

**QUARTERLY ACTIVITIES REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2011**

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

As at release date of
30 January 2012:

Issued Shares: 105.4M
Share Price: \$0.135
Market Cap: \$14m
Cash: \$2.4M
Debt: Nil

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Lewis Tay
Managing Director

Michael van Uffelen
Company Secretary

Key Points

- > **Positive Scoping Study completed during the quarter using current beneficiation results.**
- > Study confirms the technical and commercial viability of the Spearhole Detrital Iron Project based on a plant **producing 5.25Mtpa of concentrates.**
- > Conceptual high level estimates for mining and transport costs **indicate FOB opex expenses (Opex) of \$59.25/tonne at the 15% yield** (current spot price in China for 61% Fe is about US\$139/ton).
- > **A mine life of 25 years would be viable at these production rates** based on the current inferred resources (previous beneficiation study showed Spearhole project capable of producing 120Mt – 167Mt of concentrates).
- > Potential for enhanced economics with a 10Mtpa plant.
- > Opex will be dramatically reduced with an increase both in yield and beneficiation. Further testing will concentrate on improving the yield and raising Fe concentration in the next quarter.
- > **Drilling program on northern Prairie Downs tenements completed during quarter.** Stratigraphic holes targeting magnetic anomalies confirm BIF under cover.
- > Drilling on southern Prairie Downs tenements delayed to Q2 2012 due to delays in Native Title Heritage clearance.
- > The Chinese North East University (Liao Ning Province) was commissioned to further improve the beneficiation grade and yield. They have extensive experience in the study and design of beneficiation processes for upgrading haematite ore grade up to 66% Fe.

Scoping Study

MPS Engineering was commissioned in November to complete a high level scoping study on Dynasty's Spearhole detrital ironstone gravel project. The results of this study have indicated the project is technically and financially viable based on the current beneficiation testing results and resource figures. A conservative yield of 15% was assumed for the purposes of the study as this has consistently been achieved in testing. The study does not include the Marra Mamba DSO resource or any other potential DSO in the area.

The study was designed to provide high level estimates of operating expenses (OPEX) and capital expenses (CAPEX) for the project based on current knowledge.

The beneficiation studies are at a more advanced stage allowing for a more rigorous definition of costs. Assumptions of realistic estimates of rail transport costs, port costs and mining were made based on known costs for other similar operations but no study has been completed on the various options available.

The study found that the economics of the project were enhanced in the larger plant, and all figures here are based on this larger plant producing 5.25Mtpa of concentrate. It is entirely possible that the economics will be further enhanced in an even larger plant.

The initial mining cost estimate is \$10.75/tonne, total beneficiation operating costs for this plant are \$28.25/tonne, resulting in a mine gate cost of \$39.00/tonne of concentrate. Costs of \$15.75/tonne for transport and \$4.50/tonne for port costs result in an **FOB price of \$59.25/tonne.**

	Operating Costs per tonne product
Beneficiation	\$28.25
Mine Gate (Mining and Beneficiation)	\$39.00
FOB (includes rail and port costs)	\$59.25

These values are based on a yield of 15%. This is a conservative estimate based on our preliminary beneficiation testing. Some testing has returned over 17% yield and it is hoped with further refinement that this yield can be increased while maintaining the Fe Grade.

CAPEX estimates were completed both for costs to the mine gate and full CAPEX costs to port. The transport infrastructure is a major cost here and more cost effective solutions may present themselves now it has been shown that the project can produce a viable mine gate product at a reasonable price.

35Mtpa plant for 5.25Mtpa concentrates	Capital Cost Estimate \$Million
Mine Gate	\$446
Mine Gate plus transport infrastructure including rolling stock	\$957

Based on the processing of 35 Mtpa and using the resource figures of 932Mt @ 27% Fe would indicate **there is at least 25 years of mine life at these levels without further expansion of the current resource base.** Future studies will look at 10Mtpa and higher production to ascertain the most financially viable model.

Improvements in yield will reduce the mining and beneficiation costs proportionally. **An increase in yield of 1% will reduce beneficiation and mining costs by 6% as per the following table:**

Yield	15% ¹	16%	17%	18%	19%	20%
Beneficiation only	\$28.25	\$26.48	\$24.93	\$23.54	\$22.30	\$21.19
Mining and Beneficiation	\$39.00	\$36.56	\$34.41	\$32.50	\$30.79	\$29.25
FOB ²	\$59.25	\$56.81	\$54.66	\$52.75	\$51.04	\$49.50

1. Current scoping study figures
2. Includes the assumed costs per tonne for transport and port

Managing Director Lewis Tay commented: "This report is a major milestone for Dynasty. The results show that the Spearhole project is economically viable and represents a major asset to shareholders. The project could generate significant profits to the shareholders over the lifespan. With further exploration being already planned, Dynasty has the potential to be a major player in the development of infrastructure for this part of the Pilbara. In my opinion the market has undervalued this project and this study shows the potential of our iron ore project."

He also said "We are confident with further testing we can improve the processing and increase the project's value. In addition to this, Dynasty is continuing to explore for DSO and further detrital deposits across our extensive landholdings."

Overview of Dynasty's Iron Ore Projects

Dynasty's iron ore tenements are located in the Pilbara region of Western Australia and total ~4,500km² in area, see **Figure 1**, areas highlighted in red.

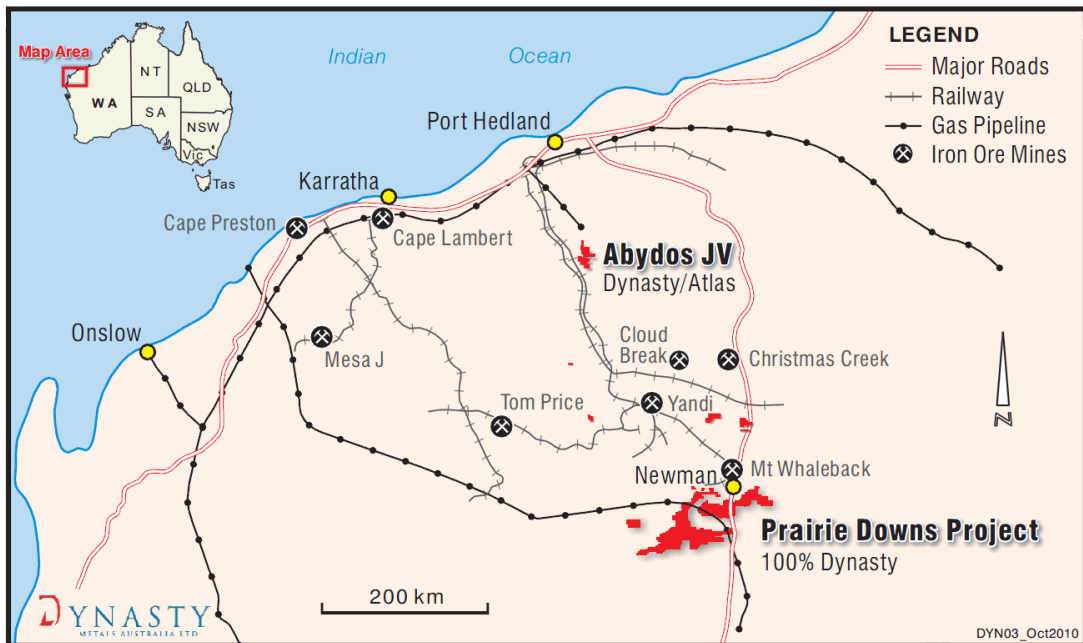


Figure 1 - Location of Dynasty's Tenements in Pilbara Region

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

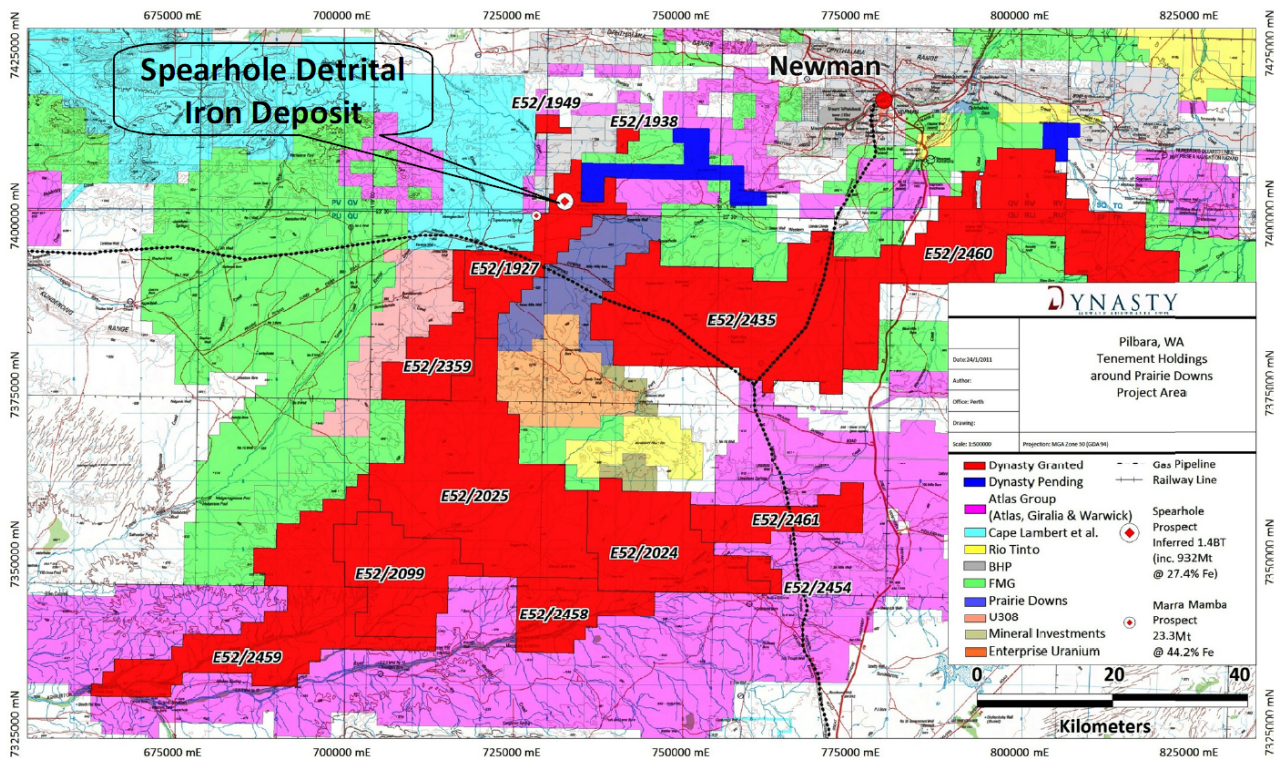


Figure 2 – Prairie Downs Iron Project - Strategic Location of Dynasty's Tenements

Prairie Downs – Recent Exploration Program

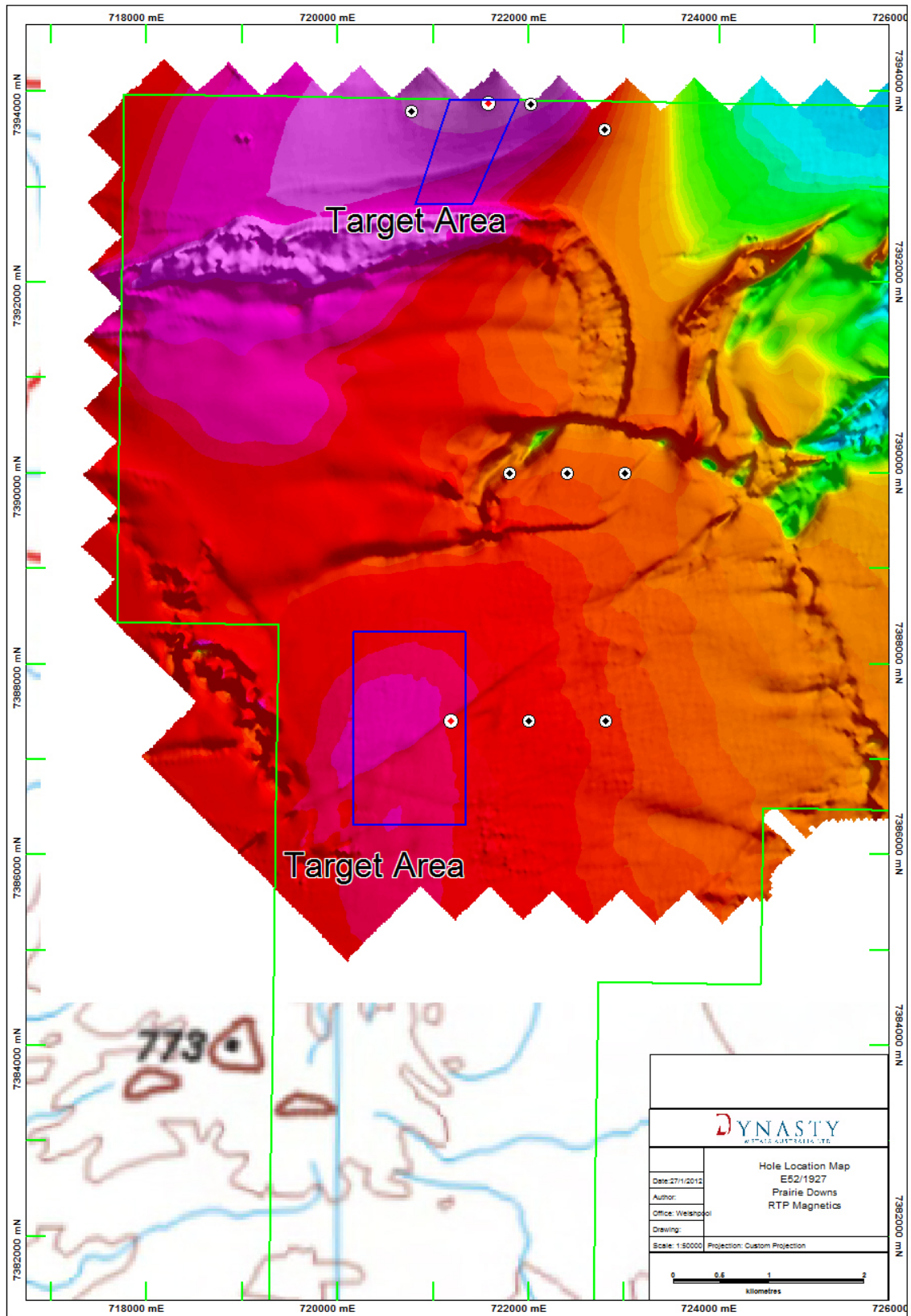
A drilling program was completed on E52/1927 and E52/1949 during this quarter as planned. The program was designed to test:

- Magnetic anomalies within E52/1927 with stratigraphic holes to determine whether there is Hamersley Basin sediments under cover south of Dynasty's existing Spearhole and Marra Mamba Resources.
- Surficial indications of Channel Iron Deposits on E52/1949.

Results from the Stratigraphic drilling show narrow intersections of BIF within thicker sedimentary sequences. These BIF's are currently interpreted to be part of the Hamersley basin sequence. Work is continuing to determine what formation they are from to focus future drilling in the area (Fig 3). Magnetic indications show these intersections have significant associated magnetic anomalies and these may represent substantial targets.

Drilling in the northern tenement E52/1949 returned sparse indications of CID mineralisation. Regional drilling in the southern tenements was planned for this quarter, however delays due to problems with access for Native Title Heritage surveys has resulted in the postponement of this drilling until after the wet season, likely to be in Q2 2012.

Figure 3 – Prairie Downs Iron Project –Holes in which Iron Formation was intersected and target zones for further mineralisation.



Prairie Downs – Future Work Program

Work over the next quarter will focus on further beneficiation testing to improve yield and product grades. Work will be undertaken both in Australia and China. The Chinese North East University has been engaged to further improve the beneficiation grade and yield. They have extensive experience in the study and design of beneficiation processes for low grade haematite ores.

Field work will likely be delayed by the wet season until April 2012. Following this a drilling program to target CID systems in the southern part of the Prairie Downs project (Fig 4) along with surface exploration on recently granted tenements in the Newman and Tom Price regions.

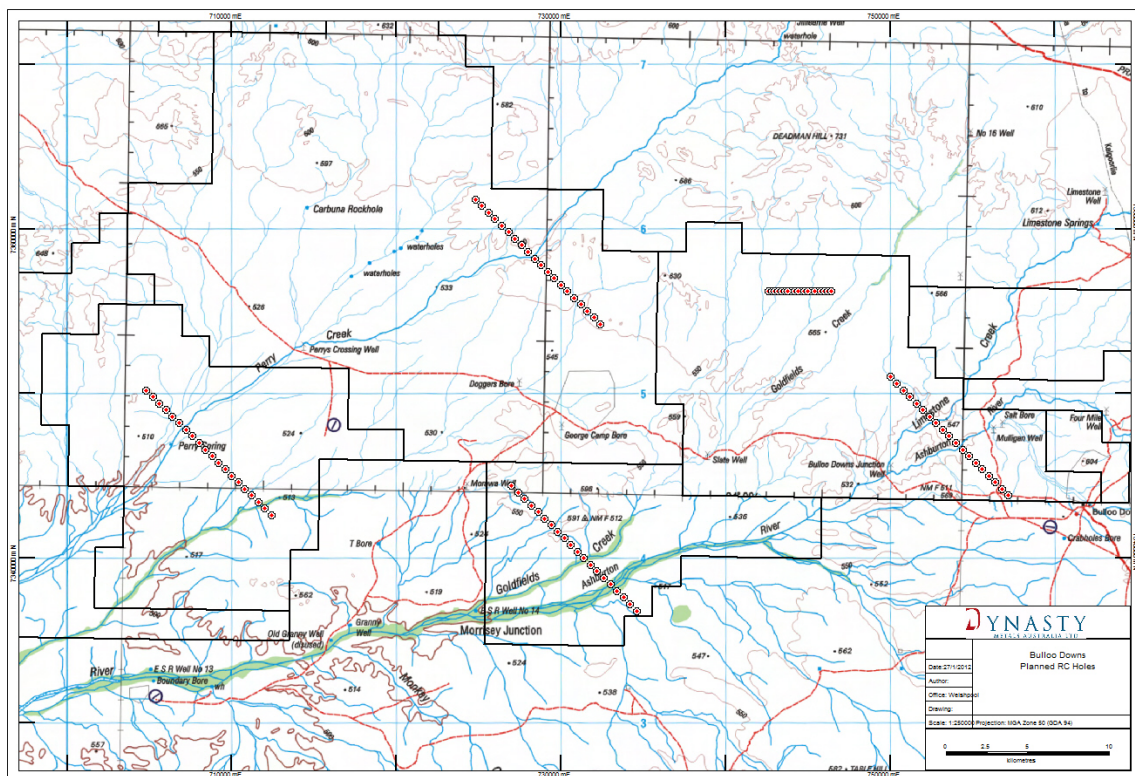


Figure 4 – Planned Drilling Southern CID province.

Prairie Downs – Current Resource

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

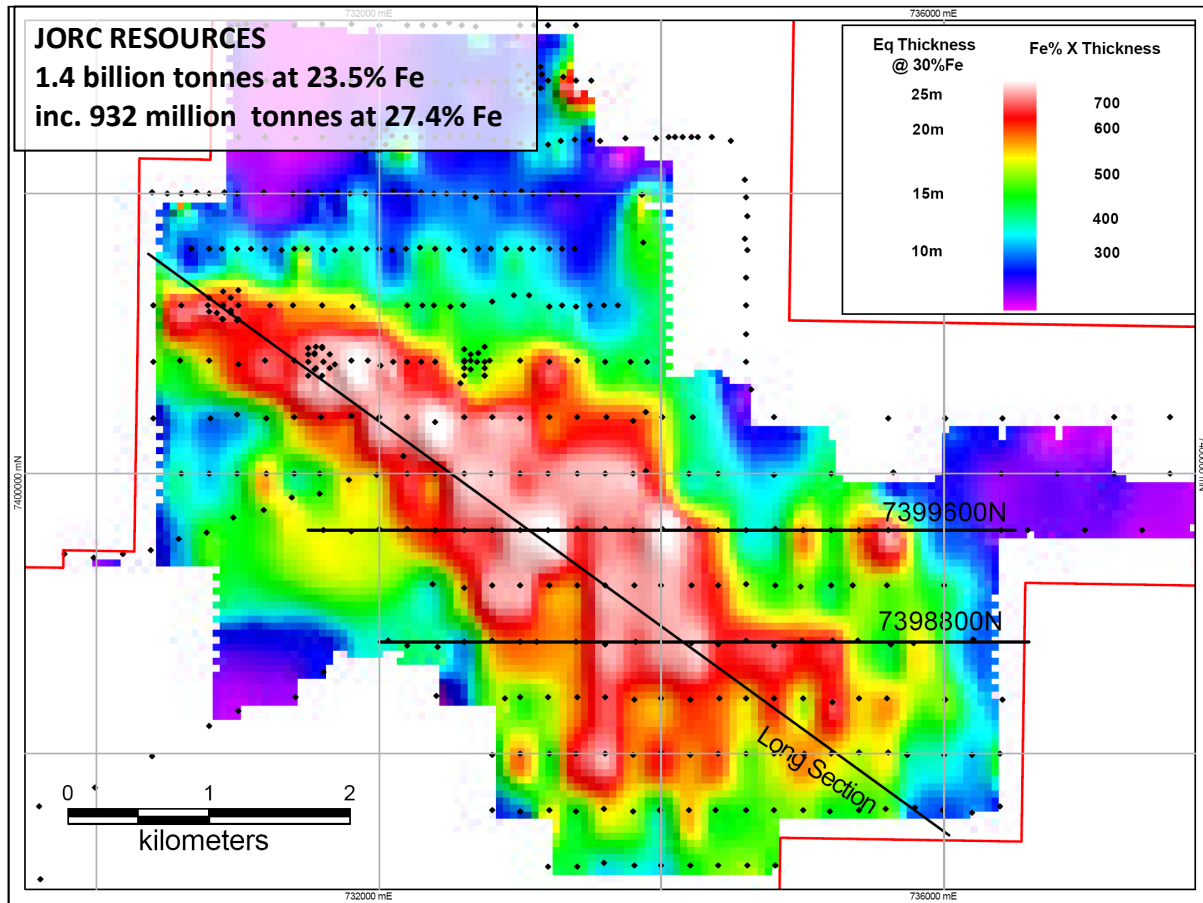


Figure 7 – distribution (Fe grade x thickness) of the iron mineralisation at the Spearhole Detrital Iron Deposit, with the deepest, high-grade channel trending NW-SE.

The Resources defined to date are set out in **Table 2** below.

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

Table 2 – Inferred Resources for Spearhole Detrital Iron Deposit (October 2010 Estimate)

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

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

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

Competent Person

Qualifying Statement: The information in this report that relates to exploration results and mineral resource calculations has been compiled 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.