DYNASTY METALS & MINING INC.
(the “Company”)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(unaudited-prepared by management)
(Expressed in United States dollars, unless otherwise noted)

MARCH 31, 2015

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 14, 2015

DYNASTY METALS & MINING INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
(Unaudited)
Expressed in United States dollars unless otherwise noted

	For the Three Months Ended March 31, 2015	For the Three Months Ended March 31, 2014
OPERATING REVENUES	$ 3,726,236	$ 9,677,584
OPERATING COSTS (Note 4)		
Mining and processing	5,599,126	5,912,688
Royalties	154,646	373,366
Depreciation and depletion	910,200	1,105,450
	6,663,972	7,391,504
EARNINGS (LOSS) FROM MINE OPERATIONS	**(2,937,736)**	**2,286,080**
EXPENSES		
Corporate administration (Note 5)	1,128,842	1,113,800
Stock-based compensation (Note 11)	17,551	95,327
	1,146,393	1,209,127
EARNINGS (LOSS) BEFORE INCOME TAXES	**(4,084,129)**	**1,076,953**
INCOME TAXES		
Current tax expense	-	27,565
NET EARNINGS / (LOSS) AND COMPREHENSIVE EARNINGS / (LOSS) FOR THE PERIOD	**$ (4,084,129)**	**$ 1,049,388**
EARNINGS / (LOSS) PER SHARE		
- Basic	$ (0.10)	$ 0.02
- Diluted	$ (0.10)	$ 0.02
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		
- Basic	42,461,083	42,461,083
- Diluted	42,461,083	43,108,953

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

DYNASTY METALS & MINING INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited)
Expressed in United States dollars unless otherwise noted

As at	March 31, 2015	December 31, 2014
ASSETS		
Current assets		
Cash	$ 437,464	$ 3,449,944
Receivables	16,504	21,004
Prepaid expenses	737,931	619,266
Inventory (Note 6)	5,471,540	4,202,349
	6,663,439	8,292,563
Advances, deposits and warranties	155,348	306,348
Mine properties, plant and equipment (Note 7)	47,212,141	47,073,914
Exploration and evaluation properties (Note 8)	16,503,765	15,497,038
	$ 70,534,693	$ 71,169,863
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 7,055,627	$ 5,227,981
Taxes payable	746,608	746,608
Short term loans (Note 9)	2,200,000	1,000,000
	10,002,235	6,974,589
Long term loans (Note 9)	383,333	-
Provision for closure and restoration (Note 10)	2,067,228	2,046,799
	12,452,796	9,021,388
Shareholders' equity		
Capital stock (Note 11)	89,059,365	89,059,365
Contributed surplus (Note 11)	14,839,132	14,821,581
Deficit	(45,816,600)	(41,732,471)
	58,081,897	62,148,475
	$ 70,534,693	$ 71,169,863

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 CHANGES IN SHAREHOLDERS' EQUITY
Expressed in United States dollars unless otherwise noted

	Number of Shares	Capital Stock	Deficit	Contributed Surplus	Total
Balance at December 31, 2014	42,461,083	$ 89,059,365	$ (41,732,471)	$ 14,821,581	$ 62,148,475
Net loss for the period	-	-	(4,084,129)	-	(4,084,129)
Stock-based compensation	-	-	-	17,551	17,551
Balance at March 31, 2015	42,461,083	89,059,365	(45,816,600)	14,839,132	58,081,897
Balance at December 31, 2013	42,461,083	$ 89,059,365	$ (39,001,937)	$ 13,941,386	$ 63,998,814
Earnings for the period	-	-	1,049,388	-	1,049,388
Stock-based compensation	-	-	-	95,327	95,327
Balance at March 31, 2014	42,461,083	89,059,365	(37,952,549)	14,036,713	65,143,529

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

DYNASTY METALS & MINING INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Expressed in United States dollars unless otherwise noted

	For the Three Months Ended March 31 2015	For the Three Months Ended March 31 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	$ (4,084,129)	$ 1,049,388
Items not affecting cash:		
Depreciation and depletion	942,467	1,153,302
Stock-based compensation	17,551	95,327
Changes in non-cash working capital items:		
Increase (decrease) in receivables	4,499	1,881
Increase (decrease) in prepaid expenses	(118,665)	(306,737)
(Increase) decrease in inventory	(44,260)	(790,430)
Increase in accounts payable and income taxes payable	603,346	(1,366,698)
Net cash provided by (used in) operating activities	(2,679,161)	(163,967)
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures on exploration and evaluation properties	(1,006,727)	(905,326)
Exploration advances and deposits	-	-
Pre-production revenue credited to mine properties, plant and equipment	-	-
Expenditures on mine properties, plant and equipment	(909,925)	(466,605)
Net cash used in investing activities	(1,916,652)	(1,371,931)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of short term debt	1,200,000	-
Repayment of short term debt	-	(132,591)
Issuance of long term debt	383,333	-
Net cash provided by (used in) financing activities	1,583,333	(132,591)
Change in cash for the period	(3,012,480)	(1,668,489)
Cash, beginning of period	3,449,944	4,913,500
Cash, end of period	$ 437,464	$ 3,245,011
Cash paid during the period for interest	$ 4,250	$ 2,781
Cash paid during the period for income taxes	$ -	$ 142,030
Cash received during the period for interest	$ -	$ -

Supplemental disclosure with respect to cash flows (Note 13)

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. The Company is in the business of acquiring, exploring, developing and mining mineral concessions. All such concessions are currently situated in Ecuador. The address of the Company's corporate head office and principal place of business is #270 – 666 Burrard Street, Vancouver, British Columbia, Canada, V6C 2X8.

On April 18, 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 Act was published. In November 2009, the regulations and procedures to operate under the new Mining Act were signed by the President of Ecuador and published in the Official Registry, after which time the new Mining Act and Regulations (collectively, the "Mining Law") were enacted. The Mining Law was further amended in July 2013 to distinguish between small, medium and large scale operations. The Mining Law provides that operations mining up to 300 tonnes of mined material per day on an individual concession may be categorized as a smaller scale operation and are required to pay a fixed royalty of 3%; operations mining between 301 and 1,000 tonnes of mined material per day on an individual concession may be categorized as a medium scale operation and are required to pay a fixed royalty of 4%; and operations mining in excess of 1,000 tonnes of mined material per day on an individual concession are categorized as large scale operations and are required to enter into an exploitation contract with the government which sets out specific terms and conditions of the particular operation, including the royalty between 5% and 8% and the application of a windfall tax.

To date, the Company has obtained small scale mining licenses for five concessions at its Zaruma Gold Project. Such licenses permit the Company to mine up to 300 tonnes per day from each concession which has obtained the small scale mining license at a royalty rate of 3%, payable to the Ecuador government, and no windfall tax on the extraction and sale of precious metals. Although these five concessions are the focus of the Company's current mine development plans at its Zaruma Gold Project, there is no assurance that the Company will be able to obtain additional small scale mining licenses for other concessions within the Zaruma Gold Project to the extent they may become necessary based on the Company's development plans in the future.

The Company's other principal projects are expected to fall into either the medium or large scale operation category and may therefore require the Company to enter into exploitation contracts for these projects in the future. There is no assurance that the Company will be able to agree on the terms and conditions an exploitation contract with the government. In the event that an exploitation contract with the government is determined to adversely impact the viability such other projects, it may be necessary, in the future, to re-evaluate the carrying value of the Company's mine exploration and evaluation properties and certain other capital assets.

From inception until 2010, the Company had funded substantially all of its operating and capital expenses with proceeds from the sale of capital stock. From 2010 and up until September 30, 2013, mine development expenses and overheads were primarily funded from the sale of precious metals produced during mine construction at the Zaruma Gold Project. During this time the Company was in the pre-commercial stage of operations having yet to reach the stage of sustainable commercial production.

In the fourth quarter of the year ended December 31, 2013, management determined that commercial production at the Zaruma Gold Project had commenced as the mine was operating as intended. This decision was based on a number of factors including, amongst other, the completion of operational commissioning of major mine components, the achievement of consistent operating results for a period of time and the indication that these results will continue. For accounting purposes the Company commenced recognizing earnings from mine operations separately effective October 1, 2013.

Continuing operations are dependent upon the Company's ability in the future to mitigate the risks and overcome the challenges generally associated with comparable development and early stage production enterprises, most significantly, it must either continue to generate sufficient cash flow from the sale of precious metals in the future or secure additional working capital as required, neither of which is assured.

1. NATURE AND CONTINUANCE OF OPERATIONS (cont'd)

These consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

As mentioned above, there are conditions and matters which indicate the existence of a material uncertainty that may cast significant doubt about the ability of the Company to continue as a going concern. In the event the Company is unable to produce sufficient precious metals for sale in the future or secure additional working capital from debt or equity financings or through the profitable sale of capital assets, these consolidated financial statements may require adjustments relating to the recoverability and classification of recorded assets and liabilities.

2. BASIS OF PRESENTATION

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB ("International Accounting Standards Board") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34- Interim Financial Reporting. The accounting policies followed in these condensed interim consolidated financial statements are the same as those applied in the Company's audited annual financial statements for the year ended December 31, 2014.

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of May 14, 2015, the date the Audit Committee approved the statements. Any subsequent changes to IFRS after this date could result in changes to the consolidated financial statements for the period ended March 31, 2015.

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value. The condensed interim consolidated financial statements do not contain all disclosures required under IFRS and should be read in conjunction with Company's audited annual consolidated financial statements and the notes thereto for the year ended December 31, 2014.

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities, revenue and expenses and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates and, as such, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognized in the period in which the estimates are revised and in any future period affected.

The key sources of estimation uncertainty and judgments used in the preparation of theses consolidated financial statements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and earnings within the next financial year, are discussed below;

Mineral resource estimation

The carrying value and recoverability of mineral properties requires management to make certain estimates, judgments and assumptions about each project. Management considers the economics of the project, including the latest resources prices and the long-term forecasts, and the overall economic viability of the project. The determination of mineral resources also requires the use of estimates. The Company estimates its mineral resources based on information compiled by Qualified Persons as defined in accordance with Canadian Securities Administrators National Instrument 43-101, *Standards for Disclosure of Mineral Projects*. There are numerous uncertainties inherent in estimating mineral resources and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecasted prices of commodities, exchange rates, production costs or recovery rates may change the economic status of resources and may result in changes to resource estimates.

2. BASIS OF PRESENTATION (cont'd)

Inventories
Management makes estimates of recoverable quantities in stockpiled mined material, in-process material and gold and silver dore to determine the average costs of finished goods sold during the period and the value of inventories in the Company's Statement of Financial Position. Net realizable value tests are performed at each reporting period based on the estimated future sales price of the gold and silver dore, based on the prevailing and long-term gold prices, less estimated costs to complete production and bring the gold and silver dore to selling condition.

The recoverable quantity of mined material in stockpiles is estimated based on tonnage added and removed from the stockpiles, the amount of contained gold ounces based on assay data, and the estimated recovery percentage based on the historical recoveries obtained in the expected processing method. Stockpiled mined material tonnage and estimated grade is reconciled to periodic surveys.

Provision for closure and restoration
In estimating the provision for closure and restoration, the Company makes assumptions about activities that occur many years into the future including the cost and timing of such activities. The ultimate financial impact is not clearly known as decommissioning costs and techniques are constantly changing, as are legal, regulatory, environmental, political, safety and other such considerations. In arriving at accounts recorded, numerous assumptions and estimates are made on ultimate settlement amounts, inflation factors, discount rates, timing and expected changes in legal, regulatory, environmental, political, and safety requirements.

Units-of-production ("UOP") amortization
The Company uses estimated economical measured and indicated resources as the basis for determining the amortization of certain mineral property and capitalized mine development expenditures. This results in an amortization charge proportional to the anticipated remaining mine life. These calculations require the use of estimates and assumptions, including the amount of measured and indicated resources.

Income Taxes
The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.

Stock-based compensation
Stock-based payments are subject to estimation of the value of the award at the date of grant using pricing models such as the Black-Scholes option valuation model. The option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options and because the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

The key sources of judgments used in the preparation of theses consolidated financial statements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and earnings within the next financial year, are discussed below;

Commencement of commercial production
Costs associated with the commissioning of new assets, in the pre-commercial period before they are operating in the way intended by management, are capitalized, net of any pre-production revenues. Commercial production is deemed to have occurred when management determines that, amongst other items, the completion of operational commissioning of major mine components has been reached, operating results, which includes the grade and volume of material mined, are being achieved consistently for a period of time, and there are indicators that these operating results will continue, all of which involve management judgments.

Expressed in United States dollars unless otherwise noted

2. BASIS OF PRESENTATION (cont'd)

Assets' carrying values and impairment charges

In the determination of carrying values and impairment charges, management looks at the higher of value in use and fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

The following standards and amendments to existing standards have been adopted:

IFRS 15 – Revenue from contracts with customers, is effective for annual periods commencing on or after January 1, 2017. This new standard establishes a new control-based revenue recognition model which could change the timing of revenue recognition. The Company is currently evaluating the effect the standard will have on its consolidated financial statements.

IFRS 9 – Financial Instruments, was issued in July 2014 to replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. In addition, this new standard amends some of the requirements of IFRS 7, Financial Instruments: Disclosures, including added disclosure about investments in equity instruments measured at fair value in OCI and guidance on financial liabilities and derecognition of financial instruments. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the effect the standard will have on its consolidated financial statements.

4. OPERATING COSTS

	For the Three Months Ended March 31, 2015	For the Three Months Ended March 31, 2014
Mining and processing		
Changes in inventories	$ (1,348,781)	$ 520,408
Consumables	2,043,165	1,699,340
Employee participation taxes	-	55,130
Equipment maintenance	720,095	605,726
Other mining and processing costs	632,063	553,427
Rentals	684,360	369,235
Utilities	391,144	281,263
Salaries and benefits	2,477,080	1,828,159
Total mining and processing	5,599,126	5,912,688
Royalties	154,646	373,366
Depreciation and depletion	910,200	1,105,450
Total operating costs	**$ 6,663,972**	**$ 7,391,504**

Expressed in United States dollars unless otherwise noted

5. CORPORATE ADMINISTRATION

	For the Three Months Ended March 31, 2015	For the Three Months Ended March 31, 2014
Amortization	$ 32,296	$ 47,852
Insurance	88,389	61,182
Office and general	385,348	300,792
Other	190,352	209,138
Professional fees	174,805	239,791
Salaries and management fees	257,652	255,045
Total corporate administration	**$ 1,128,842**	**$ 1,113,800**

6. INVENTORY

	March 31 2015	December 31 2014
Stockpiled mined material	$ 32,976	$ 783,393
Gold and silver in-process	589,397	98,506
Gold and silver dore	1,863,040	263,060
	2,485,402	1,144,959
Materials and supplies	2,986,138	3,057,390
	$ 5,471,540	**$ 4,202,349**

Expressed in United States dollars unless otherwise noted

7. MINE PROPERTIES, PLANT AND EQUIPMENT

Net carrying costs at March 31, 2015 and December 31, 2014 are as follows:

	Zaruma Mines	Plant and Equipment	Land and Buildings	Total
Cost				
Balance as at December 31, 2013	$ 30,694,365	$ 33,584,069	$ 3,292,747	$ 67,571,181
Additions	-	469,173	-	469,173
Disposals	-	(130,037)	-	(130,037)
Balance as at December 31, 2014	30,694,365	33,923,205	3,292,747	67,910,317
Additions	-	1,225,688	-	1,225,688
Disposals	-	-	-	-
Balance as at March 31, 2015	**$ 30,694,365**	**$ 35,148,893**	**$ 3,292,747**	**$ 69,136,005**
Accumulated amortization				
Balance as at December 31, 2013	$ 358,555	$ 15,715,481	$ 187,504	$ 16,261,540
Amortization	1,295,779	3,377,834	31,287	4,704,900
Disposals	-	(130,037)	-	(130,037)
Balance as at December 31, 2014	1,654,334	18,963,278	218,791	20,836,403
Amortization	258,384	821,255	7,822	1,087,461
Disposals	-	-	-	-
Balance as at March 31, 2015	**$ 1,912,718**	**$ 19,784,533**	**$ 226,613**	**$ 21,923,864**
Net book value				
At December 31, 2014	$ 29,040,031	$ 14,959,927	$ 3,073,956	$ 47,073,914
At March 31, 2015	**$ 28,781,647**	**$ 15,364,360**	**$ 3,066,134**	**$ 47,212,141**

Mines under construction

Zaruma mines include all direct costs associated with the acquisition, exploration, evaluation and development of portals to access the Company’s resource at its Zaruma Gold Project as well as pre-commercial operating costs, up until the commencement of commercial production on October 1, 2013. It also includes the operating costs of the processing plant from June 30, 2010 to September 30, 2013. During this period, pre-commercial sales from the sale of metals prior to the commencement of commercial production on October 1, 2013 have been credited to mines under construction.

Plant and equipment

The Company has completed 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, equipment and the operating costs of commissioning the plant until June 30, 2010. Subsequent to this date the Company commenced amortizing the plant over its estimated useful life.

Equipment includes various machinery and equipment being used in the development of portals and to mine material from the Zaruma Gold Project.

Expressed in United States dollars unless otherwise noted

7. MINE PROPERTIES, PLANT AND EQUIPMENT (cont'd)

Land and building

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. The Company also owns office buildings in Quito.

8. EXPLORATION AND EVALUATION PROPERTIES

Title to exploration and evaluation 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.

	Dynasty Project	Jerusalem Project	Other Projects	Total
Balance, December 31, 2013	$ 12,257,469	$ 1,640,327	$ 170,169	$ 14,067,965
Costs				
Camp supplies and field costs	21,135	-	-	21,135
Geological consulting	192,821	2,556	-	195,377
Mineral concession rights	758,906	3,825	-	762,731
Project administration	172,050	76,503	-	248,553
Technical reports and services	57,151	84,228	-	141,379
Travel and related costs	59,898	-	-	59,898
Additions for the year	1,261,961	167,112	-	1,429,073
Balance, December 31, 2014	$ 13,519,430	$ 1,807,439	$ 170,169	$ 15,497,038

	Dynasty Project	Jerusalem Project	Other Projects	Total
Balance, December 31, 2014	$ 13,519,430	$ 1,807,439	$ 170,169	$ 15,497,038
Costs				
Camp supplies and field costs	2,298	-	-	2,298
Geological consulting	61,672	5,250	-	66,922
Mineral concession rights	888,890	1,991	-	890,881
Project administration	33,259	7,132	-	40,391
Travel and related costs	6,235	-	-	6,235
Additions for the period	992,354	14,373	-	1,006,727
Balance, March 31, 2015	$ 14,511,784	$ 1,821,812	$ 170,169	$ 16,503,765

8. EXPLORATION AND EVALUATION PROPERTIES (cont'd)

Zaruma Gold Project

The Zaruma Gold Project comprises 46 concessions, located in the El Oro Province of southwestern Ecuador, in the vicinity of the towns of Zaruma and Portovelo. As at March 31, 2015, 43 of the concessions are 100% owned, one is 50% owned and one is 25% owned and subject to a concession sharing arrangement. The Company has title to the remaining concession and has paid the majority of applicable option payments on this concession.

Two of the concessions are subject to a 1% Net Smelter Return ("NSR") royalty payable to a company controlled by a director, three concessions are subject to a 2% NSR royalty and 39 are subject to a 1.5% NSR royalty. The Company has no work obligations with respect to the project concessions.

The Company is aware of actions taken by other parties to secure ownership of a concession within the Zaruma Gold Project and access certain other concessions. The Company believes that these actions are unlawful and has taken steps to protect its interest.

Jerusalem Project

The Jerusalem Project consists of one, 100% owned concession.

The project is subject to 1% NSR royalty, payable to a company controlled by a director. The Company has no work obligations with respect to the project property.

During fiscal 2012 a group of informal miners set up camps and conducted illegal mining operations at the Jerusalem property. To the best of the Company's knowledge any illegal mining that has occurred to date has been near surface and has not had a material effect on the Company's resources. The Company has lodged petitions with the appropriate government authorities to remove the informal miners and dismantle their operations, however, as at the date hereof no action has been taken by such authorities.

Illegal mining is widespread in Ecuador. Illegal miners have and may continue to trespass on our properties and engage in very dangerous practices. The Company is unable to continuously monitor the full extent of our exploration and operating properties. The presence of illegal miners could also lead to project delays and disputes regarding the development or operation of our precious metals deposits, including disputes with Ecuadorian governmental authorities. Although the Company have and will continue to take all necessary and available steps to remove such miners and cease their illegal activities, there is no assurance that such steps will be successful and the illegal activities of these miners could cause environmental damage or other damage to our properties or personal injury or death, for which we could potentially be held responsible, all of which could have an adverse impact on our future results of operations and financial condition.

Dynasty Project

The Dynasty Project, also known as the Dynasty Copper-Gold Belt consists of 52, 100% owned concessions.

Five of the project concessions are subject to a 1% NSR royalty, payable to a company controlled be a director. The Company has no work obligations with respect to the project property.

9. SHORT AND LONG TERM LOANS

	March 31 2014	December 31 2014
Short Term Loans		
Related Party Loan	2,000,000	1,000,000
Atlas Copco Finance	200,000	-
Total short term loans	2,200,000	
Long Term Loans		
Atlas Copco Finance	383,333	-
	$ 383,333	$ -

Related Party Loan
The Company entered into an interest free promissory notes with corporations represented by the Company's President and Chief Executive Officer. The principal amount of the notes, on aggregate, is $2,000,000 which is repayable on demand. The promissory notes are secured by way of a General Security Agreement over certain assets of the Company.

Atlas Copco Finance Loan
The Company entered into a loan with Atlas Copco Finance to finance the purchase of Atlas Copco machinery in the aggregate amount of $600,000. The loan is repayable monthly over three years, bears interest at 8.5% and is secured by the Atlas Copco equipment purchased.

10. PROVISION FOR CLOSURE AND RESTORATION

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, 2015 to be $2,067,228 (2014 - $2,046,799). The present value of the future reclamation obligation assumes an inflation rate of 2.5% and a discount rate of 4.0%, an undiscounted amount to settle the obligation of $1,915,501 and the commencement of reclamation activities after the life of the mine, which is estimated at 15 years.

	March 31 2015	December 31 2014
Balance, beginning of period	$ 2,046,799	$ 1,845,452
Liabilities incurred in the period	-	127,890
Accretion expense	20,429	73,457
Balance, end of period	$ 2,067,228	$ 2,046,799

11. CAPITAL STOCK AND CONTRIBUTED SURPLUS

Authorized and issued shares
At March 31, 2015, the Company had an unlimited number of authorized common shares and 42,461,083 shares outstanding (2014 – 42,461,083). All per share amounts below are in Canadian dollars (CAD) which, at March 31, 2015, is equivalent to 0.7895 US dollars.

Expressed in United States dollars unless otherwise noted

11. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd

Stock options and warrants (cont'd)

The Company has an incentive stock option plan, pursuant to which its Board of Directors grants stock options, from time to time, to directors, officers, employees and certain consultants. The exercise price of each option is no less than the market price of the Company's common shares at the date of grant. The options can be granted for a maximum term of 10 years. The Company's Board of Directors determines the vesting requirements for options granted. The Company received shareholder approval at its 2013 Annual General Meeting to grant a maximum of 8,492,216 options.

The Company uses a fair value method of accounting for all stock-based payments. Under this method, the Company recorded a stock-based compensation expense of $17,551 for the three months ended March 31, 2015 (2014 - $95,327) with a corresponding credit to contributed surplus. The fair value of the stock options is estimated as at the date of the grant using the Black-Scholes pricing model assuming the following weighted average assumptions:

	2015	2014
Risk-free interest rate	1.20%	1.20%
Expected life	3.55 years	3.55 years
Annualized volatility	60.57%	60.57%
Pre-vest forfeiture rate	10.00%	10.00%
Dividend rate	0.00%	0.00%

During the three months ended March 31, 2015, the Company granted no options (2014 – 623,500 options) with a fair value of $nil (2014 - $203,051), which is being recognized over the vesting periods of the options.

The continuity of incentive stock options issued and outstanding is as follows:

	Stock options		
	Number		**Weighted Average Exercise Price (CAD$)**
Balance, December 31, 2013	5,176,300	$	3.19
Granted	2,361,500		0.93
Expired	(1,810,000)		5.13
Balance, December 31, 2014	5,727,800		1.64
Expired	(70,000)		5.06
Balance, March 31, 2015	5,657,800	$	1.60

Expressed in United States dollars unless otherwise noted

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

Stock options and warrants (cont'd)

The following stock options were outstanding as at March 31, 2015:

	Options outstanding			Options exercisable	
Exercise price range	**Number of stock options outstanding**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price (CAD$)**	**Number of stock options exercisable**	**Weighted average exercise price (CAD$)**
$0.64 - $0.77	1,490,000	3.29	0.64	1,490,000	0.64
$0.78 - $0.91	623,500	3.76	0.89	311,750	0.89
$0.92 - $1.20	1,678,000	4.64	0.92	1,678,000	0.92
$1.21 - $3.20	1,431,000	1.80	3.00	1,374,750	3.04
$3.21 - $4.53	435,300	1.23	3.92	435,300	3.92
	5,657,800	3.21	1.60	5,289,800	1.64

During the three months ended March 31, 2015, no options were exercised (2014 – nil). The weighted average fair value per stock option granted during the three months ended March 31, 2014 was $0.37 per option. As at March 31, 2015, the non-vested stock-based compensation expense not yet recognized was $63,937 which is to be recognized over the next 16.3 months.

There are no outstanding warrants for the periods presented.

12. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties during the three months ended March 31, 2015 and 2014:

a) paid management fees of $105,000 (2014 - $105,000) to a company managed by the President and Chief Executive Officer of the Company of which $26,250 (2014 - $26,250) were capitalized and included in mine properties, plant and equipment and exploration and evaluation properties.

Included in prepaid expenses at March 31, 2015 is $28,437 (December 31, 2014 - $25,248 due) of prepaid management fees made to a company managed by a director 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.

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

a) During the three months ended March 31, 2015, the Company acquired inventory at a cost of $2,124,723, acquired land at a cost of $80,000 and incurred capital expenditures of $200,860 through accounts payable.

b) During the three months ended March 31, 2014, the Company acquired inventory at a cost of $469,173, acquired land at a cost of $80,000 and incurred capital expenditures of $202,751 through accounts payable.

14. CAPITAL DISCLOSURE

The Company's capital currently consists of common shares, options and warrants. As the Company is in the early stage production phase for the three months ended March 31, 2015 its principal source of funds is currently from the production and sale of precious metals and it is not subject to any externally imposed capital restrictions. 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. These objectives have not changed during the three months ended March 31, 2015.

15. FINANCIAL INSTRUMENTS

Financial assets and liabilities

The fair value hierarchy establishes three levels in which to classify the inputs of valuation techniques used to measure fair value. Level 1 inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly, such as prices, or indirectly (derived from prices). Level 3 inputs are unobservable (supported by little or no market activity) such as non-corroborative indicative prices for a particular instrument provided by a third party.

There were no transfers between Level 1 and 2 or any transfers into or out of Level 3 during the period. Cash is stated at fair value and classified within Level 1. The fair values of receivable, accounts payable and accrued liabilities and short term loans approximate carrying values because of the short term nature of these instruments.

Credit Risk

Financial instruments that potentially subject the Company to credit risk consist of cash and receivables. The Company deposits cash with high quality financial institutions as determined by rating agencies in 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 operations in Canada and Ecuador create exposure to foreign currency fluctuation. Some of the Company's operating expenditures are incurred in Canadian dollars, and the fluctuation of the US dollar in relation to the Canadian dollar will have an impact upon the profitability of the Company and may also affect the value of the Company's financial assets and liabilities. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks.

A portion of the Company's cash, receivables and accounts payable and accruals are denominated in the Canadian dollar and are therefore subject to fluctuation in exchange rates, however these balances are not large enough to expose the Company to significant foreign exchange risk.

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. The Company has no significant interest bearing debt and other interest rate risks on the Company's operations are not considered material.

15. FINANCIAL INSTRUMENTS (cont'd)

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.