from the Bankruptcy Cases. References herein or in documents incorporated by reference to our historical consolidated financial information (or data derived therefrom) for periods prior to May 1, 2010 should be read to refer to the historical financial information of LyondellBasell AF.

We are the successor to the combination in December 2007 of Lyondell Chemical Company (Lyondell Chemical) and Basell AF S.C.A., which created one of the world s largest private petrochemical companies with significant worldwide scale and leading product positions.

Recent developments

In April 2012, Lyondell Chemical, a wholly owned subsidiary of the Company, conducted cash tender offers (the Tender Offers) for any and all of its outstanding 8% Senior Secured Dollar Notes due 2017, outstanding 8% Senior Secured Euro Notes due 2017 and 11% Senior Secured Notes due 2018 (collectively, the 8% and 11% Notes). The Tender Offers were financed by our April 2012 issuance in a private placement exempt from the registration requirements of the Securities Act of $2 billion aggregate principal amount of 5% Senior Notes due 2019 and $1 billion 5.75% Senior Notes due 2024 (collectively, the 5% and 5.75% Notes). As of the expiration of the Tender Offers on April 20, 2012, an aggregate of $10,454,000 in principal amount of dollar-denominated 8% Notes, 1,384,290 in principal amount of euro-denominated 8% Notes, and $57,858,737 in principal amount of 11% Notes remained outstanding.

On May 15, 2012, Lyondell Chemical gave notice of its intent to redeem the 8% and 11% Notes that remain outstanding to the holders of those notes. As a result, all of the 8% and 11% Notes outstanding are due and payable on June 15, 2012. Pursuant to the terms of the indentures governing the notes, as well as the 5% and 5.75% Notes, if the guarantees of the 8% and 11% Notes are no longer in effect, the guarantees of the notes and the 5% and 5.75% Notes will be automatically released. As a result of the release of the guarantees on June 15, 2012, the exchange notes, when issued pursuant to the exchange offer, will not be guaranteed. Therefore, we are not registering the guarantees of the notes under the registration statement of which this prospectus forms a part.

General Corporate Information

We are a public company with limited liability (*naamloze vennootschap*) incorporated under Dutch law by deed of incorporation dated October 15, 2009.

LyondellBasell Industries N.V. s corporate seat is located at Stationsplein 45, 3013 AK Rotterdam, The Netherlands. Our website address is www.lyondellbasell.com. The information in our website is not part of, or incorporated by reference into, this prospectus.

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The Exchange Offer

In connection with the private offering of the outstanding notes that was completed in November 2011, LyondellBasell, Lyondell Chemical and certain of LyondellBasell s subsidiaries executed a registration rights agreement with the initial purchasers in the private offering of the outstanding notes in which we agreed to deliver to you this prospectus with respect to the outstanding notes and agreed to use our reasonable best efforts to file and cause to become effective with the Commission an exchange offer registration statement.

The Exchange Offer	We are offering to exchange your outstanding notes for a like principal amount of exchange notes, which are identical in all material respects, except: the exchange notes have been registered under the Securities Act; the exchange notes are not subject to transfer restrictions or entitled to registration rights; and the exchange notes are not entitled to additional interest provisions applicable to the outstanding notes in some circumstances relating to the timing of the exchange offer.
Expiration Date	The exchange offer will expire at 11:59 p.m., New York City time, on , 2012, unless we decide to extend it.
Resales of Exchange Notes	Based on interpretations by the Commission staff set forth in no action letters, we believe that after the exchange offer you may offer and sell the exchange notes without complying with the registration and prospectus delivery provisions of the Securities Act so long as: you acquire the exchange notes in the ordinary course of business; you do not have an arrangement with another person to participate in a distribution of the exchange notes; you are not engaged in a distribution of, nor do you intend to distribute, the exchange notes; and if you are a broker-dealer, that you will receive exchange notes for your own account in exchange for outstanding notes that were acquired as a result of market-making activities or other trading activities and that you will deliver a prospectus (or, to the extent permitted by law, make available a prospectus) in connection with any resale of such exchange notes. When you tender the outstanding notes, we will ask you to represent to us that: you are not our affiliate as defined in Rule 405 of the Securities Act; you will acquire the exchange notes in the ordinary course of business; and

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	you have not engaged in, do not intend to engage in, nor have any arrangements or understanding with another person to participate in, a distribution of the exchange notes. If you are unable to make these representations, you will be required to comply with the registration and prospectus delivery requirements under the Securities Act in connection with any resale transaction. If you are a broker-dealer and receive exchange notes for your own account, you must acknowledge that you will deliver a prospectus if you resell the exchange notes. By acknowledging your intent and delivering a prospectus you will not be deemed to admit that you are an underwriter under the Securities Act. You may use this prospectus as it is amended from time to time when you resell exchange notes that were acquired from market-making or trading activities. Starting on the expiration date and ending on the close of business on the first anniversary of the expiration date, we will make this prospectus available to any broker-dealer for use in connection with any such resale. See Plan of Distribution.
Consequences of Failure to Exchange Outstanding Notes	If you do not exchange your outstanding notes during the exchange offer you will no longer be entitled to registration rights. You will not be able to offer or sell the outstanding notes unless they are later registered, sold pursuant to an exemption from registration or sold in a transaction not subject to the Securities Act or state securities laws. Other than in connection with the exchange offer, we do not currently anticipate that we will register the outstanding notes under the Securities Act. See The Exchange Offer Consequences of Failure to Exchange.
Condition to the Exchange Offer	The registration rights agreement does not require us to accept outstanding notes for exchange if the exchange offer, or the making of any exchange by a holder of the outstanding notes, would violate any applicable law or interpretation of the staff of the SEC. The exchange offer is not conditioned on a minimum aggregate principal amount of outstanding notes being tendered. See The Exchange Offer Conditions.
Procedures for Tendering Outstanding Notes	We have forwarded to you, along with this prospectus, a letter of transmittal relating to this exchange offer. Because all of the outstanding notes are held in book-entry accounts maintained by the exchange agent at the Depository Trust Company (DTC), Euroclear or Clearstream, Luxembourg, a holder need not submit a letter of transmittal. However, all holders who exchange their outstanding notes for exchange notes in accordance with the procedures outlined below will be deemed to have acknowledged receipt of, and agreed to be bound by, and to have made all of the representations and warranties contained in the letter of transmittal.

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	To tender in the exchange offer, a holder must comply with the following procedures, as applicable: *Holders of outstanding notes through DTC:* If you wish to exchange your outstanding notes and either you or your registered holder hold your outstanding notes in book-entry form directly through DTC, you must submit an instruction and follow the procedures for book-entry transfer as provided under The Exchange Offer Book-Entry Transfer. *Holders of outstanding notes through Euroclear or Clearstream, Luxembourg:* If you wish to exchange your outstanding notes and either you or your registered holder hold your outstanding notes in book-entry form directly through Euroclear or Clearstream, Luxembourg, you should be aware that pursuant to their internal guidelines, Euroclear and Clearstream, Luxembourg will automatically exchange your outstanding notes for exchange notes. If you do not wish to participate in the exchange offer, you must instruct Euroclear or Clearstream, Luxembourg, as the case may be, to Take No Action ; otherwise your outstanding notes will automatically be tendered in the exchange offer, and you will be deemed to have agreed to be bound by the terms of the letter of transmittal.
Special Procedures for Beneficial Owners	If you are a beneficial owner of outstanding notes which are registered in the name of a broker, dealer, commercial bank, trust company or other nominee, and you wish to tender outstanding notes in the exchange offer, you should contact the registered holder promptly and instruct the registered holder to tender on your behalf. If you wish to tender on your own behalf, you must, prior to completing and executing the letter of transmittal and delivering your outstanding notes, either make appropriate arrangements to register ownership of the outstanding notes in your name or obtain a properly completed bond power from the registered holder. The transfer of registered ownership may take considerable time and may not be able to be completed prior to the expiration date.
Withdrawal of Tenders	You may withdraw your tender of outstanding notes at any time prior to the expiration date. To withdraw, you must submit a notice of withdrawal to the exchange agent before 11:59 p.m., New York City time, on the expiration date of the exchange offer. See The Exchange Offer Withdrawal of Tenders.
Acceptance of Outstanding Notes and Delivery of Exchange Notes	Subject to the conditions stated in the section The Exchange Offer Conditions of this prospectus, we will accept for exchange any and all outstanding notes that are properly tendered in the exchange offer before 11:59 p.m., New York City time, on the expiration date. The exchange notes will be delivered promptly after the expiration date. See The Exchange Offer Terms of the Exchange Offer; Acceptance of Tendered Notes.

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Fees and Expenses	We will bear expenses related to the exchange offer. See The Exchange Offer Fees and Expenses.
Use of Proceeds	The issuance of the exchange notes will not provide us with any new proceeds. We are making this exchange offer solely to satisfy our obligations under our registration rights agreement.
U.S. Federal Income Tax Consequences	The exchange of outstanding notes for exchange notes will not be a taxable event for U.S. federal income tax purposes. See United States Federal Income Tax Consequences.
Exchange Agent	Wells Fargo Bank, National Association is the exchange agent. The address and telephone number of the exchange agent are set forth in the section captioned The Exchange Offer Exchange Agent of this prospectus.

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Terms of the Exchange Notes

The exchange notes will be identical to the outstanding notes except that the exchange notes are registered under the Securities Act and will not have restrictions on transfer, registration rights or provisions for additional interest. The exchange notes will evidence the same debt as the outstanding notes, and the same indenture will govern the exchange notes and the outstanding notes.

The following summary contains basic information about the exchange notes and is not intended to be complete. It does not contain all information that may be important to you. For a more complete understanding of the exchange notes, see Description of the Exchange Notes.

Issuer	LyondellBasell Industries N.V.
Securities Offered	Up to $1,000 million principal amount of 6% Senior Notes due 2021, which have been registered under the Securities Act.
Maturity Date	November 15, 2021.
Interest Payment Dates	Interest on all exchange notes will be paid semi-annually in cash in arrears on May 15 and November 15 of each year, commencing November 15, 2012.
Ranking	The outstanding notes are, and the exchange notes will be, our general unsecured obligations and will rank pari passu in right of payment with all our other existing and future unsubordinated unsecured indebtedness. The notes will rank effectively junior in right of payment to our secured indebtedness, if any, and to all liabilities of our subsidiaries. At March 31, 2012, on a pro forma basis after giving effect to the Tender Offers and the redemptions as described under Prospectus Summary The Company - Recent Developments, our subsidiaries would have had approximately $347 million of indebtedness outstanding (excluding intercompany indebtedness and guarantees of indebtedness of joint ventures) that would rank effectively prior to the notes with respect to the assets of such subsidiaries.
Optional Redemption	We may, in whole at any time or in part from time to time prior to the date that is 90 days prior to the scheduled maturity date of the exchange notes, redeem the exchange notes at our option at a redemption price equal to 100% of the principal amount thereof plus the applicable make-whole premium as of, and accrued and unpaid interest and additional interest, if any, to, but not including, the applicable redemption date. In addition, we may, in whole at any time or in part from time to time after the date that is 90 days prior to the final maturity date of the exchange notes, redeem the notes at our option at a redemption price equal to 100% of the principal amount thereof plus accrued and unpaid interest, and additional interest, if any, to, but not including, the applicable redemption date.
Change of Control	Upon the occurrence of a change of control repurchase event (as defined in Description of the Exchange Notes Certain Definitions) after the issue date of the notes, we must offer to repurchase the exchange notes at 101% of the principal amount thereof plus accrued and unpaid interest and additional interest, if any, to the date of repurchase.

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Certain Indenture Covenants	We issued the outstanding notes, and will issue the exchange notes, under an indenture with Wells Fargo Bank, National Association, the trustee. The indenture, among other things, restricts our ability to: incur indebtedness, including secured indebtedness and indebtedness of our subsidiaries; enter into certain sale and lease-back transactions; and enter into consolidations, mergers or sales of all or substantially all of our assets. These covenants are subject to important exceptions and qualifications, which are described in Description of the Exchange Notes Certain Covenants.
Guarantees	The outstanding notes have been jointly and severally, and irrevocably and unconditionally, guaranteed on a senior basis by, subject to certain exceptions, each of our existing and future wholly owned domestic subsidiaries that is an issuer or coissuer in respect of, or guarantees, certain of our indebtedness (the Guarantors). The obligations of the Guarantors will be automatically released as of June 15, 2012 (see The Company Recent Developments). It is not expected that the exchange notes will receive the benefit of any guarantee.
Absence of Public Market for the Notes	The exchange notes will be new securities for which there will not initially be a market. We do not intend to apply for a listing of the exchange notes on any securities exchange or an automatic dealer quotation system.
Risk Factors	Investing in the exchange notes involves risks. See Risk Factors beginning on page 11 for a discussion of certain factors you should consider in evaluating whether or not to tender your outstanding notes.

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RISK FACTORS

You should carefully consider the risk factors identified in Part 1, Item 1A, Risk Factors, of our Annual Report on Form 10-K for the year ended December 31, 2011 before making an investment in the notes. You should also carefully consider the risks described below, the other information set forth in this prospectus and the documents incorporated by reference in this prospectus before making an investment decision in the notes. Additional risks and uncertainties not presently known to us, or that we currently deem immaterial, may also materially impair our business operations. The events discussed in the risk factors included or incorporated by reference in this prospectus may occur. If they do, our business, results of operations or financial condition could be materially adversely affected. In such case, the trading price of our securities, including the exchange notes, could decline and you might lose all or part of your investment.

Risks Relating to the Exchange Notes and the Exchange Offer

If you fail to exchange your outstanding notes, they will continue to be restricted securities and may become less liquid.

Outstanding notes that you do not tender or that we do not accept will, following the exchange offer, continue to be restricted securities. This means that you may not offer to sell them except under an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. We will issue the exchange notes in exchange for the outstanding notes in the exchange offer only following the satisfaction of the procedures and conditions set forth in The Exchange Offer Procedures for Tendering. Because we anticipate that most holders of the outstanding notes will elect to exchange their outstanding notes, we expect that the liquidity of the market for the outstanding notes remaining after the completion of the exchange offer will be substantially limited. Any outstanding notes tendered and exchanged in the exchange offer will reduce the aggregate principal amount of the outstanding notes at maturity.

You may not receive the exchange notes in the exchange offer if the exchange offer procedures are not properly followed.

We will issue the exchange notes in exchange for your outstanding notes only if you properly tender the outstanding notes before expiration of the exchange offer. Neither we nor the exchange agent is under any duty to give notification of defects or irregularities with respect to the tenders of the outstanding notes for exchange. If you are the beneficial holder of outstanding notes that are held through your broker, dealer, commercial bank, trust company or other nominee, and you wish to tender such notes in the exchange offer, you should promptly contact the person through whom your outstanding notes are held and instruct that person to tender on your behalf.

The exchange notes will be unsecured and subordinated to the rights of our secured debt, if any.

The exchange notes will be our general unsecured obligations and will rank *pari passu* in right of payment with all our other existing and future unsubordinated unsecured indebtedness. The exchange notes will rank effectively junior in right of payment to any of our secured indebtedness. If we are declared bankrupt, become insolvent or are liquidated or reorganized, or the payment of any part of our senior debt is accelerated, any of our secured indebtedness will be entitled to be paid in full from our assets securing that indebtedness before any payment may be made with respect to the exchange notes. Holders of the exchange notes will participate ratably in our remaining assets with all holders of our unsecured indebtedness that does not rank junior to the exchange notes, including all of our other general creditors, based upon the respective amounts owed to each holder or creditor. In any of the foregoing events, there may not be sufficient assets to pay amounts due on the exchange notes. As a result, holders of the exchange notes would likely receive less, ratably, than holders of secured indebtedness.

The covenants under the indenture governing the notes permits substantial amounts of additional secured indebtedness to be incurred both by us and our subsidiaries.

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The exchange notes will be effectively subordinated to all liabilities of our subsidiaries.

The notes will be structurally subordinated to indebtedness and other liabilities of our subsidiaries. In the event of a bankruptcy, insolvency, liquidation, dissolution or reorganization of any of our subsidiaries, those subsidiaries will pay the holders of their debts, holders of preferred equity interests and their trade creditors before they will be able to distribute any of their assets to the Company.

The exchange notes will not be guaranteed by any of our subsidiaries. Our subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due pursuant to the exchange notes, or to make any funds available. Therefore, whether by dividends, loans, distributions or other payments, any right that we have to receive any assets of any of our subsidiaries upon the liquidation or reorganization of those subsidiaries, and the consequent rights of holders of notes to realize proceeds from the sale of any of those subsidiaries assets, will be effectively subordinated to the claims of those subsidiaries creditors, including trade creditors and holders of preferred equity interests of those subsidiaries.

As of March 31, 2012, on a pro forma basis after giving effect to the Tender Offers and the redemptions as described under Prospectus Summary The Company Recent Developments, our subsidiaries would have had approximately $347 million of indebtedness outstanding (excluding intercompany indebtedness and guarantees of indebtedness of joint ventures) that would rank effectively prior to the notes with respect to the assets of such subsidiaries. Subject to the limits in our indentures, our subsidiaries may incur more debt, and our indentures do not limit the incurrence of liabilities that are not indebtedness such as, for example, contractual obligations and unfunded pension liabilities.

We are a holding company and we depend upon cash distributions from our subsidiaries to service our debt.

As a holding company, we conduct our operations through our operating subsidiaries, and our only significant assets are the capital stock of our subsidiaries. Accordingly, our ability to meet our cash obligations, including our obligations under the exchange notes, depends in part upon the ability of our subsidiaries to make cash distributions to us. Any of our subsidiaries declaration of bankruptcy, liquidation, reorganization or acceleration of the payment of any part of their senior debt could materially adversely affect their ability to make cash distributions to us. Additionally, the ability of our subsidiaries to make distributions to us is, and will continue to be, restricted by, among other limitations, applicable provisions of federal and state law and contractual provisions. Any inability of our operating subsidiaries to make dividends or distributions to us, whether by reason of financial difficulties or other restrictions, could have a material adverse effect on our ability to service and repay our debt, including the exchange notes.

There are limited covenants in the indenture governing the exchange notes.

The indenture governing the exchange notes contains limited covenants, including those restricting our ability to incur indebtedness, including secured indebtedness and indebtedness of our subsidiaries, enter into certain sale and lease-back transactions or enter into consolidations, mergers or sales of all or substantially all of our assets. The restrictions on secured indebtedness, indebtedness of our subsidiaries and sale and lease-back covenants contain exceptions that will allow us and our subsidiaries to incur liens with respect to material assets. See Description of the Exchange Notes Certain Covenants. In light of these exceptions, holders of the exchange notes may be structurally or contractually subordinated to new lenders.

The terms of the indenture governing the exchange notes may restrict our ability to respond to changes or to take certain actions.

The indenture governing the exchange notes issued hereby contains restrictive covenants that may limit our ability to engage in acts that may be in our long-term best interests, including, among other things, restrictions on our ability to:

- incur indebtedness, including secured indebtedness and indebtedness of our subsidiaries;

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enter into certain sale and lease-back transactions; or

enter into consolidations, mergers, or sales of all or substantially all of our assets.

A breach of the covenants under our indentures or other debt and credit arrangements could result in an event of default under the applicable indebtedness. Such default may allow the creditors to accelerate the related debt and may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies, including with respect to the exchange notes offered hereby. In addition, an event of default under our five-year, $2 billion revolver would permit the lenders under the revolver to terminate all commitments to extend further credit under that facility. In the event our lenders or holders of our exchange notes accelerate the repayment of our borrowings, we cannot assure that we and our subsidiaries would have sufficient assets to repay such indebtedness. As a result of these restrictions, we may be:

limited in how we conduct our business;

unable to raise additional debt or equity financing to operate during general economic or business downturns; or

unable to compete effectively or to take advantage of new business opportunities.

These restrictions may affect our ability to grow in accordance with our plans.

Insolvency laws of jurisdictions outside of the U.S. may preclude holders of the exchange notes from recovering payments due on the exchange notes.

We are organized under the laws of The Netherlands. The insolvency laws of The Netherlands may not be as favorable to your interests as creditors as the laws of the U.S. or other jurisdictions with which you may be familiar.

U.S. investors in the exchange notes may have difficulties enforcing certain civil liabilities.

We are organized under the laws of The Netherlands. We have agreed, in accordance with the terms of the indenture under which the exchange notes will be issued, to accept service of process in any suit, action or proceeding with respect to the indenture or the notes brought in any federal or state court located in New York City by an agent designated for such purpose, and to submit to the jurisdiction of such courts in connection with such suits, actions or proceedings. However, it may be difficult for securityholders to enforce judgments of U.S. courts predicated upon the civil liability provisions of the U.S. federal securities laws against certain of our assets. A judgment of a U.S. court based solely upon civil liability under those laws may be unenforceable outside of the U.S. In addition, awards of punitive damages in actions brought in the U.S. or elsewhere may be unenforceable in jurisdictions outside of the U.S.

Fraudulent transfer and conveyance statutes may limit your rights under the notes.

The issuance of the notes may be subject to review under federal and state fraudulent transfer and conveyance statutes if a bankruptcy, liquidation or reorganization case or a lawsuit, including under circumstances in which bankruptcy is not involved, were commenced at some future date by us, or on behalf of our unpaid creditors. While the relevant laws may vary from state to state, the incurrence of the obligations in respect of the exchange notes will generally be a fraudulent conveyance if (i) the consideration was paid with the intent of hindering, delaying or defrauding creditors or (ii) we received less than reasonably equivalent value or fair consideration in return for issuing the notes, and in the case of (ii) one of the following is also true:

we were insolvent or rendered insolvent by reason of issuing the notes;

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payment of the consideration left us with an unreasonably small amount of capital to carry on the business; or

we intended to, or believed that we would, incur debts beyond our ability to pay as they mature.

Because the proceeds from the offering of the outstanding notes were used to fund a special dividend, a court could conclude they were issued for less than reasonably equivalent value.

If a court were to find that the issuance of the notes was a fraudulent transfer or conveyance, the court could void the payment obligations under the notes or further subordinate the notes to our presently existing and future indebtedness or require the holders of the notes to repay any amounts received with respect to the notes. In the event of a finding that a fraudulent transfer or conveyance occurred, you may not receive any repayment on the notes. Further, the voidance of the notes could result in an event of default with respect to our other debt that could result in acceleration of such debt.

The measures of insolvency for purposes of fraudulent conveyance laws vary depending upon the law of the jurisdiction that is being applied. Generally, an entity would be considered insolvent if, at the time it incurred indebtedness:

the sum of its debts, including contingent liabilities, was greater than the fair saleable value of all its assets;

the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on existing debts and liabilities, including contingent liabilities, as they become absolute and mature; or

it could not pay its debts as they become due.

We cannot be certain as to the standards a court would use to determine whether or not we were solvent at the relevant time, or regardless of the standard used, that the issuance of the notes would not be subordinated to our other debt.

We may not be able to fulfill our repurchase obligations in the event of a change of control repurchase event.

Upon the occurrence of a change of control repurchase event, as defined in the indenture, we will be required to offer to repurchase all outstanding exchange notes at 101% of their principal amount, plus accrued and unpaid interest and additional interest, if any, to the purchase date. Additionally, such events may also constitute a change of control event or an event of default under our other debt and credit facilities and arrangements. The source of funds for any purchase of the exchange notes will be our available cash or cash generated from our subsidiaries operations or other sources, including borrowings, sales of assets or sales of equity. We may not be able to repurchase the exchange notes upon a change of control repurchase event because we may not have sufficient financial resources to repay all of our indebtedness that will become due. We may require additional financing from third parties to fund any such purchases, and we cannot assure you that we would be able to obtain financing on satisfactory terms, or at all. Further, our ability to repurchase the exchange notes may be limited by law. In order to avoid the obligations to repurchase the exchange notes and the repurchase obligations, events of default and potential breaches under our debt arrangements, we may have to avoid certain change of control transactions that would otherwise be beneficial to us. Our failure to make the change of control offer or to pay the change of control purchase price when due would result in a default under the indenture governing the exchange notes. See Description of the Exchange Notes Change of Control.

In addition, certain important corporate events, such as leveraged recapitalizations, may not, under the indenture governing the exchange notes, constitute a change of control repurchase event that would require us to repurchase the exchange notes, notwithstanding the fact that such corporate events could increase the level of our indebtedness or otherwise adversely affect our capital structure, credit ratings or the value of the exchange notes. See the section titled Description of the Exchange Notes Change of Control.

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The definition of change of control in the indenture governing the exchange notes includes a phrase relating to the sale of all or substantially all of our assets. There is no precise established definition of the phrase substantially all under applicable law. Accordingly, the ability of a holder of exchange notes to require us to repurchase its exchange notes as a result of a sale of less than all our assets to another person may be uncertain.

A downgrade, suspension or withdrawal of the rating assigned by any rating agency to the exchange notes or to us could cause the liquidity or market value of the exchange notes to decline.

We and the notes have been rated by nationally recognized statistical ratings organizations, and may in the future be rated by additional rating agencies. Any rating so assigned may be lowered or withdrawn entirely by a rating agency if, in that rating agency s judgment, circumstances relating to the basis of the rating, such as adverse change to our business, so warrant. Any lowering or withdrawal of a rating by a rating agency could reduce the liquidity or market value of the exchange notes.

There is no established trading market for the exchange notes and one may not develop.

There is currently no established trading market for the exchange notes or trading history and an active market may not develop. We do not intend to list the exchange notes on any exchange. If an active market does develop such market may cease at any time. As a result, you may not be able to resell your exchange notes for an extended period of time, if at all. Consequently, your lenders may be reluctant to accept the exchange notes as collateral for loans. In addition, in response to prevailing interest rates and market conditions generally or other factors referred to in the section entitled Forward-Looking Statements, the exchange notes could trade at a price higher or lower than their initial offering price and you may not be able to liquidate your investment.

We expect that the trading price of the exchange notes will be significantly affected by changes in the interest rate environment and our credit quality, each of which could change substantially at any time.

We expect that the trading price of the exchange notes will depend on a variety of factors, including, without limitation, the interest rate environment and our credit quality. Each of these factors may be volatile, and may or may not be within our control.

If interest rates, or expected future interest rates, rise during the term of the exchange notes, the yield of the exchange notes will likely decrease. Because interest rates and interest rate expectations are influenced by a wide variety of factors, many of which are beyond our control, we cannot assure you that changes in interest rates or interest rate expectations will not adversely affect the trading price of the exchange notes.

Furthermore, the trading price of the exchange notes will likely be significantly affected by any change in our credit quality and any ratings assigned to us or our debt. Because our credit quality is influenced by a variety of factors, some of which are beyond our control, we cannot guarantee that we will maintain or improve our credit quality during the term of the exchange notes. In addition, because we may choose to take actions that adversely affect our credit quality, such as incurring additional debt or repurchasing shares of our common stock, there can be no guarantee that our credit quality will not decline during the term of the exchange notes, which would likely negatively impact the trading price of the exchange notes. Furthermore, a downgrade of our corporate credit ratings could adversely affect our access to capital markets and our cost of borrowing and result in more restrictive covenants in future debt agreements.

USE OF PROCEEDS

The exchange offer is intended to satisfy our obligations under the registration rights agreement. We will not receive any proceeds from the issuance of the exchange notes in the exchange offer. In consideration for issuing the exchange notes as contemplated by this prospectus, we will receive outstanding notes in a like principal amount. The form and terms of the exchange notes are identical in all respects to the form and terms of the outstanding notes, except the exchange notes will be registered under the Securities Act and will not contain

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restrictions on transfer, registration rights or provisions for additional interest. Outstanding notes surrendered in exchange for exchange notes will be retired and cancelled and will not be reissued. Accordingly, the issuance of exchange notes will not result in any change in outstanding indebtedness.

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our consolidated ratios of earnings to fixed charges for the periods indicated:

	Successor			Predecessor			
					For the Year Ended		
	Three Months Ended March 31, 2012	For the Year Ended December 31, 2011	May 1 through December 31, 2010	January 1 through April 30, 2010	December 31, 2009	December 31, 2008	December 31, 2007
Ratio of earnings to fixed charges(a)	7.79x	3.77x	3.71x	10.47x			3.44x

(a) For the years 2009 and 2008, earnings were insufficient to cover fixed charges by $4,076 million and $8,131 million, respectively. We computed our consolidated ratios of earnings to fixed charges by dividing earnings available for fixed charges by fixed charges. For this purpose, earnings available for fixed charges consists of earnings before income taxes, undistributed earnings from affiliated companies non-controlling interests, cumulative effect of accounting changes, and fixed charges, excluding capitalized interest. Fixed charges are interest, whether expensed or capitalized, amortization of debt expense and discount on premium relating to indebtedness, and such portion of rental expense that can be demonstrated to be representative of the interest factor in the particular case.

We did not have any preferred stock outstanding and there were no preferred stock dividends paid or accrued during the periods presented above.

DESCRIPTION OF THE EXCHANGE NOTES

The exchange notes will be issued, and the outstanding notes were issued, under an indenture, dated as of November 14, 2011, entered into between the Company, Wells Fargo Bank, National Association, as trustee, and the other parties thereto (the indenture).

In this description, the words we, the Company, us and our refer only to LyondellBasell Industries N.V. and not to any of our subsidiaries.

The following summary of certain provisions of the indenture and the notes does not purport to be complete and is subject to, and qualified in its entirety by reference to, all the provisions of the indenture and the notes, including, without limitation, the definitions of certain terms in the indenture. We urge you to read the indenture and the registration rights agreement because they, not this description, define your rights as holders of these notes. Copies of the indenture and the registration rights agreement are available upon request of the Company at the address indicated under Where You Can Find More Information.

We issued $1 billion of the outstanding notes under the indenture. As described under Further Issuances, under the indenture we can issue additional notes at later dates. In addition, we can issue additional series of debt securities without limitation under the indenture in the future. The indenture has been qualified under the Trust Indenture Act. You should refer to the Trust Indenture Act for additional provisions that apply to the notes.

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General

The notes were issued only in registered form without coupons in denominations of $200,000 and any integral multiple of $1,000 above that amount. The notes are represented by one or more global certificates registered in the name of a nominee of DTC, as described under Book-Entry, Delivery and Form.

The trustee, through its corporate trust office, acts as our paying agent and security registrar in respect of the notes. However, we may, at our option, make interest payments on the notes by check mailed to the address of the person entitled thereto as such address appears in the security register. So long as the notes are issued in the form of global certificates, payments of principal, interest and premium, if any, will be made by us through the paying agent to DTC.

The notes are not entitled to the benefit of any sinking fund. We may at any time and from time to time purchase notes in the open market or otherwise.

Principal, Maturity and Interest

The notes will mature on November 15, 2021. Interest on the notes accrues at a rate of 6.0% per annum and is payable semi-annually in arrears on May 15 and November 15 of each year. We will pay interest to those persons who were holders of record on the May 1 or November 1 immediately preceding each interest payment date. Interest on the notes accrues from November 14, 2011, the date of original issuance, or, if interest has already been paid, from the date it was most recently paid. Interest is computed on the basis of a 360-day year comprised of twelve 30-day months.

You should refer to the description under The Exchange Offer for a description of the circumstances under which the interest rate on the notes will increase.

Optional Redemption

We may, at our option, redeem the notes in whole at any time or in part from time to time prior to the date that is 90 days before the scheduled maturity date of the notes. We must give notice no less than 30 nor more than 60 days prior to any such redemption by first-class mail mailed to each holder s registered address. The redemption price will equal 100% of the principal amount thereof plus the Applicable Premium as of, and accrued and unpaid interest and additional interest, if any, to, but not including, the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

At any time on or after 90 days prior to the final maturity date of the notes, we may, in whole at any time or in part, redeem the notes (including any additional notes) at our option upon not less than 30 nor more than 60 days prior notice mailed by first-class mail to each holder s registered address. The redemption price will equal 100% of the principal amount thereof plus accrued and unpaid interest and additional interest, if any, to, but not including, the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Any redemption or notice may, at our discretion, be subject to one or more conditions precedent. We may give notice of redemption before the completion of any event or transaction related to such redemption. In addition, if the redemption or notice is subject to satisfaction of conditions precedent, the notice shall state that, in our discretion, the redemption date may be delayed until any or all such conditions shall be satisfied, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date or by the redemption date as delayed.

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Redemption for Taxation Reasons

The Company may redeem the notes in whole, but not in part, at any time upon giving not less than 30 nor more than 60 days notice to the holders of the notes (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest to the date fixed for redemption (a Tax Redemption Date) (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts, if any, if the Company determines in good faith that, as a result of :

(1) any change in, or amendment to, the laws or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction affecting taxation; or

(2) any change in, or amendment to, an official position or the introduction of an official position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice) of a Relevant Taxing Jurisdiction,

(each of the foregoing in clauses (1) and (2), a Change in Tax Law), the Company is, or on the next interest payment date in respect of the notes would be, required to pay any Additional Amounts or indemnification payments as described below under Additional Amounts, and such obligation cannot be avoided by taking reasonable measures available to the Company (including the appointment of a new paying agent where this would be reasonable but not including assignment of the obligation to make payment with respect to the notes).

In the case of redemption due to withholding as a result of a Change in Tax Law in a jurisdiction that is a Relevant Taxing Jurisdiction at November 4, 2011, such Change in Tax Law must become effective on or after November 4, 2011. In the case of redemption due to withholding as a result of a Change in Tax Law in a jurisdiction that becomes a Relevant Taxing Jurisdiction after November 4, 2011, such Change in Tax Law must become effective on or after the date the jurisdiction becomes a Relevant Taxing Jurisdiction, unless the Change in Tax Law would have applied to the predecessor of the successor company under Consolidation, Merger and Sale of Assets .

No notice of redemption as a result of a Change in Tax Law will be given (a) earlier than 90 days prior to the earliest date on which the Company would be obliged to make such payment of Additional Amounts and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. Prior to the publication or, where relevant, mailing of any notice of redemption of the notes pursuant to the foregoing, the Company will deliver to the trustee (i) an opinion of independent tax counsel to the effect that there has been a Change in Tax Law which would entitle the Company to redeem the notes and (ii) an officers certificate to the effect that it cannot avoid the obligation to pay Additional Amounts by taking reasonable measures available to it.

The trustee will accept such officer s certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on the holders.

Additional Amounts

All payments made under or with respect to the notes by the Company or any entity that becomes a successor to the Company (that is not organized under the laws of the United States and became a successor pursuant to a transaction permitted under -Consolidation, Merger and Sale of Assets) will be made free and clear of and without withholding or deduction for or on account of any present or future tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest and other similar liabilities related thereto) (collectively, Taxes) unless the withholding or deduction of such Taxes is then required by law in any

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applicable jurisdiction or political subdivision thereof. If any Taxes are withheld or deducted by or on behalf of any jurisdiction (i) in which the Company is organized, resident or doing business for tax purposes or (ii) from or through which the Company makes any payment on the notes or any department or political subdivision thereof (each, a Relevant Taxing Jurisdiction), the Company, subject to the exceptions listed below, will pay additional amounts (the Additional Amounts) as may be necessary to ensure that the net amount received by each holder of the notes after such withholding or deduction (including withholding or deduction attributable to Additional Amounts payable hereunder) will not be less than the amount the holder would have received if such Taxes had not been withheld or deducted.

The Company will not, however, pay Additional Amounts to a holder or beneficial owner of notes:

(a) to the extent the Taxes giving rise to such Additional Amounts would not have been imposed but for the holder s or beneficial owner s connection with the Relevant Taxing Jurisdiction or but for any such connection on the part of a partner, beneficiary, settlor or shareholder of such a holder or beneficial owner (other than any connection resulting from the acquisition, ownership, holding or disposition of notes, the receipt of payments thereunder and/or the exercise or enforcement of rights under any notes);

(b) to the extent the Taxes giving rise to such Additional Amounts would not have been imposed but for the failure of the holder or beneficial owner of notes, following a written request, to comply with any certification, identification, information or other reporting requirements as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by the Relevant Taxing Jurisdiction (including, without limitation, a certification that the holder or beneficial owner is not resident in the Relevant Taxing Jurisdiction);

(c) with respect to any estate, inheritance, gift, sales, personal property or any similar Taxes;

(d) with respect to any Taxes which are payable otherwise than by withholding from payments of principal of or interest on the notes;

(e) if such holder is a fiduciary or partnership or person other than the sole beneficial owner of such payment and the Taxes giving rise to such Additional Amounts would not have been imposed on such payment had the holder been the beneficiary, partner or sole beneficial owner, as the case may be, of such note (but only if there is no material cost or expense associated with transferring such note to such beneficiary, partner or sole beneficial owner and no restriction on such transfer that is outside the control of such beneficiary, partner or sole beneficial owner);

(f) to the extent the Taxes giving rise to such Additional Amounts would not have been imposed but for the presentation by the holder of any note, where presentation is required, for payment on a date more than 30 days after the later of (i) the date payment became due and payable or (ii) the date on which payment is duly provided for;

(g) with respect to any withholding or deduction that is imposed on a payment to a beneficial owner within the meaning of and that is required to be made pursuant to the European Council Directive 2003/48/EC on the taxation of savings income or any law or other governmental regulation implementing or complying with, or introduced in order to conform to such directive (the EU Savings Tax Directive) or is required to be made pursuant to the Agreement between the European Community and the Swiss Confederation dated October 26, 2004 providing for measures equivalent to those laid down in the EU Savings Tax Directive or any law or other governmental regulation implementing or complying with, or introduced in order to conform to, such agreement;

(h) to the extent of any Taxes imposed by the United States or any political subdivision thereof or tax authority therein; or

(i) any combination of the items listed above.

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The Company will (i) make any such withholding or deduction required by applicable law and (ii) remit the full amount deducted or withheld to the relevant authority in accordance with applicable law. The Company will make reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes and provide the same to the trustee.

At least 30 calendar days prior to each date on which any payment under or with respect to a note is due and payable, if the Company will be obligated to pay Additional Amounts with respect to such payment (unless such obligation to pay Additional Amounts arises after the 35th day prior to the date on which payment under or with respect to the notes is due and payable, in which case it will be promptly thereafter), the Company will deliver to the trustee an officer s certificate stating that such Additional Amounts will be payable and the amounts so payable and will set forth such other information necessary to enable the trustee to pay such Additional Amounts to holders on the payment date. The Company will promptly publish a notice stating that such Additional Amounts will be payable and describing the obligation to pay such amounts.

The Company will indemnify and hold harmless the holders of notes, and, upon written request of any holder of notes, reimburse such holder for the amount of (i) any Taxes levied or imposed by a Relevant Taxing Jurisdiction and payable by such holder in connection with payments made under or with respect to the notes held by such holder; and (ii) any Taxes levied or imposed with respect to any reimbursement under the foregoing clause (i) or this clause (ii), so that the net amount received by such holder after such reimbursement will not be less than the net amount such holder would have received if the Taxes giving rise to the reimbursement described in clauses (i) and/or (ii) had not been imposed. The indemnification obligation provided for in this paragraph shall not extend to Taxes imposed for which the holder of the notes would not have been entitled to receive payment of Additional Amounts by virtue of clauses (a) through (i) above or to the extent such holder received Additional Amounts with respect to such payments.

The tax gross-up and indemnity obligations described above will survive any termination, defeasance or discharge of the indenture and will apply *mutatis mutandis* to any successor Person to the Company and to any jurisdiction in which such successor is organized or is otherwise resident or doing business for tax purposes or any jurisdiction from or through which payment is made by such successor or its respective agents. Whenever the indenture or this Description of the Exchange Notes refers to, in any context, the payment of principal, premium, if any, interest or any other amount payable under or with respect to any note, such reference includes the payment of Additional Amounts or indemnification payments as described hereunder, if applicable.

Change of Control

Upon the occurrence of a Change of Control Repurchase Event, each holder will have the right to require us to repurchase all or any part of such holder s notes at a purchase price in cash equal to 101% of the principal amount thereof plus accrued and unpaid interest and additional interest, if any, to the date of repurchase (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), except to the extent we have previously or concurrently elected to redeem notes as described under Optional Redemption.

Within 30 days following any Change of Control Repurchase Event we shall mail a notice (a Change of Control Offer) to each holder with a copy to the Trustee stating:

(1) that a Change of Control Repurchase Event has occurred and that such holder has the right to require us to repurchase such holder s notes at a repurchase price in cash equal to 101% of the principal amount thereof plus accrued and unpaid interest and additional interest, if any, to the date of repurchase (subject to the right of holders of record on a record date to receive interest on the relevant interest payment date);

(2) the circumstances and relevant facts and financial information regarding such Change of Control Repurchase Event;

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(3) the repurchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed); and

(4) the instructions determined by us, consistent with the covenant contained in the indenture, that a holder must follow in order to have its notes purchased.

A Change of Control Offer may be made in advance of a Change of Control, and conditioned upon such Change of Control, if a definitive agreement is in place for the Change of Control at the time of making of the Change of Control Offer.

In addition, we will not be required to make a Change of Control Offer upon the consummation of a Change of Control Repurchase Event if a third party makes the Change of Control Offer in the manner, at the time and otherwise in compliance with the requirements set forth in the indenture applicable to a Change of Control Offer made by us and purchases all notes properly tendered and not withdrawn under such Change of Control Offer.

Notes repurchased by us pursuant to a Change of Control Offer will have the status of notes issued but not outstanding or will be retired and canceled at the option of the Company. Notes purchased by a third party pursuant to the preceding paragraph will have the status of notes issued and outstanding.

We will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, we will comply with the applicable securities laws and regulations and will not be deemed to have breached our obligations under this covenant by virtue thereof.

This Change of Control repurchase provision is a result of negotiations between us and the initial purchasers. We have no present intention to engage in a transaction involving a Change of Control Repurchase Event, although it is possible that we could decide to do so in the future. Subject to the limitations discussed below, we could, in the future, enter into certain transactions, including acquisitions, refinancings or other recapitalizations, that would not constitute a Change of Control Repurchase Event under the indenture, but that could increase the amount of indebtedness outstanding at such time or otherwise affect our capital structure or credit rating.

The occurrence of events that would constitute a Change of Control may also constitute an event of default under or require repurchase of our other indebtedness. Future indebtedness of the Company or its Subsidiaries may contain prohibitions on certain events that would constitute a Change of Control or require such indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the holders of their right to require us to repurchase the notes could cause a default under such credit facility, even if the Change of Control itself does not, due to the financial effect of such repurchase on us. Finally, our ability to pay cash to the holders upon a repurchase may be limited by our then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. See Risk Factors Risks Relating to the Notes We may not be able to fulfill our repurchase obligations in the event of a change of control repurchase event.

The definition of Change of Control includes a phrase relating to the sale, lease or transfer of all or substantially all the assets of the Company and its Subsidiaries taken as a whole. Although there is a developing body of case law interpreting the phrase substantially all, under New York law, which governs the indenture, there is no precise established definition of the phrase. Accordingly, the ability of a holder of notes to require us to repurchase such notes as a result of a sale, lease or transfer of less than all of the assets of the Company and its Subsidiaries taken as a whole to another Person or group may be uncertain.

The provisions under the indenture relating to our obligation to make an offer to repurchase the notes as a result of a Change of Control Repurchase Event may be waived or modified with the written consent of the holders of a majority in aggregate principal amount of the notes.

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Mandatory Redemption

We are not required to make mandatory redemption or sinking fund payments with respect to the notes.

Ranking

The notes are:

- senior unsecured obligations of the Company;
- equal in ranking in right of payment (*pari passu*) with all our existing and future unsecured debt that is not by its terms subordinated to the notes;
- senior in right of payment to all of our existing and future subordinated debt; and
- structurally subordinated to all obligations of our subsidiaries.

If we have any secured debt or other secured obligations, those obligations will be effectively senior to the notes to the extent of the value of the assets securing such debt or other obligations.

The guarantees of the notes will be automatically released on June 15, 2012, as described under Guarantees. We only have a shareholder s claim on the assets of our subsidiaries. This claim is junior to the claims that creditors of our subsidiaries have against those subsidiaries. Holders of the notes are creditors only of the Company, and not of our subsidiaries. As a result, all the existing and future liabilities of our subsidiaries, including any claims of trade creditors and preferred stockholders of our subsidiaries, are effectively senior to the notes.

As of March 31, 2012, on a pro forma basis after giving effect to the Tender Offers and the redemptions as described under Prospectus Summary The Company Recent Developments, the total outstanding debt of our subsidiaries would have been approximately $347 million. Our subsidiaries also have other liabilities, including contingent liabilities, that may be significant. The indenture contains limitations on the amount of additional debt that we or our subsidiaries may incur, but the additional debt could be substantial, and this debt may be debt of our subsidiaries, in which case this debt would be effectively senior in right of payment to the notes.

The notes are obligations exclusively of the Company. All of the Company s operations are conducted through subsidiaries. Therefore, our ability to service our debt, including the notes, is dependent upon the earnings and cash flows of our subsidiaries and their ability to distribute those earnings as dividends, loans or other payments or advancements to us. Certain laws and regulations restrict the ability of our subsidiaries to pay dividends and make loans and advances to us. In addition, such subsidiaries have entered into and may enter into contractual arrangements that limit their ability to pay dividends and make loans and advances to us.

The Guarantees

The indenture provides that each existing and subsequently acquired or organized direct or indirect wholly owned U.S. subsidiary of the Company that is an issuer or co-issuer in respect of, or guarantees, certain of our indebtedness will irrevocably and unconditionally guarantee on a senior basis the performance and punctual payment when due, whether at maturity, by acceleration or otherwise, of all obligations of the Company under the indenture and the notes (the guarantee). The Guarantors agree that they will pay principal of, premium, if any, interest and additional interest, if any, on the notes, expenses, indemnification or otherwise. The Guarantors also agree to pay, in addition to the amounts stated above, any and all expenses (including reasonable counsel fees and expenses) incurred by the trustee or the holders in enforcing any rights under the guarantees.

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The indenture provides that the obligations of the Guarantor under the guarantee of the notes will be automatically and unconditionally released and discharged when, among other things, such Guarantors no longer are an issuer or co-issuer in respect of, or guarantee, certain indebtedness, including our 8% and 11% Notes. As described under Prospectus Summary Recent Developments, Lyondell Chemical has given notice of its intention to redeem all of the outstanding 8% and 11% Notes on June 15, 2012. Effective as of the date of redemption, there will be no Guarantors that are issuers or co-issuers in respect of, or guarantee, any indebtedness that would require any of our Subsidiaries to guarantee the notes.

Events of Default

Any one of the following events constitutes an Event of Default with respect to the notes:

- we do not pay interest on the notes when it becomes due and payable, and continuance of such default for a period of 30 days;
- we do not pay principal or premium, if any, on any note on its due date;
- we fail to perform any other covenant with respect to the notes and such failure has continued for 90 days after written notice as provided in the indenture;
- we or any Significant Subsidiary fails to pay any debt for borrowed money within any applicable grace period after maturity or the acceleration of the maturity of any debt for borrowed money of the Company or any Significant Subsidiary if the total amount of the indebtedness is greater than $100 million;
- any guarantee of a Significant Subsidiary ceases to be in full force and effect, other than pursuant to its terms for a period of 10 days; or
- certain events in bankruptcy, insolvency or reorganization occur involving us.

If an Event of Default occurs with respect to the notes and is continuing, the trustee or the holders of at least 25% in aggregate principal amount of the outstanding notes, by notice as provided in the indenture, may declare the principal amount of all the notes to be due and payable immediately. At any time after a declaration of acceleration with respect to the notes has been made, but before a judgment or decree for payment of money has been obtained by the trustee, the holders of a majority in aggregate principal amount of the notes may, under certain circumstances, rescind and annul such acceleration.

The indenture provides that, subject to the duty of the trustee during default to act with the required standard of care, the trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request or direction of any of the holders, unless such holders have offered the trustee indemnity reasonably satisfactory to it. Subject to such provisions for the indemnification of the trustee, the holders of a majority in aggregate principal amount of the outstanding notes have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee, or exercising any trust or power conferred on the trustee with respect to the notes. However, the trustee is not obligated to take any action unduly prejudicial to holders not joining in such direction or subjecting the debt trustee to personal liability.

We are required to furnish to the trustee annually a statement as to the performance of our obligations under each indenture and as to any default in such performance under the indenture.

Satisfaction and Discharge

We may discharge all of our obligations to holders of the notes that have not already been delivered to the trustee for cancellation and that have either become due and payable or are by their terms due and payable within one year (or scheduled for redemption within one year) by irrevocably depositing with the trustee an amount sufficient to pay when due the principal of and interest, if any, on all outstanding notes.

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Defeasance and Covenant Defeasance

General

We will have two options to discharge our obligations under the notes before their maturity date. We may elect either:

to defease and be discharged from any and all obligations with respect to the notes (except as described below) (defeasance); or

to be released from our obligations with respect to certain covenants applicable to the notes (covenant defeasance).

To elect either option, we must deposit with the trustee an amount of money and/or U.S. government obligations in an amount sufficient to pay the principal of and premium, if any, and each installment of interest on, the notes on the stated maturity of such payments.

Defeasance

We may establish a trust to defease and discharge our obligations, only if, among other things, we have delivered to the trustee an opinion of counsel to the effect that:

we have received from, or there has been published by, the Internal Revenue Service a ruling; or

since the date of the indenture there has been a change in applicable U.S. federal income tax law;

in either case to the effect that the holders of the notes of the applicable series will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit, defeasance and discharge. The opinion must also provide that the holders of the notes of the applicable series will be subject to U.S. federal income tax on the same amounts and in the same manner as would have been the case if such deposit, defeasance and discharge had not occurred. If any such defeasance and discharge occurs, holders of notes of the applicable series will be entitled to look only to such trust fund for payment of principal of, and any premium and any interest on their notes until maturity.

Upon the occurrence of a defeasance, we will be deemed to have paid and discharged the entire debt represented by the notes of the applicable series and to have satisfied all of our obligations, except for:

the rights of holders of the notes to receive, solely from the trust funds deposited to defease such notes, payments in respect of the principal of, premium, and/or interest, if any, on the notes when such payments are due; and

certain other obligations as provided in the indenture.

Covenant Defeasance

The indenture provides that we may omit to comply with the covenants described under Certain Covenants Restrictions on Secured Debt and Certain Covenants Restrictions on Sale and Lease-Back Transactions below, but the remainder of the indenture and notes will otherwise be unaffected. Any such omission will not be an Event of Default with respect to the notes, upon the deposit with the trustee, in trust, of money and/or U.S. government obligations in an amount sufficient to pay the principal of, and premium, if any, and each installment of interest on, the notes on the stated maturity of such payments. Our other obligations will remain in full force and effect. Such a trust may be established only if, among other things, we have delivered to the trustee an opinion of counsel to the effect that the holders of the notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and covenant defeasance. The opinion must also provide that holders of the notes will be subject to U.S. federal income tax on the same amounts and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred.

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Modification and Waiver

We and the trustee may modify or amend the indenture with the consent of the holders of a majority of the principal amount of the outstanding notes of each series affected by the modification or amendment. However, no such modification or amendment may, without the consent of the holders of all then outstanding notes of the affected series:

- change the due date of the principal of, or any installment of principal of or interest on, the notes of that series;
- reduce the principal amount of, or any premium or interest rate on, the notes of that series;
- change the place or currency of payment of principal of, or any premium or interest on, the notes of that series;
- impair the right to institute suit for the enforcement of any payment on or with respect to the notes of that series after the due date thereof; or
- reduce the percentage in principal amount of the notes of that series then outstanding, the consent of whose holders is required for modification or amendment of the indenture, for waiver of compliance with certain provisions of the indenture or for waiver of certain defaults.

The holders of a majority of the principal amount of the outstanding notes of any series may waive, insofar as that series is concerned, future compliance by us with certain restrictive covenants of the indenture. The holders of at least a majority in principal amount of the outstanding notes of any series may waive any past default under the indenture with respect to that series, except a failure by us to pay the principal of, or any premium or interest on, any notes of that series or a provision that cannot be modified or amended without the consent of the holders of all outstanding notes of the affected series.

Governing Law

The indenture and the notes are governed by, and construed in accordance with, the laws of the State of New York without regard to the principles of conflicts of laws thereof.

The Trustee

Wells Fargo Bank, National Association, is the trustee under the indenture. Wells Fargo and its affiliates have engaged, and may engage in financial or other transactions with the Company and its affiliates in the ordinary course of their respective businesses.

The indenture contains certain limitations on the right of the trustee, should it become our creditor, to obtain payment of claims in certain cases, or to realize for its own account on certain property received in respect of any such claim as security or otherwise. The trustee will be permitted to engage in certain other transactions; however, if it acquires any conflicting interest, it must eliminate such conflict or resign.

Pursuant to the Trust Indenture Act of 1939, should a default occur with respect to the notes, Wells Fargo would be required to resign as trustee under the indenture within 90 days of such default, unless such default were cured, duly waived or otherwise eliminated.

Certain Covenants

Restrictions on Secured Debt

The indenture provides that we will not, and will not permit any Subsidiary to, issue, assume or guarantee any debt for money borrowed if such indebtedness is secured by a mortgage, pledge, security interest or lien (a mortgage or mortgages) upon any of their property or assets without in any such case effectively providing

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that the notes shall be secured equally and ratably with (or prior to) such indebtedness, except that the foregoing restrictions will not apply to:

(1) mortgages on any property acquired, leased, constructed or improved by, or on any shares of capital stock or indebtedness acquired by, us or any Subsidiary after the date of the indenture to secure indebtedness incurred for the purpose of financing or refinancing all or any part of the purchase price of such property, shares of capital stock or indebtedness or of the cost of any construction or improvements on such property, in each case, to the extent that the indebtedness is incurred prior to or within one year after the applicable acquisition, lease, completion of construction or beginning of commercial operation of such property, as the case may be;

(2) mortgages on any property, shares of capital stock or indebtedness existing at the time we or any Subsidiary acquire any of the same;

(3) mortgages on property of a corporation existing at the time we or any Subsidiary merge or consolidate with such corporation or at the time we or any Subsidiary acquire all or substantially all of the properties of such corporation;

(4) mortgages on (a) any property of, or shares of capital stock or indebtedness of, a Person existing at the time such Person becomes a Subsidiary or (b) any shares of capital stock or indebtedness of a Joint Venture;

(5) mortgages to secure indebtedness of any Subsidiary to us or another Subsidiary;

(6) mortgages in favor of certain governmental bodies to secure partial, progress, advance or other payments pursuant to any contract or statute or to secure indebtedness incurred or guaranteed to finance or refinance all or any part of the purchase price of the property, shares of capital stock or indebtedness subject to such mortgages, or the cost of constructing or improving the property subject to such mortgage;

(7) extensions, renewals or replacements of any mortgage existing on the date of the indenture or any mortgage referred to above; however, the principal amount of indebtedness secured thereby may not exceed the principal amount of indebtedness so secured at the time of such extension, renewal or replacement, and such extension, renewal or replacement will be limited to all or a part of the property (plus improvements and construction on such property), shares of capital stock or indebtedness which was subject to the mortgage so extended, renewed or replaced; and

(8) mortgages on accounts receivables and related assets of the Company and its Subsidiaries pursuant to Qualified Receivables Financing entered into in the ordinary course of their respective businesses.

Notwithstanding the preceding, we and any of our Subsidiaries may, without securing the notes, issue, assume or guarantee secured indebtedness (which would otherwise be subject to the foregoing restrictions) in an aggregate amount which, together with all other such indebtedness, plus the aggregate amount (without duplication) of (x) all Subsidiary debt (with the exception of Subsidiary debt which is described in clauses (1) through (7) of the second paragraph under the heading Restrictions on Subsidiary Debt), and (y) all Attributable Debt of the Company and any of its Subsidiaries in respect of Sale and Lease-Back Transactions (with the exception of such transactions which are permitted under clauses (1) and (2) of the first sentence of the first paragraph under Restrictions on Sale and Lease-Back Transactions , below) does not exceed 15% of Consolidated Net Tangible Assets of the Company.

Restrictions on Subsidiary Debt

The Company will not permit any of its Subsidiaries to create, assume, incur, issue, or guarantee any indebtedness for borrowed money, without guaranteeing the payment of the principal of, premium, if any, and interest on the notes on an unsecured unsubordinated basis, except the foregoing restrictions will not apply to:

(1) indebtedness of a Person existing at the time such Person is merged into or consolidated with any Subsidiary or at the time of a sale, lease or other disposition of the properties and assets of such Person (or a

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division thereof) as an entirety or substantially as an entirety to any Subsidiary and is assumed by such Subsidiary; provided that any indebtedness was not incurred in contemplation thereof and is not guaranteed by any other Subsidiary;

(2) indebtedness of a Person existing at the time such Person becomes a Subsidiary; provided that any indebtedness was not incurred in contemplation thereof;

(3) indebtedness owed to the Company or any other Subsidiary;

(4) indebtedness of such Subsidiary secured by liens on assets of such Subsidiary permitted under any of clauses (1) and (6) of the first paragraph under the heading Restrictions on Secured Debt ;

(5) indebtedness outstanding on the date of the indenture or any extension, renewal, replacement or refunding of any indebtedness existing on the date of the indenture or referred to in clauses (1), (2), (3) or (4); provided that the principal amount of the indebtedness shall not exceed the principal amount of indebtedness plus any premium or fee payable in connection with any such extension, renewal, replacement or refunding, so secured at the time of such extension, renewal, replacement or refunding;

(6) indebtedness in respect of a Qualified Receivables Financing; and

(7) indebtedness of Foreign Subsidiaries; provided, however, that the aggregate principal amount of indebtedness incurred under this clause (7), when aggregated with the principal amount of all other indebtedness then outstanding and incurred pursuant to this clause (7), does not exceed $200 million at any one time outstanding.

Notwithstanding the restrictions described above, the Company and any of its Subsidiaries may create, incur, issue, assume or guarantee debt, without guaranteeing the notes, in an aggregate amount which, together with the aggregate amount (without duplication) of (x) all indebtedness secured by mortgages (not including any such indebtedness secured by mortgages described in clauses (1) through (8) of the first paragraph under the heading Restrictions on Secured Debt) and (y) all Attributable Debt of the Company and any of its Subsidiaries in respect of Sale and Lease-Back Transactions (with the exception of such transactions which are permitted under clauses (1) and (2) of the first sentence of the first paragraph under Restrictions on Sale and Lease-Back Transactions , below) does not exceed 15% of Consolidated Net Tangible Assets of the Company.

Restrictions on Sale and Lease-Back Transactions

The indenture provides that neither the Company nor any of its Subsidiaries will enter into any Sale and Lease-Back Transaction with respect to any of their assets unless:

(1) the Company or such Subsidiary is entitled under the provisions described in clause (1) or clause (6) in the first paragraph under Restrictions on Secured Debt to create, issue, assume or guarantee indebtedness secured by a mortgage on the property to be leased without having to equally and proportionately secure the notes;

(2) the Company or such Subsidiary applies an amount (equaling at least the greater of the net proceeds of the sale of property or the fair market value of the property) within 180 days after the effective date of the arrangement to make non-mandatory prepayments on long-term indebtedness, retire long-term indebtedness or acquire, construct or improve a manufacturing plant or facility; or

(3) the Attributable Debt of the Company and its Subsidiary in respect of such Sale and Lease-Back Transaction and all other Sale and Lease-Back Transactions entered into after the issue date of the outstanding notes (other than any such Sale and Lease-Back Transaction as would be permitted as described in clauses

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(1) and (2) of this sentence), plus the aggregate principal amount (without duplication) of (x) indebtedness secured by mortgages then outstanding (not including any such indebtedness secured by mortgages described in clauses (1) through (8) of the first paragraph under the heading Restrictions on Secured Debt) which do not equally and ratably secure the notes (or secure notes on a basis that is prior to other indebtedness secured thereby) and (y) Subsidiary debt (with the exception of Subsidiary debt which is described in clauses (1) through (7) of the second paragraph under the heading Restrictions on Subsidiary Debt), would not exceed 15% of Consolidated Net Tangible Assets of the Company.

Consolidation, Merger and Sale of Assets

The indenture provides that we may consolidate or merge with or into any other corporation, or lease, sell or transfer all or substantially all of our property and assets if the corporation formed by such consolidation or into which we are merged, or the party which acquires by lease, sale or transfer all or substantially all of our property and assets:

(1) is a corporation organized and existing under the laws of the United States, any state in the United States, the District of Columbia, Canada, any province of Canada or any state which was a member of the European Union on December 31, 2003 (other than Greece);

(2) agrees to pay the principal of, and any premium and interest on, the notes, perform and observe all covenants and conditions of the indenture by executing and delivering to the Trustee a supplemental indenture and assumes all of the Company s obligations under the Registration Rights Agreement; and

immediately after giving effect to such transaction, no Default or Event of Default has happened and is continuing.

If, as a result of such transaction, any of our assets or any shares of capital stock or indebtedness of any Subsidiary, owned immediately prior to the transaction, would thereupon become subject to any mortgage, security interest, pledge or lien of, or guaranteed by, such other corporation or party (other than any mortgage, security interest, pledge or lien permitted as described under Certain Covenants Restrictions on Secured Debt above), we will secure the due and punctual payment of the principal of, and any premium and interest on, the notes (together with, if we decide, any other indebtedness of, or guaranteed by, us or any Subsidiary then existing or thereafter created) equally and proportionately with (or, at our option, prior to) the indebtedness secured by such mortgage, security interest, pledge or lien.

Notwithstanding the restrictions described above, the Company shall be permitted to sell, assign, transfer, lease, convey or otherwise dispose, in one or more related transactions, of assets constituting the capital stock or all or part of the assets of any Subsidiary, division or line of business or group of such Subsidiaries, divisions or lines of business (disposed group) if such disposed group (i) generated Consolidated EBITDA that was less than 40% of the Consolidated EBITDA of the Company in (a) the most recently completed four quarters for which financial statements are required to be delivered pursuant to the indenture and (b) each of the last three completed fiscal years of the Company for which financial statements are required to be delivered pursuant to the indenture and (ii) has total assets with a value that is less than 40% of the total value of the consolidated assets of the Company and its Subsidiaries, as determined in accordance with GAAP as of the last date of the latest period for which financial statements are required to be delivered pursuant to the indenture; provided that such disposition otherwise complies with the indenture. Any such disposition shall also not be deemed a Change of Control.

SEC Reports

Notwithstanding that we may not be subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, we will file with the SEC and provide the trustee and holders of notes with such annual reports

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and such information, documents and other reports as are specified in Sections 13 and 15(d) of the Exchange Act and applicable to a registrant that is a U.S. corporation subject to such Sections, such information, documents and reports to be so filed and provided at the times specified for the filing of such information, documents and reports under such Sections and post such information, documents and other reports on our website.

In addition, we will furnish to the holders of notes and to prospective investors, upon request, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act so long as the notes are not freely transferable under the Securities Act.

Certain Definitions

Set forth below is a summary of certain of the defined terms used in the indenture. Reference is made to the indenture for the full definition of all such terms as well as any other capitalized terms used herein for which no definition is provided. Unless the context otherwise requires, an accounting term not otherwise defined has the meaning assigned to it in accordance with generally accepted accounting principles.

Applicable Premium means in connection with the optional redemption of any note, the greater of:

(x) 1.00% of the then outstanding principal amount of the note; and

(y) the excess of: (a) the present value at such redemption date of (i) the principal amount of the note at maturity plus (ii) all required interest payments due on the note through maturity (excluding accrued but unpaid interest but including additional interest, if any), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; over (b) the outstanding principal amount of the note.

Attributable Debt is defined in the indenture to mean, in the context of a Sale and Lease-Back Transaction, what we believe in good faith to be the present value, discounted at the interest rate implicit in the lease involved in such Sale and Lease-Back Transaction, of the lessee s obligation under the lease for rental payments during the remaining term of such lease, as it may be extended. For purposes of this definition, any amounts lessee must pay, whether or not designated as rent or additional rent, on account of maintenance and repairs, insurance, taxes, assessments, water rates or similar charges or any amounts lessee must pay under the lease contingent upon the amount of sales, maintenance and repairs, insurance, taxes, assessments, water rates or similar charges are not included in the determination of lessee s obligations under the lease.

Change of Control means the occurrence of any of the following:

(1) the sale, lease or transfer, in one or a series of related transactions, of all or substantially all of the assets of the Company and its Subsidiaries, taken as a whole, to any Person; or

(2) the Company becomes aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) the acquisition by any Person or group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act, or any successor provision), including any group acting for the purpose of acquiring, holding or disposing of securities (within the meaning of Rule 13d-5(b)(1) under the Exchange Act), in a single transaction or in a related series of transactions, by way of acquisition, merger, amalgamation, consolidation, transfer, conveyance or other business combination or purchase of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act, or any successor provision) of more than 50% of the total voting power of the voting stock of the Company, other than by virtue of the imposition of a holding company, or the reincorporation of the Company in another jurisdiction, so long as the beneficial owners of the voting stock of the Company immediately prior to such transaction hold a majority of the voting power of the voting stock of such holding company or reincorporation entity immediately thereafter.

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Change of Control Repurchase Event means the occurrence of both a Change of Control and a Ratings Event.

Consolidated EBITDA means, in respect of any Person for any period, the consolidated operating income plus consolidated depreciation, amortization and other non-cash charges and losses and minus consolidated non-cash credits, gains and income, in each case of such Person and its Subsidiaries for such period; it being understood that such amounts may be determined on a combined basis for a disposed group.

Consolidated Net Tangible Assets means, with respect to any Person, the Total Assets of such Person and its Subsidiaries less goodwill and intangibles (other than intangibles arising from, or relating to, intellectual property, licenses or permits (including, but not limited to, emissions rights) of such Person), in each case calculated in accordance with GAAP, provided, that in the event that such Person or any of its Subsidiaries assumes or acquires any assets in connection with the acquisition by such Person and its Subsidiaries of another Person subsequent to the commencement of the period for which the Consolidated Net Tangible Assets is being calculated but prior to the event for which the calculation of the Consolidated Net Tangible Assets is made, then the Consolidated Net Tangible Assets shall be calculated giving pro forma effect to such assumption or acquisition of assets, as if the same had occurred at the beginning of the applicable period.

Qualified Receivables Financing means the securitization of accounts receivables and related assets of the Company and its Subsidiaries on customary market terms (including, without limitation, Standard Securitization Undertakings and a Receivable Repurchase Obligation) as determined in good faith by the Company to be in the aggregate commercially fair and reasonable to the Company and its Subsidiaries taken as a whole.

Ratings Event means at any time from or after the occurrence of a Change of Control and until the earlier to occur of (x) 60 days after the later of, (i) the occurrence of a Change of Control or (ii) public notice of the occurrence of a Change of Control (which period shall be extended so long as the rating of the notes is under publicly announced consideration for a possible downgrade by any of the Rating Agencies) and (y) both Rating Agencies publicly reaffirming an Investment Grade Rating on the notes following such Change of Control, the notes have a below Investment Grade Rating by either Rating Agency.

Sale and Lease-Back Transaction is defined in the indenture to mean the leasing by us or any Subsidiary of any asset, whether owned at the date of the indenture or acquired after the date of the indenture (except for temporary leases for a term, including any renewal term, of up to three years and except for leases between us and any Subsidiary or between Subsidiaries), which property has been or is to be sold or transferred by us or such Subsidiary to any party with the intention of taking back a lease of such property.

Significant Subsidiary means any Subsidiary that would be a Significant Subsidiary of the Company within the meaning of Rule 1-02 under Regulation S-X promulgated by the Commission (or any successor provision).

Subsidiary means, with respect to any Person, (1) any corporation, association or other business entity (other than a partnership, joint venture or limited liability company) of which more than 50% of the total voting power of shares of capital stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; (2) any partnership, joint venture or limited liability company of which (x) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise, and (y) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity; or (3) with respect to the Company, for so long as the Company

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or any of its Subsidiaries, individually or in the aggregate, has at least a 50% ownership interest in Lyondell Bayer Manufacturing Maasvlakle VOF, Lyondell Bayer Manufacturing Maasvlakle VOF. Unless otherwise qualified, all references to a Subsidiary or to Subsidiaries in this Description of the Exchange Notes shall refer to a Subsidiary or Subsidiaries of the Company.

Total Assets means, with respect to any Person, the total consolidated assets of such Person and its Subsidiaries, without giving effect to any amortization of the amount of intangible assets since November 14, 2011, (x) as shown on the most recent balance sheet of such Person, or (y) in regards to the Company only, as shown on the most recent balance sheet required to be delivered pursuant to the covenant under Certain Covenants SEC Reports .

Treasury Rate means, in connection with the calculation of any Applicable Premium with respect to any note, the yield to maturity at the time of computation of United States Treasury securities with a constant maturity, as compiled by and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date (or, if such Statistical Release is no longer published, any publicly available source or similar market data), equal to the then remaining maturity of the note being prepaid. If no maturity exactly corresponds to such maturity, yields for the published maturities occurring prior to and after such maturity most closely corresponding to such maturity shall be calculated pursuant to the immediately preceding sentence and the Treasury Rate shall be interpolated or extrapolated from such yields on a straight-line basis, rounding in each of such relevant periods to the nearest month.

THE EXCHANGE OFFER

Purpose and Effect of the Exchange Offer

At the closing of the offering of the outstanding notes in November 2011, we entered into a registration rights agreement with the initial purchasers pursuant to which we agreed, for the benefit of the holders of the outstanding notes, at our cost, (1) to use our reasonable best efforts to (a) file and cause to become effective with the Commission an exchange offer registration statement on or before 365 days after the issue date of the outstanding notes and (b) consummate a registered offer to exchange the notes for new exchange notes having terms substantially identical in all material respects to the notes (except that the new exchange notes will not contain terms with respect to additional interest or transfer restrictions) pursuant to such exchange offer registration statement and (ii) under certain circumstances, to use commercially reasonable efforts to file a shelf registration statement with respect to resales of the notes promptly after the 365th day after the issue date of the outstanding notes (such date, the Exchange Date). If we do not consummate the exchange offer (or shelf registration, if applicable) as provided in the registration rights agreement, we will be required to pay additional interest with respect to the notes in certain circumstances.

We intend to conduct the exchange offer in accordance with the provisions of the registration rights agreement and the applicable requirements of the Securities Act and the related rules and regulations of the SEC.

Each holder of outstanding notes will be required to make the following representations to us in order to participate in the exchange offer:

- the holder is not an affiliate as defined in Rule 405 of the Securities Act;
- the holder will require the exchange notes in the ordinary course of business; and
- the holder has not engaged in, does not intend to engage in, nor has any arrangements or understanding with another person to participate in, a distribution of the exchange notes.

In the event that the exchange offer is not consummated by the Exchange Date, we will, subject to certain conditions, at our own cost:

- file a shelf registration statement covering resales of the notes promptly following the Exchange Date;

use our commercially reasonable efforts to cause the shelf registration statement to be declared effective under the Securities Act within 90 days after the Exchange Date; and

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use our commercially reasonable efforts to keep the shelf registration statement effective for a period of 90 days from the effective date of the shelf registration statement or such shorter period that will terminate when all notes registered thereunder are disposed of in accordance therewith or cease to be outstanding or on the date upon which all notes covered by such shelf registration statement become eligible for resale without regard to volume, manner of sale or other restrictions contained in Rule 144, such period, the shelf registration period .

In the event that (a) the exchange offer is not consummated within 45 days following November 14, 2012 or (b) within 90 days after filing a shelf registration statement covering resales of the notes, the shelf registration statement has not been declared effective by the SEC, or subject to limited exceptions, such shelf registration statement ceases to be effective at any time during the shelf registration period, (a registration default), then additional interest will accrue on the aggregate principal amount of notes from and including the date on which any such registration default has occurred to but excluding the date on which all registration defaults have been cured. Additional interest will accrue at a rate of 0.25% for the first 90 day period after such date and thereafter it will be increased by an additional 0.25% for each subsequent 90 day period that elapses provided that the aggregate increase in such annual interest rate may in no event exceed 1.00% per annum.

In the event a shelf registration statement is filed, holders of outstanding notes will be required to deliver certain information to be used in connection with the shelf registration statement and to provide comments on the shelf registration statement within the time periods set forth in the registration rights agreement in order to have such holder s outstanding notes included in the shelf registration statement and benefit from the provisions regarding liquidated damages set forth above. By acquiring exchange notes, a holder will be deemed to have agreed by virtue of the registration rights agreement to indemnify us, against certain losses arising out of information furnished by such holder in writing for inclusion in any shelf registration statement. Holders of outstanding notes will also be required to suspend their use of the prospectus included in the shelf registration statement under certain circumstances upon receipt of written notice to that effect from us.

This summary of the provisions of the registration rights agreement does not purport to be complete and is subject to, and qualified in its entirety by reference to, all provisions of the registration rights agreement.

Terms of the Exchange Offer; Acceptance of Tendered Notes

Subject to the terms and conditions described in this prospectus and in the letter of transmittal, we will accept for exchange any outstanding notes properly tendered and not withdrawn prior to 11:59 p.m. New York City time on the expiration date. We will issue exchange notes in principal amount equal to the principal amount of outstanding notes surrendered in the exchange offer. Outstanding notes may be tendered only for exchange notes in minimum denominations of $200,000 and integral multiples of $1,000 in excess thereof. The exchange notes will be delivered promptly after the expiration date.

The exchange offer is not conditioned upon any minimum aggregate principal amount of outstanding notes being tendered for exchange.

This prospectus and the letter of transmittal are being sent to all registered holders of outstanding notes. There will be no fixed record date for determining registered holders of outstanding notes entitled to participate in the exchange offer.

We intend to conduct the exchange offer in accordance with the provisions of the registration rights agreement, the applicable requirements of the Securities Act and the Exchange Act and the rules and regulations of the SEC. Outstanding notes that the holders thereof do not tender for exchange in the exchange offer will remain outstanding and continue to accrue interest. These outstanding notes will continue to be entitled to the rights and benefits such holders have under the indenture relating to the notes.

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We will be deemed to have accepted for exchange properly tendered outstanding notes when we have given oral or written notice of the acceptance to the exchange agent and complied with the applicable provisions of the registration rights agreement. The exchange agent will act as agent for the tendering holders for the purposes of receiving the exchange notes from us.

If you tender outstanding notes in the exchange offer, you will not be required to pay brokerage commissions or fees or, subject to the letter of transmittal, transfer taxes with respect to the exchange of outstanding notes. We will pay all charges and expenses, other than certain applicable taxes described below, in connecting with the exchange offer. It is important that you read the section labeled Fees and Expenses for more details regarding fees and expenses incurred in the exchange offer.

We will return any outstanding notes that we do not accept for exchange for any reason without expense to their tendering holder promptly after the expiration or termination of the exchange offer.

Expiration Date

The exchange offer will expire at 11:59 p.m., New York City time, on , 2012, unless, in our sole discretion, we extend it.

Extensions, Delays in Acceptance, Termination or Amendment

We expressly reserve the right, at any time or various times, to extend the period of time during which the exchange offer is open. We may delay acceptance of any outstanding notes by giving written notice of such extension to their holders. During any such extensions, all outstanding notes previously tendered will remain subject to the exchange offer, and we may accept them for exchange.

In order to extend the exchange offer, we will notify the exchange agent orally or inght"> CASH FLOWS FROM INVESTING ACTIVITIES Purchase of Property (23,741) (65,038)Investment in Affiliate 5,069 0 Change in Other Assets (82,061) (198,763)CASH FLOWS (USED IN) INVESTING ACTIVITIES (100,733) (263,801) CASH FLOWS FROM FINANCING ACTIVITIES Other Comprehensive Income (Loss) (5,020) 10,330 Proceeds from Sale of Preferred Stock, Series B 1,743,500 832,000 Proceeds from Promissory Notes 453,500 1,545,000 Conversion of Accrued Interest to Notes Payable 169,666 0 Conversion of Notes Payable to Common Stock (14,248) 0 Loan from Non-Controlling Interest 111,500 120,000 Purchase of Treasury Stock (7,500) (94,500)CASH FLOWS PROVIDED BY FINANCING ACTIVITIES 2,451,398 2,432,830 NET (DECREASE) IN CASH (898,358) (225,900) CASH AT BEGINNING OF PERIOD 1,143,344 1,522,652 CASH AT END OF PERIOD $244,986 $1,296,752 SUPPLEMENTAL DISCLOSURES Redemption of Preferred Stock, Series B for Common Stock $13,626 $0 Non-Cash Issuance of Stock Options $0 $59 Note Conversion to Common Stock $11,321 $240,000 Issuance of Treasury Shares for Compensation $625,000 $0 Issuance of Common Stock for Treasury Stock $4,000,000 $0 Conversion of Accrued Interest to Notes $169,666 $14,757 Cash Paid for Interest $0 $0 Cash Paid for Income Taxes $0 $0

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

DYNARESOURCE, INC.

Notes to the Consolidated Financial Statements

September 30, 2014 (Unaudited) and December 31, 2013

(Audited)

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities, History and Organization:

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

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

In 2005, the Company formed DynaResource Operaciones de San Jose De Gracia S.A. de C.V. ("DynaOperaciones"), and acquired effective control of Mineras de DynaResource, S.A. de C.V. (formerly Minera Finesterre 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 finalized the option and acquisition of MinerasDyna in January 2010, and now owns 100% of MinerasDyna. The results of these subsidiaries are consolidated with those of the Company.

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

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

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

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 disclosures for the preceding fiscal year contained in the Company's Annual Report on Form 10-K. The results of operations for the three and nine months ended September 30, 2014 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, 2013 Form 10-K.

Significant Accounting Policies:

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

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

Basis of Presentation:

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

Principles of Consolidation:

The financial statements include the accounts of DynaResource, Inc., as well as DynaResource de México, S.A. de C.V., 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.

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 growth 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.

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 September 30, 2014 and December 31, 2013 (Mexican Pesos per one U.S. dollar):

	Sept 30,	**Dec 31, 2013**

		2014	
Current exchange rate	**Pesos**	**13.48**	**13.07**
Weighted Average exchange rate for the period ended	**Pesos**	**13.11**	**12.75**

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 September 30, 2014, the Company had no balances that were 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.

Foreign Tax Receivable:

Foreign Tax Receivable is comprised of recoverable value-added taxes ("IVA") charged by the Mexican government on goods and services rendered. Under certain circumstances, these taxes are recoverable by filing a tax return. Amounts paid for IVA are tracked and held as receivables until the funds are remitted. The total amounts of the IVA receivable as of September 30, 2014 and December 31, 2013 are $522,940 and $296,038, respectively.

Inventory:

The Company commenced mining and milling (production) activities in the 2nd quarter, 2014. Inventories are carried at the lower of cost or fair value and consist of mined tonnage, and gravity concentrates, and gravity tailings or flotation feed material. The inventories are $213,000 and $0 as of September 30, 2014 and December 31, 2013, respectively.

Property:

Property is 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. Repairs and maintenance are expensed as incurred.

Mining Properties:

Mining properties consist of 33 mining concessions covering approximately 69,121 hectares, at the San Jose de Gracia property ("SJG"), the basis of which are amortized on the unit of production method based on estimated recoverable resources. If it is determined that the deferred costs related to a property are not recoverable over its productive life, those costs will be written down to fair value as a charge to operations in the period in which the determination is made. The amounts at which mineral properties and the related costs are recorded do not necessarily reflect present or future values.

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 September 30, 2014, no indications of impairment existed.

Pre Pilot-Production Costs:

During 2014, the Company has conducted rehabilitation activity at the San Pablo mine, and has refurbished the Pilot Mill Facility at San Jose de Gracia, and in general preparing for Pilot mining and milling ("Production") Operations. The costs associated with the rehabilitation, preparation, clean up and facilitation of this process are expensed as pre pilot-production costs.

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.

Advertising Costs:

The Company incurred no advertising costs for the three and nine months ended September 30, 2014 and 2013.

Income Taxes:

Income from the parent company, DynaUSA, is taxed at regular corporate rates per the Internal Revenue Code. Although the Company has tax loss carry-forwards (see Note 6), 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. Income from the Company's subsidiaries in Mexico are taxed at applicable Mexican tax law.

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 September 30, 2014 and December 31, 2013, the Company's components of comprehensive income were foreign currency translation adjustments and unrealized gains/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. Potentially dilutive common shares are additional common shares assumed to be exercised. Potentially dilutive common shares consist of stock options and convertible preferred shares and convertible notes and are excluded from the diluted earnings per share computation in periods where the Company has incurred a net loss, as their effect would be considered anti-dilutive.

The Company had 1,151,800 options and warrants outstanding at September 30, 2014. The Company also had convertible debt instruments as of September 30, 2014. As the Company incurred a net loss during the period ended September 30, 2014, the basic and diluted loss per common share is the same amount, as any common stock equivalents would be considered anti-dilutive and, therefore, have been excluded from the computation.

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 flows.

Reclassifications:

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

NOTE 2 – INVENTORIES

The Company commenced underground mining and test milling activities ("pilot production") in the 2nd quarter of 2014. Inventories are carried at the lower of cost or fair value and consist of mined tonnage, gravity concentrates and gravity tailings (or, flotation feed material. The inventories are $213,000 and $0 as of September 30, 2014 and December 31, 2013, respectively, as follows:

	2014	2013
Mined Tonnage	**$110,000**	**$ 0**
Gravity Tailings (Flotation Feed Material)	**78,000**	**0**
Gravity Concentrate	**25,000**	**0**
Total Inventories	**$213,000**	**$ 0**

NOTE 3 – PROPERTY

Property consists of the following at September 30, 2014 and December 31, 2013:

	2014	2013
Mining camp equipment and fixtures	**$648,866**	**$648,866**
Transportation equipment	**262,348**	**262,348**
Lab equipment	**14,306**	**14,306**
Machinery and equipment	**66,931**	**43,187**
Office furniture and fixtures	**76,894**	**76,894**
Office equipment	**11,673**	**11,673**
Computer equipment	**36,105**	**36,105**
Sub-total	**1,117,123**	**1,093,379**
Less: Accumulated depreciation	**(887,895)**	**(851,861)**
Total Property	**$229,288**	**$241,518**

Depreciation has been provided over each asset's estimated useful life. Depreciation expense was $53,594 and $62,683 for the nine months ended September 30, 2014 and 2013, respectively.

NOTE 4 – MINING PROPERTIES

Mining properties consist of the following at September 30, 2014 and December 31, 2013:

	2014	2013
San Jose de Gracia ("SJG"):		
Mining Concessions	**$4,702,411**	**$4,703,367**
Less: Accumulated Amortization	**(539,919)**	**(519,400)**
Total Mining Properties	**$4,163,492**	**$4,183,967**

Amortization expense was $2,852 and $3,379 for the nine months ended September 30, 2014 and 2013, respectively.

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

Through September 30, 2014, the Company loaned a total of $805,760 to DynaResource Nevada, Inc. ("DynaNevada"), a Nevada Corporation, which owns 100% of one operating subsidiary in México, DynaNevada de México, S.A. de C.V. ("DynaNevada de México"). The terms of the Note Receivable provided for a "Convertible Loan", repayable at 5% interest over a 3 year period, and convertible at the Company's option into common stock of DynaNevada at $.25 / Share. DynaNevada is a related entity (affiliate), and through its subsidiary DynaNevada de México, has entered into an Option agreement with Grupo México (IMMSA) in México, for the exploration and development of approximately 3,000 hectares in the State of San Luis Potosi ("The Santa Gertrudis Property"). DynaNevada de México exercised the Option with IMMSA in March 2010, so that DynaNevada de México now owns 100% of the Santa Gertrudis Property. In June 2010, DynaNevada de México acquired an additional 6,000 hectares in the State of Sinaloa (the "San Juan Property").

On December 31, 2010, the Company exercised its option to convert the note receivable and other receivable from DynaNevada into shares of common stock at a rate of $.25 / Share. The Company received 3,223,040 shares, which represents approximately 19.95% of the outstanding shares of DynaNevada. At the time of the exchange, DynaNevada's net book value was approximately $695,000, consisting of $30,000 cash and the remainder unproven mining properties. 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 September 30, 2014 and December 31, 2013 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.

The Company has advanced funds to DynaNevada on a regular basis in order for DynaNevada to meets its basis filing and reporting obligations with the Mexican authorities relating to tax returns and paying taxes on its mining concessions. As of September 30, 2014 and December 31, 2013, the advances totaled $181,771 and $186,840, respectively.

NOTE 6 – PROMISSORY NOTES

Notes Payable – Series I

At September 30, 2014, the Company was obligated to repay Promissory Notes in the amount of $1,341,312 (the "Notes"). The Notes bear simple interest at twelve and a half percent (12.5%), accrued for twelve months, and with the accrued interest to be added to the principal, and then interest will be paid by the Company, quarterly in arrears. As of September 30, 2014, all accrued interest on the Series I notes were converted to principal and Note holders were issued interest payments based on the total of note plus accrued interest for the 2nd quarter, 2014.

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 tonnes) processed through the existing, or improved mill facilities at San Jose de Gracia. Such net profits (if any) are to be calculated after deducting all expenses related to the processing of the bulk sample material, and after a prior deduction of thirty three percent (33%) from the profits, to be deposited in a sinking fund cash reserve. This net profit percentage (if any) would be paid quarterly in arrears based on the profits generated (if any) for the prior quarter. 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 accrued interest into Series B Preferred Stock of the Company at $5.00 per share, or into Common Stock at $5.00 per share. If the Note is converted into Common Stock, at the time of conversion, the holder would receive a warrant to purchase additional common shares of the Company for $7.50 per share, such warrant expiring on December 31, 2015.

Notes Payable – Series II

At September 30, 2014, the Company was obligated to repay Promissory Notes in the amount of $399,808 (the "Notes"). The Notes bear simple interest at twelve and a half percent (12.5%), accrued for twelve months, and with the accrued interest to be added to the principal, and then interest will be paid by the Company, quarterly in arrears.

The holders of the Notes (In Aggregate) are also entitled to receive ten percent (10%) of the net profits received by the Company, and generated from the bulk sampling material (if any, on the second fifty thousand tonnes) processed through the existing, or improved mill facilities at San Jose de Gracia. 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 in a sinking fund. 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 accrued interest into common stock of the Company at $5.00 per share. At the time of conversion, the holder would receive a warrant to purchase additional common shares of the Company for $7.50 per share, such warrant expiring on December 31, 2015.

One note was converted in the current quarter in the amount of $11,321, which includes $343 accrued interest converted to notes and 4,391 shares of common stock were issued, at a price of $2.50 per share (preferred series B shares conversion was bypassed as all preferred shares were converted to common as of September 30, 2014).

Other Notes

The Company received proceeds from a short term convertible note in the amount of $203,500 in the quarter. Interest is accrued at 8% annually and interest payments are deferred until conversion or payoff of note. The note provisions allow payoff in the first 180 days subsequent to funding, with additional premium of 10% of the note amount in the 1st 30 days; 12% if paid in the next 30 days; 15% in the next 60 days; and 19% if paid before the end of 180 days. After 180 days, the note is convertible to common stock at a "variable conversion price" of 70% of the market price (average of the lowest three trading prices for the common stock during the ten trading day period ending on the latest complete trading day prior to the conversion date). This note has been guaranteed by the CEO of the Company.

NOTE 7 – INCOME TAXES

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

The cumulative tax effect at the expected tax rate of 34% (blended for U.S. and México) of significant items comprising the Company's net deferred tax amounts as of September 30, 2014 and December 31, 2013 are as follows:

Deferred Tax Asset Related to:

	2014	2013
Prior Year	$9,500,294	$8,282,305
Tax Benefit for Current Year	1,077,857	1,217,989
Total Deferred Tax Asset	10,578,151	9,500,294
Less: Valuation Allowance	(10,578,151)	(9,500,294)
Net Deferred Tax Asset	$0	$0

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 $35,000,000 at September 30, 2014, 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 September 30, 2014.

NOTE 8 – STOCKHOLDERS' EQUITY

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

Series A Preferred Stock:

The Company has designated 1,000 shares of its Preferred Stock as Series A, having a par value of $0.0001 per share. Holders of the Series A Preferred Stock have the right to elect a majority of the Board of Directors of the Company. In October 2007, the Company issued 1,000 shares of Series A Preferred Stock to its CEO. At September 30, 2014 and December 31, 2013 there were 1,000 and 1,000 shares of Series A Preferred Stock outstanding, respectively. The par value changed from $1.00 to $0.0001 in 2013.

Series B Preferred Stock:

The Company has designated 1,000,000 shares of its Preferred Stock as Series B, having a par value of $0.0001 per share. Holders of the Series B Preferred Shares have the right to convert into Common Stock of the Company on the following schedule:

Date of Conversion	# of Common Shares Received on Conversion For Each Preferred Share	# of Common Stock Warrants Received On Conversion for Each Preferred Share	Company Can Force the Option?
April 1 to September 30, 2014	2	0	N
July 1 to Dec 31, 2014	1.5	.75	N
January 1 to June 30, 2015	1	1	N
July 1 to December 31, 2015	1	0	Y

The holders of Series B Preferred Shares do not have voting rights and are not entitled to receive a dividend.

At September 30, 2014, all preferred shares converted to common shares: 809,146 shares of preferred B converted to 1,425,542 shares of common. At December 31, 2013, 460,446 shares of Series B Preferred Stock were outstanding.

In the third and fourth quarters of 2013, $340,000 of the promissory notes and $22,734 of accrued interest were converted to Series B Preferred Stock. One note was converted in the current quarter in the amount of $11,321 and 4,391 shares of common stock were issued (preferred series B shares was bypassed as all preferred shares were converted to common stock as of September 30, 2014).

Preferred Stock (Undesignated):

In addition to the 1,000 shares designated as Series A Preferred Stock and the 1,000,000 shares designated as Series B Preferred Stock, the Company is authorized to issue an additional 19,000,000 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 September 30, 2014 and December 31, 2013, there were no other shares of Preferred Stock outstanding.

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

Common Stock:

The Company is authorized to issue 25,000,000 common shares at a par value of $0.01 per share. These shares have full voting rights. At September 30, 2014 and December 31, 2013, there were 13,815,274 and 11,052,008 shares outstanding, respectively. No dividends were paid for the three and nine months ended September 30, 2014 and 2013.

Preferred Rights:

The Company issued “Preferred Rights” for the rights to percentages of revenues generated from the San Jose de Gracia Pilot Production Plant, and received $158,500 in 2003 and $626,000 in 2002. This has been reflected as “Preferred Rights” in stockholders’ equity. As of December 31, 2004, $558,312 was repaid and as of December 31, 2005, an additional $186,188 was repaid, leaving a current balance of $40,000 and $40,000 as of September 30, 2014 and December 31, 2013, respectively.

Stock Issuances:

During the three months ended September 30, 2014, 64,250 common shares were issued for the redemption of preferred Series B shares. During the nine months ended September 30, 2014, 1,425,542 common shares were issued for the redemption of preferred Series B shares.

During the three and nine months ended September 30, 2014, the Company issued 128,500 and 809,146 Series B preferred shares, respectively for cash for $5.00 per share, which were all converted at September 30, 2014 to common shares at a conversion ratio of 2 common shares issued for 1 preferred series B share redeemed.

During the three months ended September 30, 2014, the Company issued 1,333,333 shares to Mineras de DynaResource (wholly owned subsidiary) in exchange for the receivable it held from DynaResource de Mexico of $4,000,000 at a fair value cost of $2.50 per share. The shares are carried in Treasury for consolidation purposes.

During 2013, the Company issued 387,900 Series B preferred shares for cash for $5.00 per share.

During 2013, the Company issued 68,000 Series B preferred shares for debt at $5.00 per share.

During 2013, the Company issued 4,546 Series B preferred shares for accrued interest at $5.00 per share.

During 2013, the Company issued 250,000 common shares to MinerasDyna for services. This has been reflected as treasury stock in the equity section of the financial statements. Expense related to these services has been eliminated in consolidation.

Treasury Stock:

The Company issued 1,333,333 shares to Mineras de DynaResource for receivables and these shares are held in treasury.

During 2013, the Company repurchased 28,551 shares for $94,500.

Treasury stock is accounted for by the cost method.

Options and Warrants:

The Company had 1,151,800 options or warrants outstanding at September 30, 2014.

During the three and nine months ended September 30, 2014, no options or warrants were issued or exercised.

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

During 2013, no options 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 9 – RELATED PARTY TRANSACTIONS

DynaResource de México (“DynaMéxico”)

In May 2013, the Company acquired a Share Certificate for 300 Series “B” Variable Capital Shares of DynaMéxico, in exchange for the settlement of accounts receivable from DynaMéxico in the amount of $31,090,710 Mexican Pesos (approximately $2.4 M USD). After the issuance and receipt of the 300 Series B Shares on June 21, 2013, DynaUSA holds 80% of the total outstanding Capital of DynaMéxico. As of September 30, 2014, the Company’s wholly owned subsidiary MinerasDyna had an account receivable due from DynaMéxico in the amount of $25,000.

Mineras de DynaResource (“MinerasDyna”)

As of September 30, 2014, the Company had advanced $4,650,000 to MinerasDyna. MinerasDyna had advanced $4,025,000 to DynaMéxico as of September 30, 2014. At September 30, 2014, MinerasDyna exchanged $4,000,000 of this receivable for 1,333,333 common shares of DynaResource. The remaining amount is carried as a receivable by MinerasDyna from DynaMéxico.

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

The receivables/payables from MinerasDyna and DynaMéxico have been eliminated upon consolidation.

Dynacap Group Ltd.

The Company paid $69,750 and $42,500 to Dynacap Group, Ltd. (an entity controlled by officers of the Company) for consulting and other fees during the nine months ended September 30, 2014 and 2013, respectively.

DynaNevada, Inc. and DynaNevada de México S.A. de C.V. (together "DynaNevada")

The Company advanced DynaNevada $0 and $48,000 in the nine months ended September 30, 2014 and 2013, respectively, for maintenance of its corporate obligations and mining concessions.

NOTE 10 – EMPLOYEE BENEFIT PLANS

During the periods ended September 30, 2014 and December 31, 2013, 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 CONTINGENGIES

The Company is required to pay taxes in México in order to maintain mining concessions owned by DynaMéxico. Additionally, the Company is required to incur a minimum amount of expenditures each year for all concessions held. The minimum expenditures are calculated based upon the land area, as well as the age of the concessions. Amounts spent in excess of the minimum may be carried forward indefinitely over the life of the concessions, and are adjusted annually for inflation. Based on Management's business plans, the Company does not anticipate that DynaMéxico will have any issues in meeting the minimum annual expenditures for the concessions, and DynaMéxico retains sufficient carry-forward amounts to cover over 20 years of the minimum expenditure (as calculated at the 2012 minimum, adjusted for annual inflation of 4%).

In addition to the surface rights held by DynaMéxico pursuant to the *Mining Act* of México and its Regulations (*Ley Minera y su Reglamento*), MinerasDyna maintains access and surface rights to the SJG Project pursuant to the 20 year Land Lease Agreement. The 20 Year Land Lease Agreement with the Santa Maria Ejido Community surrounding San Jose de Gracia was dated January 6, 2014 and continues through 2033. It covers an area of 4,399 hectares surrounding the main mineral resource areas of SJG, and provides for annual lease payments by MinerasDyna of $1,359,443 Pesos (approx. $104,250 USD), commencing in 2014. The Land Lease Agreement provides MinerasDyna with surface access to the core resource areas of SJG (4,399 hectares), and allows for all permitted mining and exploration activities from the owners of the surface rights (Santa Maria Ejido community).

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 extension of the lease through August 31, 2014. The Company paid rent expense of $12,499 and $11,760 related to this lease for the three months ended September 30, 2014 and 2013, respectively.

The following is a schedule of minimum lease payments required under the existing leases as of September 30, 2014:

Year Ended December 31:	**Amount**
2014	**$112,750**
2015	**104,250**
2016	**104,250**

2017	**104,250**
2018 and Beyond	**1,668,000**
	$2,093,500

Litigation.

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

The Petition requested that Goldgroup be enjoined from: (a) using or disseminating any confidential information belonging to DynaMéxico, (b) asserting that Goldgroup owns any interest in the San Jose de Gracia Project, rather than owning a common shares equity interest in DynaMéxico, (c) improperly disclosing that Goldgroup is the operator of the San Jose de Gracia Project, rather than Mineras de DynaResource SA de C.V. (“MinerasDyna”), and (d) failing to properly disclose that broad powers of attorney for acting on behalf of DynaMéxico are held by a DynaUSA senior executive.

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

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

Although Goldgroup challenged the jurisdiction of Texas to the filed litigation, Goldgroup has acknowledged that it owns no direct interest in the San Jose de Gracia Property, and it has acknowledged that Mineras de DynaResource SA de C.V. ("MinerasDyna"), DynaUSA's 100% owned subsidiary, is the exclusive operator of the San Jose de Gracia Project. Additionally, recent developments in México in 2013, including: (1) the signing of the Exploitation Amendment Agreement ("EAA") between MinerasDyna and DynaMéxico; (2) the signing of a 20 year land lease agreement between MinerasDyna and the Santa Maria Ejido Community surrounding the San Jose de Gracia Project; and (3) the acquisition by DynaUSA of a majority interest in DynaMéxico; protect against Goldgroup's wrongfully obtaining and/or disseminating confidential data and information of DynaMéxico.

These recent developments in México provided that the Dyna Parties non-suited the Texas action as announced by the Company on March 14, 2014, without prejudice to asserting or consolidating claims in México, as well as to contemplate additional claims or regulatory actions against Goldgroup in Canada.

Goldgroup Arbitration Filing

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

Company Filing in US District Court – District of Colorado

On May 30, 2014, the Company and DynaMéxico filed a Verified Complaint for Declaratory and Injunctive Relief against Goldgroup in United States District Court, Denver Colorado. Within the verified complaint, the Company and DynaMéxico seek an order and judgment staying and enjoining Goldgroup, temporarily and permanently, from maintaining the arbitration it has commenced and generally petitioning against the arbitration proceedings. The Company and DynaMéxico believe that there exists no valid agreement between the parties which provides for arbitration.

On October 22, 2014 the Company and DynaMexico (Plaintiffs) filed a Motion for Summary Judgment on all Claims for Declaratory Relief and for Preliminary and Permanent Injunction against Goldgroup. The Plaintiffs moved for summary judgment on all claims for relief against Goldgroup in order to protect against Goldgroup's manipulative litigation conduct.

Litigation in México – Company is Plaintiff

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

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

Litigation – Company and/or Officers and Directors as Defendants

Other than the filing for arbitration by Goldgroup described above, the Company, nor its Officers and Directors have received any formal notice of any legal actions filed against them.

NOTE 12 – NON-CONTROLLING INTEREST

The Company's Non-controlling Interest recorded in the consolidated financial statements relates to an interest in DynaResource de México, S.A. de C.V. of 50% through May 13, 2013, and 20% thereafter. Changes in Non-controlling Interest for the nine months ended September 30, 2014 and 2013 respectively were as follows:

	Nine Months Ended September 30, 2014	**Year Ended Dec 31, 2013**
Beginning balance	$(5,729,826)	$(5,122,891)
Operating income (loss)	(394,272)	(606,935)
Ending balance	$(6,124,098)	$(5,729,826)

The Company began allocating a portion of other comprehensive income (loss) to the non-controlling interest with the adoption of ASC 160 as of January 1, 2009. However, this amount is only reflected in the income statement.

NOTE 13 – FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

Level 3 Inputs – Instruments with primarily unobservable value drivers.

As of September 30, 2014 and December 31, 2013, the Company's financial assets were measured at fair value using Level 3 inputs, with the exception of cash, which was valued using Level 1 inputs. A description of the valuation of the Level 3 inputs is discussed in Note 4.

Fair Value Measurement at September 30, 2014 Using:

	September 30, 2014	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash and Cash Equivalents	244,986	244,986	0	$ 0
Investment in Affiliate	70,000	0	0	70,000
Totals	314,986	244,986	0	$ 70,000
Liabilities:				
Accounts Payable and Accrued Liabilities	624,074	624,074	0	$ 0
Notes Payable	1,942,351	1,942,351	0	0
Totals	2,566,425	2,566,425	0	$ 0
Fair Value Measurement at December 31, 2013 Using:				
Assets:				
Cash and Cash Equivalents	1,143,344	1,143,344	0	$ 0

Investment in Affiliate	70,000	0	0	70,000
Totals	1,213,344	1,143,344	0	$ 70,000
Liabilities:				
Accounts Payable and Accrued Liabilities	361,220	361,220	0	$ 0
Notes Payable	1,354,808	1,354,808	0	0
Totals	1,716,028	1,716,028	0	$ 0

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NOTE 14 – SUBSEQUENT EVENTS

Gold Concentrate Deliveries

On October 30, 2014, MinerasDyna reported the delivery for sale of approximately 300 Oz gold contained in concentrates (exact weights in gold and silver oz. to be determined at final settlement).

Appointment of Executive VP. - Director of Mining Operations

On November 10, 2014, the Company appointed Mr. Robert M. (“Chip”) Allender Jr. as Executive V.P. - Director of Mining Operations.

During a professional career spanning over 35 years, Mr. Allender has been involved in a broad range of managerial and technical positions in mineral exploration, mine development, and mining operations on six continents. His experience encompasses precious metal, base metal, industrial mineral, and fuel mineral projects in over twenty countries. Mr. Allender has most recently worked as a consultant to several emerging North American and European junior mining companies on projects in Australia, Canada, Turkey, West Africa, and Mexico.

Mr. Allender’s experience includes all aspects of mineral exploration, property evaluation, deposit development, mergers & acquisitions, and production of industrial, base, and precious minerals. Mr. Allender is a Certified Professional Geologist and a Registered Member of the Society for Mining, Metallurgy, and Exploration (SME). He holds a B.S. degree in Geology from Colorado State University and studied mineral economics at Colorado School of Mines.

Receivables from DynaMexico

As of November 18, 2014, DynaResource and MinerasDyna report receivables from DynaMexico of $4,000,000 and $97,500, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS AND PLAN OF OPERATION

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 its corporate 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. The Company's website is www.dynaresource.com.

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

COMPANY 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. ("DynaUSA").

In 2000, the Company formed DynaResource de México, S.A. de C.V. (“DynaMéxico”) for the purpose of acquiring and holding mineral properties in Mexico. DynaMéxico owns a portfolio of mining concessions that currently includes its interests in the San José de Gracia Project (“SJG”) in northern Sinaloa State, México. The SJG District covers 69,121 hectares (170,802 acres) on the west side of the Sierra Madre mountain range. The Company currently owns 80% of the outstanding capital of DynaMéxico.

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

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

At incorporation of DynaMéxico, 100 shares of Fixed Capital Series “A” shares were issued with DynaUSA (parent) receiving 99 shares and its CEO receiving 1 share.

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

On May 17, 2013, DynaResource agreed to acquire a Certificate for 300 Series “B” Variable Capital Shares of DynaMéxico, in exchange for the settlement of accounts receivable from DynaMéxico in the amount of $31,090,710 Mexican Pesos (approximately $2.4 million USD). After the issuance and receipt of the 300 Series B Shares on June 21, 2013, DynaUSA holds 80% of the total outstanding Capital of DynaMéxico. DynaMéxico owns 100% of the San Jose de Gracia Project in northern Sinaloa, México ("SJG", and the "SJG Property"). (See table representation of the outstanding Capital of DynaMéxico below). The exchange of shares by DynaMéxico for amounts payable to DynaUSA was unanimously approved by attending shareholders at a meeting of the shareholders of DynaMéxico, held on the second call for shareholder's meeting on May 17, 2013 in Mazatlan, Sinaloa, México. Of the total amount of $31,090,710 Mexican Pesos exchanged for the 300 Shares, $150,000 Mexican Pesos was accounted for at the nominal value of $500 Mexican Pesos per share, and the remaining balance of $30,940,710 Mexican Pesos was accounted for as a premium for the subscription of the shares agreed to be paid by DynaUSA. The date of issuance of the 300 Series B Share Certificate was June 21, 2013. As a result of the issuance and exchange of the 300 Variable Capital shares for amounts owed to DynaUSA, the accounts payable amount owed by DynaMéxico to DynaUSA was retired in full.

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

DynaMéxico Shareholder	Fixed Capital Series "A" Shares	Variable Capital Series "B" Shares	Total Capital Shares (Series A and B)
DynaResource, Inc.	099	300	399

Koy W. Diepholz	001		001
Goldgroup Mining Inc.		100	100
Total Capital Issued	100	400	500

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

Exploitation Amendment Agreement ("EAA")

On May 15, 2013, MinerasDyna entered into an Exploitation Amendment Agreement ("EAA") with DynaMéxico. The EAA grants to MinerasDyna the right to finance, explore, develop and exploit the SJG Property, in exchange for: (A) Reimbursement of all costs associated with financing, maintenance, exploration, development and exploitation of the SJG Property, which costs are to be charged and billed by MinerasDyna to DynaMéxico; and, (B) After Item (A) above, the receipt by MinerasDyna of 75% of gross receipts received by DynaMéxico from the sale of all minerals produced from SJG, to the point that MinerasDyna has received 200% of its advanced funds; and, (C) after items (A) and (B) above; the receipt by MinerasDyna of 50% of all gross receipts received by DynaMéxico from the sale of all minerals produced from SJG, and throughout the term of the EAA; and, (D) in addition to Items (A), (B), and (C) above, MinerasDyna shall receive a 2.5% NSR ("Net Smelter Royalty") on all minerals sold from SJG over the term of the EAA. The total Advances made as of September 30, 2014 is $4,025,000.

The EAA is the third and latest Amendment to the original Contract Mining Services and Mineral Production Agreement (the "Operating Agreement"), which was previously entered into by MinerasDyna with DynaMéxico in April 2005, wherein MinerasDyna was named the Exclusive Operating Entity at SJG. The Operating Agreement was previously amended in September 2006 (the "First Amendment"), and amended again at July 15, 2011 (the "Second Amendment"). The Term of the Second Amendment is 20 years, and the EAA (Third Amendment) provides for the continuation of the 20 Year Term from the date of the Second Amendment (July 15, 2011).

Exclusive Operating Entity at San Jose de Gracia

Under agreement with DynaMéxico, Mineras de DynaResource S.A. de C.V. ("MinerasDyna") has been named the exclusive operating entity at the San Jose de Gracia Project. DynaResource owns 100% of MinerasDyna.

DynaMéxico General Powers of Attorney

The Chairman-CEO of DynaUSA also serves as the President of DynaMéxico and as the President of MinerasDyna. The President of DynaMéxico holds broad powers of attorney granted by the shareholders of DynaMéxico which gives the current President significant and broad authority within DynaMéxico.

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

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

PROPERTIES

San Jose de Gracia Mineral Property

DynaMéxico owns 100% of the mineral concessions at the San Jose de Gracia Property ("SJG"), located in the state of Sinaloa, México, and is currently the only property in which DynaMéxico retains an interest. The Company owns 80% of the outstanding capital shares of DynaMéxico. DynaMéxico holds title to 33 concessions covering approximately 69,121 hectares (170,802 acres).

The SJG is a High-Grade Mineralized System which reports historical production of 1,000,000 Oz. gold ("Au"), from a series of underground workings. DynaMéxico is focused on the exploration and future exploitation of this vein-hosted, near surface, and over 400 meters down dip gold potential, that occurs within fault breccia veins; and has been traced on surface and underground over a 15 Sq. kilometers area.

Property Location

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

Access

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

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

Climate and Operating Season

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

Infrastructure and Local Resources

Power

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

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

Water

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

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

Lab

A field laboratory is maintained within the camp facility. The Company utilized the lab for Assaying services during its production activities in 2003-2006. In the second quarter 2014, the laboratory has been refurbished by MinerasDyna and is currently utilized by on site personnel to provide assays for mined material, feed material, gravity and flotation concentrates, and tailings. MinerasDyna anticipates utilizing the lab facility in the future for providing internal assays to support the exploration, mining, and milling activities.

Regional Geology & Mineral Deposits

San José de Gracia lies within the Sierra Madre Occidental (“SMO”) Gold-Silver Belt, in a second-order graben directly east of the regional-scale Grete Graben. The SMO is recognized as a highly prospective mineral belt for gold, silver and poly-metallic deposits. The basement to the Sierra Madre Occidental consists of deformed Paleozoic sedimentary strata, which are non-conformably overlain by Tertiary mafic to felsic volcanic and volcaniclastic strata known as the Lower Volcanic Series (“LVS”). Strata of the LVS are recognized as being spatially related to gold and silver mineralization in the region. Volcanic and sedimentary strata are capped by a thick sequence of non-deformed Late Tertiary ignimbrites, known as the Upper Volcanic Series (“UVS”).

Property Geology

The oldest rocks exposed at San José de Gracia are deformed Paleozoic shale, sandstone, conglomerate and minor limestone, which are non-conformably overlain by andesite and rhyodacite flows and tuffs of the LVS. Volcanic and sedimentary strata are cut by quartz-feldspar porphyry, porphyritic diorite bodies and fine-grained mafic dykes, which may be co-temporal with the LVS. Ignimbrites of the UVS are exposed at higher elevations on the property and are thought to act as a post mineralization cap rock, thereby indicating an Early to Mid-Tertiary (Paleocene to Eocene) age for gold mineralization at San José de Gracia.

Geologic Structure

Detailed mapping within the project area has defined several stages of deformation, beginning with compression during the Laramide Orogeny which affected the Paleozoic basement and formed flat-lying reverse faults, which have been reactivated as conduits for gold-bearing fluids in the La Prieta trend. Extension in Tertiary time led to the development of second order structures, trending south, southwest and southeast; which formed the major structural orientations for mineralization at San José de Gracia. The latest phase of deformation is characterized by late-stage extension and southwest tilting.

Property Mineralization

High grade gold mineralization at San José de Gracia is found in vein structures hosted within andesite and rhyodacite of the Lower Volcanic Series (“LVS”) and underlying Paleozoic sediments as fault breccia veins and crackle breccias that exhibit multiple stages of reactivation and fluid flow, as evidenced by crustiform/colloform textures and cross cutting veins. Locally, veins exhibit sharp, clay gouge 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.

The characterization of the mineralization at San Jose de Gracia can be described as low sulphidation polymetallic epithermal gold type.

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

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

Licenses and Concessions

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

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

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

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

As of the date of this Form 10-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

México and its Regulations.

Current Mining Concessions - San José de Gracia

Claim Name	Claim Number	Staking date	Expiry	Hectares	Taxes / ha (pesos)
AMPL. SAN NICOLAS	183815	22/11/1988	21/11/2038	17.4234	111.27
AMPL. SANTA ROSA	163592	30/10/1978	29/10/2028	25.0000	111.27
BUENA VISTA	211087	31/03/2000	30/03/2050	17.9829	63.22
EL CASTILLO	214519	02/10/2001	01/10/2051	100.0000	31.62
EL REAL 2	216301	30/04/2002	29/04/2052	280.1555	31.62
FINISTERRE FRACC. A	219001	28/01/2003	27/01/2053	18.7856	31.62
FINISTERRE FRACC. B	219002	28/01/2003	27/01/2053	174.2004	31.62
GUADALUPE	189470	05/12/1990	04/12/2040	7.0000	111.27

LA GRACIA I	215958	02/04/2002	01/04/2052	300.0000	31.62
LA GRACIA II	215959	02/04/2002	01/04/2052	230.0000	31.62
LA LIBERTAD	172433	15/12/1983	14/12/2033	97.0000	111.27
LA NUEVA AURORA	215119	08/02/2002	07/02/2052	89.3021	31.62
LA NUEVA ESPERANZA	226289	06/12/2005	05/12/2055	40.0000	7.6
LA UNION	176214	26/08/1985	25/08/2035	4.1098	111.27
LOS TRES AMIGOS	172216	27/10/1983	26/10/2033	23.0000	111.27
MINA GRANDE	163578	10/10/1978	09/10/2028	6.6588	111.27
NUEVO ROSARIO	184999	13/12/1989	12/12/2039	32.8781	111.27
PIEDRAS DE LUMBRE 2	215556	05/03/2002	04/03/2052	34.8493	31.62
PIEDRAS DE LUMBRE 3	218992	28/01/2003	27/01/2053	4.3098	31.62
PIEDRAS DE LUMBRE No.4	212349	29/09/2000	28/09/2050	0.2034	63.22
PIEDRAS DE LUMBRE UNO	215555	05/03/2002	04/03/2052	40.2754	31.62
SAN ANDRES	212143	31/08/2000	30/08/2050	385.0990	63.22
SAN JOSÉ	208537	24/11/1998	23/11/2048	27.0000	111.27
SAN MIGUEL (1)	183504	26/10/1988	25/10/2038	7.0000	111.27
SAN NICOLAS	163913	14/12/1978	13/12/2028	55.5490	111.27
SAN SEBASTIAN	184473	08/11/1989	07/11/2039	40.0000	111.27
SANTA MARIA	218769	17/01/2003	16/01/2053	4.2030	31.62
SANTA ROSA	170557	13/05/1982	12/05/2032	31.4887	111.27
SANTO TOMAS	187348	13/08/1986	12/08/2036	312.0000	111.27
TRES AMIGOS 2	212142	31/08/2000	30/08/2050	54.4672	63.22
FINISTERRE 4	231166	18/01/2008	17/01/2058	2142.1302	5.08
FRANCISCO ARTURO	230494	06/09/2007	27/03/2057	62,481.3815	5.08
TOTAL				**69,121.4010**	

(1) According to the records of the Mines Registry Office, the registered owners to 100% undivided title to the San Miguel (t.183504) mining concession are: 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, DynaMéxico signed with each of Miguel Lopez Medina and Josefa Gonzalez Castro, respectively, agreements for the transfer to DynaMéxico of 50% undivided title to the San Miguel (t.183504) mining concession (the "San Miguel Transfer Agreements").

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

In addition to the San Miguel Transfer Agreements, DynaMéxico has entered into the following Promise to Sell and Purchase Agreements (the "San Miguel Promise to Sell and Purchase Agreements"):

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

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

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

(a) with respect to the Promise to Sell and Purchase Agreement signed on March 8, 2001 among DynaMéxico and Maria Trinidad Acosta Salazar, to contact Ms. María Trinidad Acosta Salazar to demand compliance with such agreement by executing the definitive transfer to DynaMéxico of the 25% undivided title to the San Miguel (t.183504) mining concession registered in her name, and

(b) with respect to the Promise to Sell and Purchase Agreement signed on December 15, 2000 among DynaMéxico and Margarita Tracy Vizcarra, the sister of the deceased Otilia Tracy Vizcarra, the estate of Otilia Tracy Vizcarra requires the appointment of a court-appointed executor that would be capable under Mexican law to formally grant the estate´s consent for the execution of the San Miguel Transfer Agreements, to relinquish the estate´s first rights of refusal or to request court approval for the transfer to DynaMéxico of the 25% undivided interest in the San Miguel (t.183504) mining concession registered in the name of the deceased Otilia Tracy Vizcarra.

Surface Lease Rights

In addition to the surface rights held by DynaMéxico pursuant to the *Mining Act* of México and its Regulations (*Ley Minera y su Reglamento*), MinerasDyna maintains access and surface rights to the SJG Project pursuant to the 20 year Land Lease Agreement (above). The 20 Year Land Lease Agreement with the Santa Maria Ejido Community surrounding San Jose de Gracia is dated January 6, 2014 and continues through 2033. It covers an area of 4,399 hectares surrounding the main mineral resource areas of SJG, and provides for annual lease payments by MinerasDyna of $1,359,443 Pesos (approx. $104,250 USD), commencing in 2014. Additionally, under the description of the 20 Year Land Lease, MinerasDyna expects to construct a Medical Facility at SJG in year 2014, and a Community Center in year 2015.

The Land Lease Agreement provides MinerasDyna with surface access to the core resource areas of SJG (4,399 hectares), and allows for all permitted mining and exploration activities from the owners of the surface rights (Santa Maria Ejido community).

The Company expects MinerasDyna 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.

Mineral Reserves

Under U.S. standards, as set forth in SEC Industry Guide 7, mineralization may not be classified as a “reserve” unless a determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made.

The SJG property is without known reserves. Mineral resources which are not classified as mineral reserves do not have “demonstrated economic viability”. The quantity 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 not certain if further exploration will result in discovery of mineral reserves.

Sierra Madre Gold-Silver Belt in México

San Jose de Gracia - History

Historical production records from San Jose de Gracia ("SJG") report 1,000,000 Oz gold production from a series of underground workings. The major areas report 471,000 Oz. produced at the La Purisima area of SJG, at an average grade of 66.7 g/t.; and 215,000 Oz. produced from the La Prieta area, at an average grade of 27.6 g/t. Mineralization at SJG has been traced on surface and underground over a 15 square kilometer area.

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

Drilling – Exploration Programs (1997 – 2000)

A drill program was conducted at SJG in 1997 to 1998 by a prior majority owner. Approximately 6,172 meters drilling was completed in 63 core drill holes. Significant intercepts, including bonanza grades, outlined the down dip potential of the Northeast section (150 Meter NE to SW extent of the Drilling) of the Los Hilos to Tres Amigos Trend of SJG. Surface and underground sampling in 1999 to 2000 confirmed high grades in historic workings and surface exposures throughout the project area. These high grades outline the presence of mineralization shoots developed within the veins. The mineralized shoots appear to be controlled by dilational jogs and/or vein intersections. A total of 544 samples were collected in 1999 to 2000, and assayed an average 6.51 g/t ("grams per ton") gold.

Pilot Production Activities (2003 – 2006)

DynaMéxico, 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 tonnes, at an average grade of approximately 15-20 g/t ("grams per ton"). Production costs were reported at approximately $175/Oz. gold in this small scale, pilot production operation. The small scale mining and production activities at SJG consisted of improvements to an existing mill, including the installation of a gravity / flotation processing circuit, and initial test runs with tailings were completed in 2002. Actual mining at the higher grade San Pablo area of the property commenced in March 2003.

Mined and Milled Tonnage	42,000 tonnes
Production (Oz Au)	18,250 Oz
Average Grade	15-20 g/t
Recovery Efficiency (Plant)	85%
Recovery in Concentrate (Sales)	90%
Production Cost (Average, 4 Years)	$175 / Oz

Suspension of Production Activities (2006)

The Company initiated the test production activity in 2003 and, at that time, gold prices were depressed. Exploration funding opportunities, while available, were deemed to be too dilutive by Company management. Therefore, the Company suspended mining activities in 2006. While the test production was considered successful (see results in the table above), a small scale production activity was not expected to provide the necessary capital in order to explore a project the size of SJG.

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

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

As gold prices continued to increase into 2006, exploration financing opportunities improved and the Company negotiated and entered into an Earn In / Option Agreement with Goldgroup Mining Inc. ("Goldgroup"), dated September 1, 2006. The terms of the Earn In / Option Agreement provided for Goldgroup to furnish $18,000,000 financing to DynaMéxico for exploration expenditures at SJG, in exchange for a 50% share interest in DynaMéxico. This Earn In was completed in March 2011 and Goldgroup held 50% of outstanding capital at that date.

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

Drilling programs (2007 – 2011)

Drilling programs completed by the Company produced a total of 298 drill holes covering 68,741 meters of drilling from 2007 through March 2011. Results of the drilling activity, including the results of previous drilling in 1997-1998, appear in an "SJG Drill Intercepts Summary File through 11-298", as Exhibit 99.1 to our Form 10-Q for the period ended June 30, 2011 filed with the SEC on August 22, 2011, and available on EDGAR at:

http://sec.gov/Archives/edgar/data/1111741/000112178111000241/ex99one.htm.

Additionally, the updated Drill Summary File is posted on the Company's web site at www.dynaresource.com.

Magnetic and IP Surveys (2009)

Magnetic and IP ("Induced Polarization") surveys were conducted throughout the SJG district in 2009, covering an area of approximately 15 Sq. kilometers.

IP is the primary geophysical target at SJG, and is expected to identify pyrite-based mineralization hosting gold. Initial Survey Grid lines were located approximately perpendicular to inferred geologic strike. The data response from these grid lines indicate one or more IP sources that dip northwest. Additional grid lines were crossed with the initial lines, and appear to identify two separate IP sources.

Grid lines to the South appear to indicate an IP source at > 250 Meters.

Correlation between ground magnetic and IP

In general the correlation between the Magnetic and IP response and data was excellent.

Correlation with recent Drilling Programs and known Mineralization

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

Identification of Additional Resource Target Areas

Significant survey responses were reported for the following areas and are projected for follow up drilling:

San Pablo; Up Dip;

San Pablo; Displacement Zone;

Tres Amigos; Down Dip and Northwest;

Tres Amigos; Extension Northeast;

Orange Tree; Down Dip;

La Cecena, Los Hilos, and Tepehauje;

Palos Chinos;

La Prieta;

La Purisima; Down dip at Southeast end;

Argillic Zone; + 250 M. Down Dip;

Mineral Resource Estimate and Technical Report 43-101 (2012)

In 2012, DynaMéxico commissioned Servicios y Proyectos Mineros (“SPM”) for the production of Technical Report 43-101 (“43-101”) at San Jose de Gracia. Additionally, DynaMéxico commissioned Mr. Robert Sandefur, a senior reserve analyst for Chlumsky, Armbrust & Meyer LLC, Lakewood, CO (“CAM”) to produce a mineral resource estimate for the 4 main vein systems at the property.

Parameters Used to Estimate the Mineral Resource Estimate

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

subsidiary (or affiliate) of Goldgroup Mining Inc. (“Goldgroup”) built three dimensional solids to constrain estimation to the interpreted veins in each swarm. The 172 holes most recently drilled (2009-2011), were allocated as follows: Tres Amigos (64 holes), San Pablo (49 holes), La Union (24 holes), La Purisima (32 holes) and the Argillic Zone (3 holes).

The data base also includes rock and chip sampling and regional stream sediment sampling, as well as IP Surveys.

Density

A total of 5,540 pieces of core were measured for specific gravity using the weight in air vs. weight in water method. This represents an additional 3,897 measurements taken in the 2009-11 drill seasons with density measurements taken from all mineral zones. Dried samples were coated with paraffin wax before being measured. The results tabulated have been sorted by lithology and mineralized veins. The average specific gravity of 5,051 wall rock samples was 2.59 while the average specific gravity for 489 samples of vein material is 2.68. CAM and Servicios y Proyectos Mineros have reviewed the procedures and results, and opine that the results are suitable for use in mineral resource estimation.

Mineral Resource Estimate - Construction of Wireframes

Mineral Resources were estimated by Mr. Sandefur within wireframes constructed by technical personnel of Minop. Minop was contracted by Mineras de DynaResource S.A. de C.V. (“MinerasDyna”).

Mineral Resource Estimate - Explanation of Resource Estimation

Resource estimation was done in MineSight and MicroModel computer systems with only those composites that were inside the wireframe used in the estimate. Estimation was done using kriging with the omni-directional variogram derived from all the data in each area for gold using the relative variogram derived from the log variogram. High grades were restricted by capping the assays at a breakpoint based on the cumulative frequency curves. Estimation was done using search radii of 100 x 100 x 50 m “blocks” oriented subparallel to the general strike and dip of the vein system in each area. A sector search, corresponding to the faces of the search box with a maximum of two points per sector was used in estimation. A density of 2.68 based on within ‘vein density’ samples was used in the resource estimate. Within each of the four areas there are approximately 20 to 40 veins in the vein swarm. Resources were estimated by kriging using data from all veins in the swarm. In general, gold accounts for at least 80% of the value of contained metal at the project, so the variograms for gold were used in estimation of the four other metals. Mineral Resources at Tres Amigos and San Pablo were classified as “Indicated” as follows:

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

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

The veins at San Jose de Gracia have been historically mined for many years and historic mined volumes are not available. The one exception is the approximate 42,000 tonnes of ore processed by DynaMéxico during its pilot production activities in 2003-2006. The resource table is not adjusted for any historic mining. To validate that historic mining had not significantly reduced the resource, CAM reviewed the database for all assays greater than 1 gram per ton gold that were next to missing values at the bottom of drill holes. Only four assays satisfying this criterion were found, and on the basis of this review, Mr. Sandefur does not believe that significant mining has occurred within the volumes defined by the wireframes.

Servicios y Proyectos Mineros performed a database review and considers that a reasonable level of verification has been completed, and that no material issues have been left unidentified from the drilling programs undertaken.

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

Mr. Ramon Luna Espinoza ("Mr. Luna") initially visited the San Jose de Gracia Project in November 2010, and conducted site inspections at SJG in November 2011 and January 2012. Mr. Sandefur conducted a site inspection of the SJG Project in January 2012. While at the Property in November 2011, Mr. Luna inspected the areas of Tres Amigos, La Prieta, Gossan Cap, San Pablo, La Union, and La Purisima, and historic mining sites. In January 2012, Mr. Sandefur and Mr. Luna inspected the areas of Tres Amigos, San Pablo, La Union, and La Purisima. Pictures of the areas were taken. Many of the drill pads for the drilling programs of 2007 to 2011 were clearly located and identified. Mr. Luna also inspected San José de Gracia's core logging and storage facilities, the geology offices, the meteorological station, the plant nursery, and the mill. Mr. Sandefur also inspected San José de Gracia's core logging and storage facilities.

National Instrument 43-101 ("NI 43-101") Mineral Resource Estimate for the San Jose de Gracia Property (2012)

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

The mineral resource estimates prepared by Mr. Robert Sandefur for this Technical Report include Indicated Resources at Tres Amigos of 893,000 tonnes with an average grade of 4.46 g/t (128,000 Oz. Au), and at San Pablo of

1,308,000 tonnes with an average grade of 6.52 g/t (274,000 Oz. Au). The estimate also includes an Inferred Resource of 3,953,000 tonnes in aggregate for the four vein systems, with an average grade of 5.83 g/t (741,000 Oz. Au). The resource estimate is reported using a 2.0 g/t cut off grade, with the effective date of February 6, 2012.

The following tables are summaries of the 2012 DynaMéxico-CAM Mineral Resource Estimate of the four main vein systems and also a table summary disclosing the aggregate of the mineral resources of those four vein systems.

Mineral Resource and Classification for San Jose de Gracia Project

TRES AMIGOS INDICATED

Au Cut Off (g/t)

	Tonnes	**Au g/t**	**Au Oz**	**Ag g/t**	**Ag Oz**	**Cu%**	**CuKg**	**Pb%**	**PbKg**	**Zn%**	**ZnKg**
1.00	1,128,000	3.85	139,000	9.18	333,000	0.19	2,137,000	0.05	570,000	0.33	3,774,000

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2.00	893,000	4.46	128,000	10.34	297,000	0.21	1,875,000	0.06	499,000	0.37	3,276,000
3.00	608,000	5.37	105,000	11.31	221,000	0.22	1,338,000	0.06	374,000	0.39	2,349,000
TRES AMIGOS INFERRED												
1.00	1,937,000	4.91	306,000	9.46	589,000	0.21	4,028,000	0.05	981,000	0.34	6,600,000
2.00	1,453,000	6.05	282,000	11.01	514,000	0.23	3,390,000	0.06	802,000	0.38	5,460,000
3.00	950,000	7.93	242,000	11.47	350,000	0.20	1,935,000	0.07	620,000	0.43	4,107,000

SAN PABLO INDICATED

Au Cut Off (g/t)

	Tonnes	Au g/t	Au Oz	Ag g/t	Ag Oz	Cu%	CuKg	Pb%	PbKg	Zn%	ZnKg
1.00	1,482,000	5.94	283,000	11.92	568,000	0.26	3,839,000	0.01	158,000	0.03	500,000
2.00	1,308,000	6.52	274,000	12.72	535,000	0.28	3,607,000	0.01	147,000	0.04	458,000
3.00	1,091,000	7.32	257,000	13.69	480,000	0.30	3,241,000	0.01	132,000	0.04	405,000
SAN PABLO INFERRED											
1.00	756,000	4.65	113,000	9.25	225,000	0.17	1,273,000	0.01	74,000	0.03	227,000
2.00	532,000	6.02	103,000	11.33	194,000	0.20	1,074,000	0.01	51,000	0.03	161,000
3.00	426,000	6.92	95,000	11.89	163,000	0.22	935,000	0.01	40,000	0.03	131,000

LA UNION INFERRED

Au Cut Off (g/t)

	Tonnes	Au g/t	Au Oz	Ag g/t	Ag Oz	Cu%	CuKg	Pb%	PbKg	Zn%	ZnKg
1.00	1,221,000	4.72	185,000	12.81	503,000	0.15	1,856,000	0.02	250,000	0.04	532,000
2.00	849,000	6.11	167,000	13.71	374,000	0.19	1,579,000	0.03	221,000	0.05	448,000
3.00	580,000	7.79	145,000	16.51	308,000	0.23	1,340,000	0.03	196,000	0.07	403,000

LA PURISIMA INFERRED

Au Cut Off (g/t)

	Tonnes	Au g/t	Au OZ	Ag g/t	Ag OZ	Cu%	CuKg	Pb%	PbKg	Zn%	ZnKg
1.00	1,767,000	3.83	217,000	4.64	264,000	0.08	1,454,000	0.02	293,000	0.06	1,097,000
2.00	1,119,000	5.25	189,000	5.63	203,000	0.10	1,150,000	0.02	209,000	0.06	707,000
3.00	801,000	6.34	163,000	5.85	151,000	0.11	916,000	0.02	164,000	0.07	585,000

SAN JOSE DE GRACIA TOTAL INDICATED

						Cu		Pb		Zn	
Au Cut Off (g/t)											
	Tonnes	**Au g/t**	**Au OZ**	**Ag g/t**	**Ag OZ**	**%**	**CuKg**	**%**	**PbKg**	**%**	**ZnKg**
1.00	2,610,000	5.03	422,000	10.73	901,000	0.23	5,976,000	0.03	728,000	0.16	4,273,000
2.00	2,200,000	5.69	402,000	11.75	831,000	0.25	5,482,000	0.03	646,000	0.17	3,733,000

3.00	1,699,000	6.62	362,000	12.84	701,000	0.27	4,579,000	0.03	506,000	0.16	2,754,000

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SAN JOSE DE GRACIA TOTAL INFERRED

1.00	5,681,000	4.50	822,000	8.66	1,581,000	0.15	8,611,000	0.03	1,599,000	0.15	8,456,000
2.00	3,953,000	5.83	741,000	10.11	1,285,000	0.18	7,193,000	0.03	1,283,000	0.17	6,776,000
3.00	2,757,000	7.28	646,000	10.97	972,000	0.19	5,126,000	0.04	1,021,000	0.19	5,227,000

(Due to rounding the numbers in the above may not check exactly. This is an estimate of in situ resources only and there is no assurance that any part of these resources can be converted to reserves. Grades are given to 2 decimals and contained metal to the nearest 000 for comparative purposes and do not imply this degree of accuracy.)

All references to ounces in the 2012 DynaMéxico-CAM Mineral Resource Estimate are references to troy ounces. Tonnes, contained ounces, and contained kilograms of metals are given to the nearest thousand, and grades are reported to two decimals for comparative purposes only and do not imply this degree of accuracy.

National Instrument 43-101 Technical Report on the San Jose de Gracia Property (2012)

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

The 2012 DynaMéxico Luna-CAM SJG Technical Report was prepared by Mr. Ramon Luna Espinoza, BS, P.Geo., of Servicios y Proyectos Mineros, Hermosillo, México, 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 DynaMéxico Luna-CAM SJG Technical Report includes as Section Fourteen (14) a Mineral Resource Estimate for SJG as prepared by Mr. Sandefur (the “2012 DynaMéxico-CAM SJG 43-101 Mineral Resource Estimate”, the “Resource Estimate”).

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

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

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

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

Tres Amigos

Drill hole	Area	From m	To m	length (m)	Au g/t	Ag g/t	Cu%	Pb%	Zn%
97-013	Tres Amigos	95.00	107.50	12.50	20.80	21.80	0.43	0.06	0.15

97-039	Tres Amigos	40.20	43.20	3.00	29.50	44.60	0.58	0.95	7.45
97-045	Tres Amigos	100.00	106.00	6.00	11.46	3.40	0.03	0.02	0.17
97-047	Tres Amigos	124.94	132.00	7.06	7.51	15.40	0.09	0.27	3.42
08-115	Tres Amigos	153.30	159.00	5.70	8.31	8.30	0.17	0.00	0.07
08-116	Tres Amigos	134.80	138.10	3.30	21.74	9.90	0.06	0.04	0.15
10-150	Tres Amigos	285.61	288.49	2.88	10.93	14.24	0.32	0.01	0.03
10-150	Tres Amigos	312.80	321.81	9.01	3.97	2.35	0.09	0.00	0.03
10-151	Tres Amigos	208.38	216.20	7.82	22.19	14.70	0.36	0.01	0.06
10-154	Tres Amigos	73.00	74.75	1.75	21.89	9.30	0.00	0.00	0.02
10-175	Tres Amigos	241.59	245.40	3.81	6.37	3.41	0.02	0.00	0.03
10-177	Tres Amigos	228.63	245.00	16.37	10.58	9.75	0.25	0.02	0.09
10-179	Tres Amigos	75.3	77.02	1.72	105.51	49.60	0.03	0.01	0.06
10-179	Tres Amigos	174.85	179.52	4.67	5.70	15.89	0.11	0.00	0.16

10-226	Tres Amigos	205.05	213.09	8.04	18.47	19.77	0.42	0.13	0.22
10-227	Tres Amigos	176.95	186.75	9.80	8.42	11.92	0.41	0.04	0.33
10-230	Tres Amigos	244.91	249.45	4.54	18.09	15.48	0.53	0.02	0.03
10-234	Tres Amigos	214.61	217.97	3.36	15.05	13.45	0.23	0.01	0.01
10-237	Tres Amigos	92.44	92.84	0.40	883.91	195.00	0.24	0.77	5.35
11-257	Tres Amigos	60.84	63.33	2.49	5.37	9.28	0.25	0.01	0.40
11-257	Tres Amigos	92.00	94.66	2.66	5.00	6.74	0.25	0.02	1.16
11-260	Tres Amigos	63.40	71.15	7.75	7.84	10.68	0.16	0.12	2.28
11-271	Tres Amigos	115.40	120.15	4.75	13.93	18.56	0.54	0.02	0.14

San Pablo

Selected drill hole results for San Pablo follow:

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

La Union

Selected drill hole results for La Union follow:

Drill hole	Area	From m	To m	length (m)	Au g/t	Ag g/t	Cu%	Pb%	Zn%
08-076	La Union	32.75	34.85	2.10	36.09	47.80	0.43	0.80	1.06

10-208	La Union	150.61	152.67	2.06	6.60	10.30	0.40	0.00	0.01
11-252	La Union	55.25	59.70	4.45	4.26	12.05	0.37	0.01	0.04

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11-256	La Union	51.61	52.85	1.24	144.08	138.60	1.06	1.61	1.78
11-256	La Union	99.93	101.29	1.36	9.04	3.30	0.01	0.00	0.01
11-298	La Union	49.15	49.85	0.7	49.39	20.80	0.20	0.01	0.03

La Purisima

Selected drill hole results for La Purisima follow:

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

Block Model Calculation in Surpac Software

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

Commissioning of Metallurgical Testing (2012)

During the fourth quarter 2012, DynaMéxico, 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. This work is pending until the company deems it necessary to continue.

Exploration and Mining Permit Requirements (México)

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

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

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

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

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

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

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

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

DynaMéxico Permit Filings / Permits History (2003 – 2014)

- On February 10, 2003, SEDENA granted DynaMéxico an Explosives Permit for the use and storage of explosives materials in SJG.
- In June 2006, DynaMéxico ceased use of explosives materials in its mining activities at SJG, and requested suspension of the Explosives Permit. The Explosives Permit has been temporarily suspended by SEDENA and DynaMéxico will be required to file a re-activation application to re-activate the Explosives Permit.
- On June 28, 2010, DynaMéxico filed a Preventive Exploration Notice at the office of SEMARNAT in connection with contemplated mineral exploration activities at the *La Prieta*, *San Pablo*, *La Purísima*, *La Unión*, *Tres Amigos* and *La Ceceña* areas of the San José de Gracia Project.
- On July 21, 2010, SEMARNAT authorized DynaMéxico to conduct the mineral exploration activities referenced in the Preventive Exploration Notice, for a term of 36 months, as SEMARNAT determined that such activities fall within the framework of Norm 120. SEMARNAT's approval was subject to the following conditions: (a) DynaMéxico's filing of a CSUP Application (referenced below) and approval thereof by SEMARNAT, and (b) posting of a bond in the amount of $134,487 Mexican Pesos to guarantee remediation and rehabilitation measures following the conclusion of the mineral exploration activities referenced in the Preventive Exploration Notice. The bond was timely posted by DynaMéxico.
- On August 9, 2010, DynaMéxico filed a CSUP Application and a Technical Justification Study at the offices of SEMARNAT to carry out certain mineral exploration activities at the La Prieta, San Pablo, La 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 and Technical Justification Study filed by DynaMéxico with respect to the San José de Gracia Project and authorized DynaMéxico to conduct mineral exploration activities on 5.463 hectares of the San José de Gracia Project for a term of 36 months.
- On March 8, 2012, the Director of Water Administration of CONAGUA certified in writing the rights of DynaMéxico to use exploit and extract 1,000,000 cubic meters of water per year from the extraction infrastructure located in San José de Gracia. CONAGUA determined that DynaMéxico's water rights are not subject to any water

rights concession or any other water extraction restriction. Water extracted by DynaMéxico will be subject to applicable levies imposed by the Mexican tax authorities under applicable tax laws.

- On June 17, 2013, DynaMéxico received from SEMARNAT, the approval and permission which allows for the rehabilitation and operation of the pilot mill facility at SJG ("the SEMARNAT-SJG Mill Permit," and, the "SEMARNAT Permit"). Under the terms of the SEMARNAT-SJG Mill Permit, DynaMéxico will be responsible to maintain the SJG pilot mill facility, and including the adjacent tailings pond area, in compliance with the regulations described in la Norma Oficial Mexicana ("NOM-141-SEMARNAT-2003).

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

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- On September 30, 2013, DynaMéxico received from SEMARNAT the approval and permission which allows for mining activities and the exploitation of the San Pablo area of San Jose de Gracia.
- On January 6, 2014, MinerasDyna entered into a 20 Year Land Lease Agreement with the Santa Maria Ejido Community surrounding San Jose de Gracia. The 20 Year Land Lease Agreement is dated January 6, 2014 and continues through 2033. It covers an area of 4,399 hectares surrounding the main mineral resource areas of SJG, and provides for annual lease payments by MinerasDyna of $1,359,443 Pesos (approx. $104,250 USD), commencing in 2014. Additionally, under the description of the Land Lease Agreement, MinerasDyna expects to construct a Medical Facility at SJG in year 2014, and a Community Center in year 2015. The land lease agreement provides MinerasDyna with surface access to the core resource areas of SJG (4,399 hectares), and allows for all permitted mining and exploration activities from the owners of the surface rights (Santa Maria Ejido community).

DynaMéxico Bonding Requirements (2010)

- Under the Exploration Permit issued to DynaMéxico on July 21, 2010, SEMARNAT imposed upon DynaMéxico a bonding obligation in the amount of $134,487 Mexican Pesos to guarantee remediation and rehabilitation measures following the conclusion of the mineral exploration activities referenced in the Preventive Exploration Notice. The bond was timely posted by DynaMéxico.
- Under the CSUP issued to DynaMéxico on December 20, 2010, SEMARNAT imposed upon DynaMéxico a bonding obligation of $116,911 Mexican Pesos for reforestation and remediation measures with respect to the San José de Gracia Project. The bond was timely posted by DynaMéxico.

Water Concession

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

San Jose de Gracia Current Operations

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

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

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General

Activity for the Three and Nine Months Ended September 30, 2014 and 2013

In the second and third quarters, MinerasDyna commenced test pilot production operations at San Jose de Gracia. The test pilot operations have yielded the underground mining and mill processing of approx. 5,150 tonnes of material, the production of approximately 1,150 gross oz. au (and net of buyer’s price discount and refining costs approximately 950

oz au) of gravity concentrates, and the sale of $884,484 gold product from gravity concentrates. For the first 3 months of the year, MinerasDyna was rehabilitating the San Pablo Mine and refurbishing the Pilot Mill Facility and generally preparing to commence pilot production operations.

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

Structure of Company / Operations

Activities in México are conducted by Mineras de DynaResource S.A. de C.V. (“MinerasDyna”); with the management of personnel being contracted by MinerasDyna through to the personnel management subsidiary, DynaResource Operaciones, S.A. de C.V. (“DynaOperaciones”). Management of DynaResource, Inc. and consultants continue to manage the operating companies in México; while the Chairman/CEO of DynaUSA is the President of each of the operating companies in Mexico. Fees for Management and administration 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 and relationships in México give it a competitive advantage, even though many competitors may be larger and have more capital resources.

Competition

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

DynaMéxico conducted mining and milling operations at SJG from March 2003 through June, 2006. This activity was suspended in order to focus on the exploration of the vast SJG District. The Company’s operating subsidiaries, MinerasDyna and DynaOperaciones, receive monthly fees for management of the SJG activities and personnel. These fee amounts are eliminated in consolidation. Other than those intercompany fees, the Company reported no revenue in 2013 and 2012. The Company has reported revenues from mining and production activities in 2014.

Capital Requirements

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

Gold

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

Gold Supply. A combination of current mine production, recycling and draw-down of existing gold stocks held by governments, financial institutions, industrial organizations and private individuals make up the annual gold supply.

Based on public information available for the years 2008 through 2014, on average, current mine production has accounted for approximately 64% of the annual gold supply.

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

Year	**High**	**Low**	**Average**
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	$1,694	$1,192	$ 1,411
2014 (through November 17, 2014)	$1,380	$1,152	$ 1,265

Source: Kitco, Reuters and the London Bullion Market Association

On November 17, 2014, the afternoon fixing gold price on the London Bullion Market was $1,192 per ounce and the spot market gold price on the New York Commodity Exchange was $1,196 per ounce.

Condition of Physical Assets and Insurance

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

Environmental Matters

Our activities are largely outside the United States and subject to governmental regulations for the protection of the environment. We conduct our operations so as to protect public health and the environment and believe our operations are in compliance with applicable laws and regulations in all material respects. DynaMéxico is involved with reclamation matters with the oversight of SEMARNAT, the federal environmental agency of México.

Sampling Process-Core Drill Holes

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

Drilling Programs

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

Mineralization at San José de Gracia

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

RESULTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013

REVENUE. Revenues for the three months ended September 30, 2014 and 2013 were $297,638 and $0, respectively. Revenues for the nine months ended September 30, 2014 and 2013 were $884,484 and $0, respectively. The Company has begun the mining and processing of gold product in the current quarter. The Company expects significant revenues from conducting production activities for the remainder of 2014.

PRODUCTION COSTS RELATED TO SALES. Production costs related to sales for the three months ended September 30, 2014 and 2013 were $56,559 and $0, respectively. Production costs for the nine months ended September 30, 2014 and 2013 were $162,552 and $0, respectively. These are expenses directly related to the milling, packaging and shipping of gold and other precious metals product.

MINE OPERATING COSTS. Mine operating costs for the three months ended September 30, 2014 and 2013 were $29,559 and $0, respectively. Mine operating costs for the nine months ended September 30, 2014 and 2013 were $86,222 and $0, respectively. These costs are directly related to the extraction of mine tonnage to be processed at the mill.

PROPERTY HOLDING COSTS. Property holding costs for the three months ended September 30, 2014 and 2013 were $130,500 and 0, respectively. Property holding costs for the nine months ended September 30, 2014 and 2013 were $391,493 and $0, respectively. These costs are concessions taxes, leases on land and other direct costs of maintaining the property. These costs were accounted for as Exploration Costs in 2013.

PRE-PILOT-PRODUCTION EXPENSES. Pre Pilot-Production Expenses for the three months ended September 30, 2014 and 2013 were $693,283 and $0, respectively. Pre-Pilot Production Expenses for the nine months ended September 30, 2014 and 2013 were $1,563,492 and $0, respectively. The increase in expenses was due to the Company commencing mining and milling operations in 2014. These expenses include refurbishment, facilitation of and cleaning of the mill and mine operations. The Company was still in development stage in 2013.

EXPLORATION EXPENSES. Exploration expenses for the three months ended September 30, 2014 and 2013 were $0 and $160,255, respectively. Exploration expenses for the nine months ended September 30, 2014 and 2013 were $0 and $386,256, respectively. The decrease in costs was due to the Company starting up operations in 2014 and incurring Pre Pilot-Production Costs—see above.

OPERATING EXPENSES. Operating expenses for the three months ended September 30, 2014 and 2013 were $500,843 and $700,442, respectively. Operating expenses for the nine months ended September 30, 2014 were $2,026,404 and $1,721,987, respectively. The increase in expenses is due to issuance of share based compensation of $625,000 and a general increase in activity due to the start-up and production at the project. The above expenses include depreciation and amortization amounts of $20,003 and $21,671 for the three months ended September 30, 2014 and 2013, respectively and $56,446 and $66,062 for the nine months ended September 30, 2014 and 2013, respectively.

OTHER INCOME (EXPENSE). Other income, exclusive of currency translation gain or (loss) for the three months ended September 30, 2014 and 2013 was $(127,402) and $(113,160), respectively. Interest expense is the primary component in this category and increased due to the additional notes transacted in 2014. Other income for the nine months ended September 30, 2014 and 2013 were $(218,695) and $(212,163), respectively. Currency translation gain or (loss) was $(71,905) and $(68,038) for the three months ended September 30, 2014 and 2013, respectively. For the nine months ended September 30, 2014 and 2013, the amounts were $(64,895) and $(120,946), respectively.

NON-CONTROLLING INTEREST. The non-controlling interest portion of the net loss for the three months ended September 30, 2014 and 2013 was $(108,188) and $(64,869), respectively. Non-controlling interest portion of the net loss for the nine months ended September 30, 2014 and 2013 was $(394,272) and $(453,428), respectively. The reduction for the three and nine month periods is due primarily to the change in minority interest % from the prior year.

COMPREHENSIVE INCOME (LOSS). Comprehensive income (loss) includes the Company’s net income (loss) plus the unrealized currency translation gain (loss) for the period. For the three months ended September 30, 2014 and 2013, the Company recorded a gain (loss) of $(272,566) and $11,511 respectively. For the nine months ended September 30, 2014 and 2013, the Company recorded a loss of $(282,836) and $(20,107), respectively.

Liquidity and Capital Resources

As of September 30, 2014, the Company maintained working capital of $314,334, comprised of current assets of $1,149,908 and current liabilities of $835,574. This represents a decrease of $(643,828) from the working capital maintained by the Company of $958,162 as of December 31, 2013, due primarily to the continued funding of operations in the first nine months and expenses related to the refurbishment of the pilot mill facility and the rehabilitation of the San Pablo mine at San Jose de Gracia.

Net cash (used) in operations for the nine months ended September 30, 2014 increased to $(3,564,439) from $(2,593,692) in the nine months ended September 30, 2013. Again, this was due to the increased activity relating to

the refurbishing of the pilot mill facility and the rehabilitation of the San Pablo mine, and the preparation for processing bulked mine samples through the pilot mill facility. The pilot mill facility is now operational and the Company is producing revenue from processing material mined from San Pablo Mine through the pilot mill facility in 2014, in order to fund continuing operations.

Net cash (used) in investing activities for the nine months ended September 30, 2014 and 2013 was $(100,733) and $(65,938), respectively. In the current year, it was primarily for the change in Investment in Affiliate of $(82,061) in the nine months ended September 30, 2014.

Cash provided by financing activities for the nine months ended September 30, 2014 was $2,451,398 compared to $2,432,830 for the nine months ended September 30, 2013. The primary components for the current year are for issuance of preferred stock, series B for cash of $1,743,500 and proceeds of notes of $453,500. Proceeds from financing were utilized to refurbish the pilot mill facility and to rehabilitate the San Pablo mine, and to prepare to process bulk mined samples through the mill facility. In the prior year, the primary component was issuance of notes for cash of $1,545,000 and proceeds from sale of preferred stock, series B of $832,000.

Note Receivable – Affiliate

DynaResource Nevada, Inc., a Nevada Corporation ("DynaNevada"), with one operating subsidiary in México, DynaNevada de México, S.A. de C.V. ("DynaNevada de México") have common officers, directors and shareholders. The total amount loaned by the Company to DynaNevada at December 31, 2010 was $805,760. The terms of the Note Receivable provide for a "Convertible Loan", repayable at 5% interest over a 3 year period, and convertible at the Company's option into Common Stock of DynaNevada at $0.25 / Share. DynaNevada is a related entity, and through its subsidiary in México (DynaNevada de México), ("DynaNevada de México"), has entered into an Option agreement with Grupo México ("IMMSA") in México, for the exploration and development of approximately 3,000 hectares in the State of San Luis Potosi ("the Santa Gertrudis Property"). In March, 2010, DynaNevada de México completed the Option with IMMSA so that it now owns 100% of Santa Gertrudis. In June, 2010, DynaNevada de México acquired an additional 6,000 Hectares in the State of Sinaloa ("the San Juan Property"). The Company has loaned additional funds to DynaNevada since 2010 for maintenance of concessions and other nominal required fees and expenses.

Advances to Subsidiaries

DynaResource de México ("DynaMéxico")

In May 2013, the Company acquired additional equity interest in DynaMéxico in exchange for the retirement of accounts receivable of $2,393,803, which amount was due from DynaMéxico at December 31, 2012. As a result, as of May 17, 2013, the Company owned 80% of the outstanding equity of DynaMéxico. All intercompany balances eliminate in consolidation.

As of December 31, 2013, the Company has no receivable from DynaMéxico, however, the Company's wholly owned subsidiary MinerasDyna had an accounts receivable due from DynaMéxico in the amount of $2,800,000.

Mineras de DynaResource ("MinerasDyna")

As of September 30, 2014, the Company had advanced $4,650,000 to MinerasDyna and MinerasDyna had advanced $4,025,000 to DynaMéxico. At September 30, 2014, the Company issued 1,333,333 shares of its common stock to MinerasDyna in exchange for $4,000,000 receivable it held from DynaMexico. The remaining $25,000 is a receivable owed to MinerasDyna from DynaMexico as of September 30, 2014.

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

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

Advances from Goldgroup Mining Inc. ("Goldgroup")

In the current year, Goldgroup advanced $111,500. In 2013, Goldgroup advanced $120,000 USD to DynaMéxico. This $231,500 amount is being carried as a Due to Non-controlling interest.

Future Advances to MinerasDyna and DynaMéxico from the Company

The Company expects to make additional advances to MinerasDyna and DynaMéxico. Future advances from MinerasDyna to DynaMéxico will be made under the terms of the exploitation amendment agreement. Other advances

are agreed to be accrued in the same manner as previous receivables, until or unless otherwise agreed between DynaMéxico and the Company.

Plan of Operation

The Plan of operation for the next twelve months includes MinerasDyna continuing the ramping up of the pilot production operation at SJG. The Company funds its general and administrative expenses in the US. The Company's operating subsidiaries, MinerasDyna and DynaOperaciones, receive monthly fees for management of SJG activities and personnel. These amounts are eliminated in consolidation. The Company believes that cash on hand is adequate to fund its ongoing general and administrative expenses through 2014. The Company plans to seek additional capital funding during the next 12 months depending on results of pilot production activities, market conditions, and other circumstances.

Capital Expenditures

The Company's primary activities relate to the exploitation of the SJG property through its 100% owned operating subsidiary, MinerasDyna. MinerasDyna is conducting activities at SJG under the terms of the Exploitation Amendment Agreement (the "EAA", or, "operating agreement") with DynaMéxico. The Company plans to acquire necessary or optional equipment in the immediate future, in order to facilitate the mining and milling operations and is budgeting $1,000,000 for these purposes.

Litigation

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

The Petition requested that Goldgroup be enjoined from: (a) using or disseminating any confidential information belonging to DynaMéxico, (b) asserting that Goldgroup owns any interest in the San Jose de Gracia Project, rather than owning a common shares equity interest in DynaMéxico, (c) improperly disclosing that Goldgroup is the operator of the San Jose de Gracia Project, rather than Mineras de DynaResource SA de C.V. ("MinerasDyna"), and (d) failing to properly disclose that broad powers of attorney for acting on behalf of DynaMéxico are held by a DynaUSA senior executive.

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

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

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

Goldgroup Arbitration Filing

On March 14, 2014, Goldgroup filed for arbitration, citing the Earn In Agreement dated September 1, 2006. The Company filed an answer on April 10, 2104 disputing that any issues exist which provide for arbitration.

Company Filing in US District Court – District of Colorado

On May 30, 2014, the Company and DynaMéxico filed a "Verified Complaint for Declaratory and Injunctive Relief" against Goldgroup in United States District Court, Denver Colorado. Within the verified complaint, the Company and DynaMéxico seek an order and judgment staying and enjoining Goldgroup, temporarily and permanently, from maintaining the arbitration it has commenced and generally petitioning against the arbitration proceedings. The Company and DynaMéxico believe that there exists no valid agreement between the parties which provides for arbitration.

On October 22, 2014 the Company and DynaMexico (Plaintiffs) filed a Motion for Summary Judgment on all Claims for Declaratory Relief and for Preliminary and Permanent Injunction against Goldgroup. The Plaintiffs moved for summary judgment on all claims for relief against Goldgroup in order to protect against Goldgroup's manipulative litigation conduct.

Litigation in México – Company is Plaintiff

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

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

Litigation – Company and/or Officers and Directors as Defendants

Other than the Arbitration claim of Goldgroup described above, the Company, nor its Officers and Directors have received any formal notice of any legal actions filed against them.

ITEM 3. Quantitative and Qualitative Disclosure about Market Risk.

Not applicable.

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, 2014. 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 seg.) 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, 2014, our Chief Executive Officer and Chief Financial Officer as of September 30, 2014, 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 September 30, 2014. Based on its evaluation, our management concluded that, as of September 30, 2014, 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 OTHER INFORMATION

ITEM 1. Legal Proceedings

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

The Petition requested that Goldgroup be enjoined from: (a) using or disseminating any confidential information belonging to DynaMéxico, (b) asserting that Goldgroup owns any interest in the San Jose de Gracia Project, rather than owning a common shares equity interest in DynaMéxico, (c) improperly disclosing that Goldgroup is the operator of the San Jose de Gracia Project, rather than Mineras de DynaResource S.A. de C.V. ("MinerasDyna"), and (d) failing to properly disclose that broad powers of attorney for acting on behalf of DynaMéxico are held by a DynaUSA senior executive.

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

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

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

Goldgroup Arbitration Filing

On March 14, 2014 Goldgroup filed for arbitration, citing the Earn In Agreement dated September 1, 2006. The Company filed an answer on April 10, 2104 disputing that any issues exist which provide for arbitration.

Company Filing in US District Court – District of Colorado

On May 30, 2014, the Company and DynaMéxico filed a "Verified Complaint for Declaratory and Injunctive Relief" against Goldgroup in United States District Court, Denver Colorado. Within the verified complaint, the Company and DynaMéxico seek an order and judgment staying and enjoining Goldgroup, temporarily and permanently, from maintaining the arbitration it has commenced and generally petitioning against the arbitration proceedings. The

Company and DynaMéxico believe that there exists no valid agreement between the parties which provides for arbitration.

On October 22, 2014 the Company and DynaMexico (Plaintiffs) filed a Motion for Summary Judgment on all Claims for Declaratory Relief and for Preliminary and Permanent Injunction against Goldgroup. The Plaintiffs moved for summary judgment on all claims for relief against Goldgroup in order to protect against Goldgroup's manipulative litigation conduct.

Litigation in México – Company is Plaintiff

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

Litigation – Company and/or Officers and Directors as Defendants

Other than the Arbitration claim of Goldgroup described above, the Company, nor its Officers and Directors have received any formal notice of any legal actions filed against them.

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 and Reports on Form 8-K

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: November 18, 2014

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