

DYNASTY METALS AUSTRALIA LTD

ABN 80 110 385 709

Notice of General Meeting and Explanatory Statement

**General Meeting to be held at
Level 6, 175 Macquarie Street, Sydney NSW
on Monday 27 September 2010 commencing at 10.00am**

An independent expert's report is attached to this document as required by ASIC Regulatory Guide 74. The report concludes that the transactions the subject of Resolution 5 in this Notice of General Meeting is "not fair but reasonable".

This Notice of General Meeting and Explanatory Statement should be read in its entirety. If shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser without delay.

THIS PAGE LEFT BLANK INTENTIONALLY

Notice of General Meeting

A General Meeting of Dynasty Metals Australia Ltd will be held at Level 6, 175 Macquarie Street, Sydney NSW on Monday, 27 September 2010 commencing at 10.00am EST.

Special Business

1 Approval of Issue of Securities to Hebei XingHua Iron and Steel Co. Ltd or Nominees

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That for the purposes of Section 611 of the Corporations Act and Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of 40,000,000 Shares and 20,000,000 Options, and the issue of Shares following any exercise of such Options, to Hebei XingHua Iron and Steel Co. Ltd or its nominees on the terms set out in the Explanatory Statement.”

Voting Exclusion: In accordance with Listing Rule 10.13 and item 7 of Section 611 of the Corporations Act, Dynasty will disregard any votes cast on this resolution by any person who may participate in the proposed issue, and by any person proposing to make the acquisition, including Hebei XingHua Iron and Steel Co. Ltd and any associate of Hebei XingHua Iron and Steel Co. Ltd. However, Dynasty need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Explanatory Statement

The Explanatory Statement accompanying this Notice of General Meeting is incorporated in and comprises part of this Notice of General Meeting.

Proxies

Please note that:

- (a) a member of the Company entitled to attend and vote at the General Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed proxy form provides further details on appointing proxies and lodging proxy forms.

“Snap-shot” Time

The Company may specify a time, not more than 48 hours before the meeting, at which a “snap-shot” of shareholders will be taken for the purposes of determining shareholder entitlements to vote at the meeting.

The Company’s directors have determined that all shares of the Company that are quoted on ASX 48 hours before the meeting shall, for the purposes of determining voting entitlements at the General Meeting, be taken to be held by the persons registered as holding the shares at that time.

By Order of the Board of Directors

A handwritten signature in black ink, appearing to read 'G. Anderson', with a long horizontal flourish extending to the right.

Mr Graham Anderson
Director/Company Secretary
Dynasty Metals Australia Ltd

17 August 2010

Explanatory Statement

This Explanatory Statement has been prepared for the information of Shareholders in relation to the business to be conducted at a General Meeting of the Company.

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the resolution in the accompanying Notice of General Meeting.

This Explanatory Statement should be read in conjunction with the Notice of General Meeting.

1 Resolution 1 - Approval of Issue of Securities to Hebei XingHua Iron and Steel Co. Ltd or Nominees

Background

Hebei Xinghua Iron and Steel Co. Ltd ("Xinghua") has agreed to provide Dynasty with \$6,400,000 of new funding by way of a sophisticated investor placement of 40,000,000 Shares at a price of 16 cents each, together with 20,000,000 free Options exercisable at 20 cents each on or before 31 December 2012 and otherwise on the terms set out in Annexure "B".

XingHua was founded in 1985 by Mr Maochun Chen, a former Army Cadre, with its headquarters located in the town of FuzHou City, Fujian Province near China's South East coast.

After 25 years of development, the XingHua Industrial Company's subsidiary company XingHua Iron and Steel Co. Ltd has total assets of more than 2.6 billion Yuan (~AUD\$440 million) and more than 4,000 employees. XingHua Industrial Company ranks as number 308 of China's top 500 manufacturing companies. XingHua Industrial Company combines five core operating divisions – iron and steel smelting, steel rolling, real estate development, environmentally friendly materials handling and international trade has made the group highly competitive as a vertically integrated and diversified regional industrial group with total assets of more than 8 billion Yuan (~AUD\$1.4 billion) and more than 5,000 employees.

With an annual value exceeding tens of billions of Yuan, the Company is a modern private enterprise including a complete organisation of party and political entities and a labour union. XingHua Iron and Steel has an annual demand for approximately 3 million tonnes of iron ore and is currently being supplied from Australia, India and internal Chinese sources.

Shareholder approval is sought under Listing Rule 10.11 because Resolution 1 proposes the issue of Securities to a related party of the Company, namely Xinghua or its nominees. Xinghua is a related party of the Company as a result of Maochun Chen, who is a related party of the Company by virtue of his proposed appointment as a Director, controlling Xinghua and therefore satisfying the related party test set out in Listing Rule 10.11. As Shareholder approval is being sought under ASX Listing Rule 10.11, approval is not also required under Listing Rule 7.1

Under Resolution 1 the Company seeks Shareholder approval in accordance with item 7 of Section 611 of the Corporations Act and Listing Rule 10.11 from Shareholders for the issue of 40,000,000 Shares and 20,000,000 Options to Xinghua or its nominees exercisable at different exercise prices as set out below. The Shares are to be issued at an issue price of 16 cents per Share and the Options are to be issued for nil consideration. The Shares will rank equally in all respects with all of the existing ordinary Shares on issue. Upon any exercise of the Options the Shares issued will rank equally in all respects with all of the existing ordinary Shares on issue.

Options	Expiry Date	Exercise Price
20,000,000	31 December 2012	\$0.20

As a result of Resolution 1 being put to the Meeting, passed and implemented, [whether or not the Options are exercised][and if the Options are exercised], the Voting Power of Xinghua, Maochun Chen and Xinghua would exceed 20% in breach of section 606 of the Corporations Act. Under Section 606 of the Corporations Act, a person must not acquire a relevant interest in issued voting shares of a company if because of the transaction that person's or someone else's voting power increases from:-

- 20% or below to more than 20%; or
- a starting point that is above 20% and below 90%.

Under Section 611 Item 7 of the Corporations Act, Section 606 does not apply in relation to any acquisition of shares in a company approved by a resolution passed at a general Meeting of the company at which no votes were cast in favour of the resolution by the acquirer or the disposer or their respective Associates.

Resolution 1 seeks Shareholder approval for this increase in Voting Power pursuant to section 611 Corporations Act in order to allow the increase in Voting Power caused by Xinghua's subscription for the 40,000,000 Shares. Further, if Xinghua exercises the 20,000,000 Options proposed to be issued by Resolution 1 then the Voting Power of Xinghua would further increase in breach of section 606 of the Corporations Act unless Shareholder approval is obtained now for the exercise of those Options (on the assumption that no Shares other than those contemplated by this Notice of Meeting are issued, including upon exercise of all Options to be issued following approval of the Resolutions in this Notice of Meeting.)

Resolution 1 therefore seeks Shareholder approval now for this possible increase in Voting Power pursuant to section 611 Corporations Act in order to allow the increase in Voting Power caused by Xinghua's exercise of the 20,000,000 Options and the resulting subscription for 20,000,000 Shares. There is no certainty that the Options will be exercised.

In order for the Company to comply with the requirements of the Corporations Act, the Company has provided the information below which ASIC Regulatory Guide 74 requires the Company to provide to Shareholders when seeking approval in accordance with item 7 of section 611 of the Corporations Act. In addition, an independent expert is required to report on the fairness and reasonableness of the transaction as part of the information given to Shareholders at the Meeting and a copy of an independent expert's report is included as Annexure "C". The expert's report concludes that the transaction the subject of Resolution 1 is **not fair but reasonable** to non associated Shareholders. The Company strongly recommends that you read the report in full, a copy of which is set out in Annexure "C" to this Explanatory Statement.

(a) Identity of the persons proposing to make the acquisition, their associates and relevant interests

Xinghua is the party proposing to make the acquisition in relation to Resolution 1, and this will cause an increase in Voting Power of Xinghua. Xinghua may direct the Securities to be issued to one or more nominees who as an Associate of Xinghua, will require the approval the subject of Resolution 1.

(b) The maximum extent of the increase in the Voting Power in the Company that would result from the issue of the Shares and the exercise of the Options resulting in the issue of Shares

The table below demonstrates the effect on the Voting Power of Xinghua and its Associates assuming that all Shares and Options to be issued in accordance with Resolution 1 are issued and all such Options are exercised, assuming that none of the 18,500,000 Options on issue at the date of this Notice of Meeting are exercised, and assuming no other Shares are issued other than those contemplated in this Notice of Meeting. As a result of the Shares proposed to be issued under Resolution 1 Xinghua will acquire a Voting Power of 33.99%. If the Options proposed to be issued to Xinghua are exercised the Voting Power of Xinghua will increase to 43.58%.

Increase in Voting Power caused by implementation of:	Total Number of Shares in relation to which Xinghua Maochun Chen, and their Associates has Voting Power	Total Number of Shares on Issue –	Percentage Voting Power of Xinghua, Maochun Chen, and their Associates–
As at date of Notice of Meeting	-	77,681,312	nil
Issue of Shares under Resolution 1	40,000,000	117,681,312	34%
Issue of Shares following exercise of Options issued under Resolution 1	60,000,000	137,681,312	43.6 %

(c) Identity, associations with the associates and qualifications of any person who is intended to or will become a Director if the Shareholders agree to the allotment

The Company intends to appoint Maochun Chen as a new director in connection with the proposed issue of Securities in this Resolution 1, and to consider the appointment of one further director. Upon Maochun Chen being appointed as a Director the Board of Dynasty will convene a meeting to resolve the composition of the Board. The new Board will comprise a total of 5 Directors and 2 of these Directors will be nominees of Xinghua. Consequently it is envisaged that 2 members of the current Board would resign. A brief resume of Maochun Chen is set out below:

Mr Maochun Chen, a retired senior Army Cadre, is the founder and owner of XingHua Industries which he formed in 1985. In 25 years Mr Chen with his loyal team have developed a very successful diversified conglomerate which ranks as 308 in PRC top 500 companies. XingHua's five core operating divisions of iron and steel smelting, steel rolling, real estate development, environmentally friendly materials handling and international trade have made the group highly competitive as a vertically integrated and diversified regional industrial group with total assets of more than 8 billion Yuan (~AUD\$1.4 billion) and more than 5,000 employees. The Company is a director company of the China APEC Development Council and Mr Chen has been appointed by the PRC Government as one of the 10 national industry representatives on the PRC National APEC Council.

(d) Statement of associated parties' respective intentions regarding the future of the Company if Shareholders pass Resolution 1

Xinghua's proposed involvement will recapitalise the Company allowing it to continue to pursue its objective to become an advanced exploration and/or producing mining company, by undertaking significant exploration activities on the the Company's Prairie Downs project and the exploration and evaluation of all projects, and by providing strong support as a shareholder and on the Board through its nominated director Maochun Chen. In particular:

- XingHua will share an office with Dynasty in Sydney where XingHua may undertake business when XingHua representatives are in Australia.
- XingHua will invest in a representative office in China for Dynasty and will assist with introductions to potential 3rd party iron ore infrastructure providers. XingHua accepts that Dynasty will retain the right to freely progress discussions with other suitable infrastructure providers to ensure access to infrastructure is secured.
- To the extent of its iron ore requirements, XingHua will have a priority for iron ore off-take based on normal commercial terms.
- With respect to production surplus to XingHua's requirements, XingHua will assist Dynasty to progress discussions with other steel producers and Dynasty will retain the right to enter into negotiations with other 3rd party off-take parties for the remainder of the iron ore.

(e) Terms of the proposed allotment

The terms of the Shares are set out in Annexure "A"; the terms of the Options are set out in Annexure "B".

(f) When the allotment is to be completed

The Shares and the Options the subject of Resolution 1 will be issued no later than 1 month following the General Meeting.

(g) An explanation of the reasons for the proposed allotment

The proposed allotment will raise new capital for the company and provide funding primarily for the proposed exploration program of the Company's Prairie Downs Project as well as the company's other non iron ore projects.

(h) The interests of the Directors in Resolution 1

None of the Directors have any interest in relation to Resolution 1. Details of the Relevant Interest for each Director as at the date of this Notice of Meeting and following implementation of the Resolutions are set out in the tables below, assuming that no Options currently on issue or to be issued in accordance with the Resolutions are exercised:

Director	Relevant Interest in Shares as at date of Notice of Meeting	Relevant Interest in Options as at date of Notice of Meeting	Relevant Interest in Shares following implementation of Resolution 1
Ian Levy	-	1,000,000	-
Lewis Tay	3,118,409	5,000,000	3,118,409
Malcolm Carson	52,436	3,000,000	52,436
Richard Oh	-	2,000,000	-
Graham Anderson	750,000	1,000,000	750,000

(i) The identity of Directors who approved or voted against the Resolution 1

All the Directors voted in favour of Resolution 1 at a Board Meeting convened to approve the issue of this Notice of General Meeting.

(j) The recommendation of each Director as to whether non-associated Shareholders should agree to the allotment and the reasons

All the Directors recommend that Shareholders vote in favour of Resolution 1 contained in this Notice of General Meeting.

(k) Intention to change significantly the financial or dividend policies of the Company

There is no present intention by Xinghua to change the financial or dividend policies of the Company.

(l) Whether Proposal is Fair and Reasonable

The Directors have appointed Stantons International Securities as Independent Experts and commissioned them to prepare an Independent Experts Report to provide an opinion as to whether or not the proposal in Resolution 1 is fair and reasonable to the Shareholders. The report is set out in Annexure "C" and it is recommended that Shareholders read that report in its entirety.

Stantons International Securities have concluded that the proposed transaction is not fair but reasonable to the non associated Shareholders

ANNEXURE "A"

TERMS AND CONDITIONS OF SHARES

The following is a broad summary (though not necessarily an exhaustive or definitive statement) of the rights attaching to the shares of the Company. Full details are contained in the Constitution, available for inspection at the Company's registered office.

(a) Share Capital

All issued ordinary shares rank equally in all respects.

(b) Voting Rights

At a general meeting of the Company, every holder of shares present in person, by an attorney, representative or proxy has one vote on a show of hands and on a poll, one vote for every fully paid share held, and for every contributing share held, a fraction of a vote equal to the proportion which the amount paid up bears to the total issue price of the contributing share.

(c) Dividend Rights

Subject to the rights of holders of shares issued with any special or preferential rights (at present there are none), the profits of the Company which the Directors may from time to time determine to distribute by way of dividend are divisible among the shareholders in proportion to the shares held by them respectively, according to the amount paid up or credited as paid up on the shares.

(d) Rights on Winding-Up

Subject to the rights of holders with shares with special rights in a winding-up (at present there are none), on a winding-up of the Company all assets which may be legally distributed amongst the members will be distributed in proportion to the shares held by them respectively, according to the amount paid up or credited as paid up on the share.

(e) Transfer of Shares

Shares in the Company may be transferred by instrument in any form which complies with the Constitution, the Corporations Act, Listing Rules and SCH Business Rules. Shares may be transferred by such means in accordance with Listing Rules and the SCH Business Rules. The Directors may refuse to register a transfer of shares only in those circumstances permitted by Listing Rules and SCH Business Rules.

(f) Calls on Shares

Shares issued as fully paid are not subject to any calls for payment by the Company and will not therefore become liable for forfeiture.

(g) Further Increases in Capital

The allotment and issue of any new shares is under the control of the Directors and, subject to any restrictions on the allotment of shares imposed by the Constitution, Listing Rules or the Corporations Act, the Directors may allot, issue or grant options over or otherwise dispose of those shares to such persons, with such rights or restrictions as they may from time to time determine.

(h) Variation of Rights Attaching to Shares

Where shares of different classes are issued, the rights attaching to the shares of a class can thereafter only be varied by a special resolution passed at a separate general meeting of the holders of those shares of that class, or with the written consent of the holders of at least three quarters of the issued shares of that class.

(i) General Meeting

Each shareholder will be entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive notices, accounts and other documents required to be furnished to shareholders under the Constitution, the Corporations Act and Listing Rules.

ANNEXURE "B"

TERMS AND CONDITIONS OF OPTIONS

HEBEI XINGHUA IRON AND STEEL CO. LTD

1. Each Option entitles the holder to subscribe for and be allotted one Share in the Company.
2. The Options are exercisable as set out below:

Options	Expiry Date	Exercise Price
20,000,000	31 December 2012	\$0.20

3. The Options are exercisable at any time on or prior to the Expiry Date by notice in writing to the Directors of the Company accompanied by payment of the exercise price.
4. The Options are non-transferrable.
5. Application will not be made to the ASX for official quotation of the options.
6. All Shares issued upon exercise of the options will rank pari passu in all respects with the Company's then existing Shares. The Company will apply for official quotation by the ASX of all Shares issued upon exercise of the options.
7. There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will send a notice to each holder of Options at least nine business days before the record date for any proposed issue of capital on an entitlement basis. This will give optionholders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
8. There are no rights to a change in the exercise price, or in the number of Shares over which the Options can be exercised, in the event of a bonus issue by the Company prior to the exercise of any options.
9. In the event of any reorganisation of the issued capital of the Company on or prior to the Expiry Date, the rights of an optionholder will be changed to the extent necessary to comply with the applicable Listing Rules in force at the time of the reorganisation.

ANNEXURE "C"
INDEPENDENT EXPERTS REPORT

17 August 2010

The Directors
Dynasty Metals Australia Ltd
Suite 2, Mezzanine Floor,
35-37 Havelock Street,
West Perth WA 6005

Dear Sirs

RE: DYNASTY METALS AUSTRALIA LTD (“DYNASTY” OR “THE COMPANY”) (ABN 80 110 385 709) ON THE PROPOSAL THAT SHAREHOLDERS APPROVE THE ISSUE OF 40,000,000 ORDINARY SHARES AT 16 CENTS EACH TO HEBEI XINGHUA IRON AND STEEL Co. LTD (“XINGHUA”) AS NOTED BELOW TO RAISE \$6,400,000 TOGETHER WITH THE ISSUE OF 20,000,000 SHARE OPTIONS WITH AN EXERCISE PRICE OF 20 CENTS EACH. MEETING PURSUANT TO SECTION 611 (ITEM 7) OF THE CORPORATIONS ACT 2001 (“TCA”).

1. Introduction

- 1.1 We have been requested by the Directors of Dynasty to prepare an Independent Expert’s Report to determine the fairness and reasonableness relating to the proposal to issue a total of 40,000,000 ordinary shares (“Subscription Shares”) in Dynasty at an issue price of 16 cents each to raise a gross \$6,400,000 to XingHua, together with the issue of 20,000,000 Share Options (“Options”) with an exercise price of 20 cents per option expiring on 31 December 2012 and to allow the exercise of the Options. Resolution 1 in the Notice of Meeting (“Notice”) and the Explanatory Statement attached to the Notice refers to further details. The proposed issue of 40,000,000 shares and 20,000,000 Share options to XingHua is referred to in this report as the “Subscription”.
- 1.2 On 24 June 2010, the Company and XingHua entered into a letter of offer agreement (“Letter of Offer Agreement” or “LOO”) whereby XingHua will subscribe for 40,000,000 Subscription Shares in Dynasty at a subscription price per share which is equal to the preceding 30 days weighted average closing price up to the date of the formal acceptance of the offer by Dynasty (16 cents per share) to raise \$6,400,000, and whereby XingHua will also receive 20,000,000 20 cent Share Options so that Dynasty can expedite its exploration activities and prefeasibility studies in respect of its 100%-owned tenements at Prairie Downs in Western Australia’s Pilbara Region. Following the signing of the LOO, the Company and XingHua have entered into a Share Subscription Agreement and a Relationship Agreement.

The Subscription is conditional on inter-alia:

- (a) shareholders passing an ordinary resolution approving the issue of, and the acquisition of a relevant interest in, the Subscription Shares by XingHua and its associates for the purposes of and in accordance with section 611 (item 7) of TCA;
- (b) shareholders passing an ordinary resolution approving the issue of 20,000,000 Share Options exercisable at 20 cents each and expiring on 31 December 2012 for the purposes of and in accordance with section 611 (item 7) of the TCA; and
- (c) The Australian Foreign Investment Review Board providing written notice which is unconditional or subject only to conditions reasonably acceptable to XingHua that there is no objection under the Foreign Acquisitions and Takeovers Act 1975 (Cth) or Australian foreign investment policy to the proposed subscription by the Subscriber for the Subscription Shares and Options;
- (d) Approvals from the China National Development and Reform Commission, the Ministry of Commerce of the Peoples Republic of China, and the China State of Administration of Foreign Exchange in relation to the acquisition by the Subscriber of the Subscription Shares;
- (e) nothing occurring between the date of the Share Subscription Agreement and the date of Completion (as defined in the Share Subscription Agreement) which would constitute a Material Adverse Change (as defined in the Share Subscription Agreement).

1.3 Under section 606 of TCA, a person must not acquire a relevant interest in issued voting shares in a company if because of the transaction, that persons or someone else's voting power in the company increases:

- (a) from 20% or below to more than 20%; or
- (b) from a starting point that is above 20% and below 90%.

Under section 611 (Item 7) of TCA, section 606 does not apply in relation to any acquisition of shares in a company approved by resolution passed at a general meeting at which no votes were cast in favour of the resolution by the acquirer or the disposer or their respective associates. An independent expert is required to report on the fairness and reasonableness of the transaction pursuant to a section 611 (Item 7) meeting.

1.4 Following completion of the Subscription, XingHua who currently holds no shares in Dynasty would own a total of 40,000,000 shares in Dynasty representing approximately 33.99% of the then shares on issue (assuming no other share issues) and 20,000,000 Share Options. There would be 117,681,312 Dynasty shares on issue.

1.5 A notice prepared in relation to a meeting of shareholders convened for the purposes of section 611 (Item 7) of TCA should be accompanied by an independent expert's report stating whether it is fair and reasonable to approve the issue of 40,000,000 Subscription Shares to XingHua at 16 cents each to raise a gross \$6,400,000, the issue of 20,000,000 Share Options and allowing the exercise of the Options. To assist shareholders in making a decision on the

proposals outlined in resolution 1 of the Notice the directors have requested that Stantons International Securities prepare an Independent Expert's Report, which must state whether, in the opinion of the Independent Expert, the proposals under resolution 1 are fair and reasonable to the non-associated shareholders of Dynasty.

1.6 Apart from this introduction, this report considers the following:

- Summary of opinion
- Implications of the proposals
- Corporate history and nature of business
- Future direction of Dynasty
- Basis of valuation of Dynasty shares
- Premium for control
- Consideration as to fairness and reasonableness
- Conclusion as to fairness and reasonableness
- Sources of information
- Appendix A and Financial Services Guide

1.7 In determining the fairness and reasonableness of the transactions pursuant to resolution 1 we have had regard to the definitions set out by the Australian Securities and Investments Commission ("ASIC") in its Regulatory Guide 111, "Content of Expert Reports". The Regulatory Guide 111 states that an opinion as to whether an offer is fair and/or reasonable shall entail a comparison between the offer price and the value that may be attributed to the securities under offer (fairness) and an examination to determine whether there is justification for the offer price on objective grounds after reference to that value (reasonableness). The concept of "fairness" is taken to be the value of the offer price, or the consideration, being equal to or greater than the value of the securities in the above mentioned offer. Furthermore, this comparison should be made assuming 100% ownership of the "target" and irrespective of whether the consideration is scrip or cash. An offer is "reasonable" if it is fair. An offer may also be reasonable, if despite not being "fair", there are sufficient grounds for security holders to accept the offer in the absence of any higher bid before the close of the offer. It also states that, where an acquisition of shares by way of an allotment is to be approved by shareholders pursuant to section 611 (Item 7) of TCA, it is desirable to commission a report by an independent expert stating whether or not the proposal is fair and reasonable, having regards to the proposed allottees and whether a premium for potential control is being paid by the allottees. Regulatory Guide 111 also provides that such an allotment should involve a comparison of the advantages and disadvantages likely to accrue to non associated shareholders if the transactions proceed compared with if they do not.

Accordingly, our report in relation to resolution 1 comprising the approval to issue 40,000,000 Subscription Shares and 20,000,000 Share Options (and allow the exercise of the Share Options) to XingHua is concerned with the fairness and reasonableness of the proposals with respect to the existing non-associated shareholders of Dynasty and whether XingHua is paying a premium for control.

Summary of Opinion

- 1.8 **For the purposes of section 611 (item 7) of TCA, in relation to the approval to issue 40,000,000 Subscription Shares and 20,000,000 Share Options to XingHua (including the right to exercise the options), in our opinion taking into account the factors noted elsewhere in this report including the factors (positive, negative and other factors) noted in section 7 of this report, the proposal as outlined in paragraph 1.1 and resolution 1 may on balance collectively be considered to be not fair but reasonable.**

2. Implications of the Proposals

- 2.1 As at 16 August 2010, there are 77,681,312 ordinary fully paid shares on issue in Dynasty. The significant registered fully paid shareholders as at 19 July 2010, based on the top 20 shareholders list were believed to be:

	No. of fully paid shares	% of issued fully paid shares
Tay Lewis	3,118,409	4.01
Gao Meng Xin	2,500,000	3.22
HSBC Custody Nom Aust Ltd	2,429,899	3.13
Zhu Mu Po	2,345,585	3.02
Wang Mian	2,250,527	2.90
Zhang Zhifang	2,000,000	2.57
Gao Xiang	1,900,000	2.45
Zhang Qinghua	1,786,751	2.30
JF Apex Sec Berhad	1,783,486	2.30
Lam Ting	1,736,185	2.24
	21,850,842	28.14

The top 20 shareholders at 19 July 2010 owned approximately 45.57% of the ordinary issued capital of the Company.

- 2.2 As at 16 August 2010, the following unlisted share options are outstanding:
- 500,000 options exercisable at 20 cents each by 1 September 2010
 - 18,000,000 options exercisable at 20 cents each by 21 December 2011
- 2.3 Following completion of the Subscription (of the 40,000,000 Subscription Shares), XingHua would own 40,000,000 shares in Dynasty representing approximately 33.99% of the then shares on issue (assuming no other share issues). The Company will raise \$6,400,000 from the Subscription. XingHua would also own 20,000,000 Share Options exercisable at 20 cents each.
- 2.4 We understand that the Subscription monies raised will be used to expedite its exploration activities and prefeasibility studies in respect of its 100%-owned tenements at Prairie Downs in Western Australia's Pilbara Region.
- 2.5 In terms of the Subscription Agreement, XingHua will appoint two XingHua representatives to the Board of Dynasty and two current directors will step down.

3. Corporate History and Nature of Business

3.1 Dynasty is listed on the ASX and is an Australian exploration company primarily focused on the exploration and development of its iron ore projects in the Pilbara Region. The Company's projects are as follows:

- The Prairie Downs Project in the Pilbara. This project is the Company's flagship project and in March 2010 Dynasty announced initial Inferred Resources for two types of deposits at Prairie Downs – Detrital Iron and Marra Mamba Formation. At the Company's 100%-owned Spearhole Prospect, the Company announced that the initial JORC-Compliant Inferred Resources of 453 million tonnes of Detrital Channel Iron included 129 million tonnes at 30.5%Fe. For the Marra Mamba Iron Formation deposit, the initial JORC-Compliant Inferred Resources of 23.3 million tonnes included 7.2 million tonnes @ 3.8%Fe. Shareholders should read the public announcements made to the ASX on the Prairie Downs Project;
- Stanley Nabberu tenements (base metals, gold and uranium). These are to be transferred to a newly owned subsidiary, Scorpion Resources Limited;
- Irwin River Coal and Petroleum Exploration Licences (coal and coal seam gas). These are to be transferred to a newly owned subsidiary, Irwin Energy Limited; and
- WA and NT uranium and Victorian Gold projects. These are to be transferred to a newly owned subsidiary, Taurus Resources Limited.

The Board is currently in discussions with brokers with a view to a spin off of the above newly owned subsidiaries which hold all the Dynasty group non iron ore tenements.

3.2 A summarised unaudited statement of financial position of the Dynasty Group as at 30 June 2010 is outlined in paragraph 5.4.1 of this report.

4. Future Directions of Dynasty

4.1 We have been advised by the directors and management of Dynasty that:

- The immediate short-term plan is to complete the Subscription to raise \$6,400,000 and such funds will be used to expedite the exploration of the Prairie Downs tenements. Work will also commence on investigations into infrastructure options and the early preparations for environmental and native clearances required to support future project developments.
- The composition of the Board of directors of Dynasty is proposed to change, with the appointment of two representatives of XingHua to the Board. The Company intends to initially appoint Maochun Chen as a new director. Upon Maochun Chen being appointed as a director, the Board of Dynasty will meet to resolve the composition of the Board. It is also expected that two current Board members, will resign on the appointment of the XingHua representatives as outlined in paragraph 2.5;
- No dividend policy has been set and it is not proposed to be set until such time as the Company is profitable and has a positive cash flow; and

- The Company may seek to raise further capital if required to develop the Prairie Downs Project and any other mineral projects that it has an interest in. Initial estimates of capital costs for the Prairie Downs Project are in the region of \$1.5 billion (depending on tonnages to be mined) and working capital would also need to be funded for further exploration.

5. Basis of Valuation of Dynasty

5.1 Shares

5.1.1 In considering the proposals as outlined in resolution 1, we have sought to determine whether the issue price of the Subscription Shares to XingHua is in excess of the current fair value of the shares in Dynasty on issue and whether the proposed Subscription is at a price that Dynasty could make to unrelated third parties and then conclude whether the proposal is fair and reasonable to the existing non associated shareholders of Dynasty.

5.1.2 The valuation methodologies we have considered in determining a theoretical value of a Dynasty share are:

- capitalised maintainable earnings/discounted cash flow;
- takeover bid - the price at which an alternative acquirer might be willing to offer;
- adjusted net asset backing and windup value; and
- the recent market prices of Dynasty shares.

5.2 Capitalised maintainable earnings and discounted cash flows.

5.2.1 Dynasty currently does not have a reliable cash flow or profit history from a business undertaking and therefore this methodology is not considered to be appropriate. The Company is currently evaluating the Prairie Downs Project in the Pilbara and will make a decision possibly in late 2010 or 2011 as to whether it is economically feasible to enter into production mode. It may be too early to use a discounted cash flow model as proven and probable economic reserves are yet to be accurately determined. The Company however has announced that preliminary evaluations undertaken by the Company indicate that the Spearhole Detrital Channel Iron resource at the Prairie Downs Project has a reasonable probability of proving to be economic to mine and beneficiate as mining costs are likely to be low, a simple beneficiation process can be undertaken and there are various rail alternatives to port. However, the Prairie Downs Project cannot proceed without further expenditure on evaluation and completion of a prefeasibility study ("PFS"), subsequently a bankable or definitive feasibility study ("DFS") and ultimately further funds for capital and working capital expenditure. Currently, Dynasty does not have sufficient funds to complete all exploration and complete a DFS and thus any perceived technical value of the Prairie Downs Project is theoretical as without funds it will not be developed.

5.3 Takeover Bid

5.3.1 It is possible that a potential bidder for Dynasty could purchase all or part of the existing shares, however no certainty can be attached to this occurrence. To our knowledge, there are no current bids in the market place however that is not to say a bid may not be made in the future. However, if all of the 40,000,000 Subscription Shares are issued, XingHua would control approximately 33.99% of

the expanded ordinary issued capital of Dynasty before the exercise of any outstanding share options and other share issues. Assuming the exercise of the 20,000,000 Share Options to be issued to XingHua, XingHua's shareholding would increase to 43.58% (in the absence of any further share issues).

5.4 Adjusted Net Asset Backing

5.4.1 As there is no intention to wind up the Company, we have not considered wind up values for the purposes of this report. A summary of the un-audited consolidated statement of financial position as at 30 June 2010 of Dynasty is summarised below (after adjusting for estimated exploration and non exploration expenditure to 31 August 2010 of \$320,000) along with a pro-forma consolidated statement of financial position after allowing for the following:

- the issue of 40,000,000 Subscription Shares at 16 cents each to XingHua; and
- an allowance of \$40,000 for costs relating to the Notice which has been treated as capital raising costs.

	Un-audited Adjusted 30 June 2010 \$000's	Pro-forma un- audited 30 June 2010 \$000's
Current assets		
Cash and cash equivalents	2,522,133	8,882,133
Receivables	203,545	203,545
	<u>2,725,678</u>	<u>9,085,678</u>
Non current assets		
Plant and equipment	148,795	148,795
Capitalised exploration and evaluation costs – Prairie Downs Project and others	-	-
Financial assets (investments)	558,902	558,902
	<u>707,697</u>	<u>707,697</u>
Total assets	<u>3,433,375</u>	<u>9,793,375</u>
Current liabilities		
Trade and other payables	702,962	702,962
Total liabilities	<u>702,962</u>	<u>702,962</u>
Net Assets	<u>2,730,413</u>	<u>9,090,413</u>
Equity		
Issued capital	12,834,458	19,194,458
Available for sale asset reserve	103,283	103,283
Share option reserve	2,834,737	2,834,737
Foreign currency translation reserve	243	243
Accumulated losses	<u>(13,042,308)</u>	<u>(13,042,308)</u>
Net Equity	<u>2,730,413</u>	<u>9,090,413</u>

5.4.2 The unaudited book net tangible asset backing as at 30 June 2010 (as adjusted) equates to approximately 3.51 cents per share based on 77,681,312 ordinary shares on issue as at that date. After the issue of the 40,000,000 Subscription Shares to raise a gross \$6,400,000, the net book asset backing per share may approximate 7.72 cents (117,681,312 shares on issue).

5.4.3 We have accepted the book amounts of Dynasty for all current assets and non current assets. We have been assured by the management of Dynasty that they believe the carrying value of all current assets and liabilities at 30 June 2010 are fair and not materially misstated. We note that accounting policy of the Company is to expense all exploration and evaluation expenditure in relation to its mineral tenements as incurred. As a result the statement of financial position at 30 June 2010 does not reflect any capitalised tenement acquisition or exploration and evaluation costs. The exploration expenditure expensed as incurred for the year ended 30 June 2010 based on the unaudited 30 June 2010 financial statements amounted to \$3,119,176, the vast majority which are attributable to the Prairie Downs Project. The Company has not yet completed a DFS or even a PFS on the Prairie Downs Project. An external technical valuation of the mineral assets of Dynasty has not been undertaken. The Company needs to raise further significant sums to complete a DFS (the \$6,400,000 to be raised from the Subscription will be used to continue with exploration and complete a PFS) and if successful would need to incur further significant amounts to then start development (initial estimates of capital costs are expected to be in the region of \$1.5 billion).

5.5 Market Price of Dynasty Fully Paid Ordinary Shares

5.5.1 We set out below a summary of share prices of Dynasty since 1 January 2010 to 16 August 2010 (the Company's shares were voluntarily suspended from trading on 29 June 2010 pending the announcement of the funding proposal on 30 June 2010).

2010	High Cents	Low Cents	Last Sale Cents	Volumes Trade (000's)
January	26	19.5	23.5	2,639
February	22.5	17.0	19.0	2,264
March	40.0	19.0	26.5	16,642
April	29.0	21.5	23.0	13,353
May	22.0	15.0	15.5	3,897
June (to 28 th June) Post Announcement of Proposal	17.0	13.5	14.0	2,427
June 30th	16.0	14.0	14.0	840
July	15.0	13.0	13.5	3,923
August (to 16 th)	19.0	14.0	16.0	6,260

The price of an Dynasty share is dependent on a number of factors including the announcements on the Prairie Downs Project and other projects, the cash position, demand for the Company's shares and iron ore prices in particular (as the Prairie Downs Project is a prospective iron ore mine) and exchange rates. The Company also has interests in uranium and base metal tenements and the Company announced on 16 July 2010 that it was conducting negotiations with representatives of Geo-Exploration & Mineral Development Bureau of Ning Xia ("Ning Xia") a state owned Chinese exploration company. The Company's share price during the period from 1 January 2010 to 28 June 2010 has ranged from a low of 13.5 cents to a high of 40 cents. On 17 March 2010 the Company's share

price closed at 19.5 cents per share but opened at 33 cents on 18 March 2010 and reached an intra day high of 40 cents per share, closing at 29.0 cents per share on that day. This major increase in share price occurred following an announcement by Dynasty on 18 March 2010 of a 450+ million tonne JORC compliant resource for the Prairie Downs Iron Ore Project. From 19 March 2010 to the date of the announcement the Company's share price has traded mainly in the 14 cents to 25 cents range but generally has been drifting downwards, possibly partly due to the weakness in the market generally and due to the proposed minerals resources tax. On the last trading day immediately prior to the announcement of the proposed Subscription (28 June 2010) to raise \$6,400,000, the shares were trading at 14 cents. Since the announcement on 30 June 2010 of the proposed Subscription, the shares have traded between 14 cents and 18 cents (last sale on 16 August 2010 was 16 cents).

5.5.2 No independent valuations have been prepared on the mineral prospects of Dynasty and we do not consider it necessary to obtain an independent valuation of the mineral prospects for the purposes of this report. We note that the market has been informed of all of the current projects, joint ventures and farm in/farm out arrangements entered into between Dynasty and other parties. We also note it is not the present intention of the Directors of Dynasty to liquidate the Company and therefore any theoretical value based upon wind up value or even net book value (as adjusted), is just that, theoretical. The shareholders, existing and future, must acquire shares in Dynasty based on the market perceptions of what the market considers a Dynasty share to be worth. It is noted that before the onset of the global financial crisis ("GFC") many mineral exploration and producer companies listed on the ASX were arguably trading at premiums to appraised technical values (this is a turn around from the early 2000s when a discount may have applied and also when the GFC was at its worse from late 2008 to March 2009). The market capitalisation of Dynasty as at 28 June 2010 was approximately \$10.9 million that is materially higher than the un-audited net equity position as noted above of around \$3.050 million as at 30 June 2010. In the case of Dynasty, the monthly volume of trades over the last six months on the ASX is enough to argue that an orderly market exists for the Company's shares. The "market" arguably is fully informed of the Company's activities, notwithstanding that approximately 45.57% of the shares are under the control of twenty shareholders (and the top 5 shareholders control 16.41% as at 19 July 2010). We are of the opinion that it is fair to use a range of market values over the past three months as one of the indicators of what a Dynasty share is worth but this is not exclusive as we have also considered the net asset backing of the Company and the probability that the share price may continue to fall in the near future without a rise in iron ore prices, continued positive announcements on the prospectivity of its Prairie Downs Project in Pilbara and the ability of the Company to raise funds. It is noted that further drilling and exploration and feasibility studies are being undertaken at the moment to determine whether to proceed to development. Indications to date have been positive and the announcements indicate that development will take place subject to final completion of the PFS and/or DFS (that cannot be completed without a capital raising of around \$6,400,000 as envisaged under the Subscription Agreement).

As at 30 June 2010, the net cash position of the Company approximates \$2.84 million and this would have been reduced by administration costs and on-going exploration costs post 30 June 2010. The Company's financial position is arguably insufficient to continue exploration and evaluation of its Prairie Downs Project and pay new administration and corporate costs without a significant inflow of funds via a capital raising or loan funds. Although the \$6,400,000 may

be sufficient to complete the proposed exploration and PFS programme on the Prairie Downs Project, new funds may need to be raised later in 2011.

5.5.3 Generally, the market is a fair indicator of what a share is worth, however the theoretical technical value based on the underlying value of assets and liabilities may be lower or higher. Based on the adjusted unaudited 30 June 2010 book values of Dynasty assets, Dynasty has a value per share (3.51 cents) significantly lower than the proposed issue price of the 16 cents under the Subscription and the theoretical technical value may be higher. These adjusted book values do not include the value of tenement acquisition costs or exploration and evaluation costs as these are expensed as incurred under the Company's accounting policy. The true or recoverable values of the capitalised mineral assets are more than likely to be higher than the carrying book value of nil but the value will depend on whether they could be successfully exploited through their sale or through further exploration and development.

5.6 Preferred value of Dynasty fully paid shares (range) to arrive at fairness conclusion

5.6.1 Notwithstanding the prospectivity of the Prairie Downs Project without cash the Company cannot complete exploration and evaluation (including completion of a PFS and DFS) and the share price may fall. As noted above, the market is kept fully informed of the operations of the Company and thus the pre announcement share price is a fair indicator of what the market considers the Company's shares to be worth. Even if a technical valuation of the tenements was higher than the market value of the Company based on the market prices of its shares pre the announcement on 28 June 2010, the Company cannot exploit its main asset (held in the books at \$nil as at 30 June 2010) without further cash and thus we have not put a great weighting on to the asset backing approach or the technical valuation. In conclusion, we consider that the fair value of a Dynasty fully paid share falls in the range of 14 cents to 25 cents that is the range of share prices from 19 March 2010 to 28 June 2010. Based on a market price of 14 cents per share, the issue of the Subscription Shares at 16 cents may be fair, but based on a market price of 25 cents, the issue of the shares at 16 cents would not be considered fair. As stated, the share prices do not necessarily reflect fair values in the current economic circumstances of the Company. If funds can be raised and development of the Prairie Downs Project proceeds then arguably the fair value of a Dynasty share would be in excess of the current closing share price at 16 August 2010 of around 16 cents and the proposed issue price of the Subscription Shares of 16 cents as envisaged in resolution 1. The share price in the future is unknown but it may be fair to say that if the Prairie Downs Project did proceed to production then it is likely that the share price would be higher than the 28 June 2010 price of around 14 cents and possibly higher than the 16 cent Subscription price payable by XingHua.

5.6.2 The future value of a Dynasty share will depend upon, inter alia:

- The future commercialisation of the existing mineral interests and in particular the Prairie Downs Project;
- The state of, in the main, the iron ore markets (and prices) and foreign exchange rates;
- Cash position of Dynasty;
- The state of Australian and overseas stock markets;
- Membership and control of the Board and the composition of management;

- General economic conditions; and
- Liquidity of shares in Dynasty.

6. PREMIUM FOR CONTROL

- 6.1 Premium for control for the purposes of this report, has been defined as the difference between the price per share, which a buyer would be prepared to pay to obtain or improve a controlling interest in the Company and the price per share which the same person would be required to pay per share, which does not carry with it control or the ability to improve (increase) control of the Company.
- 6.2 Under TCA, control may be deemed to occur when a shareholder or group of associated shareholders control more than 20% of the issued capital. In this case, if XingHua subscribed for 40,000,000 Subscription Shares at 16 cents each, XingHua's shareholding in Dynasty could increase from nil% to approximately 33.99% of the expanded issued capital of Dynasty. If XingHua exercises the 20,000,000 options and there are no other share issues or options exercised, XingHua's share holding could expand to 43.58% based on an expanded capital of 137,681,312 shares. Accordingly, we have addressed whether a premium for control will be paid.
- 6.3 The market value of a Dynasty share pre announcement of the proposal lies in the range of approximately 14 cents to 25 cents with the net book asset backing disclosing a significantly lower value (the Company's policy is to expense all exploration and evaluation costs). Based on a market price range of 14 cents to 25 cents the value of the 40,000,000 Subscription Shares that would be issued to XingHua at 16 cents per share would lie in the range of \$5,600,000 (based on 14 cents) to \$10,000,000 (based on 25 cents) compared with the Subscription value of 16 cents per share (\$6,400,000). The issue price of the Subscription Shares is 16 cents each which is at a premium of approximately 14.3% to the last sale price (14 cents) of a Dynasty share traded on ASX on 27 June 2010 (last sale price prior to the announcement of the Subscription proposal with XingHua). Therefore, XingHua may be considered to be paying a premium for potential control. It is noted that on an un-audited net asset backing basis, the value per share is 3.51 cents compared with the Subscription price by XingHua of 16 cents implying a premium for control of 428%. On such a basis (net asset backing) XingHua would be paying a premium for control. However it is noted this basis does not attribute any value to the exploration and evaluation assets as all exploration and evaluation expenditure is expensed as incurred and no technical valuation of the tenements has been undertaken. It is also noted that Dynasty does not have sufficient funds to continue full evaluation of its Prairie Downs Project and other projects and without an inflow of funds by way of a capital raising there is the possibility that the shares in Dynasty could fall below the June 2010 share prices (of 14 cents to 17 cents).
- 6.4 We note that currently XingHua does not have Board control of Dynasty and following the passing and consummation of resolution 1 it is proposed that two Board members will resign and two new Board members will be appointed by XingHua. Post completion of the Subscription and after the appointments and resignations as noted above, XingHua will have two representatives on the five man Board.

7. Fairness and Reasonableness of the Proposed Subscription

- 7.1 We set out below some of the advantages and disadvantages and other factors pertaining to the proposed issue of 40,000,000 Subscription Shares and 20,000,000 Options to XingHua pursuant to resolution 1 of the Notice.

Advantages

- 7.2 By entering into the proposals with XingHua, Dynasty increases its cash reserves (it will raise \$6,400,000) and potentially further increase its cash reserves by \$4,000,000 on the exercise of the 20,000,000 options at 20 cents each. Obtaining access to a significant amount of cash funds in the current environment is difficult and thus the Company and its shareholders should benefit. This should alleviate cash flow concerns in the immediate future.
- 7.3 In the event that the full capital raising via the proposal with XingHua is not completed or the Company cannot raise adequate working capital from other sources, there is the likelihood that the Prairie Downs Project may be curtailed until such time as new funds are raised. In the current market it is difficult for small exploration companies such as Dynasty to raise equity, particularly for a company whose most significant mineral prospect is in northern Pilbara. We have been advised that management has considered that the best proposal put to them was the proposal that is being put to the shareholders via resolution 1. The most recent placement of shares undertaken by the Company was the issue of 10,000,000 shares at 21 cents per share in April 2010. Since then the share price of the Company had drifted downwards to about 14 cents per share immediately prior to the announcement of the LOO on 30 June 2010. The indications were that a capital raising would need to be raised at a discount to the then share price of an Dynasty share trading on ASX of around 14 to 15 cents. It was expected that if a capital raising proceeded, via the broker, the issue price may have been at around 11-12 cents (20% discount to market) and that commissions of 5% would have been payable plus a management fee. . Based on an issue price of 12 cents per share to raise an equivalent \$6,400,000 would result in 53,333,333 shares being issued which would potentially dilute the existing shareholders from 100% to 59.3%.
- 7.4 There is an incentive for XingHua to ensure Dynasty becomes a viable mineral exploration and development company as XingHua will continue to have a significant shareholding interest in Dynasty (and, through its related bodies corporate, will have first right of negotiation to purchase iron ore offtake from the Prairie Downs Project to the full extent of XingHua's iron ore requirements on an arm's length commercial basis). XingHua is taking a risk in investing further funds into Dynasty as to a large extent, Dynasty's future share price may be determined by the exploitation and/or commercial success (or otherwise) of its mineral projects (including the Prairie Downs Project in Pilbara). There is a major incentive for XingHua to make Dynasty a successful company and have the share price rise considerably. All shareholders would benefit from a rise in the share price.
- 7.5 XingHua represents a major cornerstone project partner for Dynasty as it is a subsidiary of a significant industrial company in China, XingHua that ranks as number 308 of China's top 500 companies and has global mining interests and expertise. As stated above, XingHua has a strong incentive to ensure the success of Dynasty which can be assisted through XingHua's strong presence in China with

access to significant funding which could potentially allow the acceleration of Dynasty's development of the Prairie Downs Project.

- 7.6 Under the proposal XingHua will invest in a representative office in China for Dynasty and will assist with the introductions to 3rd party iron ore infrastructure providers. XingHua will also be closely involved in the management of the Company and the exploration and evaluation of all projects.
- 7.7 XingHua will also assist Dynasty to progress discussions with other steel producers with respect to any production surplus to XingHua's requirements and Dynasty will retain the right to enter into negotiations with other potential off take parties.
- 7.8 It is normal for brokerage fees to be approximately up to 6% of the cash raised. In the case of the proposed Subscription, no commissions are payable and the only costs are estimated not to exceed \$40,000 (relating to our costs, legal costs and costs of holding the shareholders meeting to approve the Subscription). Refer paragraph 7.3 above.
- 7.9 The issue price of the Subscription Shares is 16 cents that is at a premium of approximately 14.3% to the last sale price of a Dynasty share traded on ASX on 28 June 2010 (last sale price of 14 cents per share prior to the announcement of the Subscription proposal with XingHua). The issue price of the Subscription Shares is also at a premium to the net asset value per share of the Company at 30 June 2010.

Disadvantages

- 7.9 The number of fully paid ordinary shares on issue initially rises to 117,681,312 on completion of the Subscription. This represents an approximate 51.5% increase in the ordinary shares of the Company from the shares on issue as at 16 August 2010.
- 7.10 An influential shareholding of the Company is being given to XingHua in that they would ultimately have voting control of approximately 33.99% of the expanded ordinary issued capital after the successful ratification and implementation of the proposals under resolution 1 (and assuming no other share issues). This is very significant increase from the current shareholding of nil%. Existing shareholders would be diluted further so that in the absence of any further capital raisings, the existing non associated shareholders interest could reduce from 100% to 66.01%. Should XingHua elect to exercise its 20,000,000 options without any other share issues, it will increase its percentage holding to approximately 43.58%.
- 7.11 There is always the possibility that the value of the shares may be in excess of the Subscription price of 16 cents per share particularly if further medium term finance can be arranged. Whilst the un-audited adjusted asset backing per share is only 3.51 cents, this value does not include any value attributed to the technical value of the projects and no formal valuation of these projects has been undertaken. However, shareholders will benefit from an increased share price (in the event that the market re-rates the prospectivity of the Prairie Downs Project).

Other Factors

- 7.12 Having a cornerstone investor such as XingHua has advantages but it may also limit the opportunity for other parties to bid for all or part of the shares in Dynasty in

the future. However, a takeover bid for the Company cannot be completely ruled out.

- 7.13 It is expected that if the DFS indicates that the Prairie Downs Project is commercially sound, the Company will need to raise further capital and possibly debt. As indicated above the XingHua Group has anti-dilution rights that allow it to maintain at its option, its percentage interest in the Company. If the Prairie Downs Project proceeds to commercialisation, it may be possible that shareholders will be offered shares via a rights issue and that other placements of shares may take place. Existing shareholders may still be diluted further.
- 7.14 The exercise price for the 20,000,000 Share Options is 20 cents per option. The market value of a Dynasty share may well be in excess of the exercise price at the time XingHua exercise the Share Options (or part thereof)(if at all exercised).

8. Conclusion as to Fairness and Reasonableness

- 8.1 **After taking into account the factors referred to in section 7 above and elsewhere in this report, we are of the opinion that the proposed approval of the issue of 40,000,000 Subscription Shares to XingHua at 16 cents each and 20,000,000 Options (including the right to exercise the Options) as noted in paragraph 1.1 and resolution 1 in the Notice may be considered, on balance, collectively to be not fair but reasonable to the non-associated shareholders of Dynasty.**

9. Sources of Information

- 9.1 In making our assessment as to whether the proposals to issue 40,000,000 Subscription Shares to XingHua at 16 cents each and the issue of the 20,000,000 Share Options (together with the right to exercise the Share Options) as outlined in paragraph 1.1 are fair and reasonable, we have reviewed relevant published available information and other unpublished information of the Company and its mining assets that is relevant to the current circumstances. In addition, we have held discussions with the management of Dynasty about the present and future operations of the Company. Statements and opinions contained in this report are given in good faith but in the preparation of this report, we have relied in part on information provided by the directors and management of Dynasty.
- 9.2 Information we have received includes, but is not limited to:
- draft Notices and Explanatory Statement to Shareholders of Dynasty prepared to 6 August 2010;
 - Letter of Offer between Dynasty and XingHua dated 24 June 2010;
 - the draft and final Share Subscription Agreement and Relationship Agreement between Dynasty and XingHua ;
 - discussions with management and a director of Dynasty;
 - details of historical market trading of Dynasty ordinary fully paid shares recorded by ASX for the period 1 January 2010 to 16 August 2010;
 - shareholding details of Dynasty as at 19 July 2010;
 - announcements made by Dynasty to the ASX from 1 January 2010 to 16 August 2010;
 - preliminary cash flow forecasts of Dynasty to March 2011;
 - audited accounts of Dynasty for the year ended 30 June 2009, audit reviewed accounts of Dynasty for the six months ended 31 December 2009;

- unaudited management accounts of Dynasty to 30 June 2010;
- details as disclosed on the Company's web site to 16 August 2010; and
- the Investor Update for Prairie Downs of March 2010.

9.3 Our report includes Appendix A and our Financial Services Guide attached to this report.

Yours faithfully

STANTONS INTERNATIONAL PTY LTD
(Trading as Stantons International Securities)



J P Van Dieren - FCA
Director

APPENDIX A**AUTHOR INDEPENDENCE AND INDEMNITY**

This annexure forms part of and should be read in conjunction with the report of Stantons International Securities dated 17 August 2010, relating to the issue of 40,000,000 Subscription Shares at 16 cents each to XingHua, the issue of 20,000,000 Share Options and allowing such Share Options to be exercised as outlined in paragraph 1.1 of the report and resolution 1 in the Notice of Meeting to Shareholders proposed to be distributed to shareholders in August 2010.

At the date of this report, Stantons International Securities does not have any interest in the outcome of the proposals. There are no relationships with Dynasty or XingHua other than acting as an independent expert for the purposes of this report. Before accepting the engagement Stantons International considered all independence issues and concluded that there were no independence issues in accepting the assignment to prepare the Independent Experts Report. There are no existing relationships between Stantons International Securities and the parties participating in the transaction detailed in this report which would affect our ability to provide an independent opinion. The fee to be received for the preparation of this report is based on the time spent at normal professional rates plus out of pocket expenses and is estimated at a maximum of \$15,000. The fee is payable regardless of the outcome. With the exception of the fee, neither Stantons International Securities nor John P Van Dieren have received, nor will, or may they receive, any pecuniary or other benefits, whether directly or indirectly, for or in connection with the making of this report.

Stantons International Securities does not hold any securities in Dynasty or XingHua. There are no pecuniary or other interests of Stantons International Securities that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stantons International Securities and Mr J Van Dieren have consented to the inclusion of this report in the form and context in which it is included as an annexure to the Notice.

QUALIFICATIONS

We advise Stantons International Securities is the holder of an Australian Financial Services Licence (no 319600) under the Corporations Act 2001 relating to advice and reporting on mergers, takeovers and acquisitions that involve securities. The directors of Stantons International Pty Ltd are the directors of Stantons International Securities. Stantons International Securities has extensive experience in providing advice pertaining to mergers, acquisitions and strategic for both listed and unlisted companies and businesses.

Mr John P Van Dieren, FCA, the person responsible for the preparation of this report, has extensive experience in the preparation of valuations for companies and in advising corporations on takeovers generally and in particular on the valuation and financial aspects thereof, including the fairness and reasonableness of the consideration offered.

The professionals employed in the research, analysis and evaluation leading to the formulation of opinions contained in this report, have qualifications and experience appropriate to the task they have performed.

DECLARATION

This report has been prepared at the request of the Directors of Dynasty in order to assist them to assess the merits of the proposals as outlined in resolution 1 and the Explanatory Statement to which this report relates. This report has been prepared for the benefit of Dynasty's shareholders and does not provide a general expression of Stantons International Securities opinion as to the longer term value of Dynasty and its assets (including the Prairie Downs Project). Stantons International Securities does not imply, and it should not be construed, that it has carried out any form of audit on the accounting or other records of the Dynasty Group. Neither the whole nor any part of this report, nor any reference thereto may be included in or with or attached to any document, circular, resolution, letter or statement, without the prior written consent of Stantons International Securities to the form and context in which it appears.

DISCLAIMER

This report has been prepared by Stantons International Securities with due care and diligence. However, except for those responsibilities, which by law cannot be excluded, no responsibility arising in any way whatsoever for errors or omission (including responsibility to any person for negligence) is assumed by Stantons International Securities and Stantons International Pty Ltd, their directors, employees or consultants for the preparation of this report.

DECLARATION AND INDEMNITY

Recognising that Stantons International Securities may rely on information provided by Dynasty and its officers (save whether it would not be reasonable to rely on the information having regard to Stantons International Securities experience and qualifications), Dynasty has agreed:

- (a) To make no claim by it or its officers against Stantons International Securities (and Stantons International Pty Ltd) to recover any loss or damage which Dynasty may suffer as a result of reasonable reliance by Stantons International Securities on the information provided by Dynasty; and
- (b) To indemnify Stantons International Securities (and Stantons International Pty Ltd) against any claim arising (wholly or in part) from Dynasty or any of its officers providing Stantons International Securities any false or misleading information or in the failure of Dynasty or its officers in providing material information, except where the claim has arisen as a result of wilful misconduct or negligence by Stantons International Securities.

A draft of this report was presented to Dynasty directors for a review of factual information contained in the report. Comments received relating to factual matters were taken into account, however the valuation methodologies and conclusions did not alter.

**FINANCIAL SERVICES GUIDE
FOR STANTONS INTERNATIONAL PTY LTD
(Trading as Stantons International Securities)
Dated 17 August 2010**

1. Stantons International Securities ACN 103 088 697 (“SIS” or “we” or “us” or “ours” as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.
2. Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client a Financial Services Guide (“FSG”). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No: 319600;
- remuneration that we and/or our staff and any associated receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. Financial services we are licensed to provide

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- Securities (such as shares, options and notes)

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

4. General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

5. Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither SIS, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

6. Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

7. Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

8. Associations and relationships

SIS is ultimately a wholly division of Stantons International Pty Ltd a professional advisory and accounting practice. Our directors may be directors in Stantons International Pty Ltd and is affiliated via sharing offices and via an office cost sharing arrangement with Stantons International Services Pty Ltd.

From time to time, SIS, Stantons International Pty Ltd and Stantons International Services Pty Ltd and/or their related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

9. Complaints resolution

9.1 Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to:

The Complaints Officer
Stantons International Securities
Level 1
1 Havelock Street
WEST PERTH WA 6005

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaints within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

9.2 Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited ("FOSL"). FOSL is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOSL are available at the FOSL website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited
PO Box 3
MELBOURNE VIC 8007

Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399

10. Contact details

You may contact us using the details set out at the top of our letterhead on page 1 of this FSG.

THIS PAGE LEFT BLANK INTENTIONALLY

Shareholder Details

Name:

Address:

Contact Telephone No:

Contact Name (if different from above):

Appointment of Proxy

I/We being a shareholder/s of Dynasty Metals Australia Ltd and entitled to attend and vote hereby appoint

The Chairman of the meeting

OR

Write here the name of the person you are appointing if this person is someone other than the Chairman of the Meeting.

(mark with an 'X')

or failing the person named, or if no person is named, the Chairman of the Meeting, as my/our proxy to attend and act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of Dynasty Metals Australia Ltd to be held at Level 6, 175 Macquarie Street, Sydney NSW on 27 September 2010 at 10.00am EST and at any adjournment of that meeting.

Voting directions to your proxy – please mark to indicate your directions

Special Business

Resolution 1 Approval of Issue of Securities To Hebei XingHua Iron and Steel Co. Ltd

For Against Abstain*

*If you mark the Abstain box for a particular Resolution, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Appointment of a second proxy (see instructions overleaf)

If you wish to appoint a second proxy, state the % of your voting rights applicable to the proxy appointed by this form

PLEASE SIGN HERE implemented

This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented

Individual or Shareholder 1

Sole Director and Sole Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

How to complete this Proxy Form

Your Name and Address

Please print your name and address as it appears on your holding statement and the company's share register. If shares are jointly held, please ensure the name and address of each joint shareholder is indicated. Shareholders should advise the company of any changes. Shareholders sponsored by a broker should advise their broker of any changes. Please note, you cannot change ownership of your securities using this form.

Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a shareholder of the company.

Votes on Resolutions

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each Resolution. All your shareholding will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any Resolution by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given Resolution, your proxy may vote as he or she chooses. If you mark more than one box on a Resolution your vote on that Resolution will be invalid.

Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company Secretary on 08 9322 2700 or you may photocopy this form.

To appoint a second proxy you must on each Proxy Form state (in the appropriate box) the percentage of your voting rights which are the subject of the relevant proxy. If both Proxy Forms do not specify that percentage, each proxy may exercise half your votes. Fractions of votes will be disregarded.

Signing Instructions

You must sign this form as follows in the spaces provided:

- | | |
|--------------------|--|
| Individual: | where the holding is in one name, the holder must sign. |
| Joint Holding: | where the holding is in more than one name, all of the shareholders should sign. |
| Power of Attorney: | to sign under Power of Attorney, you must have already lodged this document with the company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it. |
| Companies: | where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place. |

If a representative of the corporation is to attend the meeting a "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate is either included in the Notice of General Meeting or may be obtained from the company's share registry.

Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the address given below not later than 48 hours before the commencement of the meeting. ie. no later than 10:00am on 25 September 2010. Any Proxy Form received after that time will not be valid for the scheduled meeting.

This Proxy Form (and any Power of Attorney and/or second Proxy Form) may be sent or delivered to the company's registered office at Level M, Suite 2, 35-37 Havelock Street, West Perth 6005 or sent by facsimile to the registered office on 08 9322 7211.

