DYNASTY METALS AUSTRALIA LTD

ACN 110 385 709

FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

DIRECTORS' REPORT

The directors of Dynasty Metals Australia Ltd present the following report for the half-year ended 31 December 2005.

DIRECTORS

The following persons were directors of the company during the half-year and hold office as directors of the company at the date of this report.

Mr Peter Preston Andrews
Mrs Rita Marian Brooks
Mr Graham Douglas Anderson

Mr Richard Stanger was appointed as a Director on 17 August 2005 and resigned on 28 February 2006.

PRINCIPAL ACTIVITY

The principal activities of the company are exploration for gold, nickel, uranium and iron.

REVIEW OF OPERATIONS

The company listed on the ASX on 6 December 2005 raising $2,700,000 by the issue of 13,500,000 shares. Exploration activities commenced on the company's Bendoc and Bright areas in Victoria. Drilling is in progress at the Bendoc project.

RESULTS OF OPERATIONS

The company incurred an after tax operating loss for the half-year ended 31 December 2005 of $391,926.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 17.

Signed in accordance with a resolution of the directors

Graham Douglas Anderson
Director

Perth, Western Australia
10th March 2006

CONDENSED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

	Note	31 December 2005 $	Period 6 August 2004 to 31 December 2004 $
Revenue	2	18,416	-
Occupancy expenses		(4,800)	-
Exploration expenses		(237,750)	-
Administrative expenses		(160,184)	4,904
Marketing expenses		(7,608)	-
(Loss) before income tax		(391,926)	(4,904)
Income tax		-	-
Net (loss) attributable to members of Dynasty Metals Australia Ltd		(391,926)	(4,904)
Basic loss per share (cents)		(2.576)	(0.252)

The above condensed income statement should be read in conjunction with the accompanying notes.

CONDENSED BALANCE SHEET
AS AT 31 DECEMBER 2005

	Note	31 December 2005 $	30 June 2005 $
Current Assets			
Cash and cash equivalents		2,211,036	155,940
Trade and other receivables		42,840	8,459
Total Current Assets		2,253,876	164,399
Non Current Assets			
Property, plant and equipment		2,144	-
Total Non Current Assets		2,144	-
Total Assets		2,256,020	164,399
Current Liabilities			
Trade and other payables		59,755	11,308
Interest bearing liabilities		-	90,982
Total Current Liabilities		59,755	102,290
Total Liabilities		59,755	102,290
Net Assets		2,196,265	62,109
Equity			
Issued Capital	3	2,762,084	236,002
Accumulated losses		(565,819)	(173,893)
Total Equity		2,196,265	62,109

The above condensed Balance Sheet should be read in conjunction with the accompanying notes.

CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

	31 December 2005 $	Period 6 August 2004 to 31 December 2004 $
Cash flows from operating activities		
Payments to suppliers and employees	(198,734)	5,394
Interest received	10,305	-
Net cash flows used in operating activities	(188,429)	5,394
Cash flows from investing activities		
Payments for mining expenditure	(231,576)	-
Payments for plant and equipment	(2,272)	-
Net cash flows used in investing activities	(233,848)	-
Cash flows from financing activities		
Proceeds from share issues	2,700,000	236,002
Cost of share issue	(131,645)	-
Repayment of loans	(90,982)	-
Net cash flows from financing activities	2,477,373	236,002
Net (decrease)/increase in cash and cash equivalents	2,055,096	230,608
Cash and cash equivalents at beginning of the half year	155,940	-
Cash and cash equivalents at end of the half year	2,211,036	230,608

The above condensed statement of cash flows should be read in conjunction with the accompanying notes.

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

	Issued Capital	**Accumulated Losses**	**Total**
	$	**$**	**$**
At incorporation 6 August 2004	2	-	2
Loss for the period	-	(4,904)	(4,904)
Issue of share capital	236,000	-	236,000
At 31 December 2004	236,002	(4,904)	231,098
At 1 July 2005	236,002	(173,893)	62,109
Loss for the period	-	(391,926)	(391,926)
Issue of share capital	2,700,000	-	2,700,000
Costs of share issue	(173,918)	-	(173,918)
At 31 December 2005	2,762,084	(565,819)	2,196,265

NOTES TO AND FORMING PART OF THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

NOTE 1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

The half-year financial report does not include all 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 2005, which was prepared based on Australian Accounting Standards applicable before 1 January 2005 ('AGAAP').

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 2005 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of accounting

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements 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. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(b) Statement of compliance

The half-year financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the half-year financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

This is the first half-year financial report prepared based on AIFRS and comparatives for the period from incorporation on 6 August 2004 to 31 December 2004 and full-year ended 30 June 2005 have been restated accordingly. A summary of the significant accounting policies of the Company under AIFRS are disclosed in Note 1(c) below.

Reconciliations of:

- AIFRS equity as 31 December 2004 and 30 June 2005; and

- AIFRS profit for the period from incorporation on 6 August 2004 to 31 December 2004 and full year 30 June 2005,

to the balances reported in the 30 June 2005 full-year financial report prepared under AGAAP are detailed in Note 1(d) below.

NOTES TO AND FORMING PART OF THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

NOTE 1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (Continued)

(c) Summary of significant accounting policies

(i) Interest in joint venture operations

The Company’s interest in joint venture operations is accounted for by recognising the Company's assets and liabilities from the joint venture, as well as expenses incurred by the Company and the Company's share of income earned from the joint venture, in the financial statements.

(ii) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Plant and equipment is depreciated on the straight-line method at the rate of 22.5%.

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

(iii) Exploration and Evaluation Expenditure

The Company has adopted the policy of expensing all exploration and evaluation expenditure in relation to its mineral tenements as incurred.

NOTES TO AND FORMING PART OF THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

NOTE 1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (Continued)

(c) Summary of significant accounting policies (Continued)

(iv) Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired.

Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount.

Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(v) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the income statement.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

(vi) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

NOTES TO AND FORMING PART OF THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

NOTE 1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (Continued)

(c) Summary of significant accounting policies (Continued)

(vii) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(viii) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

(ix) Operating leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability. Lease payments received reduce the liability.

(x) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest Income

Interest income is recognised as it accrues.

(xi) Income Tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

• except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

NOTES TO AND FORMING PART OF THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

NOTE 1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (Continued)

(c) Summary of significant accounting policies (Continued)

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

(xii) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

NOTES TO AND FORMING PART OF THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

NOTE 1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (Continued)

(d) Impact of adoption of AIFRS

The impacts of adopting AIFRS on the total equity and loss after tax as reported under Australian Accounting Standards applicable before 1 January 2005 ('AGAAP') are illustrated below.

	30 June 2005	31 December 2004
	$	**$**
Total equity under AGAAP	62,109	231,098
Adjustments to equity:	-	-
Total equity under AIFRS	62,109	231,098
Loss for the period under AGAAP	(168,989)	(4,904)
Adjustments to loss	-	-
Loss under AIFRS	(168,989)	(4,904)

NOTES TO AND FORMING PART OF THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

	31 December 2005 $	Period 6 August 2004 to 31 December 2004 $
NOTE 2. LOSS BEFORE INCOME TAX		
Interest revenue	18,306	-
Other income	110	-
TOTAL REVENUE	18,416	-
Depreciation	128	-
NOTE 3. ISSUED CAPITAL		
Ordinary Shares		
Issued and fully paid	2,762,084	236,002

Movements in ordinary shares on issue

	No	$
At 1 July 2005	12,350,000	236,002
Issued 22 November 2005 pursuant to prospectus	13,500,000	2,700,000
Costs of share issue	-	(173,918)
	25,850,000	2,762,084

	31 December 2005 Cents
NOTE 4. EARNINGS PER SHARE	
Basic (loss) per share	(2.576)

Weighted average number of ordinary shares used in calculation of basic earnings per share is 15,211,413.

NOTE 5. SEGMENT INFORMATION

Dynasty Metals Australia Ltd operates in mineral exploration in Australia.

NOTE 6. SUBSEQUENT EVENTS

The company made an entitlement issue of options in February 2006 raising $258,500. Apart from this no matters or circumstances have arisen since the end of the half year which will significantly affect, or may significantly affect, the state of affairs or operations of the reporting entity subsequent to the half year ended 31 December 2005.

NOTE 7. CONTINGENT ASSETS AND LIABILITIES

Sine the last annual reporting date, there have been no material changes in contingent liabilities or contingent assets.

Directors' Declaration

The directors declare that the financial statements and notes set out on pages 3 to 13:

(i) Comply with Accounting Standard (AASB 134; Interim Financial Reporting), the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) Give a true and fair view of the reporting entity's financial position as at 31 December 2005 and of its performance, as represented by the results of its operations and its cash flows for the half year ended on that date.

In the directors' opinion there are reasonable grounds to believe that Dynasty Metals Australia Limited will be able to pay its debts as and when they become due and payable.

Graham D Anderson
Director

Perth, Western Australia
10th March 2006

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INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF
DYNASTY METALS AUSTRALIA LIMITED

Scope

We have reviewed the financial report comprising of the balance sheet, income statement, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements and the Directors' Declaration of Dynasty Metals Australia Limited (the Company) for the half-year ended 31 December 2005 as set out on pages 3 to 14. The directors of the Company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the Company and that complies with Accounting Standard AASB 134 "Interim Financial Reporting" in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review Approach

We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the disclosing entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the disclosing entity to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing and Assurance Standards applicable to review engagements. A review is limited primarily to inquiries of the disclosing entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

We are independent of the Company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the directors of the Company a written Auditor's Independence Declaration.

Statement

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:

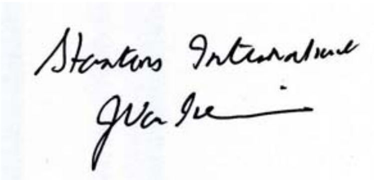
(a) the Corporations Act 2001, including:

 (i) giving a true and fair view of the company's financial position as at 31 December 2005 and of its performance for the half-year ended on that date; and

 (ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

STANTONS INTERNATIONAL



J P Van Dieren
Partner

West Perth, Western Australia
10 March 2006

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10 March 2006

Board of Directors
Dynasty Metals Australia Limited
Level 1
10 Stirling Highway
NEDLANDS WA 6009

Dear Directors

RE: 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 Audit Partner for the review of the financial statements of Dynasty Metals Australia Limited for the 6 month period ended 31 December 2005, 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
STANTONS INTERNATIONAL

Stantons International
J Van Dieren

John Van Dieren
Partner