

7 March 2013

Letter to Shareholders

CHAIRMAN'S LETTER

Dear Shareholder,

As Chairman I thought it is prudent to provide an update on your Company and its activities.

Spearhole Project Beneficiation Study

Over the past 12 months the Company has spent considerable time in advancing the metallurgy study on our billion tonne flagship Spearhole Project. Your Company engaged China North Eastern University to focus on the wet magnetic separation technique over the sample ores. We are now applying the knowledge gained from this process to the phase 3 study aiming to improve the yields and grades while reducing the processing cost. This is an ongoing process now being managed by renowned metallurgist Mr. Chris Larder. The Company will update further developments as they are finalised.

Exploration

The Company has over the years completed around 23,000 metres of drilling and a number of geophysical surveys which has given the exploration team sufficient regional knowledge over the vast tenement areas. This process has narrowed the next round drilling targets and also allowed a reduction in minimum exploration expenditures by relinquishing some non-prospective ground. Your Board is very excited for what the future holds with the current exploration assets after the evaluation.

The Marandoo Project (E47/2396) has been identified with the potential of hosting direct shipping ore (DSO). The project covers an area of 24.4 km², is within 7 kilometres of the Rio Tinto's Marandoo mine, a high grade deposit within the Marra Mamba Formation and adjacent to Rio's rail line. The recently completed ground survey showed the size of the magnetic anomaly exceeding 7 kilometres in length collectively.

Our strategy with Marandoo is to establish the possibility of a large JORC compliant DSO resource which will then be attractive to existing producers in the area potentially creating significant shareholder value. This strategy has proven effective for several exploration groups such as United Mineral Corporation NL (UMC) whose Railway Project had similar geological and logistic settings. The Railway Project was located about 30 kilometres east of the Rio Tinto Marandoo mine and contained 158Mt of Marra Mamba ores at 58.03% Fe with a 1,500 metres long and 500 metres wide ore body and was taken over by BHP in 2009 for more than \$200 million.

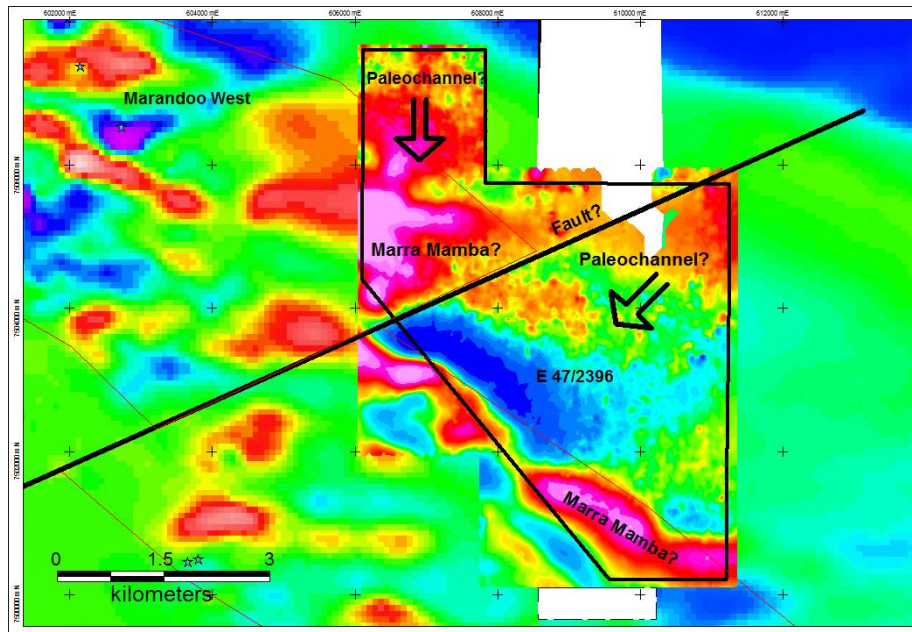


Figure 1, Marandoo Project E47/2396 regional magnetic with preliminary interpretation and potential targets.

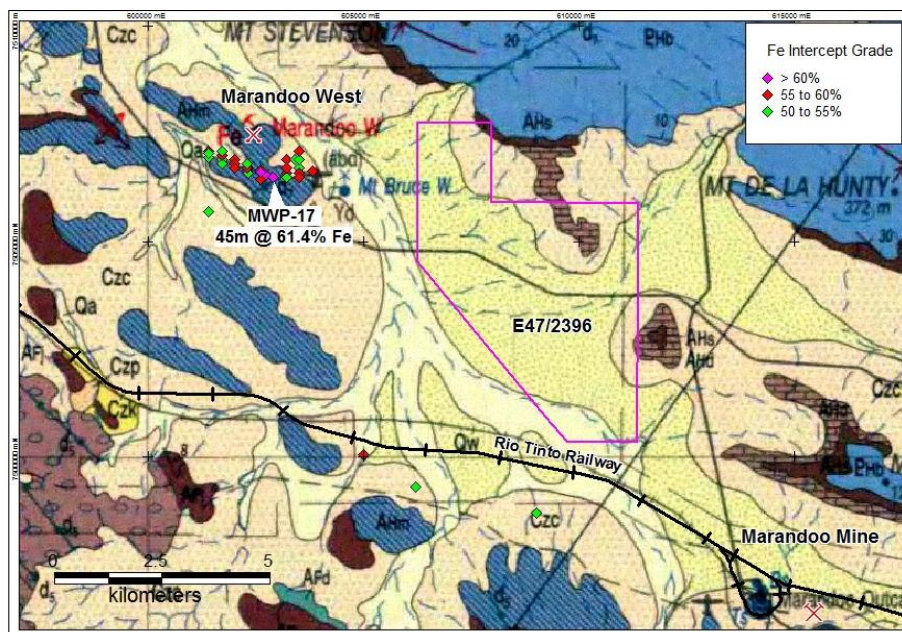


Figure 2, Marandoo Project E47/2396 location showing nearby mines.

Your Company is currently finalising the native title clearance process for Marandoo which has taken considerable time in negotiation. Drilling is expected to commence in April.

In addition, your Company has successfully won the application E47/2200 in Roy Hill region during a ballot process, the lease is prospective for channel iron deposits (CID) which will be tested once granted.

Corporate

On a corporate level your Board has been discussing various opportunities with respect to a potential farm-in or joint venture relationship with an iron ore major for the Prairie West and Newman exploration leases. These opportunities are being progressed and will only proceed if there is clear value creation for the shareholders. These discussions are at a confidential preliminary stage and shareholders will be informed of developments if and when they occur.

Several gold and base metal projects have also been offered to the Board during the period, the Board has examined each opportunity with the principle of identifying a project which offers sufficient prospectivity and commercial value to be of interest. The Board will continue to seek quality mineral opportunities only to complement existing assets and deliver long-term growth to shareholders.

The pricing for iron ore has been enduring somewhat of a rollercoaster ride for a few months now, however we are pleased to note that the price for 62% Fe has returned to the \$150/tonne range, your Board holds the view that the long term iron ore price will remain above \$100/tonne for the foreseeable future, which will give sufficient credibility to the flagship Spearhole Project and warrant further exploration activities to be undertaken by Dynasty.

Your Board has been actively in discussion with various Chinese and Korean entities about investment in Spearhole. Your Board will keep the market informed of any developments in these discussions as they arise.

Your Board continues to discuss options with respect to infrastructure in the region as announced last year with respect being a customer to QR National's (now called Aurizon Holdings Ltd) proposed independent rail network.

Recently the Company announced that it had received the grant of two Coal Seam Gas (CSG) exploration licences in the Irwin coal measures of the Perth basin. This is the outcome of a 5 year marathon negotiation process over the native title issues. The two leases EPA 484 and 485 cover an area of approximately 1,300m².

In addition, the Company has recently submitted two petroleum exploration applications over the Perth basin in Western Australia. Your Board is currently in discussions on the farm-in, or alternatively a spin-off of these CSG and petroleum leases into a separate entity when the applications are granted in next few months. Once a complete proposed transaction is outlined it will be announced immediately thereafter.

Strategy

From a future strategy point of view the Company will continue to move forward with a focussed attitude to exploration. This focus is to spend the money only on those highly prospective areas after being intensively evaluated by the exploration team and the Board. Current assets such as shares in

Tiaro Coal and Argonaut Resources which are held by the Company may be divested in the future to support this strategy.

I thank our technical and administration team members for their hard work and also thank you as shareholders for your continued support, and look forward to the future successes of the Company over the next 12 months and beyond.

Thomas Pickett
Independent Chairman

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