DYNASTY
METALS AUSTRALIA LTD

ACN 110 385 709

FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

DIRECTORS' REPORT

The Directors of Dynasty Metals Australia Ltd submit herewith the financial report for the half year ended 31 December 2006. In order to comply with the provisions of the Corporations Act 2001, The Directors report as follows:

Mr David McSweeney – Chairman (Appointed 8 January 2007)
Mr Peter Preston Andrews (Resigned 30 January 2007)
Mrs Rita Marian Brooks
Mr Graham Douglas Anderson
Mr Andrew Stocks (Appointed 30 January 2007)

PRINCIPAL ACTIVITY

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

REVIEW OF OPERATIONS

During the period the company:

- Applied for or secured significant uranium projects in Western Australia and Northern Territory, and undertook sampling and radiometric surveys on certain of these projects;
- Carried out drilling programs at the Company's Bendoc and Bright projects in Victoria;
- Raised $795,308 from the conversion of options.

RESULTS OF OPERATIONS

The company incurred an after tax operating loss for the half-year ended 31 December 2006 of $467,093.

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 14.

Signed in accordance with a resolution of the directors made pursuant to section 306(3) of the Corporation Act 2001.

Graham Douglas Anderson
Director

Perth, Western Australia
16th February 2007

CONDENSED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	Note	31 December 2006 $	31 December 2005 $
Revenue	2	115,304	18,416
Occupancy expenses		(4,800)	(4,800)
Exploration expenses		(333,931)	(237,750)
Administrative expenses		(231,457)	(160,184)
Marketing expenses		(12,209)	(7,608)
(Loss) before income tax		(467,093)	(391,926)
Income tax expense		-	-
Net (loss) attributable to members of Dynasty Metals Australia Ltd		(467,093)	(391,926)
Basic loss per share (cents)		(1.530)	(2.576)
Diluted earnings per share (cents)		(1.530)	(2.576)

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

CONDENSED BALANCE SHEET
AS AT 31 DECEMBER 2006

	Note	31 December 2006 $	30 June 2006 $
Current Assets			
Cash and cash equivalents		3,320,155	3,023,283
Trade and other receivables		87,471	91,968
Total Current Assets		3,407,626	3,115,251
Non Current Assets			
Other financial assets		275,000	249,500
Property, plant and equipment		4,371	2,361
Total Non Current Assets		279,371	251,861
Total Assets		3,686,997	3,367,112
Current Liabilities			
Trade and other payables		21,782	53,507
Total Current Liabilities		21,782	53,507
Total Liabilities		21,782	53,507
Net Assets		3,665,215	3,313,605
Equity			
Contributed equity	3	4,768,938	3,973,630
Option Reserve	4	23,395	-
Accumulated losses		(1,127,118)	(660,025)
Total Equity		3,665,215	3,313,605

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

CONDENSED CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	31 December 2006 $	31 December 2005 $
Cash flows from operating activities		
Payments to suppliers and employees	(135,366)	(198,734)
Interest received	47,475	10,305
Net cash flows used in operating activities	(87,891)	(188,429)
Cash flows from investing activities		
Payments for mining expenditure	(407,845)	(231,576)
Payments for plant and equipment	(2,700)	(2,272)
Net cash flows used in investing activities	(410,545)	(233,848)
Cash flows from financing activities		
Proceeds from share issues	795,308	2,700,000
Cost of share issue	-	(131,645)
Repayment of loans	-	(90,982)
Net cash flows from financing activities	795,308	2,477,373
Net increase in cash and cash equivalents	296,872	2,055,096
Cash and cash equivalents at beginning of the half year	3,023,283	155,940
Cash and cash equivalents at end of the half year	3,320,155	2,211,036

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 2006

	Issued Capital	Accumulated Losses	Reserve	Total
	$	$	$	$
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
At 1 July 2006	3,973,630	(660,025)	-	3,313,605
Loss for the period	-	(467,093)	-	(467,093)
Issue of share capital	795,308	-	-	795,308
Share Options	-	-	23,395	23,395
At 31 December 2006	4,768,938	(1,127,118)	23,395	3,665,215

NOTES TO AND FORMING PART OF THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

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 2006.

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 2006 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) 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 rates between 22.5% to 40%.

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.

NOTES TO AND FORMING PART OF THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

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

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.

(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.

NOTES TO AND FORMING PART OF THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

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

(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.

(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.

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)

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

• 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.

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)

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 2006

	31 December 2006 $	31 December 2005 $
NOTE 2. LOSS BEFORE INCOME TAX		
Revenue		
Interest revenue	89,804	18,306
Increase in value of investment	25,500	-
Other income	-	110
TOTAL REVENUE	115,304	18,416
Other Expenses		
Depreciation	690	128

NOTE 3. CONTRIBUTED EQUITY

Ordinary Shares		
Issued and fully paid	33,496,125	2,762,084

Movements in ordinary shares on issue

	No	$
At 1 July 2006	29,519,583	3,973,630
Conversion of share options at $0.20	3,976,542	795,308
	33,496,125	4,768,938

NOTE 4. OPTION RESERVE

500,000 unlisted options were granted to a geologist consultant on the 20th December 2006. These options were issued on the 30th January 2007, exercisable at 30 cents each on or before 31st December 2009. The value of the share options at date of grant using black scholes option valuation methodology was $58,923 in total for the 500,000 share options. The material assumptions used in valuing the options were a share price of 24.5 cents, an exercise price of 30 cents, a risk free interest rate of 6%, an expiry date of 31st December 2006 and a volatility factor of 75%. The derived figure per share option was discounted by 35% due to the fact that the options were unlisted to reflect a share option reserve of $23,295 and accumulated losses increased by $23,295.

	31 December 2006 Cents	31 December 2005 Cents
NOTE 5. EARNINGS PER SHARE		
Basic (loss) per share	(1.530)	(2.576)

Weighted average number of ordinary shares used in calculation of basic earnings per share is 30,516,039.

NOTES TO AND FORMING PART OF THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

NOTE 6. SEGMENT INFORMATION

Dynasty Metals Australia Ltd operates in mineral exploration in Australia.

NOTE 7. SUBSEQUENT EVENTS

Mr Peter Andrews has resigned as Chairman on the 8th January 2007 and as Director on the 30th January 2007 from Dynasty Metals Australia Ltd.

Mr David McSweeney has been appointed as Non-Executive Chairman for Dynasty Metals Australia Ltd on the 8th January 2007.

Mr Andrew Stocks has been appointed as Non-Executive Director on the 30th January 2007.

NOTE 8. CONTINGENT ASSETS AND LIABILITIES

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

NOTE 9. DIVIDENDS

No Dividends have been paid at the end of the half year.

AUDITOR'S INDEPENDENT DECLARATION

Stantons International
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LEVEL 1, 1 HAVELOCK STREET
WEST PERTH WA 6005, AUSTRALIA
PH: 61 8 9481 3188 • FAX: 61 8 9321 1204
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16 February 2007

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

Dear Sirs

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 Director for the review of the financial statements of Dynasty Metals Australia Limited for the period ended 31 December 2006, 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
(Authorised Audit Company)

John Van Dieren
Director

INDEPENDENT AUDITOR'S REVIEW REPORT

Stantons International

ABN 41 103 088 697

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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
DYNASTY METALS AUSTRALIA LIMITED**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Dynasty Metals Australia Limited, which comprises the condensed balance sheet as at 31 December 2006, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 an Interim 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 financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2006 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.

Independence

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,* has been provided to the directors of Dynasty Metals Australia Limited on 13 February 2007.

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 Company's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

STANTONS INTERNATIONAL

J P Van Dieren
Director

West Perth, Western Australia
16 February 2007

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Dynasty Metals Australia Limited, I state that:

In the opinion of the directors:

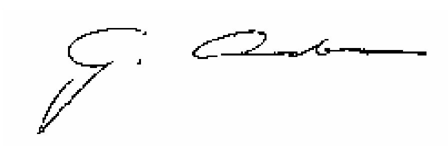
a) the financial statements and notes of the entity are in accordance with the *Corporations Act 2001*, including:

(i) give a true and fair view of the financial position as at 31 December 2006 and the performance for the half-year ended on that date of the entity; and

(ii) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporation Regulations 2001; and

b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Graham D Anderson
Director

Perth, Western Australia
16th February 2007