DYNASTY METALS AUSTRALIA LIMITED
AND CONTROLLED ENTITIES

ANNUAL REPORT

FOR THE YEAR ENDED
30 JUNE 2011

TABLE OF CONTENTS

CORPORATE INFORMATION

ABN 80 110 385 709

Directors	Richard Oh *CA. MAICD* (Executive Chairman) Lewis Tay *BSc. DipAF* (Non-Executive Director) Nicolas Revell (Non-Executive Technical Director) XiaoDong Sun LLB,LLM (Non-Executive Director) Terry Gygar *R.F.D.; LLB(Hons)* (Alternate Director for XiaoDong Sun)
Secretary	Michael van Uffelen *BCom. CA.*
Registered Office and Principal Place of Business	Level 2, 35-37 Havelock Street West Perth WA 6005 Telephone: (08) 9426 8999 Facsimile: (08) 9426 8900 Email: admin@dynastymetals.com.au Website: www.dynastymetals.com.au
Share Registry	Security Transfer Registrars Pty Ltd Suite 1, Alexandrea House, 770 Canning Highway Applecross WA 6153 Telephone: (08) 9315 2333 Facsimile: (08) 9315 2233

Dynasty Metals Australia Limited shares are listed on the Australian Securities Exchange (ASX)

ASX Code	Shares – DMA
Solicitors	Allion Legal Level 2, 50 Kings Park Road West Perth WA 6005 Telephone: (08) 9216 7100 Facsimile: (08) 9324 1075
Auditors	Deloitte Touche Tohmatsu Level 14, 240 St Georges Terrace Perth WA 6000
Bankers	Bankwest Limited Bankwest Tower 108 St Georges Terrace Perth WA 6000

CHAIRMAN'S LETTER

Dear Shareholder,

The past financial year has been an extraordinary year in the development of the Company.

In October 2010, the Company announced an increase in resources of iron-rich gravels of 300% to 1.4 billion tonnes inferred resource estimate for the Spearhole Detrital Channel Iron Deposit at Prairie Downs. Preliminary bulk-sample test-work indicated good potential to produce export grade iron ore with best results of 61% Fe and very low impurities. The Company has continued to obtain and test bulk samples over the past year. This program was interrupted in the first quarter of 2011 by the heavy rains which delayed the planned metallurgical testing to enable assessment of the most appropriate beneficiation approach. Preliminary metallurgical testing has shown that beneficiated product can be produced.

The Company also identified potential iron targets which may enhance Dynasty's 1.4 billion tonne detrital ironstone gravel deposit at the Spearhole Prospect via geophysics and mapping targets on tenement E52/1927, including targets for concealed Marra Mamba iron ore formation deposits and channel iron deposits have been reported to the south of Dynasty's Spearhole Prospect. A proposed drilling program of these targets had to be deferred due to a Board spill (which will be commented on further in this report) and resulted in cash funds reserved for this program being spent, mainly on legal fees instead.

The positive progress made on the Prairie Downs tenements has unfortunately been marred by the corporate positioning of some shareholders and directors (current and former).

To fund the further development of the Company, discussions were held with a number of potential investors, including Hebei XingHua Iron and Steel Co. Ltd who offered to subscribe to 40 million shares and 20 million options which would have represented an initial 34% holding in the Company. This offer was over-whelmingly rejected by shareholders in October 2010 despite recommendation of the board to accept the offer. Subsequently, the Board placed 11.65 million shares (12% of the issued capital) to Hebei XingHua Iron and Steel Co. Ltd and appointed a new director nominated by Hebei XingHua Iron and Steel Co. Ltd., Ms XiaDong Sun, who in turn appointed an alternate, Mr Terry Gygar, to act on her behalf on 6 January 2011.

Shortly after the appointment of Ms Sun in November 2010, Mr Gygar, Mr Carson (former Executive Technical Director) and Mr Koncepolski (apparent agent for several shareholders including Mr Thaler), with the knowledge and approval of the then Non Executive Chairman Mr Ian Levy, undertook an investigation into the Company's affairs, particularly the actions of Mr Tay, a then Executive Director and acting de facto MD of the company. The covert investigation led eventually to the removal of Mr Tay's executive powers for disobeying the Board's clear and direct instruction to cease all share trading.

Mr Tay, as a director, then requisitioned a shareholders' meeting to remove Messrs Carson, Levy and Anderson and to appoint Mr Revell as a director. The shareholder's meeting on 21 March 2011 passed these motions but not before a drawn-out and bruising campaign was conducted by Messrs Carson, Gygar and Koncepolski. The Company's announcements during this period were controlled by Messrs Carson, Levy, Anderson and Gygar and contained a number of sweeping and unfounded statements and personal attacks against Mr Tay and Mr Revell.

Not content that the majority of shareholders had voted for the removal of Messrs Carson, Levy and Anderson, Messrs Carson, Gygar and Koncepolski have continued to attempt to have the results of the EGM set aside. Three separate attempts have been made:

1. Mr Thaler with Mr Koncepolski as his agent issued a writ of summons against the Company to set aside the results of the EGM. This action has now been discontinued.
2. Mr Carson commenced proceedings against the Company to also have the results of the EGM set aside and to try and stop a placement of shares. Mr Carson's application was supported by an affidavit from Mr Gygar which disclosed confidential and commercial sensitive information. The application to stop the placement was thrown out by the court. We have been informed

since that Mr Carson intends to discontinue proceedings to set aside results of the EGM but this has yet to be acted upon and confirmed.

3. Mr Koncepolski sought to requisition a shareholders' meeting to remove Messrs Tay and Revell and myself as directors and to appoint himself and Mr Carson as directors. This requisition was rejected as it required 5% of the shareholders to issue the notice, which could not be supported by the notices issued.

The courts have awarded costs against Mr Thaler and Mr Carson, and the Company is pursuing Mr Thaler/Mr Koncepolski and Mr Carson to recover these costs.

Each of these legal attempts has resulted in the Company having to divert considerable human and financial resources to deal with these matters. During fiscal 2010/11, the Company incurred approximately $410k of costs associated with the investigation into the share trading activities by Mr Tay and the EGM and the subsequent challenges. These include covering legal expenses of $100k of incurred by Lewis Tay and the balance of $310k being incurred by Messrs Anderson, Carson, Gygar, and Levy and the Company investigating the activities of Mr Tay and then defending the subsequent legal actions related to the EGM.

In addition to the above shareholders requisition sought by Mr Koncepolski, there has been another requisition from shareholders who are supporters of Mr Tay and are seeking my removal as a director of the Company. The underlying reason for this action is for not supporting the reinstatement of Mr Tay as an executive director, which neither Mr Revell nor I support. As I am due for re-election at the forthcoming AGM but will not be seeking re-election and Mr Revell wishes to retire; this action is futile but an opportune time given the circumstances for shareholders to decide the composition of a new board at the AGM.

After the March 2011 EGM, I was unanimously elected the Executive Chairman by the board. This is not a position which I sought, but rather is a position which I ended up with by default. Mr Tay just had his executive director authority removed for failing to follow specific instructions of the Board. Ms Sun has never attended a Board meeting and Mr Revell was a newly appointed director, at my invitation to provide some independent technical overview and input into the geological, exploration, metallurgical activities and future mining prospects of the Company

One of the first tasks was to install fiscal control and accountability, which was badly missing from the Company. I invited Mr van Uffelen to accept a position as the CFO and Company Secretary to assist me in this undertaking. We immediately set about reducing unnecessary costs, dealing with unpaid creditors and installing financial controls. This task at times proved to be challenging due to the absence of written terms of engagement with a number of suppliers and consultants.

Financial discipline and control over cash flow is the life blood of any business. Responsibility for this discipline rests with the executive director(s) and the management of a company. In the case of the Company, this rested with Mr Tay until his executive powers were removed and Mr Anderson as the company secretary. The only other executive director, Mr Malcolm Carson, was the technical director and responsible for technical matters of the Company including approving all technical expenditures but not financial authority as he was not a cheque signatory of the Company's bank accounts until Mr Tay's removal of all his executive authority.

One of the major areas which required attention related to the management of the Company's extensive portfolio of tenements. While tenements represent the area where an exploration company can create and enhance shareholder value, there is a cost to maintaining tenements. These costs comprise annual rents, rates and expenditure commitments, as well as necessary human resources for their management. The commitments on the Company's tenements significantly exceed its cash resources, and as a result, an active divestment program has been undertaken in relation to non-core tenements. This process took significantly longer than it should have due to the then board and management being preoccupied with the board spill and EGM. However, shortly after the EGM we pursued and achieved conclusion of an agreement with China Coal Geological Company ("CCGEC"), who were introduced by Mr Tay. This achievement is crucial and timely as the majority of these tenements are at risk of being forfeited by the Department of Mines and Petroleum as minimum expenditure commitments had not been met, for two years in many cases. The tenements are presently being transferred to a new company which was established for this purpose, and when completed, CCGEC will invest in this company, thereby providing the Company with a free carried interest.

The depletion of the cash reserves of the Company from poor fiscal practices and expenditure on litigation and the EGM resulted in the need to raise further capital and through Mr Tay's introductions $2.4 million was raised via a private placement. As a result, the Company is now positioned financially to enter the next round of the evaluation of its core Prairie Downs project.

In summary, notwithstanding that progress has been made in relation to the Company's core Prairie Downs project, positioning by shareholders and some directors (current and former) have distracted the Company and combined with poor fiscal discipline, resources both financial and human have been poorly employed. Unfortunately this is not yet behind us, but shareholders will have the opportunity to vote at the AGM on the composition of the board and who would lead the Company going forward. My view as previously expressed is that this should **not be any one person but a team of people with complementary skills who can work together harmoniously.** While a managing director should be a person with appropriate technical qualification and experience, the chairman should be a person familiar with good corporate governances and with leadership qualities. Ultimately all board members should have mutual respect and support of each director's role and responsibilities for the board to be a successful one. Shareholders in their mutual interest would also do well to cease positioning and fully support the elected board.

Mr Revell and I have both made it very clear that we considered our current positions to be temporary and we will both be retiring at the coming annual general meeting, however, we do believe that we have an obligation to **provide a fully transparent summary** without fear or favour of the events of the past year so that shareholders may cast their votes with full knowledge of these events and carefully consider who they elect as their directors to represent them to work in their best interest. This has meant increased disclosure in the 2011 annual report together with information that is in the public domain.

In conclusion I like to express my appreciation for the sterling effort and work put in by Mr Michael van Uffelen despite challenging circumstances and dealing with difficult personnel and to Mr Revell for his support and forbearance. It is unfortunately not appreciated by warring directors and shareholders that the undue impositions and demands at times placed on management and staff is not acceptable nor tolerated in the normal operations of a company.

Richard Oh
Executive Chairman
Dynasty Metals Australia Ltd
25 August 2011

REVIEW OF OPERATIONS

HIGHLIGHTS OF 2010-11

> Dynasty Metals (ASX Code: DMA) is an independent Australian exploration company focused on developing its major iron discovery on its Prairie Downs tenements.

> Updated JORC-Compliant Inferred Resources increased to 1.4 billion tonnes of Detrital Channel Iron and 23.3 million tonnes of Marra Mamba Iron Formation.

> Substantial drilling programs carried out at Dynasty's flagship Prairie Downs Iron Project in the Pilbara with a total of ~5,000m drilled during the year.

> Testwork on iron samples have confirmed beneficiation can successfully upgrade the material to a commercial product.

> Further beneficiation test work is being undertaken on several bulk (five tonne) samples.

> Preliminary metallurgical testing indicates material grading approximately 57% Fe, 6 – 7% Si, 6 – 7% Al and 0,05% P with a yield in the order of 17%.

> Farm-out agreement proposed for the majority of the Company's non-core tenements covering gold and uranium prospects.

> Private placements raised $4.5 million to position the Company for the next stages of its exploration and evaluation program.

Dynasty is progressing its strategic plan to emerge as a Pilbara iron ore producer.

Operations

Prairie Downs is the flagship iron ore project and is located in Western Australia's prolific iron-producing Pilbara region.

Dynasty is evaluating three types of iron mineralisation at Prairie Downs:

> Detrital Channel Iron deposits which are present in large tonnages near surface and can be upgraded to marketable grades through simple physical processing.

> Marra Mamba Iron deposits with Direct Shipping Ore ("DSO") grades of iron.

> Iron-rich basal conglomerate deposits which are not yet drilled.

Initial drilling at Prairie Downs during the second half of 2009 provided strong confirmation of Dynasty's geological model and discovered extensive Detrital Channel Iron deposits. Further drilling during 2010 extended this resource by over 300%.

In October 2010, Dynasty announced a JORC-Compliant Inferred Resources of 1,400 million tonnes of Detrital Channel Iron in addition to the 23.3 million tonnes of Marra Mamba Iron Formation announce in March.

Work during the year has concentrated on the definition of over 1Bt of resource and the processes required to beneficiate this ore to a saleable product.

In addition to iron ore, Dynasty has a broad portfolio of exploration projects in Western Australia, which include gold, uranium, coal, coal seam gas and other minerals. These noncore assets have been under constant review and the Company identified 4 non-core projects of particular value. These were the Hyden Gold Project, the Hector Bore Uranium, the Stanley Nabberu Project and the Irwin coal seam gas project. The first three of these projects have been successfully joint ventured to a major Chinese mining group, China Coal Geological Engineering Corporation (CCGEC). The Irwin Coal Seam Gas project is still under application but negotiations are continuing with Native Title groups and the petroleum licences should be granted in the coming period.

The focus of the Company is iron ore. Dynasty has almost completed rationalising its non-iron tenements and is focussing on progressing the flagship Prairie Downs project towards feasibility and production while continuing to explore the extensive holdings for further resources.

Prairie Downs – Strategic Location

Strategically located in the prolific iron ore producing Pilbara region, Dynasty's iron ore project tenements are approximately 40km southwest of Mt Newman.

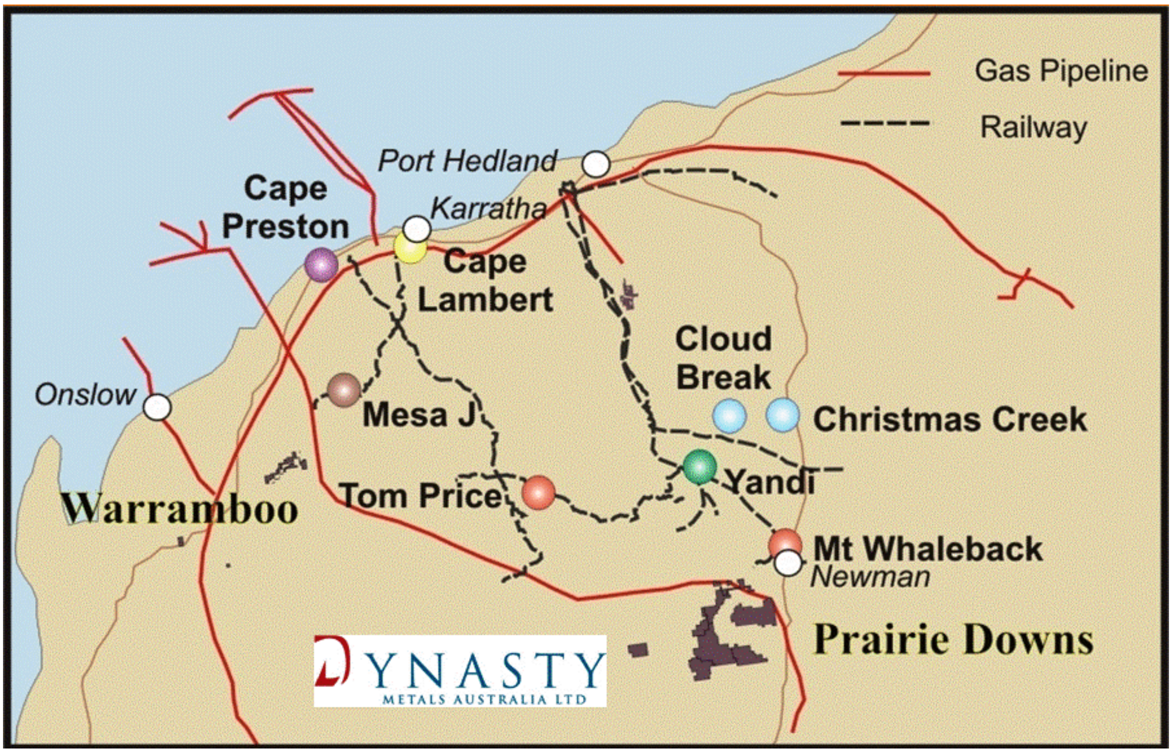

Figure 1 – Strategic Location of Dynasty's Pilbara Iron Ore Projects

During the year, the Company continued to increase its ground position and now holds tenements covering 3,722km^2 at Prairie Downs.

Adjoining tenements in this tightly held area are owned by some of the world's largest iron ore mining companies such as BHP Billiton, Rio Tinto and Fortescue Metals.

The tenements are all centrally located near to advanced exploration projects and existing mining operations and infrastructure.

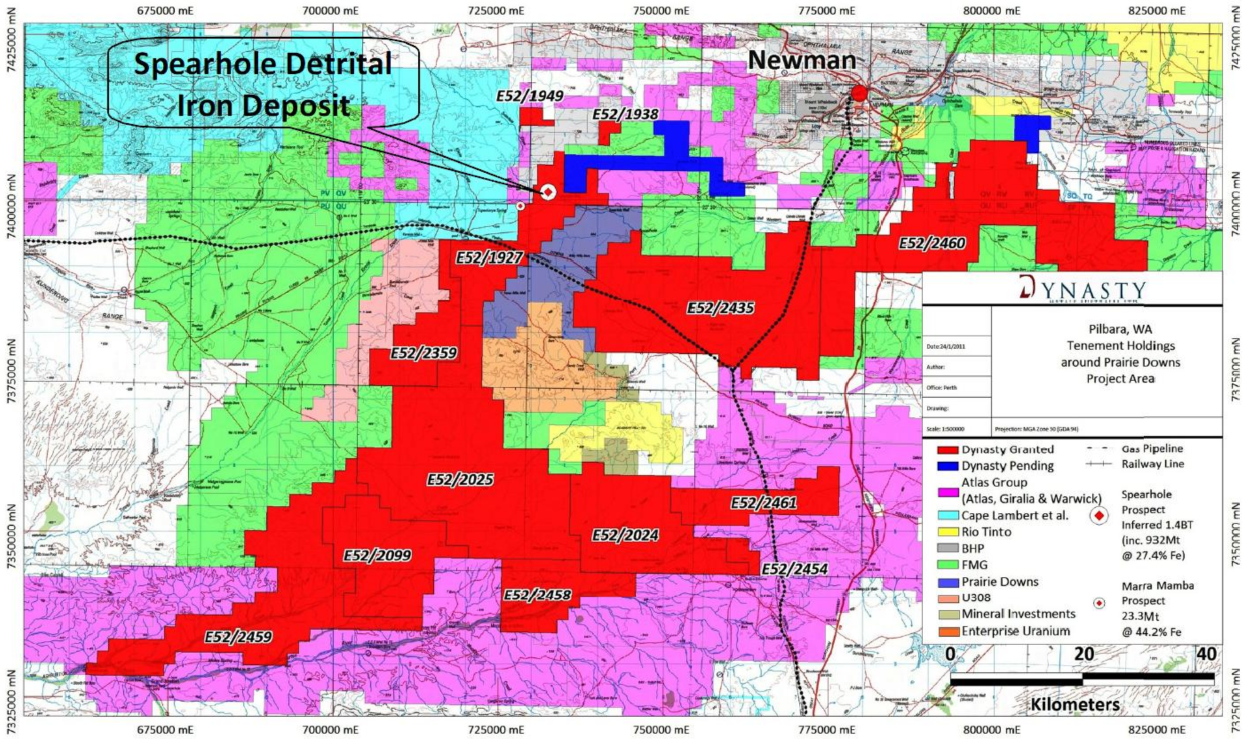

Figure 2 Tenement Holdings in the vicinity of Prairie Downs

Prairie Downs – Geology

The complex Hamersley Formation which contains Brockman and Marra Mamba Iron Formations dominates the northern portion of Dynasty's tenements at Prairie Downs.

Erosion of these major iron formations over the past 2.5 billion years has provided the material for vast deposits of Detrital Iron and Channel Iron.

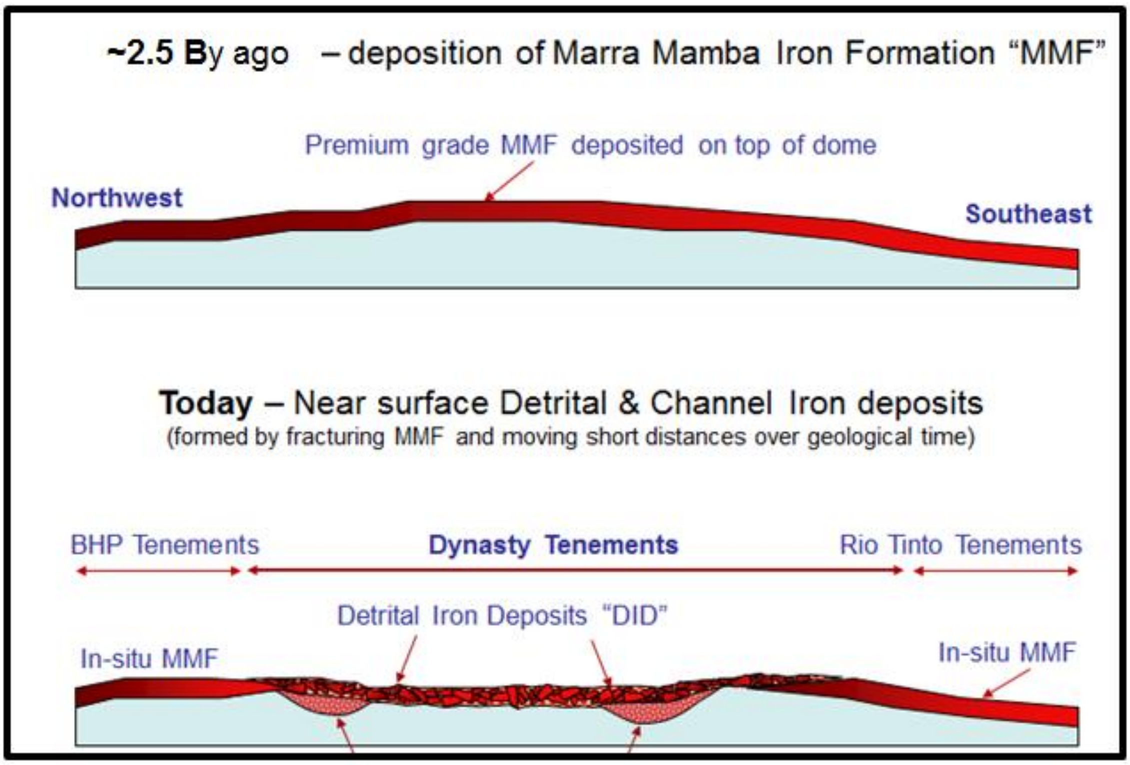

Figure 3 – Schematic Evolution of Detrital and Channel Iron Deposits at Prairie Downs

The Prairie Downs Fault cuts the Company's tenement package in a north westerly direction and separates the Hamersley Formation from Bangemall Basin sediments to the south. These sediments have a coarse basal conglomerate consisting mainly of clasts of Hamersley Iron Formation rocks, or their equivalent. Gold and copper mineralisation is present in the region.

The area is underlain by granites which are outcropping in the Company's tenements to the east. Dolerite intrusive and sills are also present of varying ages. The majority of the tenements are covered by Tertiary and Quaternary sediments formed by vast current and paleo-river channels which host the Tertiary Channel Iron and the younger Detrital Channel Iron deposits.

Prairie Downs – Exploration

The aims of Dynasty's exploration programs over the past year have been:

- Expansion of the resource base at Spearhole to over 1.4 billion tonnes of iron deposits;
- Definition of the beneficiation processes required to beneficiate this ore to a saleable product
- Geophysical evaluation of the area hidden hard-rock hematite (DSO) deposits;
- to generally advance the understanding of the iron mineralisation present in the Prairie Downs tenements; and
- Mapping and sampling to identify further DSO targets.

Substantial exploration programs were carried out during the year and included:

- Completion and interpretation of an airborne magnetic survey;
- Completion of a Reverse-circulation ("RC") drilling programs; and
- Completion of beneficiation testing on bulk samples collected during the Sonic Drilling completed during June and July 2010.

Dynasty's drilling to date has focussed on the Spearhole Prospect in the northern part of E52/1927, covering only a small portion of the Prairie Downs tenements.

During the second half of 2010 a reverse circulation drilling program was completed out at the Spearhole Prospect substantially extending the resource.

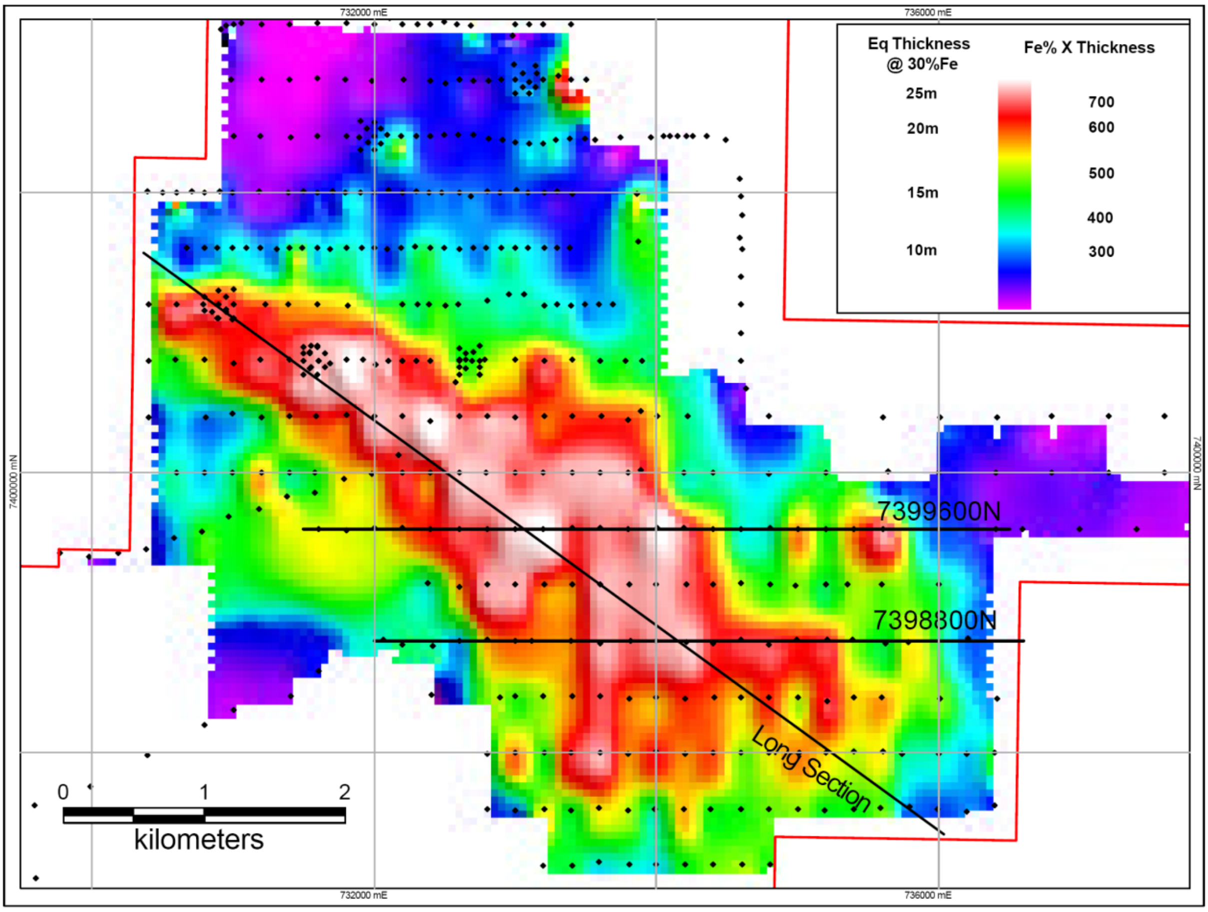

Figure 4 – shows the extensive ironstone gravels in paleo channels as defined in the 2009 and 2010 drilling program

The Detrital Channel Iron is an unconsolidated ironstone gravel made up of sand, clay and fragments of haematite and goethite rich material. A majority of this material is likely sourced from the Marra Mamba formation. The resource generally starts from surface with little overburden present across the whole deposit.

The detrital channel is contained within a large drainage system between outcropping Brockman and Marra Mamba Iron Formations.

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

Tonnes Mt	Fe %	Calcined Fe* "CaFe" %	SiO_2 %	Al_2O_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)

Resource calculations on the 2010 drilling were completed in October 2010 and are shown above in Table 1. Resources were based on the 400m by 200m drill pattern (400 by 400m in some parts) with the model constrained by both Fe content and geological models.

Figure 5 – Photos of Sonic drill rig showing collecting, laying out and measuring large diameter sample

A sonic rig was used to drill large diameter holes in five areas of the Spearhole Detrital Channel Iron deposit to collect bulk samples “representative” of the in-situ material which were composited into five-tonne parcels for beneficiation testwork at NAGROM laboratories Perth.

The beneficiation testing has focussed on these bulk samples of around 27% as there is a large proportion (930Mt) at or above this grade. The samples have been collected from top to the base of the resource to reflect what is envisaged to be a bulk mining operation with high throughput of material. A processing flow sheet has been prepared to summarise the current testing. Resultant grades and yields are indicative at this stage and further testing is required to define these.

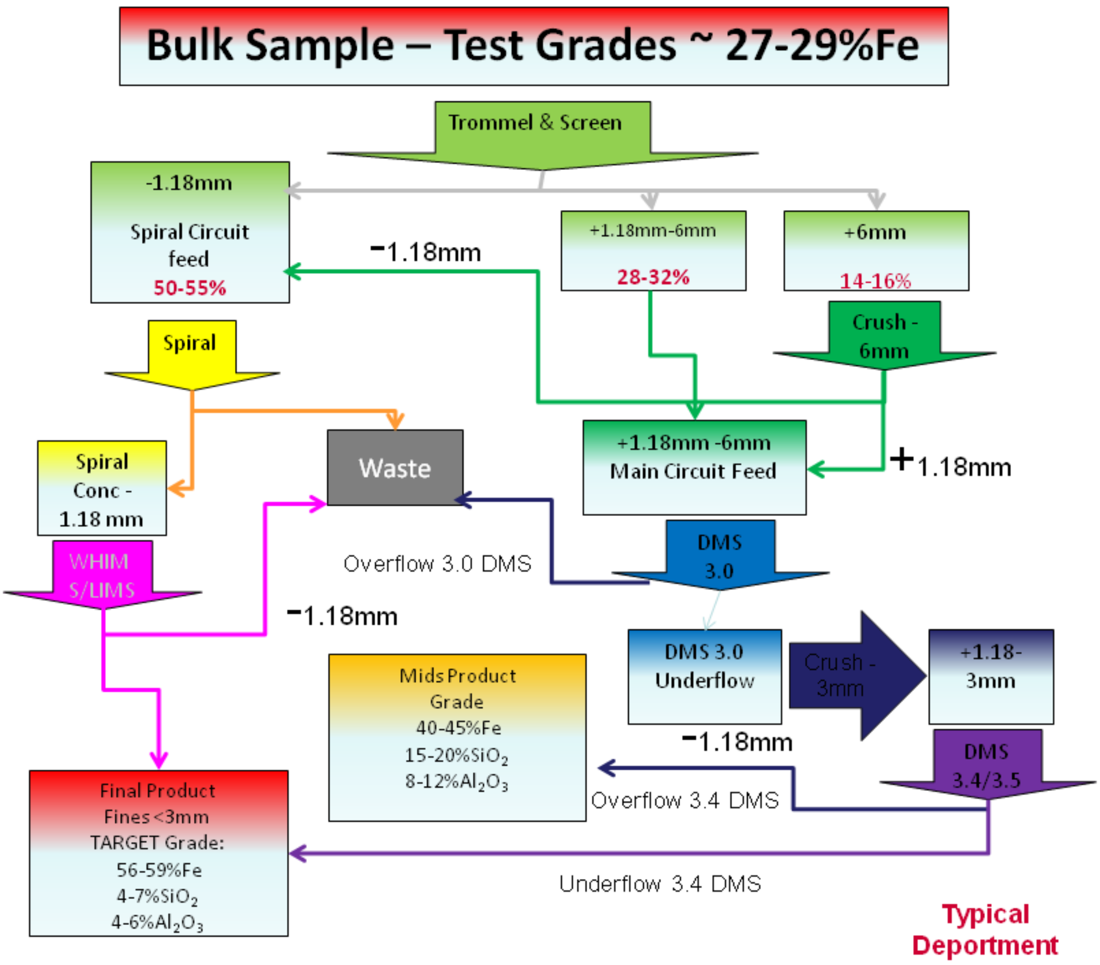

Figure 6 – Processing Flow Sheet Spearhole Deposit

Preliminary results were obtained from a single Sonic drillhole with around 1tonne of material. These results indicate that product grades can be achieved of approximately 57% Fe, 6-7% Si, 6-7% Al and 0.05% P with a yield in the order of 17%. A majority of this material is liberated by screening and gravity separation. Crushing of a portion of the material and further gravity and magnetic separation is currently being used to obtain the rest.

A program of testing larger (5-6 tonne) samples is underway which includes some testing of various methods of releasing the maximum contained iron. There is mineralogical work being undertaken on the products of the testing to date in order to maximise the yield. The testing will be completed once this work is received.

Spearhole – 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.

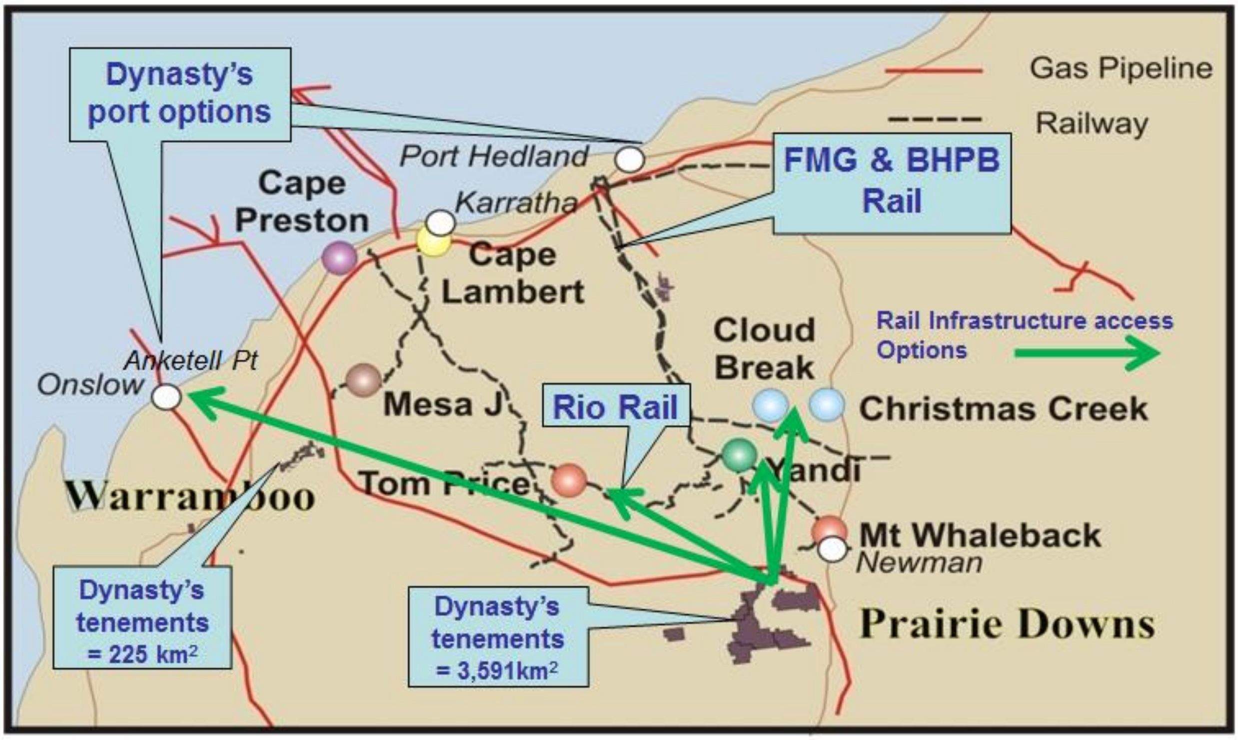

Figure 7 – Potential infrastructure solutions

Prairie Downs Regional targets

A mapping field trip was undertaken in May 2011 to assess the prospectivity of the Prairie Downs tenement group. The reconnaissance exercise focussed on areas with potential to host channel iron that had previously been identified with the aid of historical data, ASTER data and GSWA geological maps. The ground covered included tenements E52/1938, 1949, 2024, 2025, 2099, 2359, 2458, 2459, 2461 and 2464.

Extensive Iron rich float material was found in the southern tenements with assay results returning Fe2O3 grades of up to 56.14%. Recent sediments dominate at the surface and drilling will be required to define the extent of any CID mineralisation. The iron rich float appears to be concentrated along mesas between the main creek systems. Target zones are indicated in Figure 8.

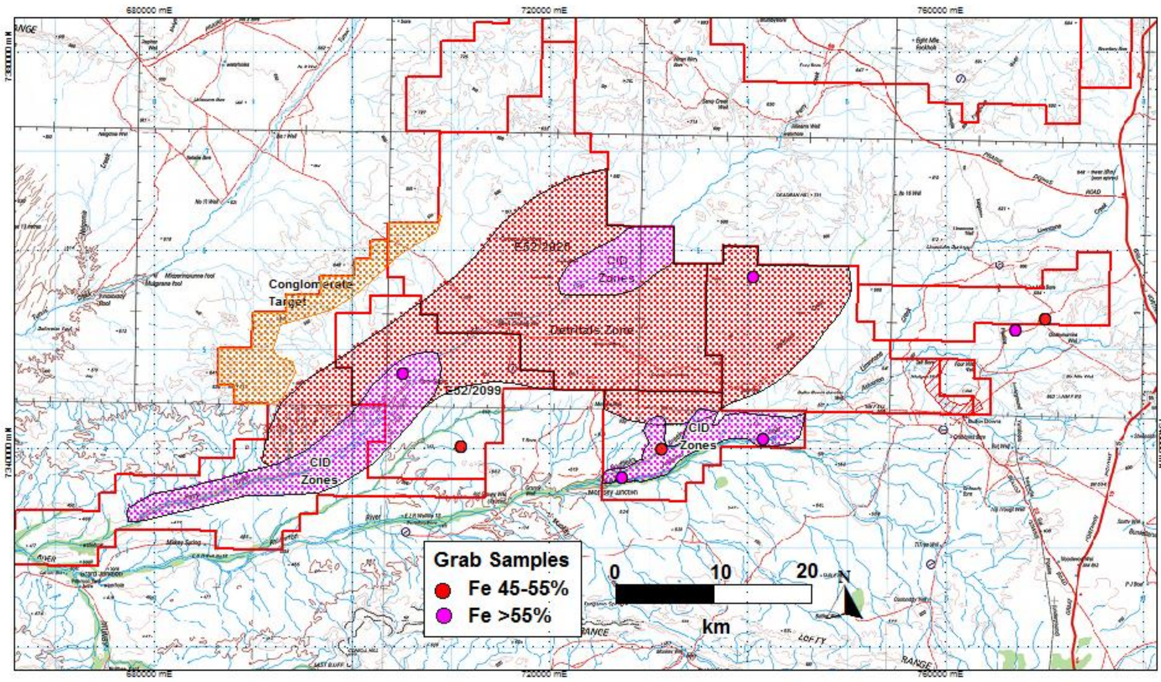

Figure 8 – Prairie Downs Iron Project – Target zones for potential mineralisation styles Southern Tenements

Figure 9 – Prairie Downs Iron Project – CID Subcrop

Outcrops of classic channel iron material were discovered in the tenements to the north of the main Spearhole prospect with preliminary grades of this material ranging from 47.5% to 55.5% Fe within E52/1949 and 54-56% Fe in E52/1938. Outcropping iron formation is also present in the north west of the tenement E52/1949 with rock chip sample grades from 40-49% Fe. Figure 10 shows the sample locations and the potential targets for the various mineralisation styles known to be present in the area.

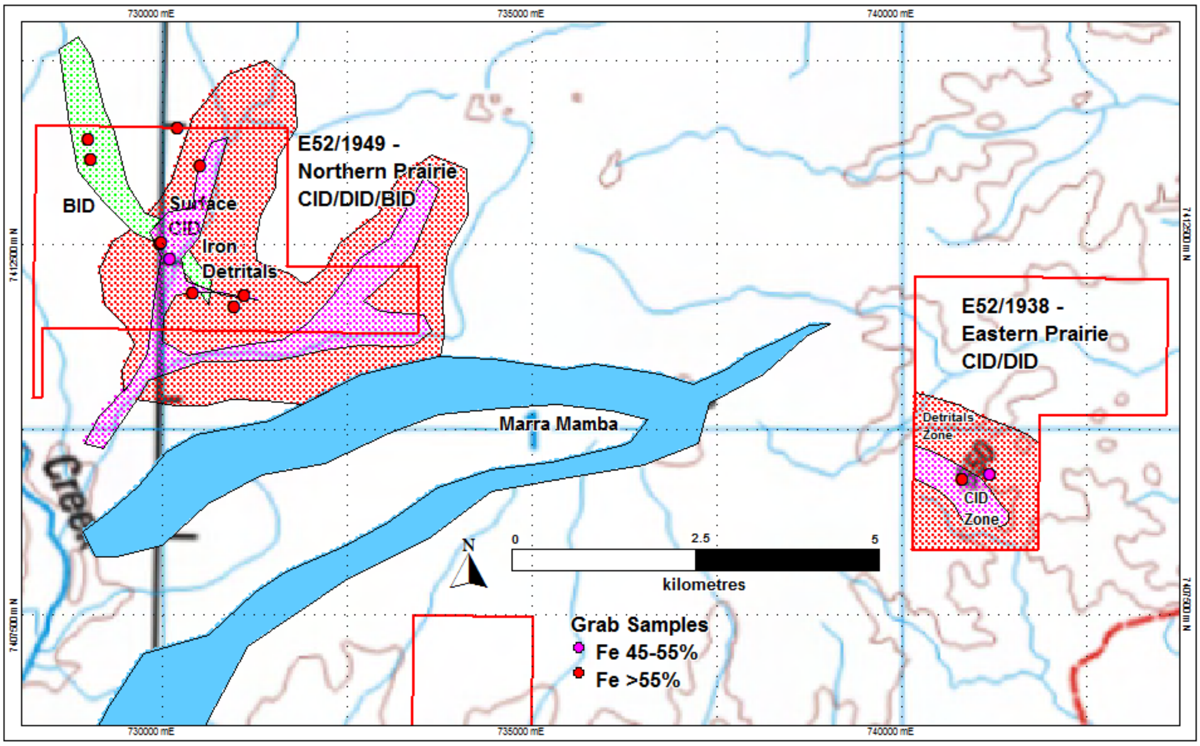

Figure 10-Iron mineralisation potential Northern tenements. Areas marked are target zones.

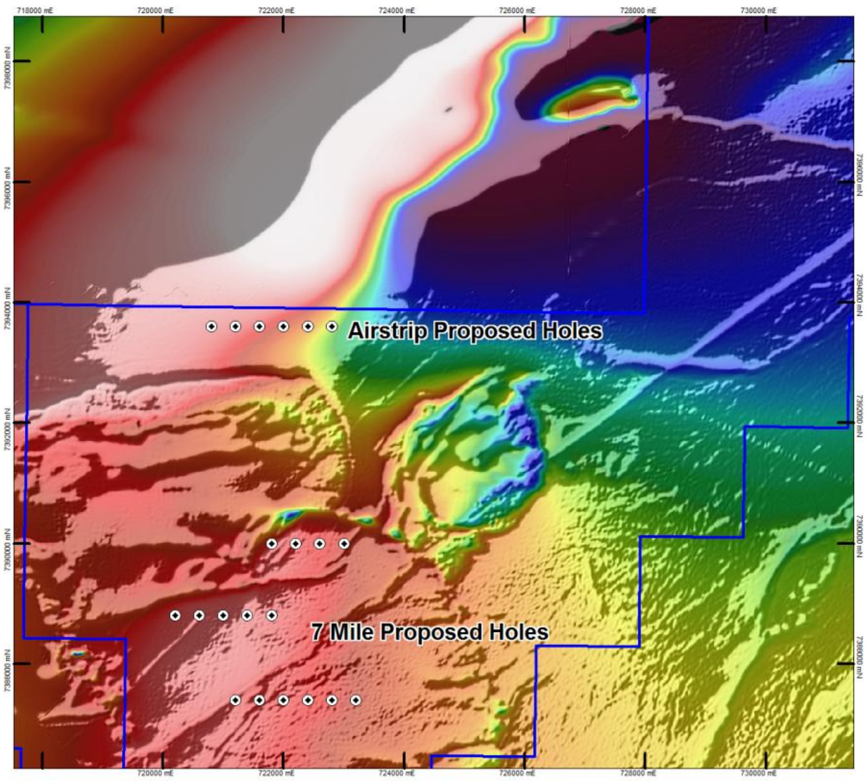

Figure 11– DSO targets identified in E52/1927 to be tested in 2011 exploration programs

The previously identified DSO targets using interpretation of the airborne magnetic flown during 2010 will also be targeted during the next drilling program. These targets include potential continuations of the outcropping Brockman and Marra Mamba iron formations under the recent sediment flood plain.

A drilling program is planned for the next period with a 5,000-7,500m program to be undertaken.

Non-core Tenements

Reflecting the Company's focus on its Pilbara iron ore projects, Dynasty's Board and technical team has concentrated on evaluating the noncore assets. This process has identified 4 projects of ongoing value to Dynasty:

- Stanley Nabberu Project (base metals, gold and uranium);
- Hyden Gold Project (gold and nickel);
- Hector Bore – Mt Philips Project (uranium); and
- Irwin River Coal Seam Gas - Petroleum Exploration Licenses (coal and coal seam gas).

During 2011 a joint venture farm-out arrangement with China Coal Geological Engineering Corporation (CCGEC) for the Hyden Gold, Stanley Nabberu Gold, Base Metal and Uranium, and the Hector Bore-Mt Philips Uranium Projects was concluded. The Company is transferring tenements into a subsidiary and CCGEC will then invest $2m for a 60% interest and have the option to increase their interest by a further 20% in consideration for a further investment of $750k within a three year period. This will provide Dynasty shareholders with exposure to any discoveries on these prospective grounds while allowing Dynasty to focus on their Iron ore tenements.

The Irwin Coal Seam Gas project is still under application but negotiations are continuing with native title groups. Petroleum licences should be granted in the coming period and once granted funding options for this project will be evaluated.

MINERAL RESOURCES STATEMENT

In March 2010, Dynasty announced the following maiden JORC-Compliant Inferred Resources for the Prairie Downs Project:

Inferred Resources – Spearhole Detrital Iron Deposit

Tonnes Mt	Fe %	Calcined Fe* "CaFe" %	SiO_2 %	Al_2O_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)

Inferred Resources - Marra Mamba Deposit

Tonnes Mt *	Fe %	Calcined Fe "CaFe" %	SIO2 %	AL2O3 %	P %	LOI %	Cut Off Grade % Fe
7.2	53.7	58.7	9.4	4.3	0.05	8.5	>50% Fe
23.3	44.2	48.3	21.9	5.2	0.04	8.0	Total Resource

* Marra Mamba Deposit density assumed at 2.8 dry tonnes per cubic metre

The above resources are based on 19,326 metres drilled by Dynasty at its Prairie Downs project between August 2009 and September 2010. The program was of a reconnaissance nature and was designed to test the geological concept that channel iron deposits existed in the valley between BHB Billiton's Brockman and Marra Mamba Formation deposits to the west and an unnamed Archaean Iron Formation to the east.

Holes were drilled on a 400 by 200 and 400 by 100m spacing to a maximum depth of 60m and an average depth of 31.5m. The maximum depth of iron mineralisation identified during the program was 48m.

The resource for the Spearhole Detrital iron deposit includes all assays from reverse-circulation drill holes SERC001 to SERC184 and SWRC001 to SWRC012.

The resources for the Marra Mamba Hematite Deposit include all assays from reverse-circulation drill holes MMRC001 to MMRC029.

QAQC data were reviewed by Dynasty's consultants which analytical results included certified reference material, field duplicates and pulp duplicates. Analysis of samples of certified material showed that the analytical accuracy was within the tolerance limits.

The independent laboratory used for the analysis of drill samples was Nagrom, based in Kelmscott Western Australia.

The Spearhole Channel Iron mineralisation improves towards the south and south-east and deepens at the confluence of two channels. Drilling data included in the above resource estimate is in the northern, shallower portion of the deposits identified so far.

Competent Persons

Qualifying Statement:

Qualifying Statement: The information in this report that relates to exploration results and mineral resource calculations has been complied by Mr David Jenkins a full time employee of Terra Search Pty Ltd, geological consultants employed by Dynasty Metals. Mr Jenkins is a Member of the Australian Institute of Geoscientists and 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 2004 Edition of the Australasian Code for Reporting of Exploration Results ("JORC Code"). Mr Jenkins consents to the inclusion in the report of the matters based on the information in the form and context in which it appears. Mr Jenkins consents to the inclusion in the report of the matters based on the information in which it appears.

DIRECTORS' REPORT

Your directors submit their report for the year ended 30 June 2011.

DIRECTORS

The names and details of the Company's directors in office during the year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Richard Oh *CA. MAICD* **(Executive Chairman from 27 March 2011, Non-Executive Director to 26 March 2011, Retiring at the 2011 AGM to be held on 19 September 2011)**

Mr Oh has been a Chartered Accountant for over 35 years and has been a stock broker principal for more than 12 years. He was a founding shareholder and director of two boutique stock broking firms in Perth and held positions of executive director and managing director in these firms. As a stockbroker he was instrumental in the listing of numerous companies including resources exploration companies. He has also previously held positions of chairman, director and company secretary at various times in numerous resources, property and technology unlisted companies and 5 listed public companies

Mr Oh was in recent times formerly the non-executive Chairman of Accent Resources NL, a West Australian based junior iron exploration company and was instrumental for its listing on the ASX. During the past three years, Mr Oh did not serve as a director of other listed companies. He is also a member of the Australian Institute of Company Directors and a foundation member of the West Australian Chinese Chamber of Commerce.

Lewis Tay *B.App.Sc.DipAF* **(Non-Executive Director from 18 January 2011, Executive Director to 17 January 2011)**

Mr Tay has a Bachelor of Applied Science Degree and also holds a Graduate Diploma of Applied Finance. He has being actively and successfully involved in property development, commodity trading, and share market investment particularly in Australian resource companies over the last 20 years. During that time he has established some healthy and useful business relationship with various Australian, Chinese and South East Asian companies.. During the past three years, Mr Tay did not serve as a director of other listed companies.

Ms XiaoDong Sun *LLB,LLM (***Non-Executive Director – appointed 25 November 2010)**

Ms Sun holds a Bachelor of Laws Degree (PRC Beijing) and a Master of Laws Degree (Hong Kong, U.S.A.). She has worked in a variety of roles in China, including acting as an assistant/translator/consultant to Australian companies seeking to establish businesses in China, translator/personal assistant to senior Australian Academic visitors to China and co-ordinating visits by Australian Academic and student Groups to the PRC. She is the Vice President, International Trade for the Hebei Xinghua Group, and works with Hebei Xinghua Iron and Steel Co., Ltd. at its headquarters in Wuan, Hebei province, where her role includes co-ordinating investment and foreign materials sourcing. Ms Sun was appointed as a director pursuant to a private placement of shares to Hebei Xinghua Iron and Steel Co. Ltd on 25 November 2010. During the past three years, Ms Sun did not serve as a director of other listed companies.

Nicolas Revell (**Non-Executive Director (Technical) – appointed 21 March 2011, Retiring at the 2011 AGM to be held on 19 September 2011)**

Mr Revell has 20 years experience in mine geology and exploration geology, working for major mining companies for 16 years as a mine geologist. He established a consulting company 6 years ago and specializes in and mine development, due diligence and property valuation at all stages of development. Mr Revell has a wide experience in a number of commodities including gold, base metals and iron ore and qualify as a Competent Person as defined by the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Mr Revell is also a director of ASX-listed Forte Consolidated, Mayan Iron Corporation Limited, Sunseeker Minerals and Kidman Resources. Mr Revell former directorships include South Ferro Metals Limited (formerly Riviera Resources Limited) and Australasia Gold Limited.

Terry Gygar *R.F.D.; LLB(Hons)* **(Alternate Director for Ms Sun – appointed by Ms Sun on 5 January 2011)**

Mr Gygar is an Associate Professor in the Faculty of Law at Bond University where he also holds the position of Director of China Programs in the Faculty and is a staff elected Member of Bond University Pty Ltd. He is a former Australian Regular Army Officer who served in the permanent forces for 7 years, and was the Liberal Member for Stafford in the Queensland Parliament where he served for 15 years between 1974 and 1989. During the past three years, Mr Gygar did not serve as a director of other listed companies.

Ian Levy *BSc. MSc. DIC, FAIG, FAusIMM* **(Non-Executive Chairman – removed from office by shareholders on 21 March 2011)**

Mr Levy has had more than 30 years experience in both mining geology and mineral exploration including 12 years with Western Mining Corporation Limited (WMC) and 11 years experience in mining business development positions. Ian has worked in development roles for mining-exploration companies including Pancontinental Mining and Gympie Gold Limited. Between 2005 and 2007 he was Chief Executive Officer (CEO) of nickel mine developer Allegiance Mining NL and is currently CEO of Australian Bauxite Limited.

Mr Levy has served as a Director of Gloucester Coal Ltd 2004 to 2009 and as Chairman of D'Aguilar Gold Limited 2003 to 2009. Mr Levy has been Federal President of the Australian Institute of Geoscientists and was a member of the Joint Ore Reserve Committee (JORC) for 11 years including four years as Vice Chairman.

Malcolm Carson *BSc (Geology) MSc (Nat Res Mgt)* UWA **(Executive Technical Director – removed from office by shareholders on 21 March 2011)**

Mr Carson has a BSc (Geology) and an MSc in Natural Resource Management (economics, resource management and environment).

Since 1970, Mr Carson has worked in many aspects across the mineral resource industry including exploration, mining, environmental approvals, business development commercial evaluation, manufacturing, banking and finance, corporate and government. He has a depth of experience in all these areas and has worked in Australia, Africa and Asia.

Graham Anderson *BBus, DipFP, CA* **(Director – removed from office by shareholders on 21 March 2011)**

Mr Anderson is a Chartered Accountant who operates his own specialist accounting and management consultancy practice. From 1990 to 1997 he was an audit partner of Duesburys and from 1997 to 1999 he was an audit partner at Horwath Perth. He is a Chairman and Company Secretary of APA Financial Services Ltd, Director and Company Secretary of Echo Resources Limited, Pegasus Metals Limited, Mamba Minerals Limited and Catalpa Resources Limited.

Interests in the shares and options of the Company

As at the date of this report the relevant interest of each current Director in the shares and options of the Company were:

	Shares		$0.20 Options Expiring 21 December 2011	
	In own name	**In other names**	**In own name**	**In other names**
Richard Oh	–	–	–	2,000,000
Lewis Tay	3,118,409	–	5,000,000	–
XiaoDong Sun*	–	–	–	–
Nicolas Revell	–	–	–	–

* Ms Sun is a representative of Hebei Xinghua Iron and Steel Co. Ltd which holds 11,652,197 shares.

COMPANY SECRETARY

Michael van Uffelen *BCom. CA.* **(Appointed 28 March 2011)**

Mr van Uffelen holds a Bachelor of Commerce degree from the University of Western Australia and is a Chartered Accountant. He has more than 23 years accounting and finance experience gained with major accounting firms, investment banks and public companies, both in Australia and internationally. He is currently runs a specialty consulting firm providing CFO, company secretarial and corporate finance services and is a director of an entity licensed to provide investment advice in Australia.

In addition to his role with Dynasty as CFO and Company Secretary, Mr van Uffelen is the Chief Financial Officer of Automotive Technology Group Limited (ASX: ATJ).

Graham Anderson (Resigned 24 March 2011)

Mr Anderson was a director of the Company until removed by shareholders on 21 March 2011 and thereafter resigned as Company Secretary.

Leonard Math (appointed 17 February 2011, resigned 20 April 2011)

Mr Math is an employee of Mr Anderson’s consulting firm and resigned shortly after Mr Anderson’s resignation as Company Secretary.

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activity of the Company during the year was exploration and evaluation of mineral licences. The principal activities of the Company during the year are set out in the Review of Operations section.

RESULTS OF OPERATIONS AND FINANCIAL POSITION

The results of the operations and the financial position are summarised below:

	2011 $	2010 $
Loss after tax	(3,455,347)	(5,778,447)
Basic and diluted loss per share	0.0399	0.0831
Total assets	4,522,505	3,764,835
Total liabilities	642,700	1,014,245
Net current assets	3,355,243	2,058,492
Net assets	3,879,805	2,750,590

No dividend has been paid during the year, or is recommended for the financial year ended 30 June 2011.

Share issues during the year

During the year 11,652,197 shares were issued to Hebei Xinghua Iron and Steel Co. Ltd at $0.18 per share and 13,500,000 shares were issued to wholesale and sophisticated investors at $0.18 per share. These placements raised $2.1 million and $2.4 million gross, respectively, for the Company and were arranged by Mr Tay.

Further 1,550,000 options with an exercise price of $0.20 each were exercised raising $310,000 for the Company.

Option issues during the year

During the year 1,000,000 unlisted options with an exercise price of $0.20 and an expiry date of 3 February 2014 were issued to Paterson Securities for being the lead manager of the placement of 10,000,000 new ordinary shares in the Company at $0.21 per share in April 2010.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Board restructuring and EGM

In January 2011, Mr Lewis Tay’s executive powers were removed as he engaged in share trading activities which were inconsistent with the principal activity of the Company and in violation of direct instructions from the board, notwithstanding profits were generated from share trading activities. Prior to this, Mr Tay was an executive director and he is now a non-executive director. The removal of Mr Tay’s powers as an executive followed an investigation which was conducted without the knowledge of all board members, but was undertaken by a group of directors and an aggrieved shareholder with the Company consequently bearing legal and related investigative costs. The investigation was performed by a majority of directors without the knowledge of **all** board members.

Mr Tay’s share trading activities commenced in 2010 as he was given the task to cash out the Company's share portfolio inherited from the previous management but was subsequently instructed by the board to cease all trading and to liquidate all stocks. Mr Tay continued share trading activities despite the board’s directive. These continued unauthorised activities were not highlighted by the Company’s accountants, GDA Corporate (owned by Mr Graham Anderson).

Following the appointment of the new board after the general meeting which was held on 21 March 2011 (“**EGM**”), new internal controls were implemented including operating authority over the Company’s share trading portfolio that requires proper **joint** authorisation of two bank signatories.

The EGM was requisitioned by Mr Lewis Tay, in his capacity as a director of the Company, and three incumbent directors, Mr Ian Levy (Non-Executive Chairman), Mr Malcolm Carson (Technical Director) and Mr Graham Anderson (Director/Secretary) were removed from office and Mr Nicolas Revell (Non-

Executive Director (Technical)) was appointed as a director.

A series of legal actions were then brought against the Company by a group comprised of Mr Malcolm Carson (former Director of the Company removed from office on 21 March 2011), and Mr Yankel Koncepolski (in his capacity as agent for a shareholder in the Company, Mr Shlomo Thaler) to attempt to have the results of the EGM overturned firstly in the Supreme Court of Western Australia and then in the Federal Court of Australia. The legal proceedings against the Company were unsuccessful and discontinued by the plaintiffs. The Company is currently taking legal action against Mr Carson and Mr Thaler/Mr Koncepolski to recover court awarded costs.

The Company incurred legal and other expenses of approximately $0.4 million in relation to these matters, which would not ordinarily have been incurred.

Farm-out of non-core tenements

Consistent with the strategy to actively seek to divest non-core tenements in order to reduce the associated costs being borne by the Group, the Group proposed a farm-out arrangement of the majority of its non-core tenements to China Coal Geological Company, with Mr Tay leading the negotiations.

Other litigation

The Company is continuing to seek conclusion of the litigation involving Ms Rita Brooks, former Managing Director of the Company from 2004 to 2007. In 2005 the Company entered into an option to acquire tenements from a company controlled by Ms Brooks and began exploring these tenements. The Company did not exercise this option, however, continued to bear exploration and other costs associated with these tenements.

SIGNIFICANT EVENTS AFTER BALANCE DATE

No matters have arisen since 30 June 2011 that have significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2011, of the Company; or

(b) the results of those operations; or

(c) the state of affairs, in financial years subsequent to 30 June 2011, of the Company.

FUTURE DEVELOPMENTS

Likely future developments in the operations of the Group are referred to elsewhere in the Annual Report. Other than as referred to in this report, further information as to likely developments in the operations of the Group and expected results of those operations would, in the opinion of the Directors, be speculative and prejudicial to the interests of the Group and its shareholders.

ENVIRONMENTAL REGULATION AND PERFORMANCE

In the course of exploration, the Group carries out sampling and drilling operations that have environmental implications both by way of in situ activities and also gaining access to sites. In such cases, rehabilitation of land and the elimination of any dangerous earthworks are a normal requirement. Apart from this, the Group is not subject to any particular or significant environmental regulation.

DIRECTORS' BENEFITS

Since the date of the last Directors' Report, no Director has received, or become entitled to receive, (other than a remuneration benefit included in Notes to the financial statements), a benefit because of a contract that:

(a) the Director; or

(b) a firm of which the Director is a member; or:

(c) an entity in which the Director has a substantial financial interest; has made (during the year ended 30 June 2011, or at any other time) with the Company; or

(d) an entity that the Company controlled, or a body corporate that was related to the Company, when the contract was made or when the Director received, or became entitled to receive, the benefit (if any).

INDEMNIFICATION OF DIRECTORS

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company (as named above), the Company Secretary, and all executive officers of the Company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The Company has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer of the Company or of any related body corporate against a liability incurred as such an officer.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the court under legislation such as section 237 of the Corporations Act of Australia for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of the consolidated entity with leave of the court under such legislation.

NON-AUDIT SERVICES

The current auditor has not charged the Group for non audit services during the year. The Board of Directors is satisfied that the general standard for audit independence imposed by the Corporations Act 2001 has been met.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2011 has been received and is noted in page 35.

DIRECTORS MEETINGS

The number of meetings attended by each Director of the Company during the financial year was:

	Board Meetings		**Audit Committee Meetings**	
	Number held and entitled to attend	***Number attended***	***Number held and entitled to attend***	***Number attended***
Richard Oh	7	6	-	-
Lewis Tay	7	6	-	-
XiaoDong Sun	4	-	-	-
Nicholas Revell	2	2	-	-
Ian Levy	5	5	-	-
Graham Anderson	5	5	-	-
Malcolm Carson	5	4	-	-
Terry Gygar (Alternate for XiaoDong Sun)	4	4	-	-

Note – no Audit Committee Meetings were held during the year as the function of the audit committee was dealt with by full board.

REMUNERATION REPORT (AUDITED)

The remuneration report is set out under the following main headings:

A Individual key management personnel disclosures
B Principles used to determine the nature and amount of remuneration
C Details of remuneration
D Service agreements
E Share-based compensation
F Additional information

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

A Individual key management personnel disclosures

Details of key management personnel including the top five remunerated executives of the Parent and Group are set out below.

Key management personnel

(i) Directors

Richard Oh	Executive Chairman – from 24 March 2011 Non-executive Director - to 23 March 2011
Lewis Tay	Non-executive Director – from 17 January 2011 Executive Director – to 16 January 2011
Stephen Penrose	Independent Chairman – appointed for the EGM on 21 March 2011
XiaoDong Sun	Non-executive Director – appointed 25 November 2010
Nicholas Revell	Non-executive Director – Technical – appointed 21 March 2011
Terry Gygar	Alternate Director for XiaoDong Sun – appointed 5 January 2011
Ian Levy	Non-executive Chairman – removed from office 21 March 2011
Graham Anderson	Directors and Secretary – removed from office 21 March 2011
Malcolm Carson	Executive Technical Director – removed from office 21 March 2011

(ii) Executives

Michael van Uffelen	CFO and Secretary – appointed 28 March 2011
Leonard Math	Company Secretary – appointed 17 February 2011 resigned 20 April 2011

Mr Oh and Mr Revell will retire at the conclusion of the 2011 annual general meeting. Mr van Uffelen will resign as soon as is practical after the conclusion of the 2011 annual general meeting, allowing for a suitable replacement to be found.

B Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market practice for delivery of reward. The Board ensures that executive rewards satisfy the following key criteria for good reward governance practises:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage/alignment of executive compensation
- transparency and capital management

The Group has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

Alignment to shareholders' interests:

- has economic profit as a core component of plan design

- focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value
- attracts and retains high calibre executives.

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards
- provides recognition for contribution

The framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives. As executives gain seniority with the Group, the balance of this mix shifts to a higher proportion of "at risk" rewards.

The Board has established a remuneration committee which provides advice on remuneration and incentive policies and practises and specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors. The Corporate Governance Statement provides further information on the role of this committee.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Board has also considered the advice of independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market.

The Chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration.

Directors' fees

The current base remuneration was last reviewed with effect from 17 January 2009. The Chairman's and other non-executive directors remuneration is inclusive of committee fees.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at $200,000 per annum and was approved by shareholders at the General Meeting on 24 July 2007.

The remuneration of non-executive directors in 2010 exceeded the maximum aggregate of $200,000. This arose from the issue of options to directors on 21 December 2009. These options were approved by shareholders at a general meeting held on 24 November 2009.

C Details of Remuneration

Amounts of remuneration
Details of the remuneration of the directors, the key management personnel of the Group (as defined in AASB 124 *Related Party Disclosures)* and specified executives of the Group are set out in the following tables:

	Short term benefits		Post-employment	Share based payments		Options as % of remuneration
	Salary & fees	Other	Superannuation	Options	**Total**	
	$	$	$	$	$	
Year ended 30 June 2011						
Richard Oh	65,903	-	-	-	65,903	-
Lewis Tay	92,000	-	-	-	92,000	-
Stephen Penrose****	-	7,838	-	-	7,838	
XiaoDong Sun	21,600	-	-	-	21,600	-
Nicholas Revell	11,629	-	-	-	11,629	-
Terry Gygar***	3,200	-	-	-	3,200	-
Ian Levy	40,000	-	-	-	40,000	-
Graham Anderson*	27,900	59,100	-	-	87,000	-
Malcolm Carson**	199,800	-	-	-	199,800	-
	462,032	**66,938**	**-**	**-**	**528,970**	**-**
Year ended 30 June 2010						
Ian Levy	66,000	-	-	118,100	184,100	64%
Lewis Tay	120,000	-	-	590,500	710,500	83%
Richard Oh	38,000	-	-	236,200	274,200	86%
Graham Anderson*	36,000	68,750	-	118,100	222,850	53%
Malcolm Carson**	214,000	-	-	295,250	509,250	58%
	474,000	**68,750**	**-**	**1,358,150**	**1,900,900**	**71%**

* GDA Corporate, an entity controlled by Mr. Graham Anderson has been paid $59,100 (2010:$68,750) by the Group for providing company secretarial, administrative and accounting services to 31 March 2011.

** The Group paid $199,800 to Minerals Resources Consultants Pty Ltd, an entity controlled by Mr. Malcolm Carson for providing consulting services to the Group.

*** The remuneration of Mr Terry Gygar is not supported by any written approval by the board of directors.

**** Mr Stephen Penrose was appointed the Independent Chairman for the EGM on 21 March 2011. The legal firm in which he is a partner were paid fees for his services.

Total remuneration for the year

	CONSOLIDATED	
	2011	**2010**
	$	**$**
Short term benefits	528,970	542,750
Post-employment benefits	-	-
Share based payments	-	1,358,150
	528,970	**1,900,900**

D Service agreements

There are no service agreements in place with directors following the termination of the agreement with Mineral resource Consultants Pty Ltd, a company controlled by Malcolm Carson, in March 2011. This contract was for $18,000 per month for six months (renewable), commenced on 25 November 2010 and contained a two month notice period for termination.

E ***Share based compensation*** *(see note 19C where further details are provided)*

Options granted to Directors

During the year, no options were issued to Directors.

Options and rights over equity instruments granted as compensation

Details of options over ordinary shares in the Company that were granted as compensation to each key management person during the past two years and details of options that were vested during the past two years are as follows:

	Options granted (Nos.)	Grant date	Expiry date	Exercise price	Grant date fair value	Options vested (Nos.)
Year ended 30 June 2010						
Ian Levy	1,000,000	24/11/2009	21/12/2011	$ 0.2000	$ 0.1181	1,000,000
Lewis Tay	5,000,000	24/11/2009	21/12/2011	$ 0.2000	$ 0.1181	5,000,000
Richard Oh	2,000,000	24/11/2009	21/12/2011	$ 0.2000	$ 0.1181	2,000,000
Graham Anderson	1,000,000	24/11/2009	21/12/2011	$ 0.2000	$ 0.1181	1,000,000
Malcolm Carson	2,500,000	24/11/2009	21/12/2011	$ 0.2000	$ 0.1181	2,500,000
	11,500,000					**11,500,000**

The fair value of the options has been assessed applying the Black-Scholes valuation technique.

The options fully vested at the time of issue.

The following key variables have been applied in computation of the fair value at grant dates:

		Director options 2010
Strike price		$ 0.2000
Share price on grant date		$ 0.2300
Volatility in share price		82%
Risk free rate		4.61%
Dividend yield		0.00%

The fair value of the options is recognised as an expense over the period from grant to vesting date. The amount recognised as part of share-based payments expense during the year was $nil (2010: $2,125,800).

No options have been granted since the end of the financial year. The options were provided at no cost to the recipients.

i. The value of options granted in the year is the fair value of the options calculated at grant date using a binomial valuation methodology. The total value of the options granted is included in the table above.

ii. The value of options exercised during the year is calculated as the market price of shares of the Company on the Australian Securities Exchange as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.

iii. The value of the options that lapsed during the year represents the benefit forgone and is calculated at the date the option lapsed using a Black-Scholes model with no adjustments for whether the performance criteria have or have not been achieved.

Movement in share based options during the year or since the end of the financial year.

	Director options 2011	**Director options 2010**
	Nos.	Nos.
Balance at 30 June	11,500,000	-
Held by former directors	(2,500,000)	
Granted during the year	-	11,500,000
Balance at 30 June	**9,000,000**	**11,500,000**
Expired by the date of this report	-	-
Balance at the date of this report	**9,000,000**	**11,500,000**

F Additional information

Summary of Group's performance and movements in Dynasty Metals Australia Limited's share price over the last five years:

	2011	**2010**	**2009**	**2008**	**2007**
	$	**$**	**$**	**$**	**$**
Revenue	107,584	572,998	318,119	776,437	191,685
Net loss before tax	(3,455,347)	(5,807,812)	(2,630,842)	(2,987,487)	(1,058,156)
Net loss after tax	(3,455,347)	(5,778,447)	(2,508,855)	(2,987,487)	(1,058,156)
Closing share price at reporting dates	$ 0.1800	$ 0.1400	$ 0.1250	$ 0.2750	$ 0.2800
Basic and diluted loss per share	$ 0.0399	$ 0.0831	$ 0.0451	$ 0.0639	$ 0.0326
Dividends per share	$ -	$ -	$ -	$ -	$ -

The Directors' report is signed in accordance with a resolution of Directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Board

MICHAEL VAN UFFELEN
Company Secretary

Perth, Western Australia
Dated 25 August 2011

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Dynasty Metals Australia Limited is responsible for the corporate governance of the Group. The Board guides and monitors the business affairs of the Company on the behalf of the shareholders by whom they are elected and to whom they are accountable.

The Corporate Governance Statement of Dynasty Metals Australia Limited is structured with reference to the Australian Stock Exchange Corporate Governance Council's (the Council's) "Corporate Governance Principles and Recommendations" ("ASX Principles") as revised in August 2007 the Principles of which are as follows:

Principle 1	Lay solid foundations for management and oversight
Principle 2	Structure the Board to add value
Principal 3	Promote ethical and responsible decision making
Principle 4	Safeguard integrity in financial reporting
Principle 5	Make timely and balances disclosures
Principle 6	Respect the rights of shareholders
Principle 7	Recognise and manage risk
Principle 8	Remunerate fairly and responsibly

Commensurate with the spirit of the ASX Principles, the Company has followed each of the Recommendations to the extent the Board considered that their implementation was practicable and likely to genuinely improve the Company's internal processes and accountability to external stakeholders. The Corporate Governance Statement contains certain specific information and discloses the extent to which the Company has followed the guidelines during the period. Where a recommendation has not been followed, that fact is disclosed, together with reasons for the departure.

Explanation for Departures from Best Practice Recommendations

<u>Principle 2</u>

Majority of the board should be independent directors

The board presently only has one independent director due to the current composition of the board.

Independent Chair

The board recognises the Corporate Governance Council's recommendation that the Chair should be an independent director, however, the present constitution of the board does not permit the Chair to be independent at this time.

Following shareholders voting to remove three directors on 21 March 2011 and the election a new non-executive technical director, the board is now comprised of:

- Mr Richard Oh – formerly independent director who is a Chartered Accountant and former stock broker with extensive governance and company director experience;
- Mr Lewis Tay – former executive director stripped of his executive duties for failing to obey an instructions from the board;
- Ms XiaoDong Sun – holding office on a ASX listed company for the first time, resident in China and appointed by a single shareholder pursuant to a private placement in November 2010; and
- Mr Nicholas Revell – an experienced company director and geologist who is independent and was appointed as a director of the Company on 21 March 2011.

In the present circumstances, the default governance option was for Mr Oh to be elected executive chairman. The board believes that Mr Oh is the most appropriate person to lead the board and the Company at the present time and that he is able to and does bring quality and independent judgement to all relevant issues falling within the scope of the role of Chairman and that the Group as a whole benefits from his long standing experience of its operations and business relationships. Mr Oh has stressed several times that he did not seek this position and intended to resign his executive role as soon as a new board was elected.

Nomination committee

Recommendation 2.4 requires listed entities to establish a nomination committee. During the year ended 30 June 2011, the Company did not have a separately established nomination committee. However, the duties and responsibilities typically delegated to such committee are included in the responsibilities of the full Board.

Performance

In view of the recent changes at the board level, the Company does not presently have a formal process of reviewing the performance of the board nor key executives regularly against both measurable and qualitative indicators as more pressing governance and fiscal control measures have taken preference.

Such as processes did not exist at the time the current board assumed stewardship of the Company.

Directors whose performance is consistently unsatisfactory may be asked to retire.

To allow the shareholders to decide on the performance of three former directors, Mr Tay with the support of Mr Oh requisitioned a shareholders' meeting to vote on the removal of three former directors.

Recent shareholders general meeting requisitions for board changes have more to do with positioning of shareholders' influence and power as represented by some directors than directors' performances alone.

Principle 4

Audit committee

Recommendation 4.2 requires the audit committee to be structured so that it consists only of non-executive directors with a majority of independent directors, chaired by an independent chairperson who is not chairperson of the Board and has at least three members. During the year ended 30 June 2011, the Company did not have a separately established audit committee. However, the duties and responsibilities typically delegated to such committee are included in the responsibilities of the full Board.

Board functions

The board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

To ensure that the board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of directors and for the operation of the board. The responsibility for the operation and administration of the Group is delegated, by the board, to the CEO and the executive management team.

The board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the board. The board has a number of mechanisms in place to ensure this is achieved including:

- Board approval of a strategic plan designed to meet stakeholders' needs and manage business risk
- Ongoing development of the strategic plan and approving initiatives and strategies designed to ensure the continued growth and success of the entity
- Implementation of budgets by management and monitoring progress against budget — via the establishment and reporting of both financial and non-financial key performance indicators

Other functions reserved to the board include:

- Approval of the annual and half-yearly financial reports
- Approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures
- Ensuring that any significant risks that arise are identified, assessed, appropriately managed and monitored
- Reporting to shareholders

Structure of the board

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report are included in the directors' report. Directors of Dynasty Metals Australia Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with — or could reasonably be perceived to materially interfere with — the exercise of their unfettered and independent judgement.

In the context of director independence, "materiality" is considered from both the Group and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount.

Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors that point to the actual ability of the director in question to shape the direction of the Group's loyalty.

In accordance with the definition of independence above, and the materiality thresholds set, the following directors of Dynasty Metals Australia Limited are considered to be independent:

Name	**Position**
Nicholas Revell,	Non-executive director – technical (appointed 21 March 2011)

The term in office held by each director in office at the date of this report is as follows:

Name	**Term in office**
Richard Oh	Appointed 26 October 2007
Lewis Tay	Appointed 17 January 2008
XiaoDong Sun	Appointed 25 November 2010
Nicholas Revell	Appointed 21 March 2011

For additional details regarding board appointments, please refer to our website.

Trading policy

Under the Company's securities trading policy, an executive or director must not trade in any securities of the Company at any time when they are in possession of unpublished, price-sensitive information in relation to those securities.

It is contrary to Dynasty policy for Directors and employees to be engaged in short-term trading of Dynasty securities.

Directors and employees must not deal in Dynasty securities during the week immediately before or 24 hours after:

- the release of Dynasty half-yearly or yearly results;
- the release of Dynasty quarterly results; or

- the Annual General Meeting.

Directors and senior management must also not deal in Dynasty securities during the week immediately before or 24 hours after:

- the date of the Board meeting for the approval of the Company's interim or annual results; or
- the deadline for the Company to publish its annual results announcement.

Requests to trade during the closed periods may be considered in exceptional circumstances. In the case of Directors and Senior Management approval will be required by the Managing Director or from the Chairman where the Managing Director makes such a request (Designated Officer).

Any permission provided under this must be obtained by the Applicant not less than 2 business days before the proposed trade.

Risk

The Board has identified the significant areas of potential business and legal risk of the Company. The identification, monitoring and, where appropriate, the reduction of significant risk to the Company will be the responsibility of the Board.

To this end, comprehensive practices are in place which are directed towards achieving the following objectives:

- effectiveness and efficiency in the use of the Company's resources;
- compliance with applicable laws and regulations;
- preparation of reliable published financial information.

CEO and CFO certification

In accordance with section 295A of the *Corporations Act*, the CEO and CFO have provided a written statement to the board that:

- Their view provided on the Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the board; and
- The Company's risk management and internal compliance and control system is operating effectively in all material respects.

Remuneration

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the board has set remuneration by benchmarking to industry peers.

For a full discussion of the Company's remuneration philosophy and framework and the remuneration received by directors and executives in the current period please refer to the remuneration report, which is contained within the directors' report.

There is no scheme to provide retirement benefits to non-executive directors.

The board is responsible for determining and reviewing compensation arrangements for the directors themselves and the CEO. The CEO sets the remuneration of the executive team.

Shareholder communication policy

Pursuant to Principle 6, the Company's objective is to promote effective communication with its shareholders at all times.

The Company is committed to:

- Ensuring that shareholders and the financial markets are provided with full and timely information about the Company's activities in a balanced and understandable way;
- Complying with continuous disclosure obligations contained in the ASX listing rules and the Corporations Act in Australia; and
- Communicating effectively with its shareholders and making it easier for shareholders to communicate with the Company.

To promote effective communication with shareholders and encourage effective participation at general meetings, information is communicated to shareholders:

- Through the release of information to the market via the ASX
- Through the distribution of the annual report and notices of annual general meeting
- Through shareholder meetings and investor relations presentations
- Through letters and other forms of communications directly to shareholders
- By posting relevant information on the Company's website: www.dynastymetals.com.au

The Company's website publishes all important company information and relevant announcements made to the market.

The external auditors are required to attend the annual general meeting and are available to answer any shareholder questions about the conduct of the audit and preparation of the audit report.

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Woodside Plaza
Level 14
240 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

DX: 206
Tel: +61 (0) 8 9365 7000
Fax: +61 (8) 9365 7001
www.deloitte.com.au

The Board of Directors
Dynasty Metals Australia Limited
Level 2, 35 Havelock Street
WEST PERTH WA 6005

25 August 2011

Dear Board Members

Dynasty Metals Australia Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Dynasty Metals Australia Limited.

As lead audit partner for the audit of the financial statements of Dynasty Metals Australia Limited for the financial year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Nicoloff

Chris Nicoloff
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Woodside Plaza
Level 14
240 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

DX: 206
Tel: +61 (0) 8 9365 7000
Fax: +61 (8) 9365 7001
www.deloitte.com.au

Independent Auditor's Report to the members of Dynasty Metals Australia Limited

Report on the Financial Report

We have audited the accompanying financial report of Dynasty Metals Australia Limited, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 39 to 65.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We have conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Dynasty Metals Australia Limited would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion, the financial report of Dynasty Metals Australia Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 24 to 29 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards

Opinion

In our opinion the Remuneration Report of Dynasty Metals Australia Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Nicoloff

Chris Nicoloff
Partner
Chartered Accountants
Perth, 25 August 2011

DIRECTORS' DECLARATION

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 2(a) to the financial statements;

(c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and

(d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors made pursuant to s295(5) of the Corporations Act 2001.

On behalf of the Board

MICHAEL VAN UFFELEN
Company Secretary

Perth, Western Australia
Dated 25 August 2011

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

	Notes	CONSOLIDATED	
		2011	**2010**
		$	**$**
Continuing operations			
Interest income		108,252	74,400
Other income/(loss)		(668)	498,598
		107,584	**572,998**
Employee benefits expenses		(549,751)	(537,250)
Exploration expenses		(2,092,449)	(3,019,832)
Impairment of available for sale financial assets		-	(34,514)
Share based payment expenses	14	-	(2,125,800)
Administrative and other expenses		(920,731)	(663,414)
Loss before income tax	3	**(3,455,347)**	**(5,807,812)**
Income tax benefit / (expense)	5	-	29,365
Net loss after tax attributable to owners of the Group		**(3,455,347)**	**(5,778,447)**
Other comprehensive income			
Gain on fair value of available for sale financial assets		-	596,481
Transfer of gains to profit or loss upon disposal		(123,861)	(498,598)
Impairment of available for sale investments		-	(376,621)
Tax effect of movements in available for sale financial asset reserve		34,342	83,621
Total other comprehensive income for the year		(89,519)	(195,117)
Total comprehensive loss attributable to owners of the Group		**(3,544,866)**	**(5,973,564)**
Net loss per share (in cents)			
Basic and diluted for the year	4	(3.99)	(8.31)

STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Notes	CONSOLIDATED 2011 $	CONSOLIDATED 2010 $
ASSETS			
Current assets			
Cash and cash equivalents	6	3,889,140	2,842,133
Trade and other receivables	8	75,758	212,005
Prepayments		33,045	18,599
Total current assets		**3,997,943**	**3,072,737**
Non-current assets			
Other financial assets	9	393,728	543,303
Property, plant and equipment	10	130,834	148,795
Total non-current assets		**524,562**	**692,098**
Total assets		**4,522,505**	**3,764,835**
LIABILITIES			
Current liabilities			
Trade and other payables	11	642,700	1,014,245
Total current liabilities		**642,700**	**1,014,245**
Total liabilities		**642,700**	**1,014,245**
Net assets		**3,879,805**	**2,750,590**
EQUITY			
Contributed equity	12	17,355,778	12,819,061
Reserves	13	2,972,344	2,924,499
Accumulated losses		(16,448,317)	(12,992,970)
Total equity		**3,879,805**	**2,750,590**

STATEMENT OF CASH FLOWS

For the year ended 30 June 2011

	Notes	CONSOLIDATED 2011 $	2010 $
OPERATING ACTIVITIES			
Payments to suppliers and employees		(3,940,514)	(3,501,374)
Interest received		108,252	74,400
Cash used in operating activities	7	(3,832,262)	(3,426,974)
INVESTING ACTIVITIES			
Purchase of plant and equipment		-	(150,923)
Proceeds from sale of plant and equipment		-	-
Acquisition of available for sale financial assets		(651,511)	(2,649,723)
Proceeds from sale of available for sale financial assets		710,656	3,403,282
Cash from investing activities		59,145	602,636
FINANCING ACTIVITIES			
Proceeds from issue of equity		4,837,395	2,880,000
Cost of raising equity		(17,271)	(172,192)
Cash from financing activities		4,820,124	2,707,808
Net increase/(decrease) in cash and cash equivalents		**1,047,007**	**(116,530)**
Cash and cash equivalent at the beginning of the year		2,842,133	2,958,663
Cash and cash equivalent at the end of the year	6	**3,889,140**	**2,842,133**

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2011

	CONSOLIDATED			
	Ordinary Shares $	Reserves $	Accumulated losses $	Total equity $
At 30 June 2009	**10,111,253**	**993,816**	**(7,214,523)**	**3,890,546**
Loss for the year	-	-	(5,778,447)	(5,778,447)
Other comprehensive income for the year	-	(195,117)	-	(195,117)
Total comprehensive loss for the year	-	(195,117)	(5,778,447)	(5,973,564)
Issue of shares	2,707,808			2,707,808
Share based payments	-	2,125,800	-	2,125,800
At 30 June 2010	**12,819,061**	**2,924,499**	**(12,992,970)**	**2,750,590**
Loss for the year	-	-	(3,455,347)	(3,455,347)
Other comprehensive income for the year	-	(89,519)	-	(89,519)
Total comprehensive loss for the year	-	(89,519)	(3,455,347)	(3,544,866)
Issue of shares	4,837,395	-	-	4,837,395
Issue of options to consultants	-	137,607	-	137,607
Capital raising costs	(300,678)	-	-	(300,678)
Other	-	(243)	-	(243)
At 30 June 2011	**17,355,778**	**2,972,344**	**(16,448,317)**	**3,879,805**

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The financial report of Dynasty Metals Australia Limited for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the directors on 25 August 2011.

Dynasty Metals Australia Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The principal activity of the Group during the year was exploration and evaluation of mineral licences.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) **Basis of Preparation**

The financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian Dollars unless otherwise noted.

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law.

Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards (IFRS).

(b) **New standards and interpretations**

From 1 July 2010 the Group has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2010:

- AASB 2009-5 – Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project – The subject of amendments to the standards are set out below:
  - AASB 5 – Disclosures in relation to non-current assets (or disposal groups) classified as held for sale or discontinued operations
  - AASB 8 – Disclosure of information about segment assets
  - AASB 101 – Current/non-current classification of convertible instruments
  - AASB 107 – Classification of expenditures that does not give rise to an asset
  - AASB 117 – Classification of leases of land
  - AASB 118 – Determining whether an entity is acting as a principle or an agent
  - AASB 136 – Clarifying the unit of account for goodwill impairment test is not larger than an operating segment before aggregation
  - AASB 139 – Treating loan prepayment penalties as closely related embedded derivatives, and revising the scope exemption for forward contracts to enter into a business combination contract
- AASB 2009-8 – Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]
- AASB 2009-10 – Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]
- AASB 2010-3 – Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139].
  - Limits the scope of the measurement choices of non-controlling interest to instruments that are present ownership interests and entitle their holders to a

  proportionate share of the entity's net assets in the event of liquidation. Other components of NCI are measured at fair value.
  - Requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), in a consistent manner i.e., allocate between consideration and post combination expenses.
  - Clarifies that contingent consideration from a business combination that occurred before the effective date of AASB 3 Revised is not restated.
  - Clarifies that the revised accounting for loss of significant influence or joint control (from the issue of IFRS 3 Revised) is only applicable prospectively.

- AASB 2010-4 – Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project
  - This standard has not had any material effect on amounts reported in the financial statements

- Interpretation 19 – Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments
  - This interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are "consideration paid" in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability.
  - The interpretation states that equity instruments issued as payment of a debt should be measured at the fair value of the equity instruments issued, if this can be determined reliably. If the fair value of the equity instruments issued is not reliably determinable, the equity instruments should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment.

While the adoption of the standards and interpretations above resulted in a change in the relevant accounting policies of the Group or presentation of the financial statements, neither the adoption of the standards and interpretation of previous pages have any effect on the financial position or performance of the Group.

<u>Effective for financial periods commencing on or after 1 July 2011:</u>
- AASB 2009-12 – Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]
- AASB 2009-14 – Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement
- AASB 1054 – Australian Additional Disclosures
- AASB 2010-4 – Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]
- AASB 2010-5 – Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]
- AASB 2010-6 – Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]
- AASB 2011-1 – Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132, AASB 134, Interpretation 2, Interpretation 112, Interpretation 113]

<u>Effective for financial periods commencing on or after 1 July 2012:</u>
- AASB 124 (Revised) – Related Party Disclosures (December 2009)
- AASB 2010-8 – Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]

Effective for financial periods commencing on or after 1 July 2013:

- AASB 9 – Financial Instruments
- AASB 2009-11 – Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]
- AASB 1053 – Application of Tiers of Australian Accounting Standards
- AASB 2010-7 – Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023, & 1038 and interpretations 2, 5, 10, 12, 19 & 127]
- AASB 2011-2 – Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project – Reduced disclosure regime
- IFRS 10 Consolidated Financial Statements - Requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities.
- IFRS 11 Joint Arrangements - Replaces IAS 31 Interests in Joint Ventures. Requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement.
- IFRS 12 Disclosure of Involvement with Other Entities - Requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
- IFRS 13 Fair Value Measurement - Replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard.
- IAS 27 Separate Financial Statements (2011) - Amended version of IAS 27 which now only deals with the requirements for separate financial statements, which have been carried over largely unamended from IAS 27 Consolidated and Separate Financial Statements. Requirements for consolidated financial statements are now contained in IFRS 10 Consolidated Financial Statements.
- IAS 28 Investments in Associates and Joint Ventures (2011) - This Standard supersedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

(c) **Basis of consolidation**

A controlled entity is any entity Dynasty Metals Australia Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included / excluded from the date control was obtained or until the date control ceased.

The consolidated financial statements comprise the financial statements of Dynasty Metals Australia Limited and its controlled subsidiaries ('the Group').

(d) **Foreign currency translation**

Both the functional and presentation currency of the group is Australian Dollar.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at reporting date.

All differences in the consolidated financial report are taken to the income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(e) **Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

(f) **Employee Benefits Expenditure**

Employee benefits such as salary and wages are measured at the rate at which the entity expects to settle the liability; and recognised during the period over which the employee services are being rendered.

Provision is made for the group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(g) **Exploration and evaluation expenses**

The Group expenses all exploration and evaluation expenses as they are incurred.

(h) **Share based payment**

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of valuation techniques. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Groups' estimate of shares that will eventually vest.

The above policy is applied to all equity-settled share-based payments that were granted after 7 November 2002 that vested after 1 January 2005. No amount has been recognised in the financial statements in respect of the other equity-settled share-based payments.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(i) **Income Taxes**

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for the financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

(j) **Earnings per share**

a. *Basic earnings per share*

Basic earnings per share is determined by dividing the group operating result after income tax attributable to members by weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

b. Diluted earnings per share

Diluted earnings per share adjusts the figure used in the determination of basic earnings per share by taking into account amounts paid on ordinary shares and any reduction in earnings per share that will probably arise from the exercise of options outstanding during the financial year.

(k) **Cash and Cash Equivalent**

Cash comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(l) **Trade and Other Receivable**

Receivables are recognised and carried at original costs less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(m) **Property, Plant and Equipment**

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

The useful life of the assets have been set at the following levels to determine the depreciation rates:

- Plant and equipment: 2.5 to 4.5 years

The carrying amount of the property, plant and equipment are reviewed by the management to determine the adequacy of the depreciation charged at the end of each reporting period. Any excess or shortfall in depreciation charged is being adjusted in the income statement in the year in which such adjustments are being made as a reversal of the depreciation expense.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued used of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

(n) **Recoverable Amount of Assets**

At each reporting date, the group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or group of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(o) **Trade and Other Payables**

Liabilities are recognised for amounts to be paid in the future for goods and services received.

Liabilities expected to be settled within the normal trading cycle are carried at costs, and those expected to be settled beyond 12 months are measured at amortised costs.

(p) **Provisions**

Provisions are recognised when the entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(q) **Leases**

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(r) **Financial Instruments**

Financial instruments are recognised when the entity becomes party to the contractual provisions of the instrument. The derecognition of a financial instrument takes place when the entity no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

(s) **Investments**

All investments are initially recognised at fair value of the consideration given and including acquisition charges associated with the investment. After initial recognition, investments, which are classified as available for sale, are measured at fair value.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which point the cumulative gain or loss previously reported in equity is included in the income statement.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance date.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is subsequently the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date i.e. the date that the Group commits to purchase the asset.

Parent’s investments in the subsidiaries are accounted at “cost” per AASB 127. The management assess the carrying amount of such investments at each balance date, and any impairment therein is provided for.

(t) **Other Taxes**

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Cash Flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(u) **Critical accounting judgements and key sources of estimation uncertainty**

In the application of Australian Accounting Standards, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Share based payments

The values of amounts recognised in respect of share based payments have been estimated based on the fair value of the options. To estimate this fair value an option pricing model has been used. There are many variables and assumptions used as inputs into the model (which have been detailed in Notes). If any of these assumptions or estimates were to change this could have a significant effect on the amounts recognised.

Available for sale financial assets

The available for sale financial assets are measured at their fair value on each reporting date. The fair values are measured with reference to their closing market rates. The management has to apply judgement to determine if a decline in each investment's fair value below their costs is impairment. In making such judgement, the management considers the trend in movement of investment's fair value from the observable market data and the volatility in such movements over a period of time.

3. REVENUE AND EXPENDITURE

	CONSOLIDATED	
	2011	**2010**
	$	**$**
Included in loss for the year are:		
Income:		
Net (loss) gain on sale of available for sale financial assets transferred from equity to income (see note 13)	123,861	498,598
Expenses:		
Directors fees and remuneration	528,970	1,900,900
Depreciation expenses	17,961	9,081
Investigation into share trading activities by Mr Tay	61,763	-
Legal fees associated by the EGM on 21 March 2011	347,583	-
Auditors' remuneration		
For audit and review of financial report		
PKF Chartered Accountants	-	8,000
Deloitte Touche Tohmatsu	32,432	16,000
For other services	-	-
	32,432	**24,000**

4. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary shareholders (after deducting interest on the convertible redeemable preference shares) by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options and dilutive partly paid contributing shares).

The following reflects the income and share data used in the total operations basic and dilutive earnings per share computations:

	CONSOLIDATED	
	2011	**2010**
	$	**$**
Net loss attributable to equity holders from continuing operations	(3,455,347)	(5,778,447)
Net loss attributable to equity holders of parent	(3,455,347)	(5,778,447)
Net loss attributable to ordinary shareholders for diluted earnings per share	(3,455,347)	(5,778,447)
	Nos.	***Nos.***
Weighted average number of ordinary shares for basic earnings per share.	86,641,733	69,563,125
Adjusted weighted average number of ordinary shares for diluted earnings per share.	86,641,733	69,563,125
Options outstanding at reporting date *(Considered as anti-dilutive and hence not considered in above)*	17,450,000	18,500,000

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before completion of these financial statements.

5. INCOME TAX

	CONSOLIDATED 2011 $	CONSOLIDATED 2010 $
The components of income tax benefit / (expense) comprise of:		
Recognised in income statement:		
Current tax	-	-
Deferred tax	-	29,365
	-	**29,365**
Recognised in statement of changes in equity:		
Current tax	-	-
Deferred tax	(34,342)	83,622
	(34,342)	**83,622**
Reconciliation of income tax expense to statutory income tax:		
Accounting loss before income tax	(3,455,347)	(5,807,812)
Tax benefit at statutory rate of 30%	(1,036,604)	(1,742,344)
Non deductible expenses		
Share based payments	-	637,739
Income tax benefit not brought into account	1,036,604	1,133,970
Income tax benefit / (expense) reported in income statement	-	29,365
Weighted average effective tax rate	0%	0%
Components of deferred taxes:		
Deferred tax assets		
Carry forward revenue losses	4,246,144	3,209,540
Blackhole deduction	-	36,616
Non deductible accruals	91,513	4,500
	4,337,657	3,250,656
Deferred tax asset recognised to the extent of deferred tax liability at balance date	-	1,548
Deferred tax liabilities		
Accrued interest	-	1,548
	-	1,548
Net deferred tax asset / (liability)	**-**	**-**
Unrecognised deferred tax asset	4,337,657	3,249,108

The tax benefits of the above Deferred Tax Assets will only be obtained if:

(a) the Group derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;
(b) the Group continues to comply with the conditions for deductibility imposed by law; and
(c) no changes in income tax legislation adversely affect the company in utilising the benefits.

Tax consolidation:
For the purpose of income taxation, the Company and its 100% controlled Australian entities have not elected to form a tax consolidated group.

6. CASH AND CASH EQUIVALENT

	CONSOLIDATED 2011 $	2010 $
Reconciliation of cash		
For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following:		
Cash at bank and in hand	148,326	2,313,458
Short Term Deposits	3,740,814	528,674
	3,889,140	2,842,133

Cash at bank and in hand earns interest at floating rates based on daily bank rates.

7. Reconciliation of operating loss to operating cash flows:

	CONSOLIDATED 2011 $	2010 $
Loss for the year	(3,455,347)	(5,778,447)
Adjustments for:		
Loss / (gain) on sale of financial assets	(123,861)	(498,598)
Depreciation and amortisation	17,961	9,081
Impairment of financial assets	-	34,514
Share based payments	-	2,125,800
Deferred tax benefit	-	(29,365)
Movement in working capital items:		
(Increase) / decrease in receivables	136,247	(11,966)
(Increase) / decrease in prepayments	(14,446)	(12,940)
Increase / (decrease) in payables	(392,816)	734,947
Net cash from operating activities	**(3,832,262)**	**(3,426,974)**

8. TRADE AND OTHER RECEIVABLE

	CONSOLIDATED 2011 $	2010 $
Accrued interest from financial institutions	-	5,160
GST receivable	69,758	193,279
Other receivable	6,000	13,566
	75,758	**212,005**
Ageing of receivables:		
Recoverable within 3 months	75,758	212,005
	75,758	**212,005**

9. OTHER FINANCIAL ASSETS

	CONSOLIDATED	
	2011	**2010**
	$	**$**
Term deposits with financial institutions	228,231	215,443
Available for sale financial assets	165,497	327,860
	393,728	543,303

Term deposits are restricted cash balances held by financial institutions as security against the guarantees issued to State Governments for the Group's exploration tenements.

Available for sale financial assets are Group's investment in equity of listed entities. These are measured at their fair value applying the closing market rate on the reporting dates. Investments at balance date represent 2,546,099 ordinary equity shares in Argonaut Resources NL (2010: 860,000)

These investments have not been consolidated as the Group neither controls nor is a position to exert significant influence over financial and operating decisions of these entities.

During the year, share trading activities were undertaken by Mr Tay against the direction of the board of directors and outside the principal business activity of the Group. A loss of $668 was incurred in the year, inclusive of revaluing remaining investment in ordinary shares in Argonaut Resources NL to the closing value and after transferring $123,861 of gains recognised directly in equity (see note 13) in the 2010.

10. PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED	
	2011	**2010**
	$	**$**
Plant and equipment		
At cost	169,409	169,409
Accumulated depreciation	(38,574)	(20,614)
	130,834	**148,795**
Movement in net carrying amount		
Balance at the beginning of the year	148,795	6,953
Additions	-	150,923
Disposals	-	-
Depreciation for the year	(17,961)	(9,081)
Balance at the end of the year	**130,834**	**148,795**

11. TRADE AND OTHER PAYABLE

	CONSOLIDATED	
	2011	**2010**
	$	**$**
Trade and other payable	642,700	1,014,244
	642,700	**1,014,244**
Payable maturity analysis:		
Payable within 3 months	642,700	1,014,244
	642,700	**1,014,244**

Trade and other payables are unsecured and generally payable on 30 to 90 day credit terms.

12. CONTRIBUTED EQUITY

	CONSOLIDATED			
	2011		**2010**	
	Nos.	**$**	**Nos.**	**$**
Movement of ordinary shares on issue:				
Balance at the beginning of the year	77,681,312	12,819,061	63,631,312	10,111,253
Issued at $0.10	-	-	300,000	30,000
Issued at $0.21	-	-	10,000,000	2,100,000
Issued at $0.18	25,152,197	4,527,395	-	-
Option conversion at $0.20	1,550,000	310,000	3,750,000	750,000
Equity issue costs	-	(300,678)	-	(172,192)
Balance at the end of the year	**104,383,509**	**17,355,778**	**77,681,312**	**12,819,061**

Fully paid ordinary shares carry one vote per share and carry a right to dividends

(i) On 22 October 2010, 11,652,197 shares were issued to Hebei Xinghua Iron and Steel Co. Ltd at an issue price of $0.18.

(ii) On 24 June 2011, 13,500,000 shares were issued to wholesale and sophisticated investors at $0.18. The arranging broker is due to be paid a fee of $145,800 or issued with 1,000,000 shares in the Company, subject to shareholder approval. A resolution will be proposed at the 2011 annual general meeting to approve the issue of 1,000,000 shares to the broker. If the issue of shares is not approved, the broker will be paid $145,800.

(iii) During the year 1,000,000 unlisted options with an exercise price of $0.20 and an expiry date of 3 February 2014 were issued to Paterson Securities for being the lead manager of the placement of 10,000,000 new ordinary shares in the Company at $0.21 per share in April 2010. These options were valued using a Black-Scholes option pricing model at $137,607 (see note 14 for further details).

Movement in options outstanding:

	CONSOLIDATED					
	20 cents options expiring 3/02/2014	20 cents options expiring 21/12/2011	20 cents options expiring 01/09/2010	20 cents options expiring 30/11/2009	35 cents options expiring 28/02/2010	30 cents options expiring 31/12/2009
	Nos.	**Nos.**	**Nos.**	**Nos.**	**Nos.**	**Nos.**
Year ended 30 June 2011						
Balance at the beginning of the year	-	18,000,000	500,000	-	-	-
Issued during the year	1,000,000	-	-	-	-	-
Exercised during the year	(1,000,000)	(550,000)	-	-	-	-
Lapsed during the year		-	(500,000)	-	-	-
Balance at the end of the year	**-**	**17,450,000**	**-**	**-**	**-**	**-**
Year ended 30 June 2010						
Balance at the beginning of the year	-	-	500,000	5,150,000	20,917,029	500,000
Issued during the year	-	18,000,000	-	-	-	-
Exercised during the year	-	-	-	(3,750,000)	-	-
Lapsed during the year	-	-		(1,400,000)	(20,917,029)	(500,000)
Balance at the end of the year	**-**	**18,000,000**	**500,000**	**-**	**-**	**-**

Capital Management Policy
The Group's policy is to effectively manage its capital structure so that it would continue to operate as a going concern. The Group manages its contributed equity and reserves as part of its capital. The Group has no debt obligations and is not subject to any externally imposed capital requirements.

As is similar with many other exploration companies, the operational requirements of the Group are funded through equity raised in various trenches. The overall capital management policy of the Group remains unchanged and is consistent with prior years.

13. RESERVES

Movement in reserves

	CONSOLIDATED			
	Available for sale financial assets reserve **$**	Share options reserve **$**	Foreign currency translation reserve **$**	Total **$**
At 30 June 2009	**284,636**	**708,937**	**243**	**993,816**
Share based payments	-	2,125,800	-	2,125,800
Gain on fair value of available for sale financial assets	596,481	-	-	596,481
Transfer of gains to profit or loss upon disposal	(498,598)	-	-	(498,598)
Impairment of available for sale investments	(376,621)	-	-	(376,621)
Movement in foreign exchange rates	-	-	-	-
Tax effect of movement in reserves	83,622			83,622
At 30 June 2010	**89,519**	**2,834,737**	**243**	**2,924,499**
Issue of options to consultants	-	137,607	-	137,607
Transfer of gains to profit or loss upon disposal	(123,861)	-	-	(123,861)
Tax effect of movement in reserves	34,342	-	-	34,342
Other movements	-	-	(243)	(243)
At 30 June 2011	**-**	**2,972,344**	**-**	**2,972,344**

Available for sale financial ("AFS") assets reserve
The reserve represents the accumulated gains and losses in the fair value movement of AFS financial assets existing at each balance date. The balance of each AFS investment is reclassified to profit or loss upon derecognistion of the asset or when impairment exceeds the available balance.

Share options reserve
The balance in the reserve represents proceeds from issue of options and also the fair value of options granted to directors and others.

Foreign currency translation reserve
The balance in the reserve represents the exchange gain or loss arising translation of foreign operations net assets at closing rate and the equity at various other rates. The balance in the reserve shall be transferred to accumulated losses when the foreign operations are disposed of.

14. SHARE BASED PAYMENTS

A. *Share based option payments made during the year*

The following share based payment options were granted during the current and prior year:

	Nos.	Grant date	Expiry	Exercise price	Fair value at grant date
Consultant options 2011	1,000,000	22/10/2010	03/02/2014	$ 0.2000	$ 0.1376
Director options 2010	11,500,000	24/11/2009	21/12/2011	$ 0.2000	$ 0.1181
Consultants options 2010	6,500,000	24/11/2009	21/12/2011	$ 0.2000	$ 0.1181

During the year ended 30 June 2011, the Group granted options on the following terms:

1. 1,000,000 unlisted options issued consultants in consideration for raising capital. These options were exercisable at $0.20 each, had an expiry date of 3 February 2014 and were exercised on 25 February 2011.

During the year ended 30 June 2010, the Group granted options to certain directors and options on the following terms:

2. 11,500,000 unlisted options issued to directors in consideration for their services to the Group. These options were approved by the shareholders in the 2009 annual general meeting. These options are exercisable at $0.20 each and are expiring on 21/12/2011. There is no vesting or market conditions attached to these options.
3. 6,500,000 unlisted options issued to consultants in consideration for services provided to the Group's operations. The issue of options were approved by the shareholders in the 2009 annual general meeting. These options are exercisable at $0.20 and are expiring on 21/12/2011. There is no vesting or market conditions attached to these options.

B. *Fair value of share based payment options granted*

The fair value of the options has been assessed applying the Black-Scholes valuation technique. The following key variables have been applied in computation of the fair value at grant dates:

		Consultants options 2011	Director options 2010	Consultants options 2010
Strike price		$ 0.2000	$ 0.2000	$ 0.2000
Share price on grant date		$ 0.2500	$ 0.2300	$ 0.2300
Volatility in share price		121%	82%	82%
Risk free rate		4.50%	4.61%	4.61%
Dividend yield		0.00%	0.00%	0.00%

C. *Movement in share based payment options*

The movement in share based payment options were:

	Nos.	Average exercise price
Balance at 30 June 2009	**27,067,029**	$ 0.3178
Expired during 2010	(22,817,029)	$ 0.3397
Exercised during 2010	(3,750,000)	$ 0.2000
Issued during 2010	18,000,000	$ 0.2000
Balance at 30 June 2010	18,500,000	$ 0.2000
Expired during 2011	(500,000)	$ 0.2000
Exercised during 2011	(1,550,000)	$ 0.2000
Issued during 2011	1,000,000	$ 0.2000
Balance at 30 June 2011	17,450,000	$ 0.2000

D. Share based payment options outstanding at year end

	CONSOLIDATED	
	2011	**2010**
	Nos.	**Nos.**
20 cents options expiring 21/12/2011	17,450,000	18,000,000
20 cents options expiring 01/09/2010	-	500,000
	17,450,000	**18,500,000**

15. COMMITMENTS AND CONTINGENCIES

Tenement commitments

In order to maintain an interest in the mining and exploration tenements in which the Company is involved, the Company is committed to meet the conditions under which the tenements were granted and the obligations of any joint venture agreements. The timing and amount of exploration expenditure commitments and obligations of the company are subject to the minimum expenditure commitments required as per the Mining Act, as amended, and may vary significantly from the forecast based upon the results of the work performed which will determine the prospectivity of the relevant area of interest. These obligations are not provided for in the financial report.

Outstanding exploration commitments are as follows (no estimate has been given of expenditure commitments beyond 12 months as this is dependent on the directors' ongoing assessment of operations and, in certain circumstances, Native Title negotiations):

Otherwise, since the last annual report date, there has been no material change to any contingent liabilities or contingent asset.

	CONSOLIDATED	
	2011	**2010**
	$	**$**
Payable within one year	2,407,000	2,431,798

Outstanding exploration commitments include $1,051,000 related to tenements proposed to be transferred to a joint venture with China Coal Geological Engineering Company.

Otherwise, since the last annual report date, there has been no material change to any contingent liabilities or contingent asset.

Capital commitments

At 30 June 2011, the Group had no capital commitments (2010: Nil).

Contingencies

At 30 June 2011, the Group had no contingencies (2010: Nil).

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial instruments of the Group comprise of (i) cash and cash equivalents; (ii) trade and other receivables; (iii) other financial assets; and (iv) trade and other payables.

Risk management is carried out under the policies approved by the Board of Directors. The Board identifies and evaluates the risk and takes appropriate measures to minimize the risk.

The financial instruments expose the group to certain risks. The nature and extent of such risks, and the management's risk management strategy are noted below.

A Fair value of financial instruments

	CONSOLIDATED	
	2011	**2010**
	$	**$**
Cash and cash equivalents (i)	3,889,140	2,842,133
Trade and other receivables (i)	75,758	212,005
Term deposits with financial institutions (ii)	228,231	215,443
Available for sale financial assets (iii)	165,497	327,860
Trade and other payables (i)	(642,700)	(1,014,244)
	3,715,926	**2,583,196**

(i) The fair values are close approximation of the carrying amounts on account of the short maturity cycle.

(ii) The fair values are close approximation of the carrying amounts as these deposits are interest bearing and are rolled over at short maturity.

(iii) These are measured at fair value applying the closing market rate at reporting date.

B Risk management strategies

Credit risk:

The Group's credit risks arise from potential default of trade and other receivables. The maximum credit exposure is limited to the carrying amount of trade and other receivables as noted in the statement of financial position.

The ageing analysis of the trade debtors and other receivables are noted below:

	CONSOLIDATED	
	2011	**2010**
	$	**$**
Recoverable within 3 months	-	212,005
	-	**212,005**

The receivable balances consist primarily of GST credits. The credit risk arising from such balances are considered to be very minimal as these are receivable from the Australian Commonwealth.

Credit risk also exists in relation to the probable default of the financial institutions in honouring the cash and term deposit balances at maturity. However, this is considered to be low as the group transacts with highly reputed financial institutions which are subject to strict prudential norms by legislation / regulations.

Liquidity risk:

The Group's liquidity risks arise from potential inability of the Group to meet its financial obligations as and when they fall due, generally due to shortage of cleared funds.

The Group is exposed to liquidity risk on account of trade and other payables.

The Group manages its liquidity risk through continuously monitoring the cleared funds position; and by utilising short term cash budgets.

The contractual maturity analysis of Group's financial instruments are noted below:

	< 3 months	**> 3 months**	**Total**
	$	**$**	**$**
2011			
Financial liabilities:			
Trade and other payables	(642,700)	-	(642,700)
	(642,700)	**-**	**(642,700)**
Financial assets:			
Cash and cash equivalents	3,889,140	-	3,889,140
Trade and other receivables	75,758	-	75,758
Term deposit with financial institutions	-	228,231	228,231
Available for sale financial assets	165,496	-	165,496
	4,130,395	**228,231**	**4,358,626**
2010			
Financial liabilities:			
Trade and other payables	(1,014,244)	-	(1,014,244)
	(1,014,244)	**-**	**(1,014,244)**
Financial assets:			
Cash and cash equivalents	2,842,133	-	2,842,133
Trade and other receivables	212,005	-	212,005
Term deposit with financial institutions	-	215,443	215,443
Available for sale financial assets	327,860	-	327,860
	3,381,998	**215,443**	**3,597,441**

Interest rate risk:

Interest rate risk is the risk that fair values and cash flows of the Group's financial instruments will be affected by changes in the market interest rates.

The Group's cash and term deposits with financial institutions are impacted by interest rate risks. Other receivables and payables have short maturities and are non-interest bearing. Management believes that the risk of interest rate movement would not have a material impact of the Group's operations.

The Group is in the business of exploration of mineral resources. Earning interest income is not the primary objective of the business. The Group does not have any debt obligations. Hence the management does not closely monitor the movements in market interest rates as these do not have material impact on Group's business activities. The cash balances and term deposits are placed at the prevailing short term market interest rates with credit worthy financial institutions.

The sensitivity of the interest bearing financial instruments to a 1% change in market interest rate are noted below:

	CONSOLIDATED	
	2011	**2010**
	$	**$**
Interest bearing cash and term deposits	4,117,371	3,070,364
Impact on profit and equity - +1% movement	41,174	30,704
Impact on profit and equity - -1% movement	(41,174)	(30,704)

The weighted average effective interest rate on the financial instruments were:

	CONSOLIDATED	
	2011	**2010**
Cash and cash equivalents	5.40%	2.57%
Trade and other receivables	NIL	NIL
Trade and other payables	NIL	NIL

Foreign currency risk:
Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities dominated in a currency that is not the entity's functional currency and net investments in foreign operations. The functional and presentation currency of Dynasty Metals Australia Limited is Australian Dollar.

Commodity price risk:
The Group is not currently exposed to the movement in market commodity prices as the Group continues to be an explorer.

Equity price risk:
Equity price risk is the risk that movement in fair of Group's financial instruments will be affected by changes in market prices of equity instruments. The Group is exposed to this risk on account of its available-for-sale financial assets.

The Group's objective in prior years was to invest surplus cash in equity instruments within the mining sector. However, the management manages the equity price risk through diversification.

In 2011, the Group changed this objective in order to invest surplus cash in time deposits in order to remain highly liquid in preparation for future activities on its core tenements.

The sensitivity of the interest bearing financial instruments to a 1% change in market interest rate are noted below:

	CONSOLIDATED	
	2011	**2010**
	$	**$**
Available for sale financial assets	165,496	327,860
Impact on profit and equity - +10% movement	16,550	32,786
Impact on profit and equity - -10% movement	(16,550)	(32,786)

17. CONSOLIDATED ENTITIES

The consolidated financial statements include the financial statements of Dynasty Metals Australia Limited and the subsidiaries listed in the following table.

	Incorporated in	**Equity interest**	
		2011	**2010**
Parent Entity			
Dynasty Metals Australia Limited	Australia	-	-
Controlled Entities			
Scorpion Resources Limited	Australia	100%	100%
Irwin Energy Limited*	Australia	-	100%
Dunblane Enterprise Pty Ltd*	Botswana	-	100%
Taurus Resources Limited	Australia	100%	-
Goldstone Resources Limited	Australia	100%	-

* Irwin Energy Limited and Dunblane Enterprises Pty were deregistered as they were not required

18. SEGMENT INFORMATION

Management has determined that the Group has one reportable segment, being mineral exploration in Australia. As the Group is focused on exploration, the Board monitors the Company based on actual versus budgeted exploration expenditure incurred by area of interest.

This internal reporting framework is the most relevant to assist the Board with making decisions regarding the Group and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date.

19. DIRECTOR AND EXECUTIVE DISCLOSURES

A Detail of specified directors and executives

Specified directors:

Richard Oh	Executive chairman (non-executive director prior to 25 March 2011)
Lewis Tay	Non-executive director (executive director to 17 January 2011)
XiaoDong Sun	Non-executive director (appointed 25 November 2011)
Nicholas Revell	Non-executive director (appointed 21 March 2011)
Terry Gygar	Alternate director for XiaoDong Sun (Appointed 5 January 2011)

Retired directors:

Ian Levy	Non-executive chairman (removed from office 21 March 2011)
Graham Anderson	Executive director and company secretary (removed from office 21 March 2011)
Malcolm Carson	Technical director (removed from office 21 March 2011)
Stephen Penrose	Independent Chairman for the 21 March 2011 EGM

Specified executives

Michael van Uffelen	Chief Financial Officer and Company Secretary (appointed 28 March 2011)

There were no other Specified Executives during 2011 and 2010.

B Remuneration of specified directors and executives

	Short term benefits		**Post-employment**	**Share based payments**		**Options as % of remuneration**
	Salary & fees	Other	Superannuation	Options	**Total**	
	$	**$**	**$**	**$**	**$**	
Year ended 30 June 2011						
Richard Oh	65,903	-	-	-	65,903	-
Lewis Tay	92,000	-	-	-	92,000	-
XiaoDong Sun	21,600	-	-	-	21,600	-
Stephen Penrose	-	7,838	-	-	7,838	-
Nicholas Revell	11,629	-	-	-	11,629	-
Terry Gygar	3,200	-	-	-	3,200	-
Michael van Uffelen	23,258	-	-	-	23,258	-
Ian Levy	40,000	-	-	-	40,000	-
Graham Anderson*	27,900	59,100	-	-	87,000	-
Malcolm Carson**	199,800	-	-	-	199,800	-
	485,290	**66,938**	**-**	**-**	**552,228**	**-**

B Remuneration of specified directors and executives

	Short term benefits		Post-employment	Share based payments		Options as % of remuneration
	Salary & fees	Other	Superannuation	Options	**Total**	
	$	**$**	**$**	**$**	**$**	
Year ended 30 June 2010						
Ian Levy	66,000	-	-	118,100	184,100	64%
Lewis Tay	120,000	-	-	590,500	710,500	83%
Richard Oh	38,000	-	-	236,200	274,200	86%
Graham Anderson*	36,000	68,750	-	118,100	222,850	53%
Malcolm Carson**	214,000	-	-	295,250	509,250	58%
	474,000	**68,750**	**-**	**1,358,150**	**1,900,900**	**71%**

* GDA Corporate, an entity controlled by Mr. Graham Anderson has been paid $59,100 (2010:$68,750) by the Group for providing company secretarial, administrative and accounting services to 31 March 2011.

** The Group paid $199,800 to Minerals Resources Consultants Pty Ltd, an entity controlled by Mr. Malcolm Carson for providing consulting services to the Group.

C Option holding of specified directors and executives

	Opening balance	Granted as remuneration	Acquired	Expired	Net other change	Closing balance
	Nos.	Nos.	Nos.	Nos.	Nos.	Nos.
Year ended 30 June 2011						
Richard Oh	2,000,000	-	-	-	-	2,000,000
Lewis Tay	5,000,000	-	-	-	-	5,000,000
XiaoDong Sun	-	-	-	-	-	-
Nicholas Revell	-	-	-	-	-	-
Terry Gygar	-	-	-	-	-	-
Michael van Uffelen	-	-	-	-	-	-
Ian Levy*	1,000,000	-	-	-	-	N/A
Graham Anderson*	1,000,000	-	-	-	-	N/A
Malcolm Carson*	3,000,000	-	-	(500,000)	-	N/A
	12,000,000	**-**	**-**	**(500,000)**	**-**	**7,000,000**
Year ended 30 June 2010						
Ian Levy	-	1,000,000	-	-	-	1,000,000
Lewis Tay	2,211,820	5,000,000	-	(2,211,820)	-	5,000,000
Richard Oh	-	2,000,000	-	-	-	2,000,000
Graham Anderson	500,000	1,000,000	-	(500,000)	-	1,000,000
Malcolm Carson	500,000	2,500,000	-	-	-	3,000,000
	3,211,820	**11,500,000**	**-**	**(2,711,820)**	**-**	**12,000,000**

* These directors were removed from office on 21 March 2011

D Shareholding of specified directors and executives

	Opening balance Nos.	Granted as remuneration Nos.	Acquired Nos.	Disposed Nos.	Closing balance Nos.
Year ended 30 June 2011					
Richard Oh	-	-	-	-	-
Lewis Tay	3,118,409	-	-	-	3,118,409
XiaoDong Sun	-	-	-	-	-
Nicholas Revell	-	-	-	-	-
Terry Gygar	-	-	3,750	-	3,750
Michael van Uffelen	-	-	-	-	-
Ian Levy (i)	-	-	-	-	N/A
Graham Anderson (i)	750,000	-	-	-	N/A
Malcolm Carson (i)	52,436	-	-	-	N/A
	3,920,845	**-**	**3,750**	**-**	**3,122,159**
Year ended 30 June 2010					
Ian Levy	-	-	-	-	-
Lewis Tay	3,088,409	-	30,000	-	3,118,409
Richard Oh	-	-	-	-	-
Graham Anderson	1,000,000	-	-	(250,000)	750,000
Malcolm Carson	-	-	52,436	-	52,436
	4,088,409	**-**	**82,436**	**(250,000)**	**3,920,845**

(i) These directors were removed from office on 21 March 2011

All equity transactions with specified directors and specified executives other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

E Loans to specified directors and executives

There were no loans made to specified directors or executives during the year (2010: NIL)

F Other balances with specified directors and executives

Balances due to directors and executives for fees and charges: $11,629 (2010: $15,840).

20. RELATED PARTY TRANSACTIONS

Other than those noted in the directors and executive disclosures, there are no other related party transactions or balances during 2011 and 2010.

21. EVENTS AFTER BALANCE SHEET DATE

There are no events subsequent to 30 June 2011 that have a material impact on the financial statements as presented.

22. PARENT ENTITY DISCLOSURES

The following details information related to the parent entity, Dynasty Metals Australia Limited (the parent entity), at 30 June 2011. The information presented here has been prepared using consistent accounting policies as presented in Note 2.

	2011 $	2010 $
Financial Position		
Assets		
Current assets	3,997,943	3,085,830
Non-current assets	524,562	692,262
Total assets	**4,522,505**	**3,778,092**
Liabilities		
Current liabilities	642,700	1,029,844
Total liabilities	**642,700**	**1,029,844**
Net assets	**3,879,805**	**2,748,248**
Equity		
Contributed equity	17,355,778	12,819,061
Reserves	2,972,344	2,922,583
Accumulated losses	(16,448,317)	(12,993,396)
Total equity	**3,879,805**	**2,748,248**
Financial Performance		
Loss for the year	(3,455,347)	(5,792,212)
Other comprehensive income	89,519	(195,117)
Total comprehensive income	**(3,365,828)**	**(5,987,329)**

No guarantees have been entered into by the parent in relation to the debts of its subsidiaries.

The parent had no commitments to purchase property, plant and equipment or contingent liabilities at year end.

TENEMENT SCHEDULE

(As at the date of this annual report)

Project	Lease	Commodity	Holder	Locality	Status
Prairie Downs	E52/1927	Iron - Fe	Dynasty Metals Australia Ltd	WA	Granted
Prairie Downs	E52/1938	Iron - Fe	Dynasty Metals Australia Ltd	WA	Granted
Prairie Downs	E52/1949	Iron - Fe	Dynasty Metals Australia Ltd	WA	Granted
Prairie Downs	E52/2024	Iron - Fe	Dynasty Metals Australia Ltd	WA	Granted
Prairie Downs	E52/2025	Iron - Fe	Dynasty Metals Australia Ltd	WA	Granted
Prairie Downs	E52/2099	Iron - Fe	Dynasty Metals Australia Ltd	WA	Granted
Prairie Downs	E52/2359	Iron - Fe	Dynasty Metals Australia Ltd	WA	Granted
Prairie Downs	E52/2464	Iron - Fe	Dynasty Metals Australia Ltd	WA	Granted
Prairie Downs	E52/2435	Iron - Fe	Dynasty Metals Australia Ltd	WA	Granted
Prairie Downs	E52/2458	Iron - Fe	Dynasty Metals Australia Ltd	WA	Granted
Prairie Downs	E52/2459	Iron - Fe	Dynasty Metals Australia Ltd	WA	Granted
Prairie Downs	E52/2460	Iron - Fe	Dynasty Metals Australia Ltd	WA	Granted
Prairie Downs	E52/2461	Iron - Fe	Dynasty Metals Australia Ltd	WA	Granted
Prairie Downs	E52/2591	Iron - Fe	Dynasty Metals Australia Ltd	WA	Granted
Hector Bore*	E09/1337	Uranium	Dynasty Metals Australia Ltd	WA	Granted
Hector Bore*	E09/1339	Uranium	Dynasty Metals Australia Ltd	WA	Granted
Hector Bore*	E09/1710	Uranium	Dynasty Metals Australia Ltd	WA	Granted
Hector Bore*	E09/1711	Uranium	Dynasty Metals Australia Ltd	WA	Granted
Hector Bore*	E09/1753	Uranium	Dynasty Metals Australia Ltd	WA	Granted
Brockman	E47/2404	Uranium	Dynasty Metals Australia Ltd	WA	Granted
Stanley*	E69/2265	Uranium	Dynasty Metals Australia Ltd	WA	Granted
Stanley*	E69/2266	Uranium	Dynasty Metals Australia Ltd	WA	Granted
Stanley*	E69/2267	Uranium	Dynasty Metals Australia Ltd	WA	Granted
Stanley*	E69/2268	Uranium	Dynasty Metals Australia Ltd	WA	Granted
Stanley*	E69/2269	Uranium	Dynasty Metals Australia Ltd	WA	Granted
Stanley*	E69/2270	Uranium	Dynasty Metals Australia Ltd	WA	Granted
Stanley*	E69/2294	Uranium	Dynasty Metals Australia Ltd	WA	Granted
Stanley*	E69/2295	Uranium	Dynasty Metals Australia Ltd	WA	Granted
Stanley*	E69/2296	Uranium	Dynasty Metals Australia Ltd	WA	Granted
Stanley*	E69/2297	Uranium	Dynasty Metals Australia Ltd	WA	Granted
Stanley*	E69/2300	Uranium	Dynasty Metals Australia Ltd	WA	Granted
Hyden*	E74/333	Gold - Au	Dynasty Metals Australia Ltd	WA	Granted
Hyden* **	E77/1326	Gold - Au	Dynasty Metals Australia Ltd	WA	Forfeited
Atlas Iron JV	E45/2728	Iron - Fe	Dynasty Metals Australia Ltd	WA	Granted

* Subject to a farm-out arrangement with China Coal Geological Engineering Company ("CCGEC") under which CCGEC will invest an initial $2 million into Goldstone Resources Limited, a 100% owned subsidiary of the Company, for a 60% interest and also the right to invest a further $750,000 for a further 20% interest.

****** Restoration application has been made

STOCK EXCHANGE INFORMATION AS AT 22 AUGUST 2011

SHARE SPREAD

Distribution of Holders	
1 - 1,000	34
1,001 - 5,000	110
5,001 - 10,000	158
10,001 - 100,000	376
100,001 and above	110
TOTAL	**788**

TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest holders of quoted ordinary shares are:

#	Holder Name	Number Held	Percentage
1	HEBEI XINGHUA IRON & STEEL	11,652,197	11.16%
2	MR LIAN XIE	8,000,000	7.66%
3	MR JIANWEI SHI	5,500,000	5.27%
4	MR BO XIN DONG	4,824,164	4.62%
5	MR LEWIS TAY	3,118,409	2.99%
6	JP MORGAN NOMINEES AUSTRALIA	2,825,086	2.71%
7	MR MENG XIN GAO	2,500,000	2.40%
8	HSBC CUSTODY NOMINEES	2,441,899	2.34%
9	MS MIAN WANG	2,250,527	2.16%
10	JF APEX SECURITIES BERHAD	1,840,486	1.76%
11	MS LAY KEE TAY	1,793,469	1.72%
12	MR ZHIFANG ZHANG	1,790,662	1.72%
13	MR SHLOMO THALER	1,647,431	1.58%
14	CHEZ DEVELOPMENTS PTY LTD	1,640,000	1.57%
15	MR TING LAM	1,630,685	1.56%
16	MR KING SIANG TIONG	1,532,870	1.47%
17	MR XIANG GAO	1,274,000	1.22%
18	MR ZHI FANG ZHANG	1,212,804	1.16%
19	STATE ONE NOMINEES PTY LTD	1,189,160	1.14%
20	MR WEN CHAO HU	1,170,000	1.12%

OPTIONHOLDERS

The names of the holders of unlisted $0.20, 21 December 2011 expiry options are:

#	Holder Name	Number Held	Percentage
1	MR LEWIS TAY	5,000,000	28.65%
2	MR BIN WANG	2,550,000	14.61%
3	MINERAL RESOURCE CONSULTANTS	2,500,000	14.33%
4	MR HOCK MENG RICHARD OH	2,000,000	11.46%
5	JUSTEVIAN PTY LIMITED	1,000,000	5.73%
6	MR GRAHAM ANDERSON	1,000,000	5.73%
7	ANYTHING COMMUNICATION PTY LTD	500,000	2.87%
8	MR HOCK PHING OH	500,000	2.87%
9	BROCKWELL ASIA LIMITED	500,000	2.87%
10	MISS KAREN ERB	250,000	1.43%
11	MR MU PO ZHU	250,000	1.43%
12	MS PIA JANE BONIFANT	250,000	1.43%
13	MR SHOSHANA KONCEPOLSKI	200,000	1.15%
14	MR YANKEL KONCEPOLSKI	200,000	1.15%
15	FANCHEL PTY LTD	200,000	1.15%
16	MR MARK ALIPRANDI	200,000	1.15%
17	MR LEONARD MATH	200,000	1.15%
18	TERRA SEARCH PTY LTD	100,000	0.57%
19	MS HO LEE	50,000	0.29%