

DYNASTY METALS & MINING INC.

(the “Company”, or the “Corporation”)

MANAGEMENT’S DISCUSSION AND ANALYSIS OF THE COMPANY’S FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012

(All amounts expressed in United States dollars, unless otherwise stated)

Date and Subject of this Discussion and Analysis

This discussion and analysis, made as of November 14, 2012, is integral to, and should be read in conjunction with, the Company’s unaudited financial statements for the three and nine months ended September 30, 2012, the Company’s audited financial statements for the year ended December 31, 2011, and the Company’s Technical Reports dated October 30, 2007, August 21, 2006, April 21, 2006, February 27, 2006, October 21, 2005, December 22, 2004 and October 29, 2004 and October 22, 2004, each of which was prepared by an independent “qualified person”, as defined in National Instrument 43-101 (“NI 43-101”) of the Canadian Securities Administrators. These documents, and additional information relating to the Company, are available for viewing at www.sedar.com (the “SEDAR Website”).

Cautionary Statement Regarding Forward Looking Statements

This discussion and analysis and the documents incorporated by reference into this discussion and analysis contain forward-looking statements within the meaning of the United States *Private Securities Litigation Reform Act of 1995* concerning our planned activities for the current financial year, our plans to explore and develop the Zaruma Gold Project and the Jerusalem Project and to undertake exploration programs on the Dynasty Copper-Gold Belt, our estimated resources, production, capital costs and operating and cash flow estimates, the assumption that there will be no other disruptions, legislative developments or government acts that will adversely affect the perceived impact of the small mining licenses and other matters. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using the words or phrases such as “expects,” “anticipates,” “plans,” “projects,” “estimates,” “assumes,” “intends,” “strategy,” “goals,” “objectives,” “potential” or variations thereof or stating that certain actions, events or results “may,” “could,” “would,” “might” or “will” be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be “forward-looking statements.” Statements concerning resources estimates may also be deemed to constitute forward-looking statements to the extent that they involve estimates of the mineralization that will be encountered if the property is developed. Forward looking statements are subject to a variety of known and unknown risks, uncertainties and other factors that could cause actual events or results to differ from those expressed or implied by the forward-looking statements.

Cautionary Note to United States Investors

This discussion and analysis and the Company’s financial statements are prepared and presented in accordance with the rules and regulations that govern Canadian reporting issuers, as required by the Toronto Stock Exchange and applicable securities laws in Canada. The Company does not report to the United States Securities and Exchange Commission, and, in its public disclosure, it uses terms such as “measured”, “indicated” and “inferred” resources, which are not permitted terminology in the United States. In addition, United States investors are cautioned that the Company’s financial statements do not conform with, nor are they reconciled to, accounting principles generally accepted in the United States.

Ecuador Mining Legislation

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 Act was approved. The new Mining Act was published in late January 2009. The mining regulations to supplement and provide rules which govern the new Mining Act were issued in November 2009, after which time the new Mining Act and Regulations (collectively, the “Mining Law”) were enacted.

The new Mining Law distinguishes between large scale and smaller scale mining operations. The Mining Law provides that operations mining less than 300 tonnes of mined material per day on an individual concession may be categorized as a smaller

Dynasty Metals & Mining Inc.
Management's Discussion and Analysis
For the three and nine months ended September 30, 2012 (cont'd)
(All amounts expressed in United States dollars, unless otherwise stated)

scale operation. Small scale operations are required to pay a fixed royalty of 3% whereas large scale operations 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 (which under the current Mining Law for large scale operations is not to be less than 5%) and the application of a windfall tax.

Recently, five concessions at the Company's Zaruma Gold Project were qualified as and granted small scale mining licenses. This means that the Company is now able to mine 300 tonnes per day from each of these concessions, or 1,500 tonnes per day in aggregate, subject to a fixed 3% royalty and no windfall tax. The five concessions for which the Company elected to apply for the small scale operation licenses are the focus of the Company's current mine development plans at the Zaruma Gold Project, being the five concessions currently being accessed by the Company's declines and containing a significant amount of the Company's resource at the Zaruma Gold Project. The Company may apply for additional small scale operation licenses for other concessions at Zaruma in the future based on its mine development plans, however there can be no assurance that these applications will be successful.

Under the terms of the current Mining Law, the Company expects that other principal projects (being the Jerusalem Project and the Dynasty Copper-Gold Project) will be required to enter into exploitation contracts with the Ecuadorian government to advance the projects into the production phase in the future. It is currently not possible to predict the substantive terms and conditions that will be included in such agreement (see "Uncertain Mining Legislation" within the "Critical Risk Factors" section of this discussion and analysis).

Description of Business

The Company is a reporting issuer in the provinces of British Columbia, Alberta and Ontario Canada. On August 2, 2007 its securities were listed for trading on the Toronto Stock Exchange (the "Exchange") under the symbol "DMM". The Company is in the business of acquiring, exploring and developing mineral concessions in Ecuador. Historically, the Company has funded substantially all of its operating and capital expenses with proceeds from the sale of capital stock. In the current year, mine development expenses and overheads have been partially funded from the sale of precious metals produced during mine construction at its Zaruma Gold Project. The Company has yet to reach the stage of sustainable commercial production. Therefore, 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 stage enterprises, most significantly, it must either generate sufficient cash flow from the sale of precious metals in the future or secure additional working capital from debt or equity financings, or through the profitable sale of capital assets, as required, neither of which is assured.

The Company's head and principal office is located at Suite 270, 666 Burrard Street, Vancouver, British Columbia V6C 2X8. Its registered and records office is located at Suite 300, 204 Black Street, Whitehorse, Yukon Y1A 2M9. The Company also maintains an office in Quito, Ecuador.

The following table lists the Company's principal operating subsidiaries, their jurisdiction of incorporation and its percentage ownership of their voting securities:

Name	Place of Incorporation	Percentage Ownership
Empire Sun Investments Limited	British Virgin Islands	100%
Elipe S.A.	Ecuador	100% ^{(2) (5)}
Polimines Corporation	Panama	100% ⁽¹⁾
Golden Valley Planta S.A.	Ecuador	100% ^{(3) (5)}
Greentrade Ecuador Overseas Inc.	Panama	100% ^{(1) (5)}
Operaciones Greentrade S.A.	Ecuador	100% ^{(4) (5)}
Operaciones Greenmining S.A.	Ecuador	100% ^{(4) (5)}
Minsupport S.A.	Ecuador	100% ^{(1)(4) (5)}

Dynasty Metals & Mining Inc.
Management’s Discussion and Analysis
For the three and nine months ended September 30, 2012 (cont’d)
(All amounts expressed in United States dollars, unless otherwise stated)

- (1) Elipe S.A. (“Elipe”), is 100% beneficially owned by Minsupport S.A. (“Minsupport”). Elipe is the registered owner of all of the Corporation’s mineral concessions and Polimines Corporation and Greentrade Ecuador are holding companies.
- (2) Greentrade Ecuador Overseas Inc. (“Greentrade Ecuador”) is 100% beneficially owned by Empire Sun Investments Limited (“Empire Sun”).
- (3) Golden Valley Planta S.A. (“Golden Valley”) is 100% beneficially owned by the Corporation. Golden Valley was established to obtain permits to process the material from the mineable properties owned by Elipe, in due course, under contract.
- (4) Operaciones Greentrade S.A. (“Greentrade”), Operaciones Greenmining S.A. (“Greenmining”) and Minsupport S.A. are 100% beneficially owned by Greentrade Ecuador.
- (5) Pursuant to a recent change in Ecuadorian law, companies must have a minimum of two shareholders. As a result, Minsupport transferred one share of Elipe to a third party to hold in trust for Minsupport; the Corporation transferred ten shares (out of a total of 1,000 shares) of Golden Valley to a third party to hold in trust for the Corporation; and Greentrade Ecuador transferred one share (out of a total of 1,000 for Greentrade and a total of 800 for Greenmining and Minsupport) each of Greentrade, Greenmining and Minsupport to a third party to hold in trust for the Greentrade Ecuador.

The following is a brief description of the Company’s principal properties:

Zaruma Gold Project

Zaruma Gold Project Properties

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 of the date of this report, 43 of the concessions are 100% owned, one is 50% owned and one is 25% owned and subject to a concession sharing agreement (see below). The Company has title to the remaining concession and has paid the majority of applicable option payments on this concession.

The concession area covers 103 sq. km. of primarily agricultural land, at altitudes of 650 m to 1,600 m. Two of the concessions are subject to a 1% net smelter return royalty (“NSR Royalty”) payable to a company controlled by a director, three concessions are subject to a 2% NSR Royalty payable to an arms length party and and 39 are subject to a 1.5% NSR Royalty payable to 1570926 Alberta Ltd., which acquired the royalty from IAMGOLD Ecuador S.A. in 2011.

As stated, the Company owns an undivided 25% interest in two mining concessions and 23 hectares of land to be used for mine portal access (also referred to as “the declines”). These concessions connect the Company’s 100% owned concessions and are along strike from concessions that contain some of the Company’s previously estimated resources. A concession sharing agreement, common in Ecuador, permits the Company to mine the concessions in co-operation with small scale mining groups that hold the remaining 75% interest, and retain 100% of the revenue from any material mined.

Initial estimates of gold resources on the Zaruma Gold Project, including the Zaruma property and the associated Portovelo district, are contained in a report dated October 22, 2004, prepared by Miroslav Kalinaj, MSc, and updated resources estimates are contained in a report dated October 21, 2005, prepared by Allen J. Maynard, BappSc(Geol), MAIG, MAusIMM. The authors of both reports are independent “qualified persons”, as defined by NI 43-101. Set out in the following table is a summary of the gold resources estimated by these reports:

Resource Category	Tonnes	Gold (g/t)	Gold (ounces)
Measured	1,568,000	13.93	702,100
Indicated	915,000	13.87	408,100
Inferred	3,382,000	12.72	1,383,400

Dynasty Metals & Mining Inc.
Management's Discussion and Analysis
For the three and nine months ended September 30, 2012 (cont'd)
(All amounts expressed in United States dollars, unless otherwise stated)

The resource report, which was prepared in 2004, is calculated based on a 5 gram per tonne cut-off grade. Although the Company has started mining, processing and selling gold at the Zaruma project, the majority of material mined to date has been less than 5 grams per tonne and has not been part of the resource. It is therefore the Company's belief that there has been no material impact on the estimated resource as a result of the pre-commercial production mining that has taken place to date.

Management believes that the high-grade polymetallic vein system to which these resources relate extends over a 15 km north-south and 5 km east-west trend and that there is significant potential to increase these resources. Future exploration will be focused on the development of down-dip extensions of known, bonanza-grade, ore shoots, the discovery of new, parallel, high-grade ore shoots and the identification, through mapping and trenching and drilling, of new veins to the north, east and west of known veins.

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.

Zaruma Gold Plant Operations

The plant is currently operating, on an intermittent basis at less than scheduled capacity during ongoing mine construction, primarily using non-resource stockpiled material. (see "Zaruma Gold Project Mine Development" below).

The Company continues to make plant upgrades, where warranted, and improve production logistics through testing. Significant improvements made to the plant, since it was commissioned in the second half of 2010, include doubling the capacity of the gold stripping section, the construction of a sub-station which now connects the plant to the main power grid, the construction of additional tailings facilities and the installation of a gravity concentration circuit. The installation of the substation provides continuous electricity, allows for unrestricted expansion capability, reduces the Company's reliance on diesel generators and is expected to reduce future operating expenditures. The construction of the new tailings facility, the use of which commenced in late 2011, is designed to have adequate capacity for between 3 to 4 years of plant operations. The gravity concentration circuit increases the efficiency and recovery from the plant and by using the Falcon concentrator allows the Company to process dore from concentrate on site rather than having to ship concentrate to a third party to be processed.

During the nine months ended September 30, 2012 the Company sold approximately 12,650 ounces of gold and 27,000 ounces of silver for gross proceeds of approximately \$21.6 million. In addition, the Company received insurance proceeds of approximately \$2.2 million as compensation for the loss of approximately 1,300 ounces of gold and 4,000 ounces of silver which was stolen during an armed robbery at the Company's Zaruma processing plant in July 2012. Currently, for accounting purposes until the project reaches commercial production, the sale of precious metals, net of production expenses, and insurance proceeds received for stolen precious metals is credited to mine development costs and not recorded in the Company's consolidated statements of operations (see "Critical Accounting Estimates and Policies" of this discussion and analysis).

As at September 30, 2012 the Company had approximately 710 ounces of gold and 800 ounces of silver contained in dore bars, which is recorded as inventory in the consolidated financial statements, net of an estimated 5% royalty payable to the government of Ecuador, a 1.5% net smelter return royalty payable to 1570926 Alberta Ltd and estimated refining and transportation fees. In the fourth quarter of 2012 the Company has commenced accruing for a 3% government royalty for the material mined and processed from those concessions granted the small scale mining license. The Company has not recorded the estimated amount of inventories in the circuit or stockpiled ore as work in progress as at September 30, 2012 and will not record work in progress inventories until the project reaches commercial production.

Subsequent to September 30, 2012, and up to the date of this report, the Company produced and exported dore bars containing approximately 2,500 ounces of gold and 6,400 ounces of silver of which 1,766 ounces of gold and 3,400 ounces of silver have been sold to date for aggregate proceeds of approximately \$3.2 million. The balance of the unsold gold of approximately 730 ounces, with a market value of approximately \$1.3 million, is expected to be sold in the coming week.

As at September 30, 2012, total capitalized capital expenditures relating to the construction and commissioning of the plant as well as operating the plant during the pre-commercial production phase while the mines are being developed was

Dynasty Metals & Mining Inc.
Management's Discussion and Analysis
For the three and nine months ended September 30, 2012 (cont'd)
(All amounts expressed in United States dollars, unless otherwise stated)

approximately \$21 million. The Company does not currently anticipate any further significant additional capital expenditure will be required on the plant, unless a decision is made to expand the capacity of the wet section of the facility. The current estimated capital expenditure to upgrade the wet section, so that it is capable of processing 800,000 tonnes per annum, is approximately \$3 million.

Zaruma Gold Project Mine Development

The Company continues construction of three mines to access the resource and is carrying out further exploration activities to identify sites for new mines should they be required in the future. The non-existence of a modern mining infrastructure in Ecuador, the uncertainty caused by the transition to a new mining law as well as the Company having to fund the mining operations internally from the sale of gold and silver during the pre-commercial phase (rather than by diluting shareholders through an equity financing) has adversely impacted mining operations to date.

These circumstances forced the Company to rely upon internal technical resources rather than using experienced contract service providers typically engaged to construct mines and service mobile equipment. To date the Company has hired and trained a pre-dominantly local workforce of approximately 300 employees working on mining operations, which will be of future benefit but has slowed mine development progress to date.

The Company continues to concentrate development activities on the main mine "Cabo de Hornos" which provides the best access to the in situ resource and where the installation of an electrical substation is now allowing the mine to be powered from the main grid. To date, a significant amount of the material mined has come from old workings, generally not included in our resource estimate, using hand held drilling and trackless mining methods. The Company is currently mining and delivering to the plant an average of approximately 400 tonnes of primarily non resource material of varying grades per day.

During the second quarter of 2012, as the declines at "Cabo de Hornos" progressed to further depths to access the higher grade resource material it became necessary to commence dewatering the lower levels of Dynasty's mine as well as the adjacent area. A primary cause of the accumulation in the water is believed to be the existence of the old abandoned mine workings in close proximity at the current level. Once the declines get beneath the level of the old mine workings the water intake to the mine is expected to subside. This dewatering process resulted in a decrease in both the tonnage and grade of material that has, and continues to be, accessible to mine. As at the date of this report the Company has recently successfully dewatered the southern decline at "Cabo de Hornos" and is recommencing the decline development in this area. The Company expects to have dewatered the northern decline at "Cabo de Hornos" in due course.

The Company expects to increase mining production in the near term once the lower levels of the "Cabo de Hornos" mine has been successfully dewatered and it commences developing, mining and delivering material to the plant from its other two mines, "Barbasco" and "Ayampamba". This outlook is based on current operations, mine plans and exploration results, which are subject to change (see "Critical Risk Factors" section of this discussion and analysis) and as such cannot be assured.

As at September 30, 2012 total capitalized capital expenditure on the evaluation and exploration of the Zaruma project as well as mine development activities was approximately \$27.5 million (which is net of gold and silver sales of approximately \$56 million). Additionally, mining equipment has been purchase for an aggregate amount of approximately \$10 million.

Jerusalem Project

The Jerusalem Project comprises one, 100% owned concession, located in the Zamora Chinchipe Province of southeastern Ecuador, about 40 km east of Zamora. The concession area covers 2.25 sq. km. The altitude of the property ranges from 1,400 m to 1,900 m above sea level. Dense rain forest and steep terrain characterize the area.

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

Historical work completed on the property by TVX Gold Inc. ("TVX") includes 10,825 m of diamond drilling, 6,375 m of drifting, including a 725 m access tunnel to discovered veins, and several thousand underground channel and drill core vein samples, at an estimated cost of US\$16 million. The Company acquired the data compiled by TVX as part of its purchase of

Dynasty Metals & Mining Inc.
Management's Discussion and Analysis
For the three and nine months ended September 30, 2012 (cont'd)
(All amounts expressed in United States dollars, unless otherwise stated)

the concession.

Estimates of resources on the Jerusalem property are contained in two reports, dated October 29, 2004 and December 22, 2004, prepared by Allen J. Maynard, BAppSc(Geol), MAIG, MAusIMM, an independent "qualified person", as defined by NI 43-101, and are summarized in the following table:

Resource Category	Tonnes	Gold (g/t)	Gold (ounces)	Silver (g/t)	Silver (ounces)
Measured	602,300	12.4	239,730	90	1,760,400
Indicated	864,400	12.4	345,370	95	2,627,700
Inferred	1,927,600	11.5	710,130	101	6,276,470

The Company has presented applications under the prior legislation to, and is waiting for a response from, the Ecuador government for both mining and plant operating permits. The timing for approval is uncertain and it is not currently apparent whether the new Mining Law will impose additional permit application requirements. The Company will consider reviewing the resource and updating the economic assessment for the Jerusalem Project on the receipt of the permits and an exploitation contract with the Ecuadorian Government.

Dynasty Copper-Gold Project

The Dynasty Copper-Gold Project lies within a mineralized corridor, approximately 90 kilometres ("km") long and 20 km wide, in the Loja Province of southwestern Ecuador. To date, the Company has identified eight mineralized porphyry-style alteration zones within this corridor each associated with a system of gold and silver vein swarms. The total project area covers 979.81 square kilometres ("sq. km.") and consists of fifty one, 100% owned concessions at altitudes ranging from 600 metres ("m") to 1,800 m above sea level. Scarce vegetation and shallow soils dominate the area. The Company has focused its exploration efforts on two areas referred to as: the "Dynasty Goldfield" and "Copper Duke."

Five of the project concessions are subject to a 1% NSR Royalty, payable to a company controlled by a director. The Company has no work obligations with respect to the project property, but expects to focus most of its future exploration work on it.

The Dynasty Goldfield

Estimates of gold and silver resources at the Dynasty Goldfield are contained in two technical reports dated April 21, 2006 and October 30, 2007 that were prepared by Allan J. Maynard, BAppSc(Geol), MAIG, MAusIMM, an independent, "qualified person", as defined by NI 43-101, and are summarized in the following table, which has been filed on the SEDAR Website:

Resource Category	Tonnes	Gold (g/t)	Gold (ounces)	Silver (g/t)	Silver (ounces)
Measured	3,155,000	4.63	470,000	35	3,560,000
Indicated	3,515,000	4.79	541,000	38	4,360,000
Inferred	7,652,000	4.68	1,151,700	34	8,337,000

The main vein systems discovered so far within the Dynasty Goldfield are located in the Papayal, Cerro Verde and Trapicillo-Cola areas. The Company has drilled a total of 201 holes to date at the Dynasty Goldfield for a total of 26,773 meters of which 175 holes have been drilled in Cerro Verde area. The Company is not currently drilling at the Dynasty Goldfield but will review these plans in normal course.

Dynasty Metals & Mining Inc.
Management's Discussion and Analysis
For the three and nine months ended September 30, 2012 (cont'd)
(All amounts expressed in United States dollars, unless otherwise stated)

In addition to the approvals to undertake exploration and drilling at the Dynasty Goldfield, the Company has also received approval to open two declines and mine ore at these concessions, under the old mining legislations, which the Company is in the process of updating under the new Mining Law. Given the proximity of the Dynasty Goldfield to the Zaruma Gold Project, and with the objective of filling the capacity of the Zaruma processing plant as quickly as possible while continuing to develop the Zaruma resource further, the Company is assessing the economics of transporting material from the Dynasty Goldfield to Zaruma for processing in the future. This would also allow the Company to train a local mining workforce and establish a mining presence in the region.

Copper Duke

The Copper Duke project area includes 11 core concessions covering approximately 100 sq. km. These core concessions cover a number of gold and porphyry occurrences and are located in Catacocha (Paltas) county, Province of Loja, approximately 60 km southwest of the nearest commercial airport.

To date, a major copper-gold porphyry complex, El Huato, and an additional four porphyry copper systems and two gold targets have been identified. Of the porphyry copper systems, Loma Redonda has been explored, while three others, Rio Catamayo, Landaluma and Barbasco are at the prospecting stage. Both of the gold targets, Ningomine and El Palton, have previously been actively explored.

The El Huato copper-gold porphyry complex was discovered by a United Nations survey in 1968. It comprises volcano-sedimentary rocks overlying other intrusives. Sub-vertical to sub-horizontal veining and stockworks follow the stratification of these sediments striking southwest and southeast for a known length of 3.5 km.

Results of Operations

The Company incurred a loss of \$4,410,920, for the nine months ended September 30, 2012, as compared to a loss of \$4,434,110 for the nine months ended September 30, 2011. These losses include non-cash-based deductions for stock-based compensation and amortization and accretion in the aggregate amounts of \$1,056,296 and \$1,173,950, respectively. Excluding non-cash-based deductions, operating expenses for the nine months ended September 30, 2012 decreased by \$65,855, primarily attributable to the net effect of:

- an increase in management fees of \$156,340 from the hiring of a new general manager in Ecuador, which was offset by;
- a decrease in travel and entertainment fees of \$139,070 and a decrease in professional fees of \$82,435.

The Company did not record revenues other than interest income during the periods. Interest income from funds on deposit was \$2,154 for the nine months ended September 30, 2012, as compared to interest income of \$11,645 for the nine months ended September 30, 2011. The decrease in interest income is a result of a lower average cash balance for the nine months ended September 30, 2012. Proceeds from the sale of metals and the recovery of insurance proceeds of approximately \$24 million for the nine months ended September 30, 2012 (\$26 million for the nine months ended September 30, 2011) have been, and will continue to be, netted against mine development costs until the commencement of commercial production (see "Critical Accounting Estimates and Policies" section of this discussion and analysis).

The Company incurred a loss of \$1,507,908, for the three months ended September 30, 2012, as compared to a loss of \$1,526,010 for the three months ended September 30, 2011. These losses include non-cash-based deductions for stock-based compensation and amortization and accretion in the aggregate amounts of \$314,631 and \$324,198, respectively. Excluding non-cash-based deductions, operating expenses for the three months ended September 30, 2012 decreased by \$18,381, which was primarily attributable to the net effect of an increase in management fees which was offset by a larger decrease in travel and entertainment and professional fees.

Summary of Quarterly Results

The following is a summary of the Company's quarterly results for each of the eight most recently completed quarters:

Dynasty Metals & Mining Inc.
Management's Discussion and Analysis
For the three and nine months ended September 30, 2012 (cont'd)
(All amounts expressed in United States dollars, unless otherwise stated)

	<u>Q3 2012</u>	<u>Q2 2012</u>	<u>Q1 2012</u>	<u>Q4 2011</u>
Revenues	\$ -	\$ -	\$ -	\$ -
Net loss	\$(1,507,908) ⁽¹⁾	\$(1,013,407) ⁽²⁾	\$(1,889,605) ⁽³⁾	\$(3,222,978) ⁽⁴⁾
Net loss per share	\$(0.04)	\$(0.02)	\$(0.04)	\$(0.08)

	<u>Q3 2011</u>	<u>Q2 2011</u>	<u>Q1 2011</u>	<u>Q4 2010</u>
Revenues	\$ -	\$ -	\$ -	\$ -
Net loss	\$(1,526,010) ⁽⁵⁾	\$(1,347,584) ⁽⁶⁾	\$(1,521,928) ⁽⁷⁾	\$(1,619,651) ⁽⁸⁾
Net loss per share	\$(0.04)	\$(0.03)	\$(0.04)	\$(0.04)

(1) The Company's loss during this period includes non-cash deductions of \$100,503 and \$214,128 for stock-based compensation, in connection with the vesting of certain options previously granted, and amortization and accretion, respectively. The value of the options is amortized over the periods in which they vest.

(2) The Company's loss during this period includes non-cash deductions of \$92,957 and \$49,690 for stock-based compensation, in connection with the vesting of certain options previously granted, and amortization and accretion, respectively. The value of the options is amortized over the periods in which they vest.

(3) The Company's loss during this period includes non-cash deductions of \$435,380 and \$163,637 for stock-based compensation, in connection with the granting of 245,000 options and with the vesting of certain options previously granted, and amortization and accretion, respectively. The value of the options is amortized over the periods in which they vest.

(4) The Company's loss during this period includes non-cash deductions of \$2,195,226 and \$170,408 for stock-based compensation, in connection with the granting of 1,327,000 options and with the vesting of certain options previously granted, and amortization and accretion, respectively. The value of the options is amortized over the periods in which they vest.

(5) The Company's loss during this period includes non-cash deductions of \$209,770 and \$114,428 for stock-based compensation, in connection with the granting of 34,000 options and with the vesting of certain options previously granted, and amortization and accretion, respectively. The value of the options is amortized over the periods in which they vest.

(6) The Company's loss during this period includes non-cash deductions of \$291,057 and \$133,972 for stock-based compensation, in connection with the granting of 148,000 options and with the vesting of certain options previously granted, and amortization and accretion, respectively. The value of the options is amortized over the periods in which they vest.

(7) The Company's loss during this period includes non-cash deductions of \$250,554 and \$174,169 for stock-based compensation, in connection with the granting of 179,000 options and with the vesting of certain options previously granted, and amortization and accretion, respectively. The value of the options is amortized over the periods in which they vest.

(8) The Company's loss during this period includes non-cash deductions of \$449,363 and \$166,653 for stock-based compensation, in connection with the granting of 155,000 options and with the vesting of certain options previously granted, and amortization and accretion, respectively. The value of the options is amortized over the periods in which they vest.

The loss during each quarter, excluding provisions for stock-based compensation as set out in the foregoing notes, is primarily the result of administrative activities, including expenses relating to professionals, administration, regulatory compliance, shareholder communications and certain field office expenses and travel. These costs will vary from quarter to quarter, depending upon the Company's activities.

Capital Expenditures

Exploration and Evaluation Properties

Once a license to explore an area has been secured, it is the Company's policy to defer all acquisition, exploration and development costs, including certain field office expenses, until the properties to which they relate are placed into development, sold, abandoned, or have been determined by management to have been impaired in value.

Dynasty Metals & Mining Inc.
Management's Discussion and Analysis
For the three and nine months ended September 30, 2012 (cont'd)
(All amounts expressed in United States dollars, unless otherwise stated)

During the nine months ended September 30, 2012, the Company spent a total of \$1,147,733 in connection with the exploration and maintenance of its mineral properties, compared to \$980,032 for the three months ended September 30, 2011.

Most of the capitalized exploration and evaluation expenditures relating to the exploration and evaluation of mineral properties (see table, below) were incurred in connection with the Company's Dynasty Copper-Gold Project and related to the payment of annual concession fees for the properties. A description and breakdown of these expenditures is as follows:

	Dynasty Project	Jerusalem Project	Other Projects	Total
Balance, December 31, 2011	<u>\$ 10,286,036</u>	<u>\$ 1,537,166</u>	<u>\$ 170,169</u>	<u>\$ 11,993,371</u>
Costs				
Camp supplies and field costs	18,747	679	-	19,426
Geological consulting	48,876	-	-	48,876
Laboratory fees	-	-	-	-
Mineral concession rights	958,413	6,670	-	965,083
Project administration	56,440	34,021	-	90,461
Travel and related costs	<u>23,838</u>	<u>49</u>	<u>-</u>	<u>23,887</u>
Additions for the period	<u>1,106,314</u>	<u>41,419</u>	<u>-</u>	<u>1,147,733</u>
Balance, September 30, 2012	<u>\$ 11,392,350</u>	<u>\$ 1,578,585</u>	<u>\$ 170,169</u>	<u>\$ 13,141,104</u>

Project administration expenses capitalized as part of Mineral Properties include 25% of amounts (US\$35,000 per month) paid to a company controlled by the Company's President for management services. A further 50% is included in mine properties, plant and equipment costs. The Company's President resides in Ecuador and spends the majority of his time on the development of the Company's mineral properties. The remaining 25% is included in management fees and expensed.

Mine Properties, Plant and Equipment

When economically viable projects have been determined and the decision to proceed with development has been approved, the expenditures related to construction are capitalized as mines under construction and classified as a component of mine

Dynasty Metals & Mining Inc.
Management's Discussion and Analysis
For the three and nine months ended September 30, 2012 (cont'd)
(All amounts expressed in United States dollars, unless otherwise stated)

properties, plant and equipment. Costs associated with the commissioning of new assets, in the period before they are operating in the way intended by management, are capitalized, net of any pre-commercial production revenues.

	Mines Under Construction	Plant and Equipment	Land and Buildings	Total
Cost				
Balance as at December 31, 2010	\$ 26,694,463	\$ 31,248,412	\$ 3,292,747	\$ 61,235,622
Additions	31,934,711	1,285,810	-	33,220,521
Disposals	-	(457,327)	-	(457,327)
Net-off of pre-commercial sales	(34,185,254)	-	-	(34,185,254)
Balance as at December 31, 2011	24,443,920	32,076,895	3,292,747	59,813,562
Additions	24,683,260	1,306,048	-	25,989,308
Disposals	-	(279,658)	-	(279,658)
Net-off of pre-commercial sales	(21,590,197)	-	-	(21,590,197)
Balance as at September 30, 2012	\$ 27,536,983	\$ 33,103,285	\$ 3,292,747	\$ 63,933,015
Accumulated amortization				
Balance as at December 31, 2010	\$ -	\$ 4,102,735	\$ 93,643	\$ 4,196,378
Amortization	-	3,874,496	31,287	3,905,783
Disposals	-	(398,243)	-	(398,243)
Balance as at December 31, 2011	-	7,578,988	124,930	7,703,918
Amortization	-	3,282,524	23,465	3,305,989
Disposals	-	(113,447)	-	(113,447)
Balance as at September 30, 2012	\$ -	\$ 10,748,065	\$ 148,395	\$ 10,896,460
Net book value				
At December 31, 2011	\$ 24,443,920	\$ 24,497,907	\$ 3,167,817	\$ 52,109,644
At September 30, 2012	\$ 27,536,983	\$ 22,355,220	\$ 3,144,352	\$ 53,036,555

Mines under construction costs relate to the Zaruma Gold Project and includes all exploration and evaluation expenditure, all direct costs associated with the development of portals to access to the Company's resource and the pre-commercial operating costs of mining and processing mined material from July 1, 2010 in the pre-commercial phase. The total expenditure on these activities for the nine months ended September 30, 2012 was approximately 25.4 million. During the pre-commercial phase, proceeds from the sale of any gold and silver, and proceeds from the insurance proceeds relating to the theft of precious metals, received during the nine months ended September 30, 2012 (totaling approximately \$22 million) has been netted off against the capitalized mines under construction balance.

Financial Condition, Liquidity and Capital Resources

As at September 30, 2012, the Company had cash resources of \$0.8 million and working capital (current assets less current liabilities) of \$0.3 million, which included \$1.3 million of gold and silver in dore form in inventory which was available for sale. The Company expects to use these funds together with cash received from any future sale of precious metals to further mine development activities.

Subsequent to September 30, 2012, and up to the date of this report, the Company produced and exported dore bars containing approximately 2,500 ounces of gold and 6,400 ounces of silver of which 1,766 ounces of gold and 3,400 ounces of silver have been sold to date for aggregate proceeds of approximately \$3.2 million. The balance of the unsold gold of

Dynasty Metals & Mining Inc.
Management's Discussion and Analysis
For the three and nine months ended September 30, 2012 (cont'd)
(All amounts expressed in United States dollars, unless otherwise stated)

approximately 730 ounces, with a market value of approximately \$1.3 million, is expected to be sold in the coming week.

On November 9, 2012 the Company received proceeds of \$600,000 from entering into a loan agreement with a local Ecuadorian bank. The Loan is secured with the Company owned office premises in Quito; the loan principal is repayable in six equal payments of \$100,000 every 61 days commencing on January 8, 2013 and ending on November 9, 2013; and interest is charged based on the Ecuador Central Bank "Referential Passive" Interest Rate plus 4.1%, the aggregate of which is currently 8.25% and is due on the date principal repayments are made.

As at the date of this report the Company has no contracted capital commitments, however the Company plans to spend most of its remaining working capital and proceeds from sale of metals on the continued development of portals to access the resources and the associated start up costs and working capital needed at the Zaruma Gold Project, and, to the extent that additional funds are available, on the exploration and development of its other mineral properties. The Company's budgeted expenditures may increase or decrease depending upon several factors, some of which are not within the control of management, including the future availability of capital.

Management reviews each of the Company's properties periodically and amends the Company's exploration and development plans and budgets, accordingly. As at the date of this report, provided there is continued success in dewatering the "Cabo de Hornos" decline at the current expected rate, the Company does not anticipate that it will require additional capital in the near future. However, the Company has yet to reach the stage of sustainable commercial production. Therefore, 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 stage enterprises, most significantly, it must either generate sufficient cash flow from the sale of precious metals in the future or secure additional working capital as required, neither of which can be assured (see "Critical Risk Factors" section of this discussion and analysis).

RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties during the nine months ended September 30, 2012 and 2011:

- a) paid or accrued professional fees of \$158,918 (2011 - \$96,326) to a law firm in Ecuador with which a director of the Company is affiliated;
- b) paid or accrued professional fees of \$161,310 (2011 - \$114,589) to a director of the Company; and
- c) paid or accrued management fees of \$315,000 (2011 - \$225,000) to a company controlled by the President and Chief Executive Officer of the Company of which \$236,250 (2011 - \$168,750) were capitalized and included in either mineral properties, plant and equipment and exploration and evaluation properties.

Included in accounts payable at September 30, 2012 is \$56,167 (December 31, 2011 - \$51,352) due to a law firm with which a current director is affiliated and \$nil (December 31, 2011 - \$44,655) 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.

Critical Accounting Estimates and Policies

Set out below are the Company's critical accounting policies and estimates:

Estimates, risks and uncertainties

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the

Dynasty Metals & Mining Inc.
Management's Discussion and Analysis
For the three and nine months ended September 30, 2012 (cont'd)
(All amounts expressed in United States dollars, unless otherwise stated)

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.

Significant accounts that require estimates relate to the possible impairment of property, plant and equipment, mine development costs and exploration and evaluation properties, the useful life of assets for amortization, recognition of deferred tax assets, valuation of stock-based compensation, the estimated economically recoverable resources for depreciating mineral properties and valuation of asset retirement obligations. Key judgments and estimates made by management with respect to these areas have been disclosed in the notes to these financial statements as appropriate.

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.

Foreign currency translation

The presentation currency and the functional currency of the Company and all of the Company's operations is the United States Dollar ("USD"). The Company's foreign currency transactions are translated into USD at the rate of exchange in effect at the date of the transaction. Monetary assets and liabilities are translated using period end exchange rates with any gains and losses included in the determination of operating results. Non-monetary assets and liabilities are translated using historical rates.

Mineral exploration, evaluation and development properties

Exploration and evaluation properties

Once a license to explore an area has been secured, expenditures on exploration and evaluation activities are capitalized to exploration and evaluation. Exploration and evaluation expenditures relate to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential.

Once an economically viable project has been determined for an area and the decision to proceed with development has been approved, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to mines under construction within mine properties, plant and equipment.

Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a project does not prove viable, all irrecoverable costs associated with the project net of any impairment provisions are written off.

Development properties

When economically viable projects have been determined and the decision to proceed with development has been approved, the expenditures related to construction are capitalized as mines under construction and classified as a component of mine properties, plant and equipment. 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 the completion of operational commissioning of major mine components has been reached, operating results are being achieved consistently for a period of time, and there are indicators that these operating results will continue.

Mine properties, plant and equipment

Upon completion of mine construction, the assets are transferred into properties, plant and equipment or mine properties. Items of property, plant and equipment and mine properties are stated at cost, less accumulated depreciation and accumulated impairment losses.

Dynasty Metals & Mining Inc.
Management's Discussion and Analysis
For the three and nine months ended September 30, 2012 (cont'd)
(All amounts expressed in United States dollars, unless otherwise stated)

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

When a mine construction project moves into the stage of operating in the way intended by management, the capitalization of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for costs which qualify for capitalization relating to mining asset additions or improvements, underground mine development or mineable resource development.

Provision for closure and restoration

The Company recognizes provisions for statutory, contractual, constructive or legal obligations associated with the decommissioning and reclamation of mine properties, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. A liability is recognized at the time environmental disturbance occurs and the resulting costs are capitalized to the corresponding asset. The provision for reclamation and rehabilitation obligations is estimated using expected cash flows and is discounted at a pre-tax rate specific to the liability. The capitalized amount is amortized on the same basis as the related asset. The liability is adjusted for the accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows.

In subsequent periods, the liability is adjusted for any changes in the amount or timing of the estimated future cash costs and for the accretion of discounted underlying future cash flows. The unwinding of the effect of discounting the provision is recorded as an expense in the Consolidated Statements of Loss and Comprehensive Loss.

Stock-based compensation

Certain employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of stock options. The cost of these stock options is measured using the estimated fair value at the date of the grant determined using the Black-Scholes option pricing model. The Black-Scholes option pricing model requires the input of subjective assumptions, including the expected term of the option and stock price volatility. The expected term of options granted is determined based on historical data on the average hold period before exercise, expiry or cancellation. Expected volatility is estimated with reference to the historical volatility of the share price of the Company. These estimates involve inherent uncertainties and the application of management judgment. The costs are recognized over the vesting period of the option. The total amount recognized as an expense is adjusted to reflect the number of options expected to vest at each reporting date. The corresponding credit for these costs is recognized in contributed surplus in shareholders' equity.

Stock based compensation arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity settled share based payment transactions and measured at the fair value of the goods or services received cannot be estimated reliably, the share based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

Income taxes

The Company follows the asset and liability method whereby deferred tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted, or substantively enacted, tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. Deferred tax assets are recognized to the extent that recovery is estimated probable.

New accounting standards and interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2013, including IAS 1 *Presentation of Financial Statements*, IAS 19 *Employee Benefits*, IFRS 9 *Financial Instruments*, IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interest of Other Entities*, IFRS 13 *Fair Value Measurement*, and IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*

Dynasty Metals & Mining Inc.
Management's Discussion and Analysis
For the three and nine months ended September 30, 2012 (cont'd)
(All amounts expressed in United States dollars, unless otherwise stated)

and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Company, except for IFRS 9 *Financial Instruments* ("IFRS 9"), which becomes mandatory for the Company's 2015 consolidated financial statements and could change the classification and measurement of financial assets. The extent of the effects of IFRS 9 on the consolidated financial statements have not been determined.

Critical Risk Factors

The exploration and development of mineral deposits involves certain significant risks not within the control of management. In addition to those risks discussed elsewhere in this report, critical risk factors affecting the prospects of the Company include, but are not limited to, the following:

Operating and Liquidity Risk

The Company is an early development stage company which is not yet in commercial production. Historically, the Company has funded substantially all of its operating and capital expenses with proceeds from the sale of capital stock or from the sale of precious metals produced during mine construction at its Zaruma Gold Project. The Company has yet to reach the stage of sustainable commercial production, has recently experienced a slowed mining rate while the lower levels of the main mine is being dewatered and has filed an insurance claim to recover approximately \$2 million of stolen bullion, the actual amount of which the Company will recover has not yet been determined. Therefore, 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 stage enterprises, most significantly, it must either generate sufficient cash flow from the sale of precious metals in the future or secure additional working capital from debt or equity financings, or through the profitable sale of capital assets, as required, neither of which is assured.

Commodity Prices

The profitability of the Company's operations will be dependent upon the market price of mineral commodities. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of the Company. The level of interest rates, the rate of inflation, world supply of mineral commodities, consumption patterns, sales of gold by central banks, forward sales by producers, production, industrial and jewellery demand, speculative activities and stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The prices of mineral commodities have fluctuated widely in recent years. Current and future price declines could cause commercial production to be impracticable.

The Company's revenues and earnings also could be affected by the prices of other commodities such as fuel and other consumable items, although to a lesser extent than by the price of gold. The prices of these commodities are affected by numerous factors beyond the Company's control.

Risks Associated with Global Financial Conditions

Current global financial conditions have been subject to increased volatility and numerous financial institutions have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to public financing has been negatively impacted by both sub-prime mortgages and the liquidity crisis affecting the asset-backed commercial paper market. These factors may impact the ability of the Company to obtain equity or debt financing in the future and, if obtained, on terms favorable to the Company. If these increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the value and the price of the Corporation's common shares could continue to be adversely affected.

Foreign Currency Risk

The Company's corporate head office is in Vancouver, Canada and the Company raises all of its funds in Canadian dollars and maintains a significant portion of its funds in Canadian dollars. The majority of the Company's operations are in Ecuador where the currency is the US dollar. The ongoing credit crisis has resulted in significant fluctuation in the value of the Canadian dollar compared to the US dollar exposing the Company to significant currency risk.

Dynasty Metals & Mining Inc.
Management's Discussion and Analysis
For the three and nine months ended September 30, 2012 (cont'd)
(All amounts expressed in United States dollars, unless otherwise stated)

Property Title Risk

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 herein, are properly registered and in good standing. Property title may, however, be subject to unregistered prior agreements or transfers and title may be affected by undetected defects or the rights of indigenous peoples.

Economic Risk

The commercial viability of any mineral deposit depends on many factors, such as its size, grade and proximity to infrastructure. Government regulation, taxes, royalties, land tenure, land use, environmental protection and reclamation and closure obligations all also affect the economic viability of a particular mineral deposit.

Litigation Risk

The Company is subject to litigation and legal proceedings arising in the normal course of business and may be involved in disputes with other parties in the future which may result in litigation. The causes of potential future litigation cannot be known and may arise from, among other things, business activities and environmental laws. The risk of such litigation is, in part, a consequence of doing business under the current political and juridical climate in Ecuador. The results of litigation cannot be predicted with certainty. If the Company is unable to resolve these disputes favourably, they may result in a material adverse impact on the Company's financial condition, cash flow and results of operations.

In the event of a dispute involving the foreign operations of the Company, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada.

Foreign Country and Political Risk

All of the Company's mineral properties are located in Ecuador, South America which has specific risks that may adversely affect the Company's business and results of operations, and which are different from, and in many cases, greater than, comparable risks associated with similar operations within North America. The political and economic environment in Ecuador has been unstable in the past, and the country has been subject to strikes and general civil unrest. There can be no assurance that the political or economic environment in Ecuador will be stable in the future. Risks associated with political or economic instability include, but are not limited to, military repression, high rates of inflation, currency fluctuations, crime, corruption and possible political or economic instability which may result in the impairment or loss of mineral concessions or other mineral rights. Mineral exploration and mining activities may be affected in varying degrees by political instability and government regulations relating to the mining industry.

Changes in resource development or investment policies or shifts in political attitude in Ecuador may adversely affect the Company's business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, royalties on mineral production, expropriation of property, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. The effect of these factors cannot be accurately predicted.

The possibility that current, or a future, government, its agencies or any other authoritative body may adopt substantially different policies or take arbitrary action which, whether legitimate or not, might halt exploration, production or other of the Company's operations, extend to the nationalization of private assets or the cancellation of contracts, the cancellation of mining and exploration rights and/or changes in taxation treatment cannot be ruled out, any of which could have a material and adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

Currently, the regulatory system in Ecuador contains many inconsistencies and contradictions. Many of the laws provide substantial administrative discretion in their application and enforcement. In addition, the laws are subject to changing and different interpretations. These factors mean that even the Company's best efforts to comply with applicable laws may not always result in compliance or may result in arbitrary allegations and legal proceedings. Consequences and relief sought may also be disproportionate to the alleged violation. The uncertainties, inconsistencies and contradictions in the laws of Ecuador and their interpretation and application could have a material adverse effect on the Company's business, business prospects, and results of operations.

Dynasty Metals & Mining Inc.
Management's Discussion and Analysis
For the three and nine months ended September 30, 2012 (cont'd)
(All amounts expressed in United States dollars, unless otherwise stated)

Uncertain Mining Legislation

In April 2008, the Mining Mandate invoked a suspension of activities on most mining concessions in Ecuador while the new Mining Law was being approved.

The new Mining Law is now in effect and states that each company must negotiate an exploitation contract with the government. This exploitation contract is expected to include, among other items, the royalty payable to the government. There is no assurance the Company will be able to agree on an exploitation contract and royalty rate that will not have an adverse affect upon the Company's future operations.

Mining and Resource Risks of Exploration and Development

Some of the properties in which the Company has an interest or the right to earn an interest are in the exploration stages only and are without a known body of commercial ore. As the Company is principally an exploration and early development stage company, the Company currently has little revenue, and therefore a history of losses. The level of profitability of the Company in future years will depend to a great degree on precious and base metal prices, the ability of the Company to meet expected production levels of the Zaruma Gold Project, and whether any of the Company's other exploration stage properties can be brought into production.

Mineral exploration and development involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. There is no assurance that the Company's exploration and development activities will result in any discoveries of commercial bodies of ore. The long-term profitability of the Company's operations will be in part directly related to the cost and success of the Company's exploration programs, which may be affected by a number of factors. Substantial expenditures are required to establish reserves through drilling, to develop processes to extract the resources and, in the case of new properties, to develop the extraction and processing facilities and infrastructure at any site chosen for extraction. Although substantial benefits may be derived from the discovery of a major deposit, no assurance can be given that resources will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis.

It is impossible to ensure that future exploration programs and feasibility studies on the Company's existing mineral properties will establish reserves. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices, which cannot be predicted and which have been highly volatile in the past; mining, processing and transportation costs; perceived levels of political risk and the willingness of lenders and investors to provide project financing; and governmental regulations, including, without limitation, regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting materials, foreign exchange, environmental protection and reclamation and closure obligations. The effect of these factors cannot be accurately predicted, but any one, or a combination of, these factors may cause a mineral deposit that has been mined profitably in the past, to become unprofitable. The Company is subject to the risks normally encountered in the mining industry, such as unusual or unexpected geological formations as well as political and economic risks associated with developing nations. The Company may be subject to liability for pollution or against other hazards against which it cannot insure or against which it may elect not to insure.

The development of mineral properties is affected by many factors, some of which are: the cost of operations; variations in the grade of ore; fluctuations in metal markets; costs of extraction and processing equipment; and government regulations, including without limitation, regulations relating to royalties, allowable production, importing and exporting of minerals, foreign exchange and environmental protection. Depending on the price of minerals, the Company may determine that it is impractical to commence or, if commenced, continue commercial production. Mining costs are rising in the current world market, although the effect is somewhat ameliorated by lower labour costs in Ecuador.

Project-specific risks associated with the Jerusalem Project and Zaruma Gold Project are: uncertainty in respect of the tonnage and grade of mineralization in areas of previous mining; and the risk of dilution and productivity in gold recovery, which are fairly high in high-grade narrow vein operations.

Uninsured or Uninsurable Risks

Dynasty Metals & Mining Inc.
Management's Discussion and Analysis
For the three and nine months ended September 30, 2012 (cont'd)
(All amounts expressed in United States dollars, unless otherwise stated)

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions and hazards, industrial accidents, labour disputes, adverse property ownership claims, unusual or unexpected geological conditions, ground, slope or pit wall failures, rock bursts, cave-ins, fires, changes in the regulatory environment, political and social instability, and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to, or destruction of, mineral properties or production facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in mining, monetary losses and legal liability.

The Company does not currently maintain insurance for many of its assets, including the processing plant at the Zaruma Project. This is due to the relatively high premium costs coupled with poor availability of coverage and wide-ranging exclusions. Insurance against risks such as loss of title to mineral properties, environmental pollution, or other hazards as a result of exploration and production which are generally not available to the Company or to other companies in the mining industry on acceptable terms, will be evaluated on a periodic basis for change in availability and cost. Should the Company become subject to liability for pollution or other hazards or should an event occur that is not fully covered, or covered at all, by insurance, it could have a material adverse effect on the Company's financial conditions, results of operations and cash flows, and could lead to a decline in the value of the Company's securities.

Environmental and other Regulatory Risk

The Company's activities are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments.

Environmental legislation is evolving in a manner which means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations.

Companies engaged in exploration and development activities generally experience increased costs and delays as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that all permits which the Company may require for exploration and development of its properties will be obtainable on reasonable terms or on a timely basis, or that such laws and regulations would not have an adverse effect on any project that the Company may undertake.

Although the Company believes that it is in compliance with all material laws and regulations that currently apply to its activities, there may be unforeseen environmental liabilities resulting from exploration and/or mining activities and these may be costly to remedy. Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in exploration operations may be required to compensate those suffering loss or damage by reason of the exploration activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Amendments to current laws, regulations and permits governing operations and activities of exploration and production companies, including transitory requirements in the adopting the new Ecuadorian mining law, or more stringent implementation thereof, could have a material adverse impact on the company and cause increases in expenditures and costs or require abandonment or delays in developing new mining properties.

Surface Rights and Access

Although the Company acquires the rights to some or all of the minerals in the ground subject to the tenures that it acquires, or has a right to acquire, in most cases it does not thereby acquire any rights to, or ownership of, the surface to the areas covered by its mineral tenures. In such cases, applicable mining laws usually provide for rights of access to the surface for the purpose of carrying on mining activities; however, the enforcement of such rights can be costly and time consuming.

Dynasty Metals & Mining Inc.
Management's Discussion and Analysis
For the three and nine months ended September 30, 2012 (cont'd)
(All amounts expressed in United States dollars, unless otherwise stated)

In areas where there are no existing surface rights holders, this does not usually cause a problem, as there are no impediments to surface access. However, in areas where there are local populations or land owners, it is necessary, as a practical matter, to negotiate surface access. There can be no guarantee that, despite having the legal right to access the surface and carry on mining activities, the Company will be able to negotiate a satisfactory agreement with any such existing landowners/occupiers for such access, and therefore it may be unable to carry out mining activities. In addition, in circumstances where such access is denied, or no agreement can be reached, the Company may need to rely on the assistance of local officials or the courts in such jurisdiction.

Dependence on Key Personnel

The Company's development to date has largely depended on, and in the future will continue to depend on, the efforts of key management, project management and operations personnel. Loss of any of these people could have a material adverse effect on the Company and its business. The Company has not generally obtained and does not intend to obtain key-person insurance in respect of directors or other of its employees, with the exception of some individuals for which there is limited coverage.

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, receivables, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The Company is exposed to financial risk arising from fluctuation in foreign exchange rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

Additional Information

Securities Issued During the Period

During the nine months ended September 30, 2012, the Company issued incentive stock options to purchase 340,000 common shares at CAD\$3.00 each.

Securities Cancelled During the Period

During the nine months ended September 30, 2012, the Company cancelled previously issued options to purchase 40,000 common shares at CAD\$5.28 each upon their expiry; cancelled previously issued options to purchase 156,050 common shares at CAD\$5.00 each upon their expiry; cancelled previously issued options to purchase 40,000 common shares at CAD\$3.00 each upon their expiry; cancelled previously issued options to purchase 8,000 common shares at CAD\$5.00 each upon their expiry; cancelled previously issued options to purchase 100,000 common shares at CAD\$6.63 each upon their expiry and cancelled previously issued options to purchase 100,000 common shares at CAD\$3.58 each upon their expiry.

Securities Issued At End Of Period

On September 30, 2012, the Company had 42,461,083 common shares issued and outstanding. There are 42,461,083 common shares issued and outstanding as at the date of this report.

There are outstanding incentive stock options to purchase 4,436,300 common shares of the Company as at the date of this report, as follows:

Number	Exercise Price	Expiry Date

Dynasty Metals & Mining Inc.
Management's Discussion and Analysis
For the three and nine months ended September 30, 2012 (cont'd)
(All amounts expressed in United States dollars, unless otherwise stated)

75,000	\$ 3.85	October 21, 2013
250,000	\$ 2.00	December 18, 2013
915,000	\$ 5.00	March 24, 2014
30,000	\$ 2.77	June 8, 2014
65,000	\$ 3.53	22 July, 2014
910,000	\$ 5.45	November 6, 2014
15,000	\$ 5.17	December 8, 2014
50,000	\$ 5.45	January 12, 2015
20,000	\$ 4.07	March 15, 2015
20,000	\$ 3.95	May 5, 2015
10,300	\$ 4.12	September 21, 2015
20,000	\$ 4.53	December 3, 2015
127,000	\$ 3.63	January 28, 2016
108,000	\$ 3.32	May 17, 2016
10,000	\$ 2.85	June 27, 2016
31,000	\$ 2.94	25 July, 2016
3,000	\$ 3.00	8 September, 2016
1,327,000	\$ 3.07	1 December, 2016
205,000	\$ 3.00	7 February, 2017
150,000	\$ 4.50	23 February, 2017
<u>95,000</u>	\$ 3.00	17 September, 2017
4,436,300		

Management's Report on Disclosure controls and procedures

Management of the Company, under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, is responsible for the design and operations of internal controls over financial reporting. There have been no changes in the Company's disclosure controls and procedures during the three months ended September 30, 2012.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal controls over financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

There have been no changes in the Company's internal control over financial reporting during the three months ended September 30, 2012 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

Directors and Officers

Directors:

Robert Washer
Ernesto Andrade
Mark Bailey
Len Clough
Brian Speechly
Edison Alfredo Santillan Davalos

Officers:

Robert Washer - President and Chief Executive Officer
Nicholas Furber - Chief Financial Officer

Contact Person

Murray Oliver
Telephone: (604) 687-0888
Facsimile: (604) 687-0885

Dynasty Metals & Mining Inc.
Management's Discussion and Analysis
For the three and nine months ended September 30, 2012 (cont'd)
(All amounts expressed in United States dollars, unless otherwise stated)

Email: info@dynastymining.com

Outlook

In the near term, the Company will continue to develop the mines at Zaruma with the objective of reaching a steady state mining and processing target of the annual equivalent of 300,000 tonnes of material per annum.

The Company will also continue to work to define geological trends and develop suitable targets for drilling, and drill those targets, on its current property holdings (including the Zaruma, Jerusalem, and Dynasty Copper-Gold Belt Projects) and to expand its holdings where warranted. Furthermore, the Company will look to advance the mine and plant permitting process at the Jerusalem Project and reassess the economics of constructing a mining operation at the project.

The Company may seek opportunities in the future to form joint ventures and evaluate investment opportunities both inside and in countries outside of Ecuador. As a mineral exploration and development company, the future liquidity of the Company will be affected principally by the size of its exploration and development expenditures and by its ability to raise capital. The Company may have to adjust its exploration and development programs from time to time depending upon the availability of capital.