ASX Code: DMA

ASX Announcement
27th January 2011

TEST-WORK RESULTS TO DATE SUGGEST 160Mt DSO PRODUCT ACHIEVABLE

Highlights

- Preliminary yields indicate at this stage there is a good probability that **more than 160 million tonnes of product at Direct Shipping Ore ('DSO') grades** would be recoverable from the higher grade portion of the existing resource (926 million tonnes at 27.4% Fe).

- This milestone supports the Board's approval of an 'interim' exploration and evaluation program for the Prairie Downs Iron Project during the period January to April 2011 which will maintain the continuity of the evaluation of this project.

- The program will also provide information required to plan work required to further explore and evaluate the ironstone gravel and the iron ore potential, on the vast tenement portfolio.

- Economic potential of detrital ironstone deposits (such as Brockman Resources Limited's - ASX: BRM and Dynasty's) are becoming more widely recognised - Dynasty's project is strategically located.

Sydney, Australia: Iron ore company Dynasty Metals Australia Limited **('Dynasty' or 'the Company')** today announced positive results from processing test-work recently completed on an initial bulk sample from the Company's Prairie Downs Iron Project, which clearly indicates that a large portion of the higher grade ore is fully recoverable at DSO grades. In addition the Company details its near-term exploration plans.

Dynasty has a large undeveloped and contiguous deposit strategically located in the Pilbara region of Western Australia which comprises a global Inferred Resource of 1.4 billion tonnes at 23.5% Fe that includes 932 million tonnes at 27.4% Fe.

Malcolm Carson, Technical Director of Dynasty Metals, said:

"**Recent test-work has continued to indicate that the Prairie Downs Ironstone Deposit can be upgraded to DSO grades via simple, low-cost processing.** This has triggered further evaluation and exploration work as the potential of these vast detrital ironstone deposits is becoming more widely apparent. Iron ore companies are advancing similar projects and recent mergers have resulted in larger land holdings, consolidating the ownership of stranded deposits and increasing the likelihood for significant discoveries.

"A recent example is the takeover of Giralia Resources by Atlas Iron. Following this transaction, Atlas Iron will have substantial tenements immediately to the east and south of our flagship Prairie Downs Iron Project.

"At Prairie Downs, Dynasty has a vast portfolio of tenements (~4,000km^2) strategically located in the south-southeast Pilbara in close proximity to some of the world's largest iron ore mining operations and in an area ear-marked by major companies as very prospective for large iron deposits **(see Figure 1 below)**.

"Dynasty's remarkably low-cost exploration program has already identified one massive channel ironstone gravel deposit in a very short time frame. Any project developed on these

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near-surface ironstone gravels is likely to have relatively low mining costs and therefore the potential to be very profitable."

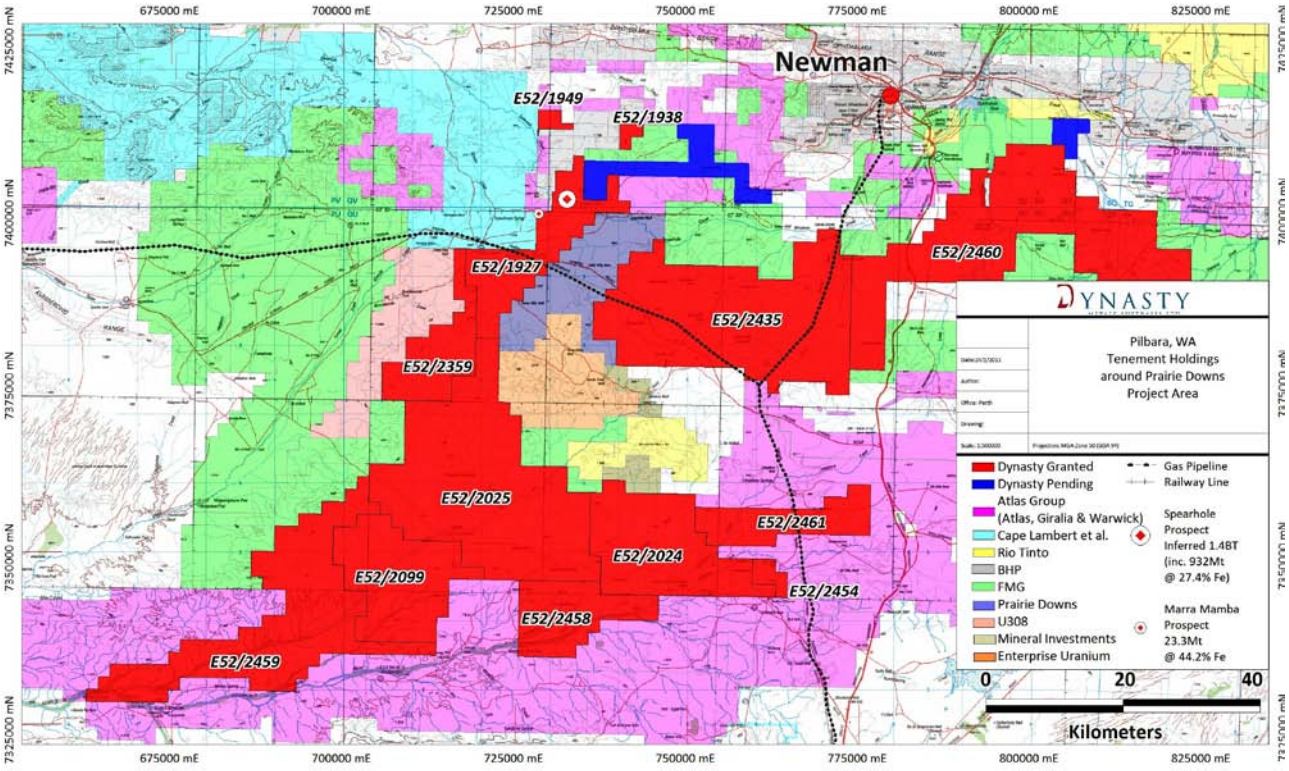

Figure 1 – Location of Dynasty's tenements and Atlas tenements and others

Bulk samples on this iron mineralisation were collected during 2010 and processing test-work is well underway. Four bulk samples each comprising 5 to 7 tonnes were collected using a Sonic drill rig and three representative samples, have been submitted for test-work. An additional, 10 tonne sample was also collected and remains in the field for collection.

Preliminary processing test-work was recently completed on one-tonne of the 6.5 tonne Area 3 sample which was considered representative of the ironstone gravel resource. The test-work undertaken on this material was designed to determine the iron contents of various size fractions.

The test-work of this pilot sample focussed on grades not yields and it has:

- contributed towards determining the optimal processing method;
- preliminarily indicated that blended 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%. Portions of the sample returns grades >60% Fe and <3% Si, <1% Al and <0.03% P with yields of up to 10%;
- confirmed that the Ironstone Gravel Deposit, with simple processing, can achieve typical DSO grades.

Applying this "preliminary indicative yield" of 17% to the portion of the Inferred Resource at a cut-off grade >27% Fe (932 million tonnes at 27.4% Fe) indicates at this stage that **at least 160 million tonnes** at DSO grades may be recoverable from the current resource. **This represents a large proportion (80%) of the previously published 200 million tonne target for the Spear Hole area and** compares with Brockman's estimated DSO production of 419 million tonnes.

Further work is ongoing on the Area 3 sample and on the remaining bulk samples to confirm these results and to investigate methods which may further increase the product grades as well as focussing on methods to increase the yield.

This work has enhanced Dynasty's understanding of the deposit and the high-grade zones within the gravels. It is hoped that with more testing, increased understanding will confirm and potentially improve these results. However, it should be noted, these results require further confirmation before they can be considered a reliable indication of the grades and yields obtainable from the resource.

In order to further test processing of various size fractions, further drilling using a Sonic rig is planned to collect larger samples in the next phase of exploration.

Exploration

The Dynasty Board has approved the following program for the Prairie Downs over the coming few months:

- Prairie Downs Ironstone Deposit: Complete 2010 beneficiation test work and optimise flow sheet.
- Base line "seasonal" environmental studies will also be carried out in preparation for mining lease applications and mining approvals which have a two-year lead time.
- Regional exploration for further iron ore using interpretations of airborne geophysics completed last year, reconnaissance mapping, rock chip sampling and drilling.

The above work will continue to evaluate the detrital deposit and provide information required to plan the work required to further explore and evaluate the iron ore potential of the Prairie Downs Iron Project.

The next stage of work is planned to commence by May 2011 and is likely to include:

- **Processing testwork on additional Ironstone Gravel Deposit bulk samples;**
- **Reconnaissance exploration on Prairie Downs tenements to identify high grade hematite targets;**
- **Preliminary exploration on the massive iron rich basal conglomerate; and**
- **Reconnaissance exploration on Dynasty's other tenements in the Pilbara Region.**

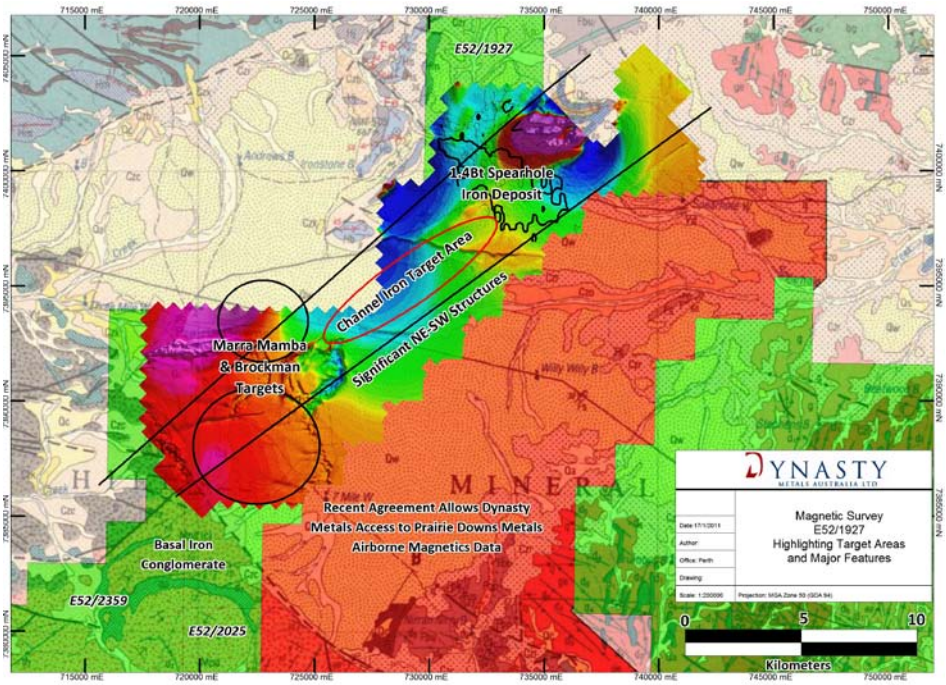

Figure 2 shows the areas/targets to be tested in one of Dynasty's tenements, in the 2011 exploration

This work above is expected to provide the basis for many components of a Pre-feasibility Study ('PFS') on the Prairie Downs Ironstone Deposit. A PFS will take 12 to 18 months and its scope would include:

- Mine planning and costing;
- Process engineering and costing;
- Infrastructure engineering and costing;
- Environmental studies, native title negotiations;
- Government negotiations for application for mining lease;
- Off-take requirements and preliminary negotiations with potential off-take partners;
- Funding options, and preliminary negotiations with sources of funding; and
- Detailed financial modelling and commercial analysis.

-ENDS-

For more information please contact:

Malcolm Carson - Technical Director on 02 9229 2704

***Qualifying statement**: Malcolm Carson has compiled the information in this report from information supplied to Dynasty Metals Limited. Malcolm Carson has sufficient experience that is relevant to the style of mineralisation, the types of deposit under consideration and to the activity that he is undertaking and qualifies as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results ("JORC Code"). Mr Carson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

Inferred Resources for Spearhole Detrital Iron Deposit (Estimate announced 27th October 2010)

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)

JORC Statement:

The information in this summary report relates to the Mineral Resource at Spearhole is based on the information compiled by Mr David Jenkins who is a Members of the Australian Institute of Geoscientists.

Mr Jenkins has sufficient experience in the style of mineralisation and type of deposit under consideration and the activity which they are undertaking to qualify as Competent Persons as defined in the JORC Code.

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