DYNASTY METALS & MINING INC.

CONSOLIDATED FINANCIAL STATEMENTS
(unaudited-prepared by management)

September 30, 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

November 11, 2008

DYNASTY METALS & MINING INC.
CONSOLIDATED BALANCE SHEETS

	September 30 2008 (unaudited)	December 31 2007 (audited)
ASSETS		
Current		
Cash and cash equivalents	$ 12,834,596	$ 16,704,082
Short term investments	8,000,000	-
Receivables	196,260	114,911
Prepaid expenses	110,641	70,807
	21,141,497	16,889,800
Exploration advances and deposits	142,668	159,402
Property, plant and equipment (Note 4)	16,763,318	9,493,094
Mineral properties (Note 5)	19,193,740	15,032,981
	$ 57,241,223	$ 41,575,277
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 377,989	$ 2,160,052
Current portion of long-term debt (Note 6)	49,663	46,261
	427,652	2,206,313
Asset retirement obligation	207,775	146,901
	635,427	2,353,214
Shareholders' equity		
Capital stock (Note 7)	63,930,999	44,741,142
Contributed surplus (Note 7)	2,587,739	2,296,302
Deficit	(9,912,942)	(7,815,381)
	56,605,796	39,222,063
	$ 57,241,223	$ 41,575,277

Nature and continuance of operations (Note 1)

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

DYNASTY METALS & MINING INC.
CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
(unaudited – prepared by management)

	For the nine Months Ended September 30 2008	For the nine Months Ended September 30 2007	For the Three Months Ended September 30 2008	For the Three Months Ended September 30 2007
EXPENSES				
Amortization and accretion	$ 317,416	$ 160,087	$ 118,697	$ 53,371
Management fees	197,968	140,650	66,713	46,130
Office and general	831,168	470,680	264,121	180,542
Professional fees	288,874	429,585	129,851	113,586
Shareholder communication	209,560	281,198	62,338	59,079
Stock-based compensation (Note 7)	629,103	829,631	316,791	289,491
Transfer agent and filing fees	53,133	199,341	6,474	174,749
Travel and entertainment	143,439	218,461	60,084	99,902
	(2,670,661)	(2,729,633)	(1,025,069)	(1,016,850)
OTHER ITEMS				
Interest income	518,599	358,555	159,115	127,986
Interest expense	(1,411)	(3,625)	-	-
Foreign exchange gain (loss)	55,912	(137,666)	84,443	(66,973)
	573,100	217,264	243,558	61,013
Loss and comprehensive loss for the period	(2,097,561)	(2,512,369)	(781,511)	(955,837)
Deficit, beginning of period	(7,815,381)	(4,504,891)	(9,131,431)	(6,061,423)
Deficit, end of period	$ (9,912,942)	$ (7,017,260)	$ (9,912,942)	$ (7,017,260)
Basic and diluted loss per share	$ (0.07)	$ (0.09)	$ (0.02)	$ (0.03)
Weighted average number of shares outstanding	31,815,611	26,942,963	32,785,694	27,758,665

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

DYNASTY METALS & MINING INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited – prepared by management)

	For the nine Months Ended September 30 2008	For the nine Months Ended September 30 2007	For the three Months Ended September 30 2008	For the three Months Ended September 30 2007
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period	$ (2,097,561)	$ (2,512,369)	$ (781,511)	$ (955,837)
Items not including cash:				
Amortization and accretion	317,416	160,087	118,697	53,371
Stock-based compensation	629,103	829,631	316,791	289,491
Unrealized foreign exchange	3,402	(15,886)	2,077	(6,570)
Changes in non-cash working capital items:				
(Increase) decrease in receivables	(81,349)	30,195	(58,914)	146,374
(Increase) decrease in prepaids and deposits	(39,832)	(12,894)	(45,293)	(21,600)
Increase (decrease) in accounts payable	(260,549)	(349,836)	(213,720)	(18,327)
Net cash used in operating activities	(1,529,370)	(1,871,072)	(661,873)	(513,098)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of short term investments	(8,000,000)	-	-	-
Expenditures on mineral properties	(4,196,664)	(4,045,107)	(1,016,568)	(1,234,060)
Exploration advances and deposits	16,734	(59,489)	46,801	(86,543)
Purchase of equipment	(9,012,375)	(2,839,440)	(1,572,215)	(1,009,845)
Net cash used in investing activities	(21,192,305)	(6,944,036)	(2,541,982)	(2,330,448)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of capital stock	19,334,062	7,362,411	56,249	203,023
Share issue costs	(481,873)	(75,975)	-	(24,500)
Net cash provided by financing activities	18,852,189	7,286,436	56,249	178,523
Change in cash and cash equivalents for the period	(3,869,486)	(1,528,672)	(3,147,606)	(2,665,023)
Cash and cash equivalents, beginning of period	16,704,082	13,737,903	15,982,202	14,874,254
Cash and cash equivalents, end of period	$ 12,834,596	$ 12,209,231	$ 12,834,596	$ 12,209,231
Cash paid during the period for interest	$ 1,411	$ 3,265	$ 1,411	$ -
Cash paid during the period for income taxes	$ -	$ -	$ -	$ -

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. To-date the Ecuador government has not provided formal notice of the expiry of the Mining Mandate even though 180 days has elapsed since its introduction.

The Mining Mandate proposed to limit the number of mineral concessions that each individual or entity can hold to three. To-date there has been no such restrictions in the drafts of the Mining Act that have been released by the Ecuador Government, nor has the Company received any formal order to cease or suspend any of its operations, nor has it received any formal adverse notification regarding the Company's title to its approximately 125 mineral concessions.

Recently, the Ecuador government has been preparing the new Mining Act, which they have publicly stated will supersede the Mining Mandate and that they are attempting to enact as law by the end of fiscal 2008. As a consequence, the impact upon the Company is presently indeterminable. At present, the Company continues to employ substantially all of its skilled work force to work on civil works and other site management projects. Management continues to monitor the situation and may in the future change these plans.

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. If the proposal under the Mining Mandate to limit each company to three mineral concessions is enacted and in the event there are provisions contained in the as yet unreleased new Mining Act that impact the viability of the Company's principle 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.

2. CHANGES IN ACCOUNTING POLICIES AND NEW ACCOUNTING DEVELOPMENTS

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).

2. CHANGES IN ACCOUNTING POLICIES (cont'd)

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.

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.

Section 3064 – Goodwill and Intangible Assets

This new Handbook section will replace Section 3062 "Goodwill and Other Intangible Assets". The new standard established revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred. The new standard applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. Management is currently assessing the impact of this new accounting standard on the Company's consolidated financial statements.

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 publicly-listed companies will commence using IFRS, replacing Canada's own GAAP, 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 fiscal 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

3. BASIS OF PRESENTATION (cont'd)

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

	September 30, 2008		
	Cost	**Accumulated Amortization**	**Net Book Value**
Office equipment	$ 195,482	$ 76,747	$ 118,735
Exploration equipment	491,778	102,430	389,348
Drill rigs	947,574	187,296	760,278
Vehicles	253,402	111,992	141,410
Land	2,642,211	-	2,642,211
Buildings	615,050	23,560	591,490
Plant under construction	11,150,240	-	11,150,240
Mining equipment	1,048,451	78,845	969,606
	$ 17,344,188	$ 580,870	$ 16,763,318

	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 under construction	5,061,380	-	5,061,380
Mining equipment	583,796	-	583,796
	$ 9,784,549	$ 291,455	$ 9,493,094

Plant under 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 fixed equipment. Upon completion, such costs will be amortized over the plant's estimated useful life.

4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Mining equipment

Mining equipment includes various machinery and equipment used to mine material from its Zaruma Gold Project.

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.

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	$ 7,015,705	$ 6,366,510	$ 1,265,259	$ 385,507	$ 15,032,981
Camp supplies and field costs	20,845	205,310	8,976	776	235,907
Drilling and supplies	33,564	-	-	-	33,564
Geological consulting	538,979	232,429	80,990	685	853,083
Laboratory fees	40,547	5,390	2,708	-	48,645
Mineral concession rights	225,473	45,766	2,007	33,008	306,254
Project administration	212,968	269,642	77,683	13,832	574,125
Technical reports and services	-	-	-	-	-
Travel and related costs	121,055	216,743	16,515	1,660	355,973
Mine development costs	-	1,753,208	-	-	1,753,208
Additions for the period	1,193,431	2,728,488	188,879	49,961	4,160,759
Balance, September 30, 2008	$ 8,209,136	$ 9,094,998	$ 1,454,138	$ 435,467	$ 19,193,740

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 up to September 30, 2008 was $3,206,203 (December 31, 2007 - $1,452,995).

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 formal notification by relevant authorities of their intention to cancel such concessions.

The Company is 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.

5. MINERAL PROPERTIES (cont'd)

The Mining Mandate proposed to limit the number of mineral concessions that each individual or entity can hold to three. To-date there has been no such restrictions in the drafts of the Mining Act that have been released by the Ecuador Government, nor has the Company received any formal order to cease or suspend any of its operations nor has it received any formal adverse notification regarding title to its approximately 125 mineral concessions.

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.

	September 30 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	$ 49,663	$ 46,621
Current portion of long-term debt	(49,663)	(46,621)
	$ -	$ -

7. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Capital Stock		
	Number of Shares	Amount	Contributed Surplus
Authorized			
Unlimited common shares without par value			
As at December 31, 2007	29,278,204	$ 44,741,142	$ 2,296,302
Exercise of options	1,056,250	584,062	-
Private Placement	2,500,000	18,750,000	-
Finders fees	56,675	425,063	-
Share issue and transaction costs	-	(906,935)	-
Stock-based compensation	-	-	629,104
Warrant and Option conversion	-	337,667	(337,667)
As at September 30, 2008	32,891,129	$ 63,930,999	$ 2,587,739

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

Stock Options and Warrants

As at September 30, 2008, the following stock options and warrants were outstanding:

	Number of Shares	Exercise Price	Expiry Date
Options	200,000	0.75	March 26, 2009
	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
	2,583,954		
Warrants	72,000	8.50	October 11, 2008
	72,000		

Stock-based Compensation

The Company uses the Black-Scholes option pricing model to determine the fair value of options granted. During the nine months ended September 30, 2008, the Company granted 100,000 options to a director 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 nine months ended September 30, 2008 was $629,103 (2007 - $829,631).

8. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties during the nine months ended September 30, 2008 and 2007:

a) paid or accrued professional fees of $71,552 (2007 - $27,417) 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 $230,407 (2007 - $148,542) to a company controlled by the President and Chief Executive Officer of the Company of which $172,805 (2007 - $111,406) 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 the President and Chief Executive Officer of the Company with respect to the lease of land and sundry field equipment. The final rent payment under this lease was made in March 2008.

8. RELATED PARTY TRANSACTIONS (cont'd)

During the nine months ended September 30, 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 $312,745 to a law firm in Canada with which a former director of the Company was affiliated; and

b) paid or accrued management fees of $45,000 to a company controlled by a former officer of the Company.

Included in accounts payable at September 30, 2008 is $nil (December 31, 2007 - $51,060) due to a law firm with which a current director is affiliated and $26,605 (December 31, 2007 - $1,553,680) due to directors and companies controlled by directors of the Company.

Included in accounts receivable at September 30, 2008 is $26,605 (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.

10. FINANCIAL INSTRUMENTS

Fair Values

As at September 30, 2008, the carrying values of short term investments, 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, short term investments and accounts receivable. The Company deposits cash and cash equivalents and short term investments with high quality financial institutions as determined by rating agencies in Canada and holds minimal balances in banks in Ecuador.

Currency Risk

The Company's significant subsidiaries are located in Ecuador which has adopted the U.S. dollar as its currency. As such, at September 30, 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 September 30, 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 $37,090. 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 nine months ended September 30, 2008, the Company incurred mineral property expenditures of $116,231, acquired land at a cost of $131,961 and incurred plant construction expenditures of $66,402 through accounts payable. In addition, the Company incurred mineral property expenditures of $207,775 through asset retirement obligations.

b) During the nine months ended September 30, 2007, the Company incurred expenditures of $239,131 for mineral properties and $135,037 for construction in progress 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) As at September 30, 2008 cash and cash equivalents consisted of cash of $6,667,469 (December 31, 2007: $967,926) and short-term investments with initial maturities less than 90 days of $6,167,127 (December 31, 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.

	September 30 2008	December 31 2007
Capital assets:		
Canada	$ 520,058	$ 4,740
Ecuador	35,436,999	24,521,335
	$ 35,957,057	$ 24,526,075