DYNASTY METALS & MINING INC.

CONSOLIDATED FINANCIAL STATEMENTS
(unaudited-prepared by management)

March 31, 2009

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, 2009

DYNASTY METALS & MINING INC.
CONSOLIDATED BALANCE SHEETS

	March 31 2009 (unaudited)	December 31 2008 (audited)
ASSETS		
Current		
Cash and cash equivalents	$ 20,190,720	$ 17,567,381
Receivables	248,602	190,531
Prepaid expenses	191,643	97,566
Supply inventory	382,022	-
	21,012,987	17,855,478
Exploration advances and deposits	159,220	116,464
Property, plant and equipment (Note 4)	22,198,777	18,939,110
Mine development costs (Note 5)	5,853,510	4,301,156
Mineral properties (Note 6)	17,180,544	16,333,597
	$ 66,405,038	$ 57,545,805
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 695,941	$ 685,443
	695,941	685,313
Asset retirement obligation (Note 9)	321,203	314,742
	1,017,144	1,000,185
Shareholders' equity		
Capital stock (Note 7)	73,147,889	63,930,998
Contributed surplus (Note 7)	3,968,509	2,695,239
Deficit	(11,728,504)	(10,080,617)
	65,387,894	56,545,620
	$ 66,405,038	$ 57,545,805

Nature and continuance of operations (Note 1)
Commitments and contingencies (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

	2009 (unaudited)	2008 (unaudited)
EXPENSES		
Amortization and accretion	$ 92,532	$ 110,281
Management fees	66,330	56,353
Office and general	349,649	218,437
Professional fees	127,451	51,845
Shareholder communication	51,101	93,190
Stock-based compensation (Note 7)	1,075,550	258,212
Transfer agent and filing fees	37,345	30,357
Travel and entertainment	77,691	44,236
	1,877,649	862,911
OTHER ITEMS		
Interest income	19,474	166,908
Foreign exchange gain	210,288	15,543
	229,762	182,451
Loss and comprehensive loss for the period	(1,647,887)	(680,460)
Deficit, beginning of period	(10,080,617)	(7,815,381)
Deficit, end of period	$ (11,728,504)	$ (8,495,841)
Basic and diluted loss per share	$ (0.05)	$ (0.02)
Weighted average number of shares outstanding	34,096,685	29,946,433

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

	2009 (unaudited)	2008 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	$ (1,647,887)	$ (680,460)
Items not including cash:		
Amortization and accretion	92,532	110,281
Stock-based compensation	1,075,550	258,212
Unrealized foreign exchange	-	1,642
Changes in non-cash working capital items:		
(Increase) decrease in receivables	(58,071)	(34,711)
(Increase) decrease in prepaid expenses	(94,078)	9,909
(Increase) decrease in inventory	(382,022)	-
Increase (decrease) in accounts payable and accrued liabilities	41,115	(5,478)
Net cash used in operating activities	(972,861)	(340,605)
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures on mineral properties	(959,274)	(1,194,648)
Exploration advances and deposits	(42,757)	30,195
Purchase of property, plant and equipment	(3,406,441)	(4,438,606)
Mine development costs	(1,469,939)	(581,993)
Net cash used in investing activities	(5,878,411)	(6,185,052)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of capital stock	10,150,000	19,020,000
Share issue costs	(675,389)	(419,212)
Net cash provided by financing activities	9,474,611	18,600,788
Increase in cash and cash equivalents for the period	2,623,339	12,075,131
Cash and cash equivalents, beginning of period	17,567,381	16,704,082
Cash and cash equivalents, end of period	20,190,720	$ 28,779,213
Cash paid during the period for interest	$ -	$ -
Cash paid during the period for income taxes	$ -	$ -

Supplemental disclosure with respect to cash flows (Note 12)

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 Law was approved.

In January 2009, the new Mining Law was passed into law, following which the Ministry of Mines and Petroleum will be issuing regulations and procedures to operate under the new law. There is no assurance that these regulations and procedures will not adversely affect the Company's business. Furthermore, the new Mining Law states that each company must negotiate an exploitation contract with the government. This exploitation contract is expected to include, amongst other items, the royalty payable to the government. There is no assurance that the Company will be able to agree on an exploitation contract and royalty rate that will not adversely affect the Company's business. In the event that the regulations and procedures issued by the Ministry of Mines and / or the exploitation contract reached with the government impact the viability of the Company's principal projects, it may be necessary, in the future, to re-evaluate the carrying value of the Company's mineral properties, property, plant and equipment and certain other capital assets.

The Company's continuing operations are dependent upon its ability to either secure additional equity capital or generate cash flow from operations in the future, which is not assured. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities, except from an estimate of asset retirement obligations, that might be necessary, should the Company be unable to secure additional equity capital or generate cash from operations in the future.

2. CHANGES IN ACCOUNTING POLICIES

Adopted in 2009:

Goodwill and Intangible Assets

On January 1, 2009 the Company adopted Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064 "Goodwill and Intangible Assets" replaced Section 3062 "Goodwill and Other Intangible Assets" and Section 3450 "Research and Development Costs". The new pronouncement establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. The adoption of this standard had no effect on the Company's consolidated financial statements.

Credit Risk and the Fair Value of Financial Assets and Liabilities

Effective January 1, 2009 the Company adopted Emerging Issues Committee ("EIC") abstract 173 ("EIC-173") "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". This abstract clarifies that and entity should take into account its own credit risk and counterparty credit risk in determining the fair value of financial assets and liabilities, including derivatives. The Company's adoption of this abstract had no effect on the consolidated financial statements.

2. CHANGES IN ACCOUNTING POLICIES (cont'd)

Adopted in 2009 (cont'd):

Mining Exploration Costs

Effective January 1, 2009, the Company adopted EIC-174 "Mining Exploration Costs" which clarifies guidance related to capitalization of exploration costs and impairment of capitalized costs. The Company's adoption of this abstract had no effect on the consolidated financial statements.

Future Accounting Changes:

Business Combinations, Non-controlling Interest and Consolidated Financial Statements

In January 2009, the CICA issued Handbook Sections 1582 "Business Combinations", 1601 "Consolidated Financial Statements" and 1602 "Non-controlling Interests" which replace CICA Handbook Sections 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. Early adoption of this Section is permitted and all three Sections must be adopted concurrently. The Company is currently evaluating the impact of these new Sections.

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

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, 2009		
	Cost	Accumulated Amortization	Net Book Value
Office equipment	$ 253,046	$ 115,108	$ 137,938
Exploration equipment	464,333	144,371	319,962
Drill rigs	947,574	230,392	717,182
Vehicles	325,908	151,160	174,748
Land	2,667,673	-	2,667,673
Buildings	615,052	38,215	576,837
Plant under construction	14,621,735	-	14,621,735
Mining equipment	3,192,776	210,074	2,982,702
	$ 23,088,097	$ 889,320	$ 22,198,777

	December 31, 2008		
	Cost	Accumulated Amortization	Net Book Value
Office equipment	$ 235,092	$ 93,691	$ 141,401
Exploration equipment	414,704	122,316	292,388
Drill rigs	947,574	209,728	737,846
Vehicles	325,908	132,519	193,389
Land	2,667,673	-	2,667,673
Buildings	615,050	33,043	582,007
Plant under construction	12,608,908	-	12,608,908
Mining equipment	1,843,158	127,660	1,715,498
	$ 19,658,067	$ 718,957	$ 18,939,110

Plant construction

The Company is nearing completion of the 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 the commencement of commercial production, 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.

Land

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

5. MINE DEVELOPMENT COSTS

Mine development costs include all direct costs associated with the development of portals to access the Company's resource at its Zaruma Gold Project.

6. 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 Company considers the Zaruma Gold Project to be a development project while the others are considered exploration projects. The following table summarizes mineral property expenses, by property.

	Dynasty Project	Zaruma Project	Jerusalem Project	Other Projects	Total
Balance, December 31, 2008	$ 8,312,327	$ 6,214,864	$ 1,500,287	$ 306,119	$ 16,333,597
Camp supplies and field costs	1,903	12,926	462	-	15,291
Drilling and supplies	-	-	-	-	-
Geological consulting	39,910	36,002	17,423	-	93,335
Laboratory fees	-	16,475	1,756	-	18,231
Mineral concession rights	408,717	83,290	6,160	5,382	503,549
Project administration	57,453	78,811	14,262	2,984	153,510
Technical reports and services	-	-	-	-	-
Travel and related costs	10,415	49,306	3,310	-	63,031
Additions for the period	518,398	276,810	43,373	8,366	846,947
Balance, March 31, 2009	$ 8,830,725	$ 6,491,674	$ 1,543,660	$ 314,485	$ 17,180,544

A locally-based third party received certain limited mining concessions from local authorities that could have affected the Company's future ability to operate a small portion of the Zaruma property. The Company has now received notification by relevant authorities of their intention to cancel the third party's claim on the concessions.

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.

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, 2008	32,891,129	$ 63,930,998	$ 2,695,239
Exercise of options	200,000	150,000	-
Private Placement	2,500,000	10,000,000	-
Share issue and transaction costs	-	(995,389)	260,000
Stock-based compensation	-	-	1,075,550
Warrant and Option conversion	-	62,280	(62,280)
As at March 31, 2009	35,591,129	$ 73,147,889	$ 3,968,509

Stock Options and Warrants

As at March 31, 2009, the following stock options and warrants were outstanding:

	Number of Shares	Exercise Price	Expiry Date
Options	3,000	0.75	June 2, 2009
	1,116,904	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
	100,000	7.50	March 12, 2013
	413,000	2.00	December 18, 2013
	1,000,000	5.00	March 24, 2014
	3,796,954		
Warrants	100,000	4.24	February 19, 2010
	100,000		

Subsequent to March 31, 2009, the Company granted options to purchase 300,000 common shares at $5.00 per share to employees and consultants of the Company.

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, 2009, the Company granted 1,000,000 options to directors, officers, employees and consultants with a fair value of $3,300,000 (2008 - $275,000), which is being recognized over the vesting periods of

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

Stock-based Compensation (cont'd)

the options. Total stock-based compensation recognized in the Statement of Operations, Comprehensive Loss and Deficit for the three months ended March 31, 2009 was $1,075,550 (2008 - $258,212).

8. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties during the three months ended March 31, 2009 and 2008:

a) paid or accrued professional fees of $8,640 (2008 - $24,559) to a law firm in Ecuador with which a director of the Company is affiliated;

b) paid or accrued fees of $8,217 (2008 - $nil) for consulting services to a director of the Company;

c) paid management fees of $93,322 (2008 - $75,377) to a company controlled by the President and Chief Executive Officer of the Company of which $69,991 (2008 - $56,533) were capitalized and included in either mineral property or plant construction costs; and

d) paid rental expenses of $nil (2008 - $18,073) to a company controlled by a director of the Company with respect to the lease of land and sundry field equipment.

Included in accounts payable at March 31, 2009 is $nil (December 31, 2008 - $8,033) due to a law firm with which a current director is affiliated and $nil (December 31, 2008 - $15,400) due to directors and companies controlled by directors of the Company.

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. ASSET RETIREMENT OBLIGATION

The Company's environmental permit at the Zaruma Gold Project requires that it reclaim any land it disturbs during the mine and plant construction and operations. Although the timing and the amount of the actual expenditures are uncertain, the Company has estimated the present value of the future reclamation obligation arising from its activities to March 31, 2009 to be $321,203 (December 31, 2008 - $314,742). The present value of the future reclamation obligation assumes an inflation rate of 2.5% and a discount rate of 8.0% and the commencement of reclamation activities after the life of the mine, which is estimated at 15 years.

10. 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 so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to have sufficient capital to be able to meet the Company's property development and exploration plans.

11. FINANCIAL INSTRUMENTS

Fair Values

As at March 31, 2009, the carrying values of receivables, accounts payable and accrued liabilities 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 receivables. The Company deposits cash and cash equivalents with high quality financial institutions as determined by rating agencies in Canada and Treasury Bills issued by the Federal Government of Canada, for which management believes the risk of loss to be minimal. The Company holds minimal balances in banks in Ecuador.

Receivables mainly consist of employee advances and sales tax refunds from the Federal Governments of Canada and Ecuador. Management believes that the credit risk concentration with respect to receivables is minimal.

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, 2009, 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, 2009, 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 approximately $11,300. There would be no effect in other comprehensive loss. Additionally, a portion of the Company's receivables and accounts payable and accruals are denominated in the U.S. dollar and are therefore subject to fluctuation in exchange rates.

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.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

Price risk

The Company is exposed to price risk with respect to commodity and equity prices. The ability of the Company to explore its mineral properties and the future profitability of the Company are directly related to the market price of gold and other precious metals. The Company monitors gold and other commodity prices to determine the appropriate course of action to be taken by the Company.

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

a) During the three months ended March 31, 2009, the Company incurred mineral property expenditures of $9,075, acquired land at a cost of $100,904, incurred plant construction expenditures of $179,003, incurred mine development expenses of $155,092 and incurred share issuance costs of $60,000 through accounts payable. In addition, the Company capitalized $82,414 of depreciation on mining equipment to mine development costs, incurred mineral property expenditures of $321,203 through asset retirement obligations and incurred share issuance costs of $260,000 relating to the issuance of agent's warrants.

b) 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.

c) Cash and cash equivalents consisted of cash of $1,827,046 (2008: $4,484,675) and short-term investments of $18,363,674 (2008: $13,082,706).

13. 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 2009	December 31 2008
Capital assets:		
Canada	$ 518,259	$ 519,523
Ecuador	44,714,571	39,054,340
	$ 45,232,830	$ 39,573,863

14. COMMITMENTS AND CONTINGENCIES

As at March 31, 2009 the Company had commitments to purchase equipment and machinery for plant construction totalling $250,000.