DYNASTY
METALS AUSTRALIA LTD

# QUARTERLY ACTIVITIES REPORT
# FOR THE PERIOD ENDED 30 JUNE 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
27 July 2011:

Issued Shares: 104.4M

Options: 17.4M @ $0.20

Share Price: $0.18

Market Cap: $19M

Cash: $3.9M

Debt: Nil

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## Key Points

- **Beneficiation testing is continuing to be encouraging.** Ongoing results confirm the presence of DSO grade material within the gravels of which a proportion can be retrieved using gravity separation techniques with no crushing or grinding required. Some preliminary results anticipated to be available in early August will be released in due course.
- **With beneficiation testing advancing, the Company will be applying for a mining licence for the Spearhole Prospects.**
- **Regional mapping and sampling has identified new CID and ironstone gravel targets within the project area.** These are in addition to the DSO magnetic targets determined last quarter using the airborne magnetic acquired last year.
- Extensive CID subcrop of up to 56% $Fe_2O_3$ was mapped. Further studies will be undertaken to evaluate the size potential of the deposits.
- **A Drilling program to test the DSO and CID targets is being planned for the next quarter in 2011**.
- Irwin CSG project Petroleum licence applications are moving closer to grant.
- Joint venture signed with CCGEC over other project areas. These are the Hyden Gold Project, Stanley Nabberu Gold, Base Metal and Uranium Project, and the Hector Bore-Mt Philips Uranium Project.

## Overview of Dynasty's Iron Ore Projects

Dynasty's iron ore tenements are located in the Pilbara region of Western Australia and total ~4,500km$^2$ in area, see **Figure 1**, areas highlighted in red.

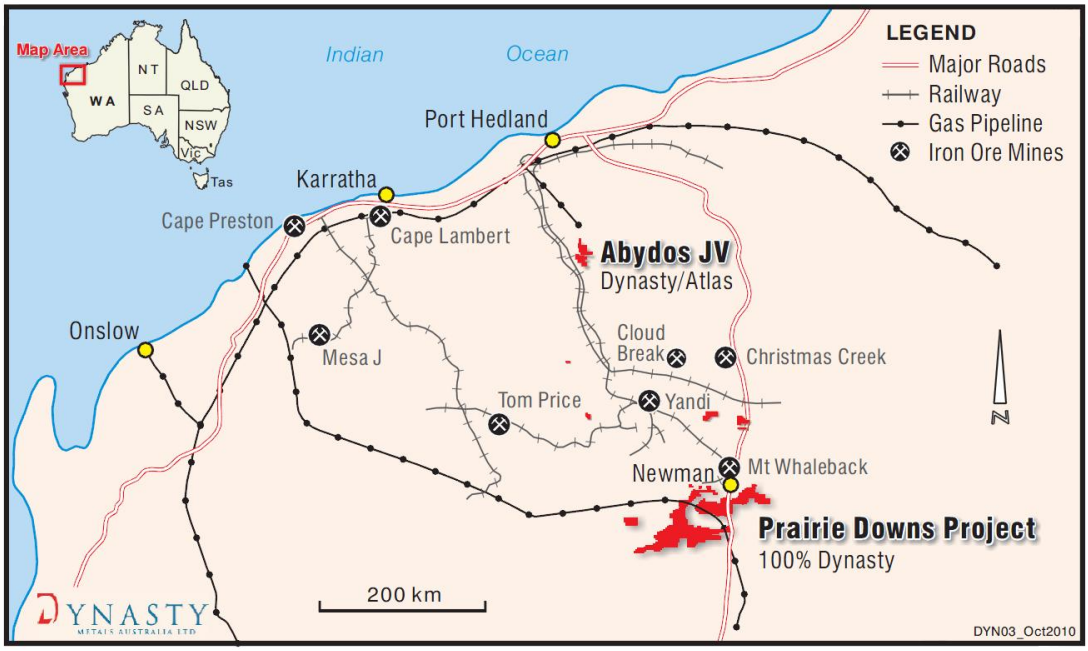


***Figure 1 - Location of Dynasty's Tenements in Pilbara Region***

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.

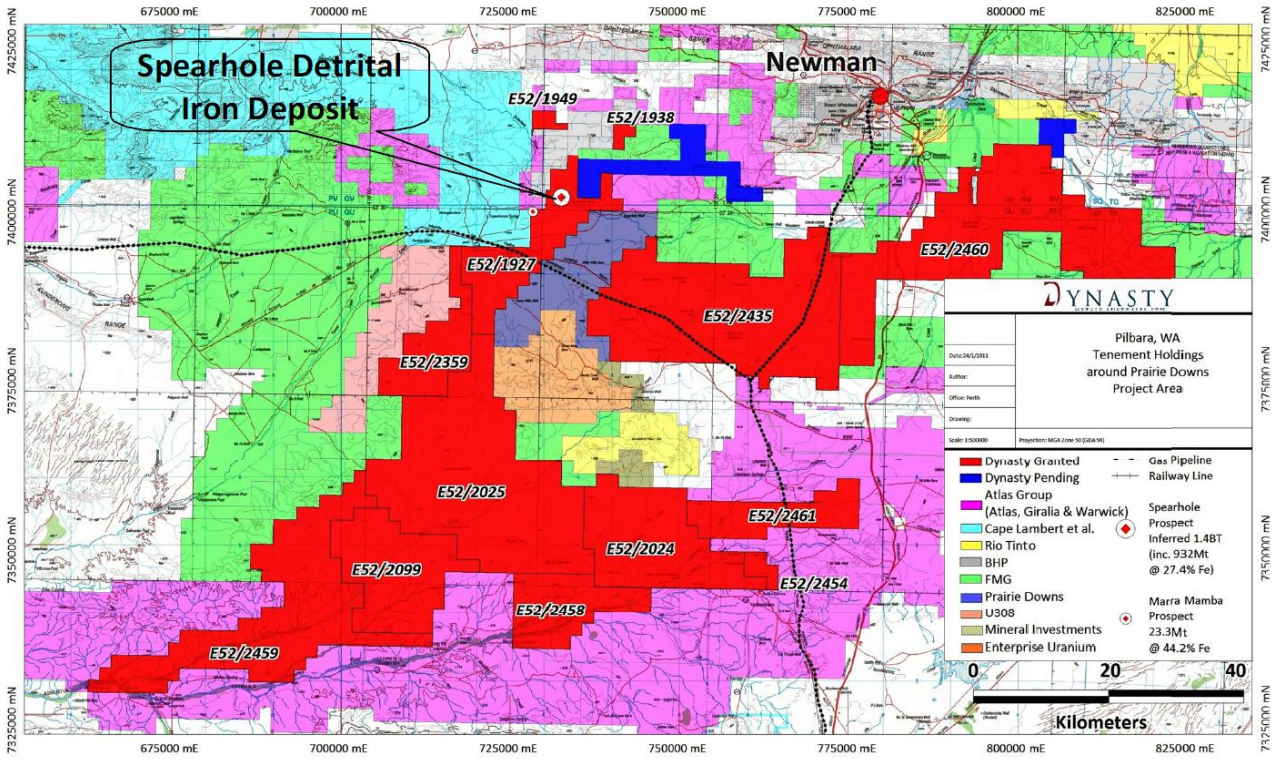


***Figure 2 – Prairie Downs Iron Project - Strategic Location of Dynasty's Tenements***

## Prairie Downs – Recent Exploration Program

A 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 $Fe_2O_3$ 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 3.

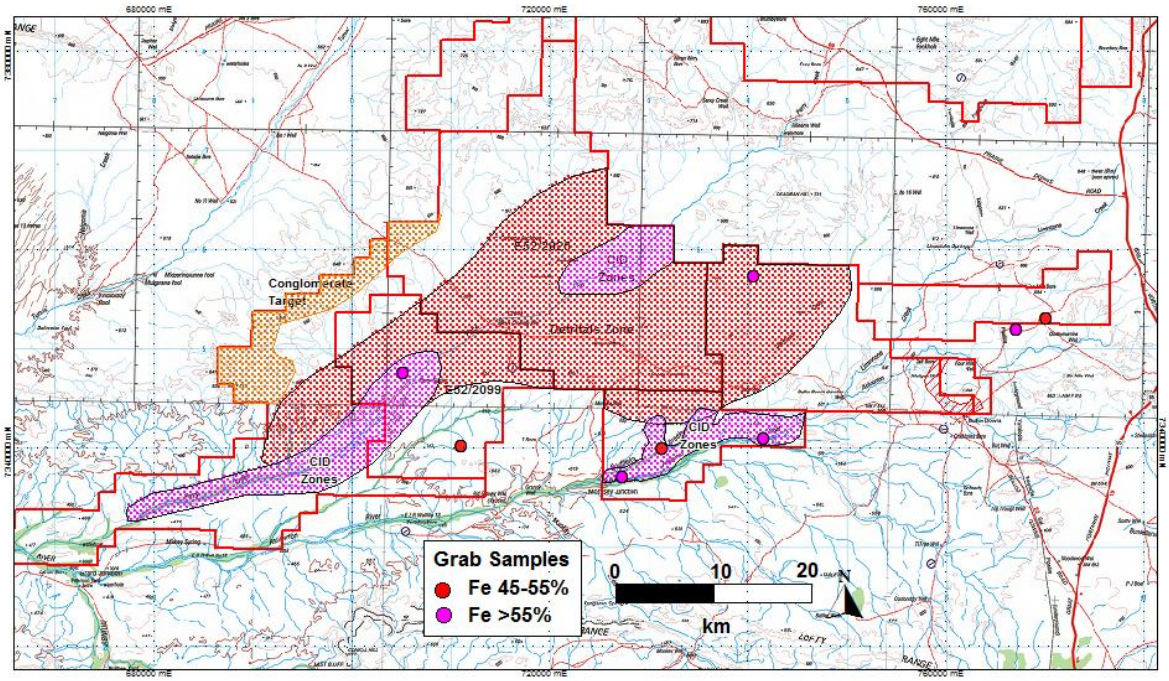


*Figure 3 – Prairie Downs Iron Project – Target zones for potential mineralisation styles Southern Tenements*

*Figure 4 – 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 5 shows the sample locations and the potential targets for the various mineralisation styles known to be present in the area.

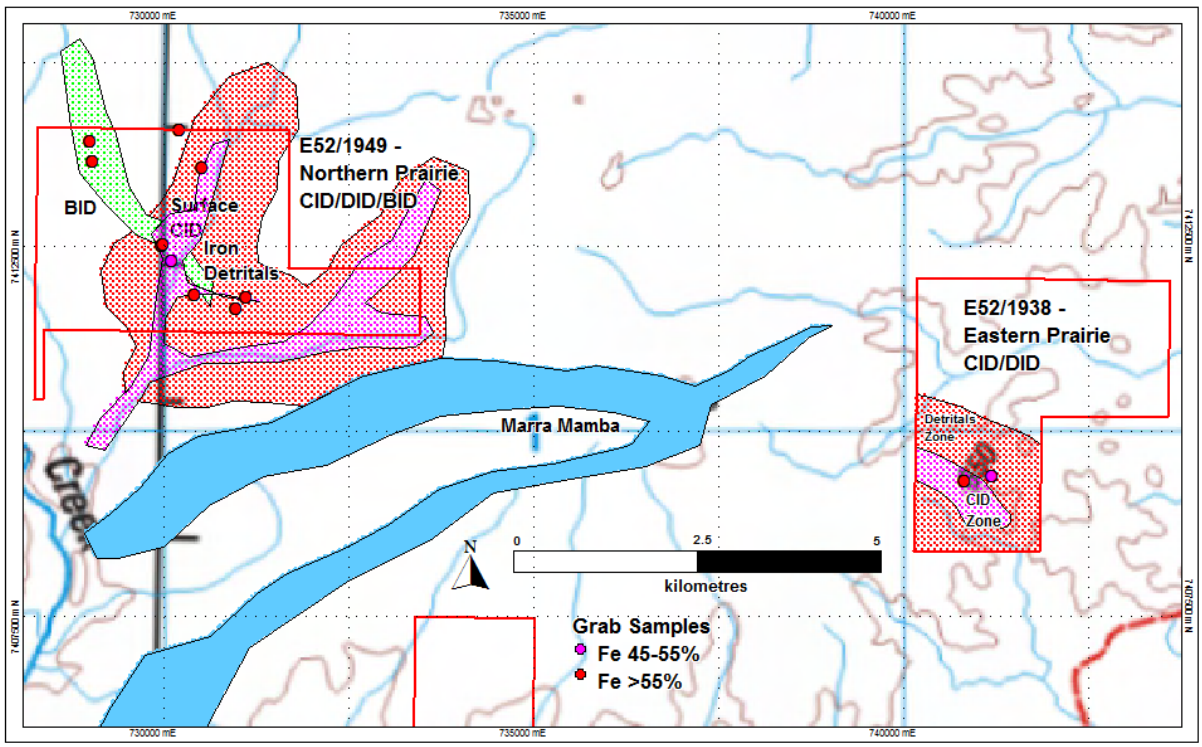


*Figure 5-Iron mineralisation potential Northern tenements. Areas marked are target zones.*

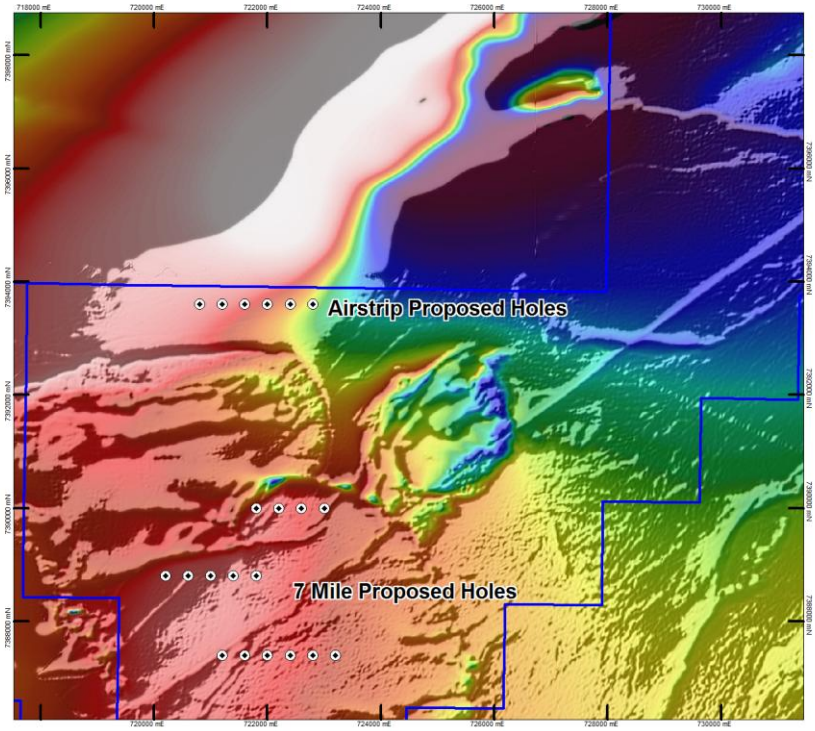


*Figure 6– DSO targets identified in E52/1927 to be tested in 2011 exploration programs*

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

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

## Prairie Downs – Ongoing Processing Test-work

Results to date from processing test-work continue to be encouraging and are close to being fianlised. NAGROM have been undertaking the work and we are currently processing larger samples from two separate areas, Area 3 and Area 2. Area 3 was the area where a smaller sample was initially tested indicating that blended product grades can be achieved of approximately 56-58%% Fe, 5-7% Si, 5-7% Al and 0.05% P with a yield in the order of 15-17%.

This phase of testing is designed to determine a potential beneficiation flow sheet that can be used for further testing on a 10 tonne sample collected during the Sonic drilling program last year. To date testing has focussed on processes with minimal crushing and no grinding to determine the yield of saleable material. As part of the processing a moderate grade (>40% Fe) portion of the material is also produced and this material may also be able to be beneficiated to enhance the economics of the project.

## 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.

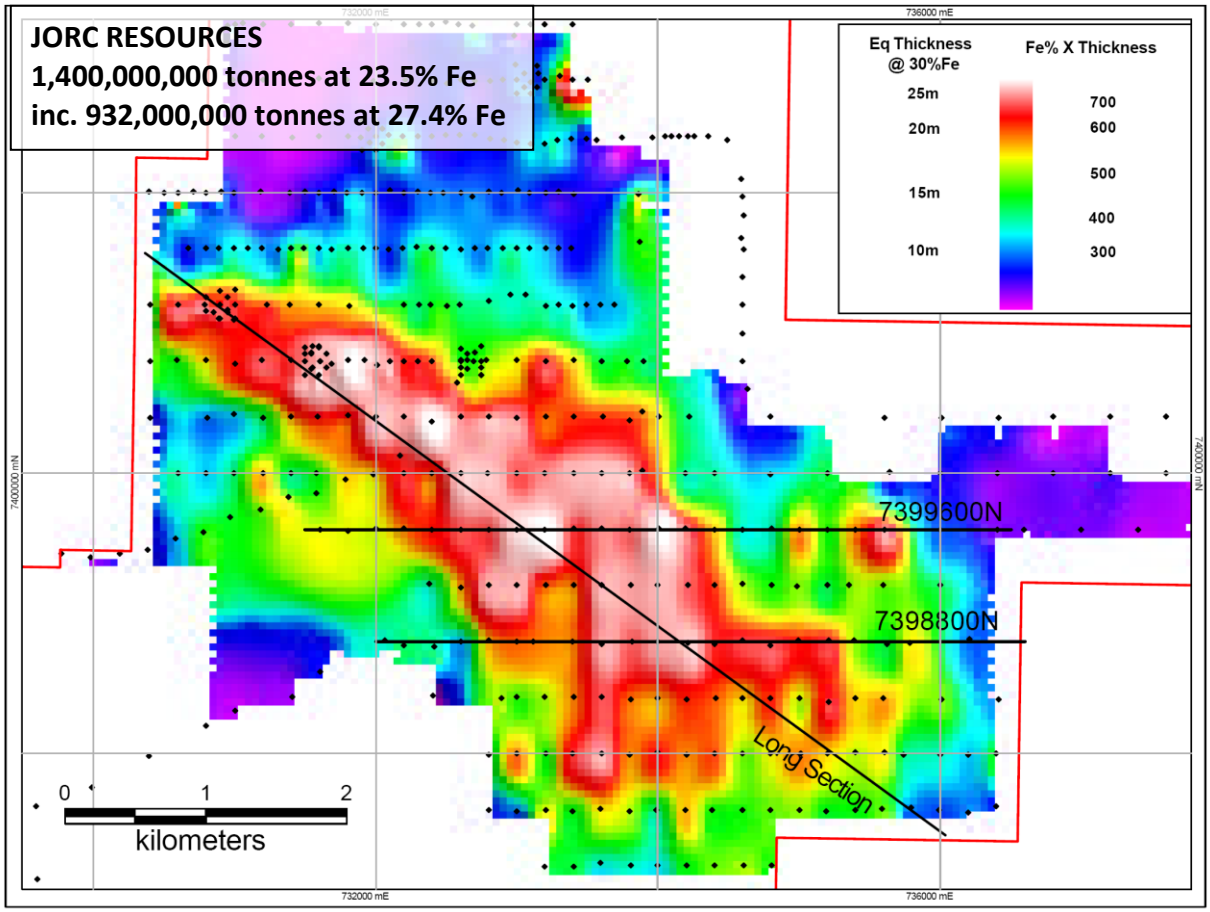


***Figure 7 – distribution (Fe grade x thickness) of the iron mineralisation at the Spearhole Detrital Iron Deposit, with the deepest, high-grade channel trending NW-SE.***

The Resources defined to date are set out in **Table 1** 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 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)

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.

## Irwin CSG Project

Work on the Irwin River Coal Project during the last quarter included examination of 1970's drilling through the coal seams in the region (within DMA's Petroleum Lease applications). This examination confirmed to DMA the potential for accumulations of coal at depth that could be amenable to coal seam gas development. The Petroleum licences are moving towards being granted, following final native title negotiations, in the near future. DMA will examine the most effective way to maximise shareholder value in this project.

The coal tenements formerly held by DMA were deemed to have low potential for economic accumulations of coal near the surface and were relinquished.

## Corporate

During the quarter, three significant corporate activities were the focus of activities:

1. Concluding 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. 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.

2. **Private placement of 13.5 million shares at $0.18 per share**, raising approximately $2.3m from two China based private investors.

3. Continuation of the defence of writs related to the March 2011 EGM, which continue to be a drain on the Company's limited human and financial resources. The first writ by Mr Thaler has been discontinued and the Company is pursuing Mr Thaler and Mr Koncepolski for damages. A second writ by Mr Carson remains in progress. The Company is, however, pursuing Mr Carson for costs awarded against Mr Carson.

## Competent Persons

*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.*

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