

DYNASTY METALS & MINING INC.
CONSOLIDATED FINANCIAL STATEMENTS
(unaudited-prepared by management)

March 31, 2008

DYNASTY METALS & MINING INC.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim financial statements of Dynasty Metals & Mining Inc. (the “Company”) have been prepared by and are the responsibility of the Company’s management. The Company’s independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditor.

Vancouver, Canada

May 12, 2008

DYNASTY METALS & MINING INC.
CONSOLIDATED BALANCE SHEETS

	March 31 2008 (unaudited)	December 31 2007 (unaudited)
ASSETS		
Current		
Cash and cash equivalents	\$ 28,779,213	\$ 16,704,082
Receivables	149,622	114,911
Prepaid expenses	<u>60,899</u>	<u>70,807</u>
	28,989,734	16,889,800
Exploration advances and deposits	129,208	159,402
Property, plant and equipment (Note 4)	12,356,534	9,493,094
Mineral properties (Note 5)	<u>16,807,763</u>	<u>15,032,981</u>
	<u>\$ 58,283,239</u>	<u>\$ 41,575,277</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 677,601	\$ 2,160,052
Current portion of long-term debt (Note 6)	<u>47,903</u>	<u>46,261</u>
	725,504	2,206,313
Asset retirement obligation	<u>203,781</u>	<u>146,901</u>
	<u>929,285</u>	<u>2,353,214</u>
Shareholders' equity		
Capital stock (Note 7)	63,466,941	44,741,142
Contributed surplus (Note 7)	2,382,854	2,296,302
Deficit	<u>(8,495,841)</u>	<u>(7,815,381)</u>
	<u>57,353,954</u>	<u>39,222,063</u>
	<u>\$ 58,283,239</u>	<u>\$ 41,575,277</u>

Nature and continuance of operations (Note 1)
Commitments and contingencies (Note 13)
Subsequent events (Note 14)

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

DYNASTY METALS & MINING INC.
CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
FOR THE THREE MONTHS ENDED MARCH 31

	2008 (unaudited)	2007 (unaudited)
EXPENSES		
Amortization and accretion	\$ 110,281	\$ 56,871
Management fees	56,353	47,666
Office and general	218,437	139,413
Professional fees	51,845	115,345
Shareholder communication	93,190	91,575
Stock-based compensation (Note 7)	258,212	409,240
Transfer agent and filing fees	30,357	22,453
Travel and entertainment	44,236	54,260
	<u>862,911</u>	<u>936,823</u>
OTHER ITEMS		
Interest income	166,908	116,813
Foreign exchange gain	15,543	3,557
	<u>182,451</u>	<u>120,370</u>
Loss and comprehensive loss for the period	(680,460)	(816,453)
Deficit, beginning of period	<u>(7,815,381)</u>	<u>(4,485,836)</u>
Deficit, end of period	<u>\$ (8,495,841)</u>	<u>\$ (5,302,289)</u>
Basic and diluted loss per share	\$ (0.02)	\$ (0.03)
Weighted average number of shares outstanding	29,946,433	26,303,060

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

DYNASTY METALS & MINING INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31

	2008 (unaudited)	2007 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (680,460)	\$ (816,453)
Items not including cash:		
Amortization and accretion	110,281	56,871
Stock-based compensation	258,212	409,240
Unrealized foreign exchange	1,642	(934)
Changes in non-cash working capital items:		
(Increase) decrease in receivables	(34,711)	67,813
(Increase) decrease in prepaid expenses	9,909	103
Increase (decrease) in accounts payable and accrued liabilities	<u>(5,478)</u>	<u>(348,409)</u>
Net cash used in operating activities	<u>(340,605)</u>	<u>(631,769)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures on mineral properties	(1,776,641)	(1,480,156)
Exploration advances and deposits	30,195	24,806
Purchase of equipment	<u>(4,438,606)</u>	<u>(1,056,413)</u>
Net cash used in investing activities	<u>(6,185,052)</u>	<u>(2,511,763)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of capital stock	19,020,000	13,637
Share issue costs	<u>(419,212)</u>	<u>-</u>
Net cash provided by financing activities	<u>18,600,788</u>	<u>13,637</u>
Increase in cash and cash equivalents for the period	12,075,131	(3,129,895)
Cash and cash equivalents, beginning of period	<u>16,704,082</u>	<u>13,737,903</u>
Cash and cash equivalents, end of period	<u>\$ 28,779,213</u>	<u>\$ 10,608,008</u>
Cash paid during the period for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid during the period for income taxes	<u>\$ -</u>	<u>\$ -</u>

Supplemental disclosure with respect to cash flows (Note 11)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company was incorporated under the laws of the Yukon Territory on June 28, 2000. On September 24, 2003, the Company completed a business combination and changed its name from “Vendin One Capital Corp.” to “Dynasty Metals & Mining Inc.” The Company is in the business of acquiring, exploring and developing mineral concessions. All such concessions are currently situated in Ecuador. To date, the Company has not generated revenues from operations and is considered to be an exploration and early development stage company.

On April 18th, 2008, Ecuador’s Constitutional Assembly passed a Constituent Mandate resolution (the “Mining Mandate”), which provided, among other provisions, for the suspension of mineral exploration activities for 180 days, or until a new Mining Act is approved. It also proposed to limit the number of mineral concessions that each individual or entity can hold to three. To-date the Company has not received any formal order to cease or suspend any of its operations nor has it received any formal notification regarding title to its approximately 125 mineral concessions.

Management is currently in discussions with, and seeking numerous clarifications from, the Ecuador government as well as performing a thorough review of current operations in order to properly assess the impact the Mining Mandate will have on the Company’s future operations. At present, the Company continues to employ substantially all of its work force to work on civil works and other site management projects. Management is monitoring the situation on a day to day basis and may in the future decide to suspend operations and terminate the majority of its employees.

These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that might arise should the Company be unable to secure additional equity capital or generate cash from operations in the future. The pronouncement that limits each company to three mineral concessions may impact the viability of the Company’s principle projects and, as a consequence, it may be necessary, in the future, to re-evaluate the carrying value of the Company’s mineral properties and certain other capital assets.

2. CHANGES IN ACCOUNTING POLICIES

On January 1, 2008, the Company adopted the following provisions of the Canadian Institute of Chartered Accountants (“CICA”) Handbook Sections. These accounting policy changes were adopted on a prospective basis with no restatement of prior period financial statements. The new standards and accounting policy changes are as follows:

Section 1400 – Assessing Going Concern

CICA Handbook Section 1400 was amended to include requirements for management to assess and disclose an entity’s ability to continue as a going concern (see Note 1).

Section 1535 – Capital Disclosures

This Section requires the disclosure of qualitative and quantitative information that enables the users to evaluate the Company’s objectives, policies and processes for managing capital as well as the implications of non-compliance (see Note 9).

Section 3031 – Inventories

This Section prescribes the accounting treatment for inventories and provides guidance on the determination of costs and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories. The initial adoption of this standard did not have an effect on the Company’s consolidated financial statements.

DYNASTY METALS & MINING INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2008
(unaudited)

2. CHANGES IN ACCOUNTING POLICIES (cont'd)

Section 3862 – Financial Instruments – Disclosures

This Section requires the Company to provide disclosure of quantitative and qualitative information in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks. Disclosures required by this standard are included in Note 10.

Section 3863 – Financial Instruments – Presentation

This Section was issued to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. The initial adoption of this standard did not have an effect on the consolidated financial statements.

3. BASIS OF PRESENTATION

These interim period consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles. All financial summaries included are presented on a comparative and consistent basis showing the amounts for the corresponding period in the preceding year. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of annual financial statements. Certain information and footnote disclosure normally included in financial statements prepared in accordance with generally accepted accounting principles has been condensed or omitted. These interim period consolidated statements should be read together with the Company's most recent audited financial statements and the accompanying notes. In the opinion of the Company, these unaudited interim consolidated financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim periods presented.

4. PROPERTY, PLANT AND EQUIPMENT

	March 31, 2008		
	Cost	Accumulated Amortization	Net Book Value
Office equipment	\$ 161,484	\$ 55,534	\$ 105,950
Exploration equipment	309,249	86,911	222,338
Drill rigs	873,272	144,200	729,072
Vehicles	174,708	70,686	104,022
Land	2,594,202	-	2,594,202
Buildings	589,217	7,737	581,480
Plant construction	7,435,674	-	7,435,674
Mining equipment	583,796	-	583,796
	\$ 12,721,602	\$ 365,068	\$ 12,356,534

DYNASTY METALS & MINING INC.
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4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	December 31, 2007		
	Cost	Accumulated Amortization	Net Book Value
Office equipment	\$ 156,115	\$ 68,009	\$ 88,106
Exploration equipment	286,661	57,978	228,683
Drill rigs	430,962	122,652	308,310
Vehicles	174,708	42,611	132,097
Land	2,501,710	-	2,501,710
Buildings	589,217	205	589,012
Plant construction	5,061,380	-	5,061,380
Mining equipment	583,796	-	583,796
	\$ 9,784,549	\$ 291,455	\$ 9,493,094

Plant construction

The Company has commenced construction of a production facility to process material extracted from its Zaruma Gold Project. Plant construction includes the cost of engineering, materials, construction labor, machinery and equipment. Upon completion, such costs will be amortized over the plant's estimated useful life.

Mining equipment

Mining equipment includes various machinery and equipment that will be used in the future to mine material from its Zaruma Gold Project. Upon commencement of operations, such costs will be amortized over their estimated useful lives.

Land

The Company purchased the land on which the Plant is located as well as certain land to secure surface access to parts of the Dynasty and Zaruma projects.

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5. MINERAL PROPERTIES

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties, and, to the best of its knowledge, titles to all of its properties, except as described below, are properly registered and in good standing.

The following table summarizes mineral property expenses, by property.

	Dynasty Project	Zaruma Project	Jerusalem Project	Other Projects	Total
Balance, December 31, 2007	<u>\$ 7,015,705</u>	<u>\$ 6,366,510</u>	<u>\$ 1,265,259</u>	<u>\$ 385,507</u>	<u>\$ 15,032,981</u>
Camp supplies and field costs	10,980	72,828	1,077	58	84,944
Drilling and supplies	42,493	-	-	-	42,493
Geological consulting	295,181	68,403	21,929	685	386,198
Laboratory fees	28,064	1,450	389	-	29,902
Mineral concession rights	220,886	43,886	959	32,222	297,953
Project administration	104,775	72,803	17,979	7,181	202,738
Technical reports and services	-	-	-	-	-
Travel and related costs	75,758	70,601	1,444	758	148,561
Mine development costs	<u>-</u>	<u>581,993</u>	<u>-</u>	<u>-</u>	<u>581,993</u>
Additions for the period	<u>778,137</u>	<u>911,964</u>	<u>43,777</u>	<u>40,904</u>	<u>1,774,782</u>
Balance, March 31, 2008	<u>\$ 7,793,842</u>	<u>\$ 7,278,474</u>	<u>\$ 1,309,036</u>	<u>\$ 426,411</u>	<u>\$ 16,807,763</u>

Mine development costs include all direct costs associated with the development of a portal to access the Company's resource at its Zaruma Gold Project. Total mine development expenditure capitalized as at March 31, 2008 was \$2,034,988 (December 31, 2007 - \$1,452,995).

The Company is aware that a locally-based, third party has applied for, and received, certain limited mining concessions from local authorities that could affect the Company's future ability to operate a portion of the Zaruma property. The Company believes, based on legal advice received, that these claims have no standing under Ecuador's mining laws. The Company has not received notice of any change in the status of its title to any of its concessions and has advised the relevant provincial and federal government agencies that it will strongly object to any encroachment upon its concession rights.

The Company is also aware of actions taken by another party to gain ownership of an additional concession within the Zaruma Gold Project. The Company believes that these actions are unlawful and has taken steps to protect its interest.

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6. LONG-TERM DEBT

During 2005, the Company acquired land to secure access to certain of its mineral properties and the vendor agreed to finance the purchase amount of \$232,200. The balance owing is set out below.

	March 31 2008	December 31 2007
Loan payable \$47,903 (US\$46,667), unsecured, repayable in installments of US\$46,667 principal payable annually, bearing interest at 6% per annum payable semi-annually	\$ 47,903	\$ 46,621
Current portion of long-term debt	(47,903)	(46,621)
	\$ -	\$ -

7. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Capital Stock		Contributed Surplus
	Number of Shares	Amount	
Authorized			
Unlimited common shares without par value			
As at December 31, 2007	29,278,204	\$ 44,741,142	\$ 2,296,302
Exercise of options	600,000	270,000	-
Private Placement	2,500,000	18,750,000	-
Finders fees	56,675	425,063	-
Share issue and transaction costs	-	(890,924)	-
Stock-based compensation	-	-	258,212
Warrant and Option conversion	-	171,660	(171,660)
As at March 31, 2008	32,434,879	\$ 63,466,941	\$ 2,382,854

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7. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd)

Stock Options and Warrants

As at March 31, 2008, the following stock options and warrants were outstanding:

	Number of Shares	Exercise Price	Expiry Date
Options	225,000	0.45	September 24, 2008
	300,000	0.75	March 26, 2009
	3,000	0.75	June 2, 2009
	1,266,904	1.05	September 21, 2010
	370,000	2.10	January 9, 2011
	50,000	3.48	March 15, 2011
	150,000	4.50	February 23, 2012
	286,050	5.00	March 29, 2012
	8,000	5.00	May 17, 2012
	40,000	5.28	January 3 2012
	100,000	6.00	June 14, 2012
	100,000	6.63	July 1, 2012
	60,000	7.44	August 20, 2012
	<u>100,000</u>	7.50	March 12, 2013
	<u>3,058,954</u>		
Warrants	<u>72,000</u>	8.50	October 11, 2008
	<u>72,000</u>		

Stock-based Compensation

The Company uses the Black-Scholes option pricing model to determine the fair value of options granted. During the three months ended March 31, 2008, the Company granted 100,000 options to employees and consultants at various prices having an aggregate fair value of \$275,000 which is being recognized over the periods in which the options vest. Total stock-based compensation recognized in the Statement of Operations, Comprehensive Loss and Deficit for the three months ended March 31, 2008 was \$258,212 (2007 - \$409,240).

8. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties during the three months ended March 31, 2008 and 2007:

- a) paid or accrued professional fees of \$24,559 (2007 - \$nil) to a law firm in Ecuador with which a director of the Company is affiliated;
- b) paid or accrued fees of \$nil (2007 - \$27,208) for engineering services to a director of the Company, which were capitalized and included in either mineral property or plant construction costs;
- c) paid management fees of \$75,377 (2007 - \$52,665) to a company controlled by a director of the Company of which \$56,533 (2007 - \$39,499) were capitalized and included in either mineral property or plant construction costs; and
- d) paid rental expenses of \$18,073 (2007 - \$nil) to a company controlled by a director of the Company with respect to the lease of land and sundry field equipment.

8. RELATED PARTY TRANSACTIONS (cont'd)

During the three months ended March 31, 2007, the Company entered into the following related party transactions with former directors and officers of the Company:

- a) paid or accrued professional fees of \$82,975 to a law firm in Canada with which a former director of the Company was affiliated; and
- b) paid or accrued management fees of \$22,500 to a company controlled by a former officer of the Company.

Included in accounts payable at March 31, 2008 is \$nil (December 31, 2007 - \$51,060) due to a law firm with which a current director is affiliated and \$170,040 (December 31, 2007 - \$1,553,680) due to directors and companies controlled by directors of the Company.

Included in accounts receivable at March 31, 2008 is \$25,663 (December 31, 2007 - \$24,867) due from a director of the Company. The amount represents an advance to be refunded or applied against certain future expenses.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

9. CAPITAL DISCLOSURE

The Company's capital currently consists of common shares, options and warrants. As the Company is in the development stage its principal source of funds is from the issuance of common shares. The Company's capital management objectives are to safeguard its ability to continue as a going concern and to have sufficient capital to be able to meet the Company's property development and exploration plans to ensure the growth of activities.

10. FINANCIAL INSTRUMENTS

Fair Values

As at March 31, 2008, the carrying values of receivables, accounts payable and accrued liabilities and the current portion of long term debt approximate their fair values due to their short term to maturity.

Credit Risk

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and accounts receivable. The Company deposits cash and cash equivalents with high quality financial institutions as determined by rating agencies.

Currency Risk

The Company's significant subsidiaries are located in Ecuador which has adopted the U.S. dollar as its currency. As such, at March 31, 2008, a significant portion of the Company's cash and cash equivalents were held in U.S. dollars and were therefore subject to fluctuation against the Canadian dollar. Based on the balances as at March 31, 2008, if the U.S. dollar had weakened (strengthened) against the Canadian dollar, with all other variables held constant, by 1%, net loss would have increased (decreased) by \$9,694. There would be no effect in other comprehensive loss.

Additionally, a portion of the Company's accounts receivable, and accounts payable and accruals are denominated in the U.S. dollar and are therefore subject to fluctuation in exchange rates.

10. FINANCIAL INSTRUMENTS (cont'd)

Interest Rate Risk

The Company maintains short-term deposits in instruments that are redeemable at any time without penalty, thereby reducing its exposure to interest rate fluctuations thereon. Other interest rate risks on the Company's operations are not considered material.

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

- a) During the three months ended March 31, 2008, the Company incurred mineral property expenditures of \$150,277, acquired land at a cost of \$138,578 and incurred plant construction expenditures of \$23,630 through accounts payable. In addition, the Company incurred mineral property expenditures of \$203,781 through asset retirement obligations.
- b) During the three months ended March 31, 2007, the Company incurred expenditures of \$40,224 for mineral properties, \$129,246 for construction in progress and \$28,875 for land through accounts payable. In addition, the Company reclassified land costs of \$68,340 previously recorded as mineral property costs to property, plant and equipment.
- c) Cash and cash equivalents consisted of cash of \$1,780,234 (2007: \$967,926) and short-term investments of \$26,998,979 (2007: \$15,736,156).

12. SEGMENTED INFORMATION

The Company is in the business of acquiring, exploring, evaluating and developing mineral properties. It does not operate in any other business segment. Its mineral properties and substantially all of its equipment are located in Ecuador.

	March 31 2008	December 31 2007
Capital assets:		
Canada	\$ 446,272	\$ 4,740
Ecuador	<u>28,718,025</u>	<u>24,521,335</u>
	<u>\$ 29,164,297</u>	<u>\$ 24,526,075</u>

13. COMMITMENTS AND CONTINGENCIES

As at March 31, 2008 the Company had commitments to purchase equipment and machinery for plant construction totalling \$1,107,346.

14. SUBSEQUENT EVENTS

Subsequent to March 31, 2008, the Company issued 331,250 common shares upon the exercise of incentive stock options at various prices ranging from \$0.45 per share to \$1.05 per share for aggregate proceeds of 257,813.