



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

**Half-Year Financial Report  
31 December 2010**

# **DYNASTY METALS AUSTRALIA LIMITED**

## **HALF YEAR REPORT**

---

<i>Contents</i>	<i>Page</i>
<b>DIRECTORS' REPORT</b>	<b>3</b>
<b>AUDITOR'S INDEPENDENCE DECLARATION</b>	<b>7</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>	<b>8</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>	<b>9</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS</b>	<b>10</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY</b>	<b>11</b>
<b>NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>12</b>
<b>DIRECTORS' DECLARATION</b>	<b>16</b>
<b>INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS</b>	<b>17</b>

# DYNASTY METALS AUSTRALIA LIMITED

## HALF YEAR REPORT

### DIRECTORS' REPORT

Your directors submit their report for the half-year ended 31 December 2010.

### 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.

Ian Levy BSc(Hons), MSc(Dist), DIC, FAusIMM, FAIG. (Chairman)  
 Malcolm Carson BSc (Geology), MSc (Nat Res mgt) (Technical Director)  
 Lewis Tay B.App.Sc, DipAF (Non-Executive Director)  
 Richard Oh CA MAICD (Non-Executive Director)  
 Graham Anderson CA, BBus, DipFP (Non-Executive Director)  
 XiaoDong Sun LLB (Non-Executive Director)  
 Terence Gygar LLB (Alternate Non-Executive Director)

### REVIEW OF OPERATIONS

Dynasty Metals' flagship Prairie Downs Iron Project is located southwest of Mt Newman in the Pilbara region of Western Australia.

The Company's exploration program during the second half of 2010 achieved its primary aims of advancing the understanding of the iron mineralisation present in the Prairie Downs tenements and advancing beneficiation studies of these large detrital (ironstone gravel) deposits.

Drilling during 2010 extended the known detrital iron mineralisation at the Spearhole Prospect approximately 4 km to the southeast, over an additional area of 11.5 km<sup>2</sup>.

In October 2010, Dynasty announced a 1.4 billion tonne Inferred Resource referred to in Table 1, including 932 million tonnes at 27.4% Fe (at a cut-off grade of 20% Fe) for the Company's Spearhole Detrital Iron deposit. For details, see Dynasty announcement released on 27 October 2010.

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

Tonnes Mt	Fe %	Calcined Fe* "CaFe" %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	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)

This increased the total Mineral Resource estimate by 300% since the Company announced the initial Mineral Resource estimate for the Spearhole Deposit on 18th March 2010.

## DYNASTY METALS AUSTRALIA LIMITED

### HALF YEAR REPORT

Preliminary test-work has indicated that simple, low-cost processing can upgrade this detrital iron to Direct Shipping Ore ('DSO'). Preliminary yields from this test work indicated that there is a good probability that more than 160 million tonnes of product at DSO grades would be recoverable from the higher grade portion of the resource.

The results have demonstrated the potential for Dynasty's Spearhole Detrital Iron Deposit to supply both niche markets and to be a blend into the typical suite of Pilbara iron ores.

The results of the work carried out during 2010 and the work being undertaken during the summer period of 2011, will provide Dynasty with more information to assist it in making a decision to move to a Pre-Feasibility Study on the Spearhole Detrital Iron Deposit during 2011.

It is expected that such a decision would be made by mid-year, during the 2011 exploration program.

The economic potential of these detrital ironstone deposits (such as Brockman Iron's and Dynasty's) are becoming more widely recognised. Dynasty's project is strategically located as show in Figure 1, below.

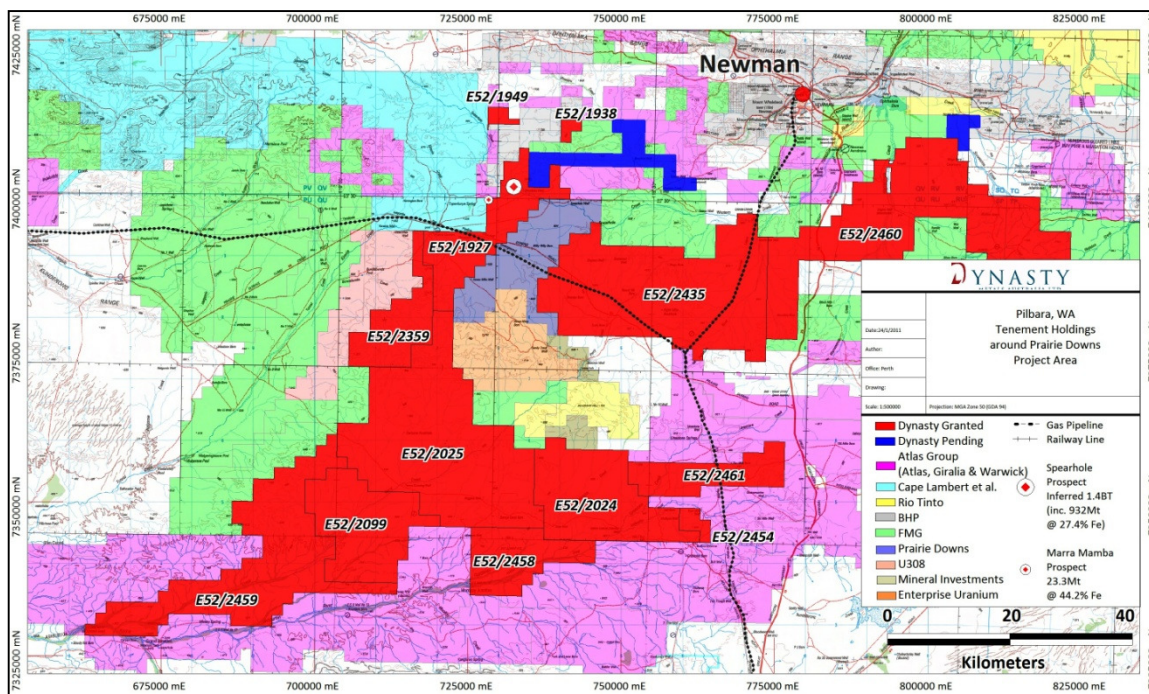


Figure 1 – Location of Dynasty's tenements and Atlas tenements and others

### Next Stage Exploration

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

- Processing test work 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.

## DYNASTY METALS AUSTRALIA LIMITED

### HALF YEAR REPORT

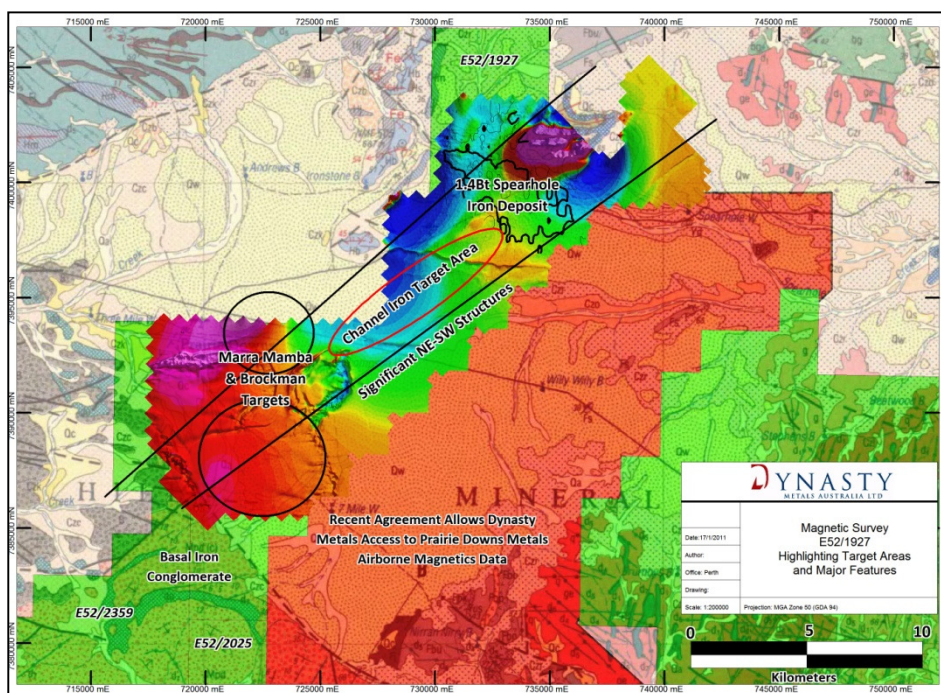


Figure 2 shows the areas/targets to be tested in one of Dynasty's tenements in 2011 exploration.

### Pre-feasibility Study

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, mining lease application;
- 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.

### Corporate and Funding

During the half year, Dynasty completed a \$2.1 million placement to XingHua Iron and Steel Co., Ltd ("XingHua") during the half year, comprising 11,652,197 shares at an issue price of \$0.18 per share). The placement enabled Dynasty to maintain the momentum of its exploration and evaluation programs for the Prairie Downs Iron Project from the end of 2010 into the first quarter 2011.

Xing Hua is a medium-sized steel producer based in China's Fujian Province that is keen to build an iron ore supply business in Australia. In addition to technical and financial support, XingHua brings Dynasty access to a large iron ore market and the potential to secure off-take arrangements into the Hebei steel making province of China. XingHua also brings a high level of metallurgical expertise in the blending and processing of iron ore from various sources to produce high quality steel.

Please refer to [www.dynastymetals.com.au](http://www.dynastymetals.com.au) for more details.

## **DYNASTY METALS AUSTRALIA LIMITED**

### **HALF YEAR REPORT**

---

#### **Competent Persons**

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

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

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

#### **RESULTS OF OPERATIONS**

The company incurred an after tax operating loss for the half-year ended 31 December 2010 of \$1,860,897 (2009: \$3,864,629).

#### **AUDITOR'S INDEPENDENCE DECLARATION**

We have obtained an independence declaration from our auditor's, Deloitte Touche Tohmatsu, which is included on page 7.

Signed in accordance with a resolution of the Directors.



Graham Anderson  
Director

16 March 2011



The Board of Directors  
Dynasty Metals Australia Limited  
Suite 2 Level M  
35-37 Havelock  
WEST PERTH WA 6005

16 March 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 half year review of the financial statements of Dynasty Metals Australia Limited for the financial period ended 31 December 2010, 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

# DYNASTY METALS AUSTRALIA LIMITED

## HALF YEAR REPORT

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

		Consolidated Half –year ended	
	Notes	31 December 2010 \$	31 December 2009 \$
<b>Continuing Operations</b>			
<b>Revenue</b>	5	162,257	486,222
Occupancy expenses		(28,933)	(26,329)
Share based payments expense		-	(2,125,800)
Exploration expenditure	5	(1,721,615)	(1,811,308)
Other expenses		(306,948)	(368,500)
Impairment in investments		-	(34,514)
<b>Profit/(loss) from continuing operations before income tax</b>		(1,895,239)	(3,880,229)
Income tax benefit		34,342	15,600
<b>Profit/(loss) from continuing operations after tax</b>		(1,860,897)	(3,864,629)
<b>Other comprehensive income</b>			
Transfer of gains to profit and loss upon disposal		(192,287)	-
Fair value gains on available-for-sale financial assets		178,876	52,000
Tax effect on fair value gains		4,023	(15,600)
<b>Total other comprehensive income</b>		(9,388)	36,400
<b>Total comprehensive income/(loss) for the period</b>		(1,870,285)	(3,828,229)
<b>Profit/(loss) is attributable to</b>			
Members of the parent		(1,860,897)	(3,864,629)
<b>Total comprehensive income/(loss) is attributable to:</b>			
Members of the parent		(1,870,285)	(3,828,229)
<b>Earnings per share (cents per share)</b>			
- basic; for loss for the half-year		(2.26)	(5.90)
- diluted; for loss for the half-year		(2.26)	(5.90)



# DYNASTY METALS AUSTRALIA LIMITED

## HALF YEAR REPORT

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

	Notes	Consolidated 31 December 2010 \$	30 June 2010 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		2,274,076	2,842,133
Trade and other receivables		103,184	212,005
Prepayments		23,565	18,599
<b>Total Current Assets</b>		<u>2,400,825</u>	<u>3,072,737</u>
<b>Non-Current Assets</b>			
Other financial assets		706,699	543,303
Property, plant and equipment		136,499	148,795
<b>Total Non-Current assets</b>		<u>843,198</u>	<u>692,098</u>
<b>TOTAL ASSETS</b>		<u>3,244,023</u>	<u>3,764,835</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		193,517	1,014,245
<b>Total Current Liabilities</b>		<u>193,517</u>	<u>1,014,245</u>
<b>TOTAL LIABILITIES</b>		<u>193,517</u>	<u>1,014,245</u>
<b>NET ASSETS</b>		<u>3,050,506</u>	<u>2,750,590</u>
<b>EQUITY</b>			
Contributed equity	8	14,989,262	12,819,061
Accumulated losses		(14,853,867)	(12,992,970)
Reserves		2,915,111	2,924,499
<b>TOTAL EQUITY</b>		<u>3,050,506</u>	<u>2,750,590</u>

# DYNASTY METALS AUSTRALIA LIMITED

## HALF YEAR REPORT

### CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Notes	Consolidated Half-year ended 31 December 2010 \$	31 December 2009 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(312,210)	(614,723)
Payments for exploration expenditure		(2,489,220)	(1,637,789)
Interest received		57,465	50,894
<b>Net cash flows from/(used in) operating activities</b>		<b>(2,743,965)</b>	<b>(2,201,618)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(253)	-
Purchase of equity investments		(651,511)	(1,771,795)
Proceeds from sale of fixed assets		-	-
Proceeds from sale of equity investments		657,471	2,656,461
Loan received from other entities		-	-
Release of bond deposit		-	99,985
<b>Net cash flows from/(used in) investing activities</b>		<b>5,707</b>	<b>984,651</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		2,177,395	780,000
Capital raising costs		(7,194)	(19,945)
<b>Net cash flows from/(used in) financing activities</b>		<b>2,170,201</b>	<b>760,055</b>
Net increase/(decrease) in cash and cash equivalents		(568,057)	(456,912)
Cash and cash equivalents at beginning of period		2,842,133	2,958,663
<b>Cash and cash equivalents at end of period</b>	6	<b>2,274,076</b>	<b>2,501,751</b>

# DYNASTY METALS AUSTRALIA LIMITED

## HALF YEAR REPORT

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2010

<b>CONSOLIDATED</b>	<b>Issued shares</b>	<b>Option reserve</b>	<b>Available for sale investments reserve</b>	<b>Foreign currency translation reserve</b>	<b>Accumulated losses</b>	<b>Total equity</b>
<b>At 1 July 2009</b>	10,111,253	708,937	284,636	243	(7,214,523)	3,890,546
Loss for the period	-	-	-	-	(3,864,629)	(3,864,629)
Transfer to profit or loss upon derecognition	-	-	(263,636)	-	-	(263,636)
Gain on movement in fair value of investments	-	-	52,000	-	-	52,000
Tax effect of gain in fair value movements	-	-	(15,600)	-	-	(15,600)
<b>Total comprehensive income for the period</b>	-	-	(227,236)	-	(3,864,629)	(4,091,865)
<b>Transactions with owners in their capacity as owners</b>						
Issue of shares (net of share issue costs)	760,055	-	-	-	-	760,055
Share-based payments	-	2,125,800	-	-	-	2,125,800
<b>At 31 December 2009</b>	10,871,308	2,834,737	57,400	243	(11,079,152)	2,684,536
<b>At 1 July 2010</b>	12,819,061	2,834,737	89,519	243	(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)
<b>Total comprehensive income for the period</b>	-	-	(9,388)	-	(1,860,897)	(1,870,285)
<b>Transactions with owners in their capacity as owners</b>						
Issue of shares (net of share issue costs)	2,170,201	-	-	-	-	2,170,201
Share-based payments	-	-	-	-	-	-
<b>At 31 December 2010</b>	14,989,262	2,834,737	80,131	243	(14,853,867)	3,050,506

# **DYNASTY METALS AUSTRALIA LIMITED**

## **HALF YEAR REPORT**

---

### **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

#### **1. CORPORATE INFORMATION**

The financial report of Dynasty Metals Australia Limited (the Company) for the half-year ended 31 December 2010 was authorised for issue in accordance with a resolution of the directors on 16 March 2011.

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

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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 2010.

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 2010 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

##### **(a) Basis of Preparation**

The half-year financial report is a general purpose financial report, which has been prepared in accordance with the requirement of the *Corporations Act 2001*, applicable Accounting Standards, including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements. The half-year financial report has been prepared on a historical cost basis, except where stated.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

##### **(b) Significant accounting policies**

The accounting policies have been consistently applied by the entities in the consolidated entity and are consistent with those applied in the 30 June 2010 annual report, except for the adoption of amending standards mandatory for annual periods beginning on or after 1 July 2010, as noted below.

##### **(c) New Accounting Standards and Interpretations**

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and are effective for the current reporting period.

# DYNASTY METALS AUSTRALIA LIMITED

## HALF YEAR REPORT

---

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### (c) New Accounting Standards and Interpretations (continued)

The following Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the consolidated entity for the half year ended 31 December 2010.

New or Revised Requirement	Effective for annual reporting periods beginning on or after
AASB 9 <i>Financial Instruments</i> , AASB 2009-11 <i>Amendments to Australian Accounting Standards arising from AASB 9</i>	1 January 2013
AASB 124 <i>Related Party Disclosures</i> (2009), AASB 2009-12 <i>Amendments to Australian Accounting Standards</i>	1 January 2011
AASB 1053 <i>Application of Tiers of Australian Accounting Standards</i> and AASB 2010-2 <i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements</i>	1 July 2013
AASB 2009-14 <i>Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement</i>	1 January 2011
AASB 2010-4 <i>Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project</i>	1 January 2011
AASB 2010-5 <i>Amendments to Australian Accounting Standards</i>	1 January 2011
Disclosures – <i>Transfers of Financial Assets (Amendments to IFRS 7 Financial Instruments: Disclosures)</i>	1 July 2011
<i>Additions to IFRS 9 for financial liability accounting</i>	1 January 2013
<i>Amendments to IFRS 7 Financial Instruments: Disclosures</i>	1 July 2011
IFRS 9 <i>Financial Instruments</i> (October 2010)	1 January 2013

#### (d) Basis of consolidation

The half-year financial statements comprise the financial statements of Dynasty Metals Australia Limited and its controlled subsidiaries ("the Group").

### 3. FINANCIAL RISK MANAGEMENT

Aspects of the Company's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2010.

# DYNASTY METALS AUSTRALIA LIMITED

## HALF YEAR REPORT

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 4. SEGMENT INFORMATION

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Consolidated Entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Information reported to the Consolidated Entity'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 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.

#### 5. REVENUE, INCOME AND EXPENSES

##### (a) Revenue, Income and Expenses from Continuing Operations

	31 December 2010	31 December 2009
Revenue		
Interest revenue	52,197	33,916
Gain on sale of investment	110,060	452,306
	<u>162,257</u>	<u>486,222</u>
<i>Allocated to Exploration Expenditure</i>		
Director fees	156,000	143,000
Direct exploration expenses	1,533,996	1,638,706
Travel expenditure	31,284	24,849
Other expenses	335	4,753
Total Exploration Expenditure	<u>1,721,615</u>	<u>1,811,308</u>
<i>Other Expenses</i>		
Depreciation	<u>12,297</u>	<u>4,490</u>

#### 6. 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	2,274,076	2,501,751
	<u>2,274,076</u>	<u>2,501,751</u>

# DYNASTY METALS AUSTRALIA LIMITED

## HALF YEAR REPORT

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 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

	31 December 2010	
	No.	\$
<i>(i) Ordinary shares</i>	89,733,509	14,989,262
<i>Movement in ordinary shares on issue</i>		
Balance at beginning of financial year	77,681,312	12,819,061
Issue of shares during the year through placement	11,652,197	2,097,395
Conversion of listed options at \$0.20 each	400,000	80,000
Capital raising costs	-	(7,194)
<b>At 31 December 2010</b>	<b>89,733,509</b>	<b>14,989,262</b>

#### 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.



## **DYNASTY METALS AUSTRALIA LIMITED**

### **HALF YEAR REPORT**

---

#### **DIRECTORS' DECLARATION**

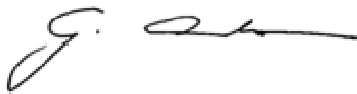
The directors declare that:

(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 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



Graham Anderson  
Director

Perth, 16 March 2011

# **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 condensed statement of financial position as at 31 December 2010, and the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed 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 8 to 16.

## *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 2010 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 2010 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, 16 March 2011