



**Dynasty Metals Australia Limited and its Controlled
Entities**

**Half-Year Financial Report
31 December 2011**

CONTENTS

	Page
Directors' report	4
Auditor's independence declaration	6
Consolidated Statement of comprehensive income	7
Consolidated Statement of financial position	8
Consolidated Statement of cash flows	9
Consolidated Statement of changes in equity	10
Notes to the consolidated financial statements	11
Directors' declaration	14
Independent auditor's review report to the members	15

Corporate Information

ABN 80 110 385 709

Directors	Tom Pickett (Non-Executive Chairman) Lewis Tay (Managing Director) Bin Wang (Non-Executive Director)
Secretary	Louise Edwards
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, Alexandra 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	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

DIRECTORS' REPORT

Your directors submit their report for the half-year ended 31 December 2011.

DIRECTORS

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

Tom Pickett <i>LLB</i>	(Non-Executive Chairman from 21 September 2011) – appointed 19 September 2011
Lewis Tay <i>B.App.Sc.DipAF</i>	(Managing Director from 21 September 2011, Non-Executive Director to 21 September 2011)
Bin Wang	(Non-Executive Director)
Richard Oh <i>CA MAICD</i>	(Executive Chairman) – retired 19 September 2011
XiaoDong Sun <i>LLB</i>	(Non-Executive Director) – retired 19 September 2011
Terence Gygar <i>LLB</i>	(Alternate Non-Executive Director) – retired 19 September 2011

REVIEW OF OPERATIONS

Exploration Update

Your Board's primary focus has been on improving the value of the Spearhole Project ('Spearhole'), which is located south-west of Mt Newman in the Pilbara region of Western Australia. A desktop scoping study demonstrated that Spearhole is commercially viable and your Board aims to further improve the commercial value of Spearhole by improving the beneficiation yield and Fe recovery grade of the resources. Following discussions with several mineral processing institutions in Australia and China, the Company appointed the Chinese Northeastern University (NEU) to assist in this process. The NEU is one of the leading research institutions in iron ore processing, and specialises in upgrading Fe content in detrital and channel iron deposits. The Board has also been in active discussions with a number of major steel mills and investment institutions regarding the development of Spearhole, as well as exploring the infrastructure solutions for this project.

The Spearhole Project represents less than 10% of the prospective tenements that your Company holds in WA. In addition, the Company has identified several new potential target zones in the region.

Preliminary geochemical work on the south-west of Newman and in the Tom Price / Marandoo areas has been approved by the Board to commence in the short term. Ongoing drilling programs targeting the DSO mineralisation in the southern Prairie Project area is also planned to recommence in April / May 2012.

The Company has recently received a farm-out joint venture approach to one tenement from a respected iron ore producer, and the Company is still in early stage of discussion to evaluate this opportunity.

The Company aims to finalise the farm-out joint venture with China Coal Geology Engineering Corporation, as previously announced, which is a key step to enable the Company to reduce costs on non-core tenements whilst maintaining participation in project upside.

Corporate Matters

The Company continues to make all commercial efforts to recover the costs awarded in its favour associated with defending the March 2011 EGM litigation.

RESULTS OF OPERATIONS

The Company incurred an after tax operating loss for the half-year ended 31 December 2011 of \$809,870 (2010: \$1,860,897).

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditor, Deloitte Touche Tohmatsu, which is included on page 6.

Signed in accordance with a resolution of the Directors.



Lewis Tay
Managing Director

14 March 2012

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

14 March 2012

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 partner for the review of the financial statements of Dynasty Metals Australia Limited for the half year ended 31 December 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Chris Nicoloff
Partner
Chartered Accountants

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

	Notes	31 December 2011 \$	31 December 2010 \$
Continuing Operations			
Revenue	4	98,460	162,257
Exploration expenditure		(1,018,903)	(1,721,615)
Other expenses		(558,588)	(335,881)
Impairment in investments		(43,284)	-
Loss from continuing operations before income tax	4	<u>(1,522,315)</u>	<u>(1,895,239)</u>
Income tax benefit	6	<u>712,445</u>	<u>34,342</u>
Loss from continuing operations after tax		(809,870)	(1,860,897)
Other comprehensive income			
Transfer of gains to profit and loss upon disposal		-	(192,287)
Fair value gains on available-for-sale financial assets		-	178,876
Tax effect on fair value gains		-	4,023
Total other comprehensive income		<u>-</u>	<u>(9,388)</u>
Total comprehensive income/(loss) for the period		<u>(809,870)</u>	<u>(1,870,285)</u>
Profit/(loss) is attributable to			
Members of the parent		<u>(809,870)</u>	<u>(1,860,897)</u>
Total comprehensive income/(loss) is attributable to:			
Members of the parent		<u>(809,870)</u>	<u>(1,870,285)</u>
Earnings per share (cents per share)			
- basic: for loss for the half-year		(0.77)	(2.26)
- diluted: for loss for the half-year		(0.77)	(2.26)

The accompanying notes form part of this financial report

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011**

	Notes	31 December 2011 \$	30 June 2011 \$
ASSETS			
Current Assets			
Cash and cash equivalents	5	2,410,831	3,889,140
Trade and other receivables	6	712,445	75,758
Prepayments and accrued interest		59,859	33,045
Total Current Assets		3,183,135	3,997,943
Non-Current Assets			
Other financial assets		422,945	393,728
Property, plant and equipment		119,981	130,834
Total Non-Current assets		542,926	524,562
TOTAL ASSETS		3,726,061	4,522,505
LIABILITIES			
Current liabilities			
Trade and other payables		510,326	642,700
Total Current Liabilities		510,326	642,700
TOTAL LIABILITIES		510,326	642,700
NET ASSETS		3,215,735	3,879,805
EQUITY			
Contributed equity	8	17,501,578	17,355,778
Reserves		2,972,344	2,972,344
Accumulated losses		(17,258,187)	(16,448,317)
TOTAL EQUITY		3,215,735	3,879,805

The accompanying notes form part of this financial report

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

	Notes	31 December 2011 \$	31 December 2010 \$
Cash flows from operating activities			
Payments to suppliers and employees		(1,543,546)	(2,801,430)
Interest received		65,237	57,465
Net cash flows from/(used in) operating activities		(1,478,309)	(2,743,965)
Cash flows from investing activities			
Purchase of property, plant and equipment		-	(253)
Purchase of equity investments		-	(651,511)
Proceeds from sale of equity investments		-	657,471
Net cash flows from/(used in) investing activities		-	5,707
Cash flows from financing activities			
Proceeds from issue of shares		-	2,177,395
Capital raising costs		-	(7,194)
Net cash flows from/(used in) financing activities		-	2,170,201
Net increase/(decrease) in cash and cash equivalents		(1,478,309)	(568,057)
Cash and cash equivalents at beginning of period		3,889,140	2,842,133
Cash and cash equivalents at end of period	5	2,410,831	2,274,076

The accompanying notes form part of this financial report

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

	Ordinary Shares \$	Reserves \$	Accumulated losses \$	Total equity \$
At 1 July 2010	12,819,061	2,924,499	(12,992,970)	2,750,590
Loss for the period	-	-	(1,860,897)	(1,860,897)
Other comprehensive income for the period	-	(9,388)	-	(9,388)
Total comprehensive income for the period	-	(9,388)	(1,860,897)	(1,870,285)
Transactions with owners in their capacity as owners				
Issue of shares (net of share issue costs)	2,170,201	-	-	2,170,201
At 31 December 2010	14,989,262	2,915,111	(14,853,867)	3,050,506
At 1 July 2011	17,355,778	2,972,344	(16,448,317)	3,879,805
Loss for the period	-	-	(809,870)	(809,870)
Total comprehensive income for the period	-	-	(809,870)	(809,870)
Transactions with owners in their capacity as owners				
Share-based payments	145,800	-	-	145,800
At 31 December 2011	17,501,578	2,972,344	(17,258,187)	3,215,735

The accompanying notes form part of this financial report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The financial report of Dynasty Metals Australia Limited (the "Company") for the half-year ended 31 December 2011 was authorised for issue in accordance with a resolution of the directors on 13 March 2012.

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 Company during the year was exploration and evaluation of mineral licences.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of Preparation

These general purpose condensed consolidated financial statements for the half year ended 31 December 2011 have been prepared in accordance with AASB 134 Interim Financial Reporting as issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with International Reporting Standard IAS 34 "Interim Financial Reporting".

The half-year financial report does not include all of the notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the company as the full financial report.

The half-year financial report should be read in conjunction with the annual Financial Report of Dynasty Metals Australia Limited as at 30 June 2011.

It is also recommended that the half-year financial report be considered together with any public announcements made by Dynasty Metals Australia Limited during the half-year ended 31 December 2011 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

Adoption of new or revised accounting standards and interpretations

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial statements, and the condensed consolidated financial statements have been prepared on the historical cost basis except for investments, which have been measured at fair value.

From 1 July 2011 the Company has adopted all relevant Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2011. Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Company.

The Company has not elected to early adopt any new standards or amendments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**3. SEGMENT INFORMATION**

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers, being the executive management team.

Information reported to the Company's board of directors for the purposes of resource allocation and assessment of performance is more specifically focused on mineral exploration.

Management has determined that the Company has one reportable segment, being mineral exploration in Australia. As the Company 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 Company and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date.

4. REVENUE, INCOME AND EXPENSES**Revenue, Income and Expenses from Continuing Operations**

	31 December 2011	31 December 2010
<i>Revenue</i>		
Interest revenue	98,460	52,197
Gain on sale of investment	-	110,060
	<u>98,460</u>	<u>162,257</u>
<i>Expenses</i>		
Director fees and remuneration	126,950	238,500
Depreciation	11,453	12,297
Exploration Expenditure	1,018,903	1,721,615
	<u>1,157,306</u>	<u>1,972,412</u>

5. CASH AND CASH EQUIVALENTS

For the purposes of the half-year cash flow statement, cash and cash equivalents are comprised of the following:

Cash at bank and in hand	2,410,831	2,274,076
	<u>2,410,831</u>	<u>2,274,076</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**6. INCOME TAX RECEIVABLE**

Included in trade and other receivables is \$712,445 receivable under the Research and Development Tax Concession for the years ended 30 June 2010 and 2011.

7. COMMITMENTS AND CONTINGENCIES

Since the last annual reporting date, there have been no material changes to any contingent liabilities or contingent assets.

8. CONTRIBUTED EQUITY

	<i>31 December 2011</i>	
	<i>No.</i>	<i>\$</i>
<i>(i) Ordinary shares</i>	105,383,510	17,501,578
<i>Movement in ordinary shares on issue</i>		
Balance at beginning of financial period	104,383,509	17,355,778
Issue of shares during the year through a share based payment	1,000,000	180,000
Equity issue costs	-	(34,200)
At 31 December 2011	105,383,510	17,501,578
<i>(ii) 20 cent options expiring on 21 December 2011</i>	-	-
<i>Movement in options on issue</i>		
Balance at beginning of financial period	17,450,000	-
Options expired unexercised	(17,450,000)	-
At 31 December 2011	-	-

The shares issued during the period were in relation to consulting services provided.

9. EVENTS AFTER THE BALANCE SHEET DATE

No matters or circumstances have arisen since the end of the half year which have significantly affected or may significantly affect the operations or the state of affairs of the Company in the future financial years.

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; and
- (b) 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.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors



Lewis Tang
Managing Director

Perth, 14 March 2012

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

We have reviewed the accompanying half-year financial report of Dynasty Metals Australia Limited, which comprises the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 7 to 14.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Dynasty Metals Australia Limited's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Dynasty Metals Australia Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, 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 review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Dynasty Metals Australia Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Chris Nicoloff
Partner
Chartered Accountants
Perth, 14 March 2012