

**QUARTERLY ACTIVITIES REPORT
FOR THE PERIOD ENDING 30 SEPTEMBER 2010**

Dynasty Metals Limited (ASX: DMA) is an Australian exploration company focused on developing its iron ore projects in the Pilbara region of Western Australia.

As at release date of
29 October 2010:

Issued Shares: 89.3M

Options: 18.0M @ A\$0.20

Share Price: A\$0.255

Market Cap: A\$23M

Cash: A\$3M

Debt: Nil

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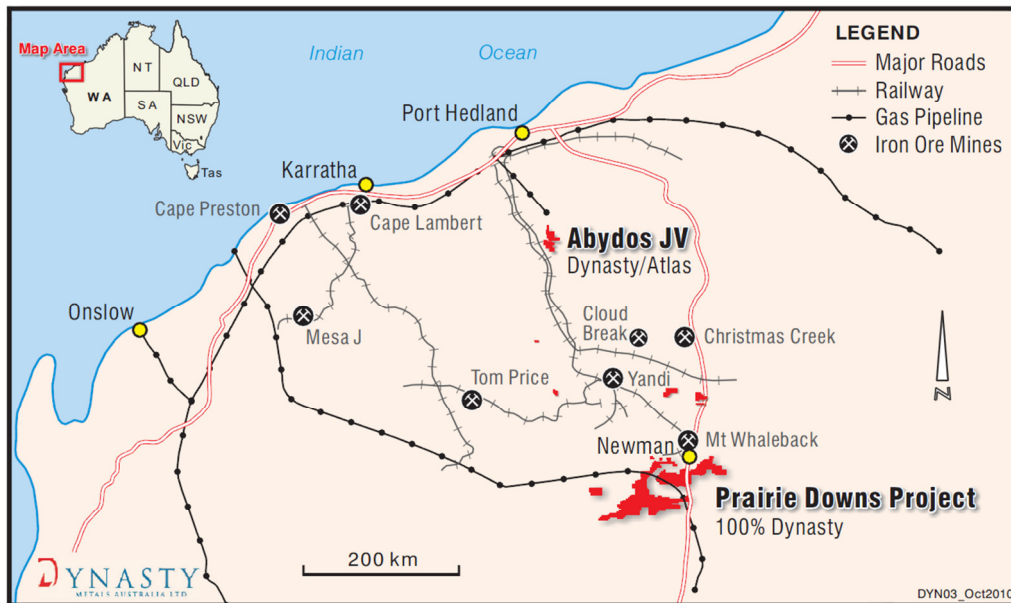
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Key Points

- > **Resources of iron-rich gravels increased 300% to 1.4 billion tonnes** for the Spearhole Detrital Channel Iron Deposit at Prairie Downs.
- > 1.4 billion tonne JORC Compliant Resource includes 932 million tonnes at 27.4% Fe.
- > Preliminary bulk-sample test-work indicates good **potential to produce export grade iron ore with best results of 61% Fe** and very low impurities.
- > Iron mineralisation has been extended by the 2010 drilling by 4 km to the southeast, as well as increasing both grade and tonnage of the resource.
- > Only about 1% of Dynasty's Prairie Downs tenements (covering ~4,000km²) have been tested to date.
- > Project is comparable to Brockman Resource Limited's 17Mtpa mine and 1.6 billion tonne Marillana Detrital Project.
- > Positive outcomes from work carried out during 2010 have provided Dynasty with the confidence to commence a Pre-Feasibility Study on the Prairie Downs Iron Project in early 2011.
- > Dynasty's tenement holdings in the Pilbara increased to ~4,500km² in total.
- > \$2.1 million placement to Chinese steel producer Hebei XingHua Iron and Steel.

Overview of Dynasty's Iron Ore Projects

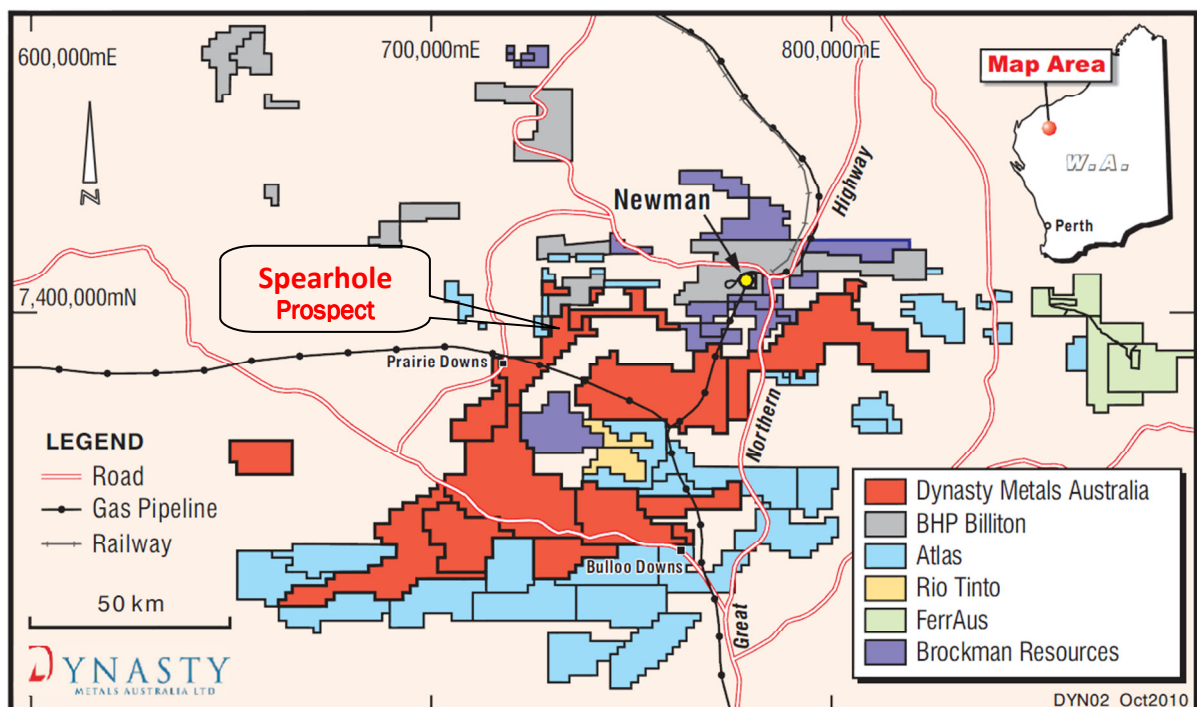
Dynasty's iron ore project tenements are located in the Pilbara region of Western Australia, as shown in Figure 1 below.



During the quarter, Dynasty acquired new tenements that increase its tenement holding in the Pilbara to ~4,500km².

Prairie Downs – Overview

Dynasty's flagship Prairie Downs Project is located southwest and south of the township of Mt Newman. Exploration is focussed on a number of targets within the tenements with the main area drilled to date being at the Spearhole Prospect.



To date, Dynasty has drilled only ~about 1% of its ~4,000km² Prairie Downs tenement holding. In March 2010, Dynasty announced initial JORC-Compliant Inferred Resources of 453 million tonnes of Detrital Channel Iron (ironstone gravels) and 23.3 million tonnes of Marra Mamba Iron Formation.

The 2010 exploration programs are underway and are aimed at further testing and significantly expanding the current resources, as well as drilling a large iron-rich basal conglomerate. Dynasty's exploration target is more than 1 billion tonnes of iron deposits.

The drilling has included a Sonic Drill (**Figure 1**) which drills a 150mm hole in unconsolidated material and gives an excellent high volume representative sample, ideal for metallurgical and beneficiation testwork.

During 2010, Dynasty plans to commence detailed commercial investigations that will cover preliminary mine planning, beneficiation process design, mining and processing costs, transport infrastructure, capital costs, environment and native title clearances, and government approvals. A pre-feasibility study is anticipated to commence in late 2010.

Prairie Downs – 2010 Exploration Program

During the quarter, Dynasty completed the \$2.5 million 2010 exploration program aimed at advancing the understanding of the iron mineralisation present in the Prairie Downs tenements and to carry out detailed beneficiation studies of these large detrital (ironstone gravel) deposits.

Drilling completed during 2010 has comprised 9,377m of RC drilling and 1,085m of sonic drilling.

At the Spearhole Prospect, the 2010 RC drilling program has:

- > tested "extension" areas to the south and southeast of established resource;
- > tripled the Inferred Resource to 1.4 billion tonnes; and
- > twinned Sonic drilling holes allowing tight control on the beneficiation results

The first stage drilling has extended the known detrital iron mineralisation approximately 4 km to the southeast, over an additional area of 11.5 km².

Prairie Downs – Increased Resource

On 27 October 2010, Dynasty announced a **1.4 billion tonne JORC Compliant Resource including 932 million tonnes at 27.4% Fe at a cut-off grade of 20% Fe** for the Company's Spearhole Detrital Channel Iron deposit ("ironstone gravel") at Prairie Downs in the Pilbara region of Western Australia.

Table 1 – Inferred Resources for Spearhole Detrital Iron Deposit (October 2010 Estimate)

Tonnes Mt	Fe %	Calcined Fe* "CaFe" %	SiO ₂ %	Al ₂ O ₃ %	P %	LOI %	Cut-Off Grade % Fe
449	31.5	34.0	30.2	13.6	0.04	7.5	>27% Fe
586	30.2	32.7	31.6	13.9	0.04	7.6	>25% Fe
800	28.4	30.8	33.5	14.4	0.04	7.7	>22% Fe
932	27.4	29.7	34.6	14.7	0.04	7.8	>20% Fe
1,118	25.9	28.1	36.1	15.0	0.04	7.9	>17% Fe
1,400	23.5	25.5	38.6	15.5	0.03	8.1	Total Resource

*Calcined Fe ("CaFe") = $Fe / ((100 - LOI) / 100)$

The total Mineral Resource estimate has increased 300% since the Company announced the initial Mineral Resource estimate for the Spearhole Deposit in March 2010. This increase is a result of the successful 2010 drilling programs.

Figure 1 below shows the area that the extent and distribution of iron mineralisation included in this resource estimate.

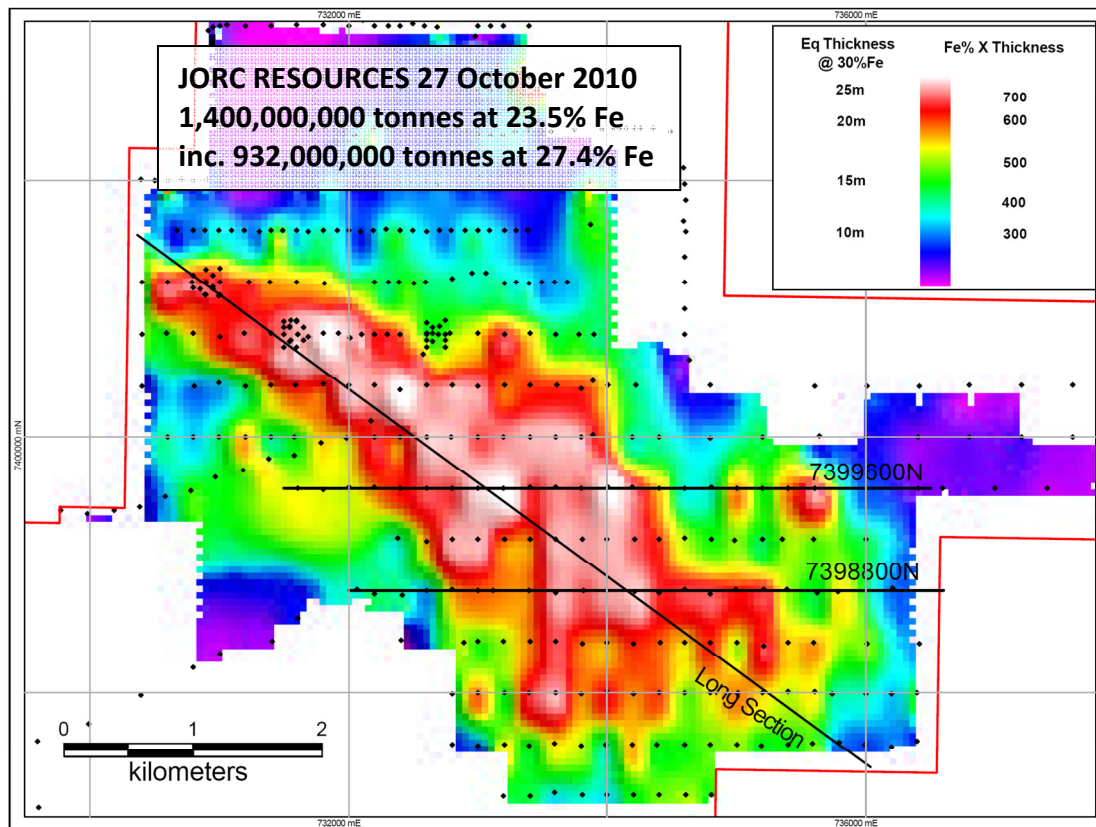


Figure 1 – shows distribution (Fe grade x thickness) of the iron mineralisation at the Spearhole Prospect, with the deepest, high-grade channel trending NW-SE.

The Spearhole iron deposits occur at or near surface, with consistent grades and thicknesses that are tending to improve as extensions of the deposit are discovered to the southeast. The detrital iron mineralisation is contained within a large, ancient, iron-enriched drainage system between outcropping Brockman and Marra Mamba Iron Formations.

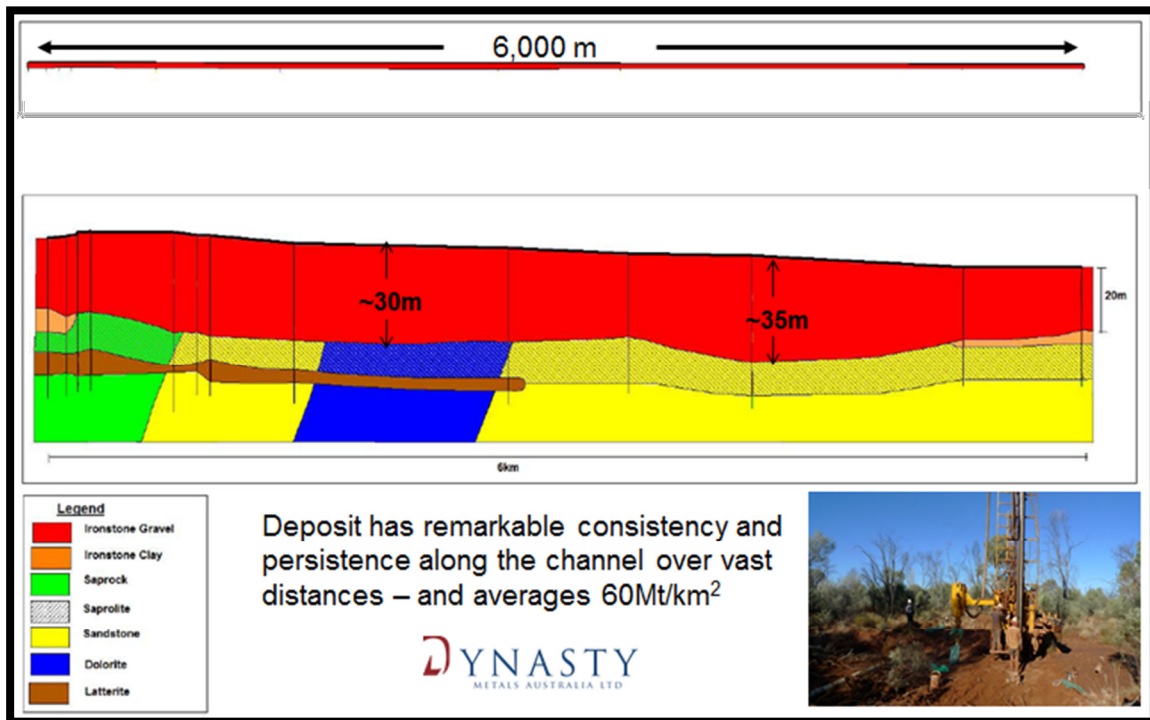


Figure 2 – Long section through the Spearhole Prospect demonstrating the shallow depth of the iron mineralisation over 6,000m.

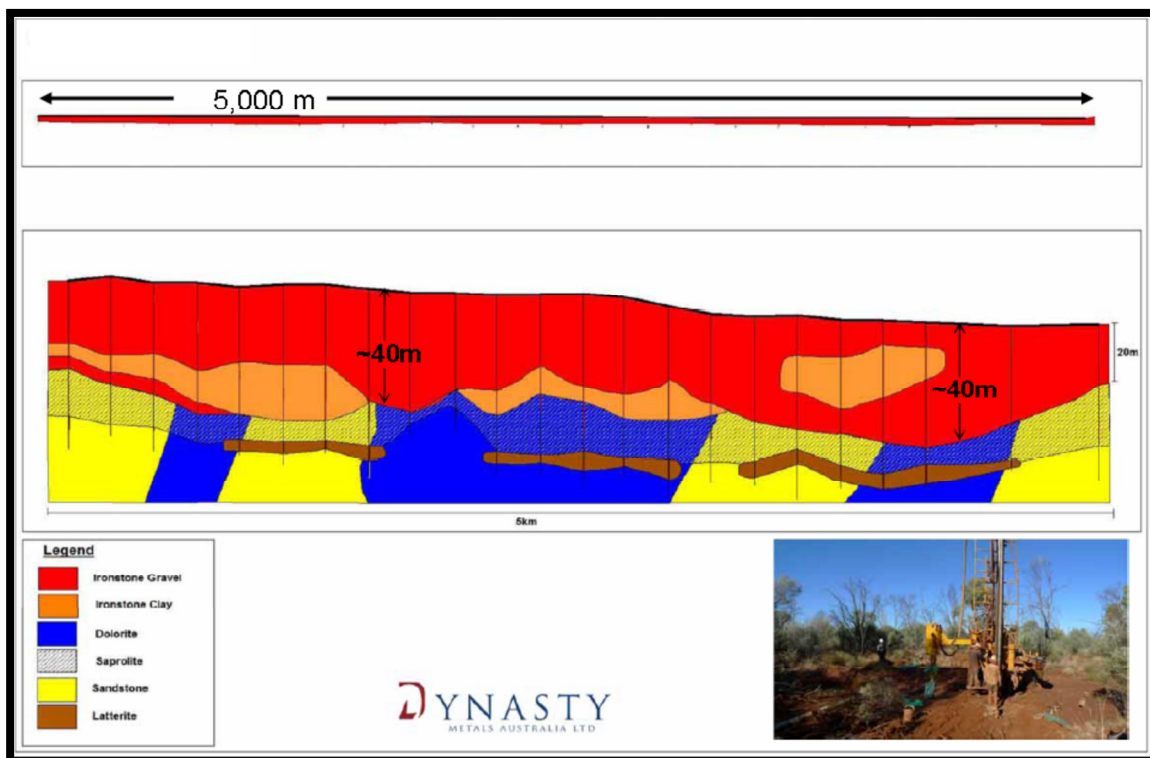


Figure 3 - Cross section on line 7398800N (location illustrated on Figure 1 above) and showing the consistency and persistence in thickness across the channel, as also, shown on Figure 2.

Prairie Downs – Encouraging Results from Processing Test-work

Drilling activity during 2010 has also included deploying a Sonic drill rig which drills a 150mm hole in unconsolidated material and gives an excellent high volume representative sample, ideal for metallurgical and beneficiation test-work.

Sonic drilling provides continuous and relatively undisturbed core samples which are ideal for assessing ore characterisation, density and metallurgical characteristics required for optimal beneficiation processes.

The sonic rig has drilled large diameter holes in five areas of the Spearhole Detrital Channel Iron deposit. The aim has been to collect bulk samples “representative” of the in-situ material which are composited into five-tonne parcels for beneficiation test-work in Perth laboratories.

The Sonic drilling program has also provided valuable information on the size and distribution of the detrital iron in the stratigraphy. The better understanding of the deposit has led to observing consistent lower-grade interburden between iron-rich layers which may be possible to mine and remove selectively. The collection of a complete sample from this unconsolidated material also allowed measurement of the bulk density of the material allowing more accurate resource estimation.

Recent test-work on the bulk samples collected by the Sonic drilling has indicated that simple physical processing significantly improves iron and silica grades and for the Area 3 sample returned commercial (“DSO”) iron, silica and alumina grades of 61% Fe with 2.7% SiO₂, 0.7% Al₂O₃ and <0.03% P₂O₅

This test-work demonstrates that the Spearhole Detrital Iron Deposit can readily be separated from the majority of the waste material at a very low cost of <\$1.00/tonne. The substantial reduction in volume for a low cost, will increase head grade to the processing plant and reduce the overall processing and transport costs, as well as enable a DSO commercial grade of iron, silica and alumina to be achieved. Phosphorous is inherently low in the Spearhole Iron Deposit.

Future beneficiation test-work will focus on applying various processing techniques to enhance and optimise grades in the remaining fractions to establish an optimum blend with the high grade fraction against an optimum product yield. *The “optimum yield” is that yield which will support a commercially viable, profitable and competitive mining and processing operation.*

Overall, these initial results confirm various similarities with Dynasty’s Prairie Downs deposit and Brockman Resources’ 1.6 billion tonne Marillana Detrital Channel Iron Deposit, 100km to the north of Prairie Downs.

Prairie Downs – Other Activities During 2010

The RC drilling program has also tested for:

- > hidden hard-rock hematite (DSO) deposits;
- > the ancient Archaean Iron formation in the north of the tenements; and
- > iron-rich zones within the large basal conglomerate hard-rock formation.

The planned drilling and other activities are systematically progressing towards commencing a pre-feasibility study on Dynasty’s Prairie Downs Project later this year.

Various experts will be engaged by Dynasty in relation to aspects of the pre-feasibility study, including:

- > metallurgical consultants to assist with beneficiation testwork, e.g. the design of the process (beneficiation flow sheet), interpretation of the results and determination of beneficiation costs;
- > environmental consultants for seasonal base-line flora and fauna studies; and
- > engineering consultants to analyse alternative mine plan, transport and ship-loading infrastructure options.

Prairie Downs – Economic Considerations

The potential development of Dynasty's Detrital Channel Iron deposit is likely to benefit from the following economic advantages:

- > Economies of scale (>15 million tonne per annum operation);
- > Low mining costs due to a low to negligible strip (waste to ore) ratio and a free digging, relatively soft, unconsolidated iron deposit;
- > Simple physical processing to achieve marketable grades of iron & silica; and
- > Sweet spots, high-grade zones and hematite ores all contribute to uplift average grades.

Dynasty believes that the Spearhole Detrital Channel Iron Resource at Prairie Downs has a reasonable probability of proving to be economic to mine and beneficiate.

Several infrastructure options are being investigated which include access to existing infrastructure in the Pilbara for its centrally located project at Prairie Downs.

New Tenements in Pilbara

New Tenement Contiguous with Prairie Downs Tenements

During the Quarter, Dynasty secured a strategic tenement following a strongly contested ballot. The new tenement, (E52/2591) is contiguous with Dynasty's existing tenement holdings at Prairie Downs.

The tenement is adjacent to Dynasty's vast exploration licence E52/2460 and is within an area which is tightly held by some of the world's largest Iron Ore mining companies such as BHPB, Rio Tinto and FMG. The new tenement increases Dynasty's tenement holding for the Prairie Downs Iron Project to 3,722km².

The tenement covers a complex structural zone on the edge of the Hamersley Basin and adjacent to the vast intrusive of the Sylvania Dome. The tenement has recent alluvial which are interpreted to cover an area of potential Marra Mamba Iron Formation.

Dynasty will include this tenement in its future exploration activities and utilise detailed geological mapping, ground magnetic and gravity surveys to identify drilling targets for initial exploration.

New Tenements in Pilbara Region

In early October 2010, Dynasty successfully secured priority for a further two tenements prospective for iron ore:

- > E47/2396 (24.3km²) is located in the vicinity of Rio Tinto's Marandoo mine and has potential to host iron ore deposits
- > E47/2404 (9.5km²) is located 80km north of Tom Price in the Central Pilbara on the northern part of the Hamersley Basin

Dynasty will include these tenements in its planned future exploration in the Pilbara Region where it now has seven tenements covering ~527km² containing rock units prospective for iron and a range of other metallic minerals.

Corporate

\$2.1 Million Placement to Hebei XingHua Iron and Steel

On 8 October 2010, Dynasty announced a \$2.1 million placement to Xing Hua Iron and Steel Co., Ltd ("Xing Hua"), comprising 11,652,197 shares at an issue price of \$0.18 per share).

The placement will enable Dynasty to accelerate the exploration and evaluation programs for the Prairie Downs Iron Ore Project.

Dynasty's Directors also unanimously agreed to the appointment of a Xing Hua nominee to the board of the Company.

Xing Hua is a medium sized steel producer based in China's Fujian Province that is keen to build an iron ore supply business in Australia.

Xing Hua also provides the scope to secure long term iron ore off-take arrangements into the Hebei steel making province of China.

In addition to technical and financial support, Xing Hua brings Dynasty access to a large iron ore market and the potential to secure off-take arrangements

Capital Structure

As at 27 October 2010, Dynasty has on issue:

Quoted shares: 89,333,509

Unlisted options: 18,000,000 options exercisable at \$0.20 expiring 21 December 2011

Competent Persons

Qualifying Statement: Malcolm Carson has compiled the information in this report from information supplied to Dynasty Metals Limited. Malcolm Carson has sufficient experience that is relevant to the style of mineralisation, the types of deposit under consideration and to the activity that he is undertaking and qualifies as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results (“JORC Code”). Mr Carson is a Member of the AusIMM and an Executive Director of Dynasty Metals.

JORC Statement: The information in this summary report relates to the Mineral Resource at Spearhole is based on the information compiled by Mr David Jenkins who is a Members of the Australian Institute of Geoscientists. Mr Jenkins has sufficient experience in the style of mineralisation and type of deposit under consideration and the activity which they are undertaking to qualify as Competent Persons as defined in the JORC Code.

Mr Carson and Mr Jenkins consent to the inclusion in the report of the matters based on the information in which it appears.