



ANNUAL REPORT



DYNASTY
METALS AUSTRALIA

CORPORATE DIRECTORY

DIRECTORS

Graham Anderson	Chairman
Rita Brooks	Managing Director
Andrew Stocks	Director

COMPANY SECRETARY

Graham Anderson

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Chairmans letter	2
Review of Operations	3
1. Coal Seam Gas Project	4
2. Uranium Exploration	8
Australia	8
Botswana	13
3. Other Projects	14
Directors' Declaration	22
Independent Audit Report	23
Financial Statements	25
Tenement Schedule	55



CHAIRMAN'S LETTER

Dear Shareholder

It has been an exciting year for Dynasty Metals Australia Limited.

Dynasty is progressing its energy strategy and is actively engaged in evaluating and advancing a number of energy projects in Australia and overseas that have the potential to add value to your Company.

The company listed on the ASX in December 2005 and a significant portion of our first year was devoted to gold exploration and the acquisition and granting of the Western Australia uranium projects.

During the past year your Company has accelerated and expanded the energy portfolio both nationally and internationally.

Dynasty has commenced:

- A seismic program on its 100% owned and operated Irwin Coal Seam gas project in the North Perth Basin to identify test well targets;
- A strategy to acquire prospective uranium projects in locations where uranium mining is permitted;
- The expansion of the uranium portfolio with 4 granted exploration licences in Northern Territory;
- Work in Botswana with applications for 8 Uranium exploration project areas;
- Uranium exploration to delineate and identify drill targets at Yanrey with geophysical surveys and aerial EM surveys;
- Appraisal of current data in respect of our various gold and nickel interests with a view to exploration or joint venture.

We have appointed professionally qualified directors and consultants to conduct exploration programs in uranium and gold exploration and more recently the Coal Seam Gas project in the North Perth Basin.

I would like to recognise the skills of Rita Brooks, your Managing Director, who has identified and acquired the Dynasty Projects with 100% ownership through research and application. We now have a considerable energy portfolio and a significant ground position in Australia and Botswana, and have commenced the transformation from a junior gold exploration company to an energy company with an exciting future.

We have ensured that we are well funded to take on this transformation by a combination of capital raising by way of share placements and option conversions, and by strategic divestment of non core mineral assets.

I would also like to thank Mr Andrew Stocks as a Director who has consulted to the Company and Mr Alan Svanosio who has supervised and developed the uranium and gold exploration in Victoria at Bendoc and Bright. Our technical and support staff have also made a great contribution to the growth and development of the Company.

We welcome Dr Warick Brown who has taken up the position of General Manager Exploration. Warick brings considerable expertise in geology, computer science, integration of geoscientific information and assessment of mineral prospectivity.

I thank both Mr Peter Andrews and Mr David McSweeney for their contributions as Non- Executive Chairmen at different stages this year.

Finally on behalf of the Board I thank you for your support over the past year and look forward to the continued growth and development of Dynasty Metals Australia.

G Anderson
Chairman
Dynasty Metals Australia Ltd



MANAGING DIRECTOR'S REVIEW OF OPERATIONS

INTRODUCTION

Last year Dynasty applied for a Special Prospecting Authority (SPA) in North Perth Basin to explore for Coal Seam Gas (CSG). This year I am pleased to report on our successful efforts to grant and commence work on our project area.

Dynasty Metals Australia Ltd ("Dynasty") has a portfolio of 100% owned projects in Australia and Botswana.

The Company was listed on 5th December 2005 with 5 uranium exploration projects and diverse iron, nickel and gold prospects. Dynasty quickly identified the need to expand the energy portfolio in particular the Board determined to focus on uranium and Coal Seam Gas exploration projects.

Dynasty has an advantage with the quality of its landholding and it has access to excellent infrastructure to develop any gas resource (reserve). Dynasty Metals Australia can unlock the potential value of any Coal Seam Gas resource it discovers and there is a high demand for both gas and electricity supply.

Dynasty is one of a select few companies who have access to Coal Seam Gas exploration in the North Perth Basin. It has carved out a strategy to explore for Coal Seam Gas at the Irwin River coal measures under a granted Special Prospecting Authority. The options for development in this location are favourable for any future sales of gas if a Coal Seam Gas resource is identified.

It is close to the intended market, there is increased demand with new industry in the region and there is available pipeline capacity.

The West Australian domestic gas market is changing and smaller companies such as Dynasty may well have a greater part to play in this deregulated market. There is a gas shortage in WA and it will manifest itself most between now and 2010.

West Australia is Australia's most gas dependant state. Fifty one percent of its energy comes from gas. WA's economic prosperity and Australia's ability to meet future climate change and greenhouse gas reduction initiatives hinge on competitively priced domestic gas supplies.

Key results to date for Coal Seam Gas and Uranium exploration:

- Grant of SPA for Coal Seam Gas exploration in the North Perth Basin;
- Commence 100km² program to geophysical delineate depth and extent of Coal Seam Gas within the coal measures;
- Grant of Yanrey Uranium Exploration licences;
- Commence airborne electromagnetic (RepTEM) survey at Yanrey;
- Expand the Uranium exploration portfolio to Northern Territory;
- Commence Uranium exploration in Botswana, Africa;
- Building a prospective energy portfolio 100% Dynasty owned both nationally and internationally;

ABOUT DYNASTY

Dynasty has consolidated its position as an energy exploration company.

Dynasty is changing from a diversified junior exploration company to a focused energy exploration company seeking:

- Coal Seam Gas and;
- Uranium.

The Company aims to drill for Coal Seam Gas upon completion of the seismic program. They aim to develop a commercial Coal Seam Gas resource within the Irwin river coal measures if they identify economic reserves of Coal Seam Gas. The Management team is focused and aims to fast track development of the Coal Seam Gas project to take advantage of the WA domestic market. Dynasty has a part to play in the WA gas shortage.



MANAGING DIRECTORS REVIEW OF OPERATIONS

Locked into long term fixed price supply contracts with major industrial users, gas producers are hurting and the rising costs of production are pushing up the price of uncontracted gas for WA's domestic market. WA's commodities boom is fuelling stronger demand.

Since listing on the ASX in December 2005, Dynasty has laid the foundations for growth as an emerging Australian energy company. The portfolio of uranium projects in Western Australia has grown from five to twenty and your Company has recently made its entrance into Botswana.

Your Company has made a strong start to its Coal Seam Gas project in Western Australia and has moved quickly to commence a significant geophysical investigation.

The energy strategy initiated highlights the importance of the Company's uranium and coal seam gas projects.

COAL SEAM GAS

What is Coal Seam Gas?

Coal seam gas occurs naturally when coal is formed deep underground by a process of heating and compressing plant matter.

The gas is trapped in deep coal seams (typically 300-600 metres underground) by water which must be removed to stimulate the gas flows.

How does Coal Seam Gas differ from conventional gas?

Coal Seam Gas and conventional gas are usually very similar and generally get co-mingled and sold as natural gas.

Irwin River Coal Seam Gas Project

Key Points for the Coal Seam Gas Project:

- 170 Km² exploration acreage;
- North Perth Basin CSG Project;
- High demand for Gas from industry;
- Granted SPA (Special Prospecting Authority);
- Seismic Program underway;
- Dynasty owns 100% of the Project;
- Close to existing pipeline infrastructure.

The exploration licence covers Dynasty's Irwin CSG project, located 65km east of Geraldton and Oakagee, close to existing gas pipelines and the expanding Mid-West mining region.

A seismic program is underway to identify the locations of gaseous sequences within and below the identified coal measures. The seismic survey is conducted under a Special Prospecting Authority, covering the Irwin River coalfield. Upon completion of the survey and interpretation, Dynasty intends to apply for the drilling permits to test drill the gas targets defined over the project area.

"The new poster child of the energy industry Coal Seam Gas, will be called on to deliver substantial volumes in new gas reserves" - Weekend Australian, 22 September 2007. The introduction of emissions trading is likely to see a three-fold increase in the use of gas for power over the next 25 years.

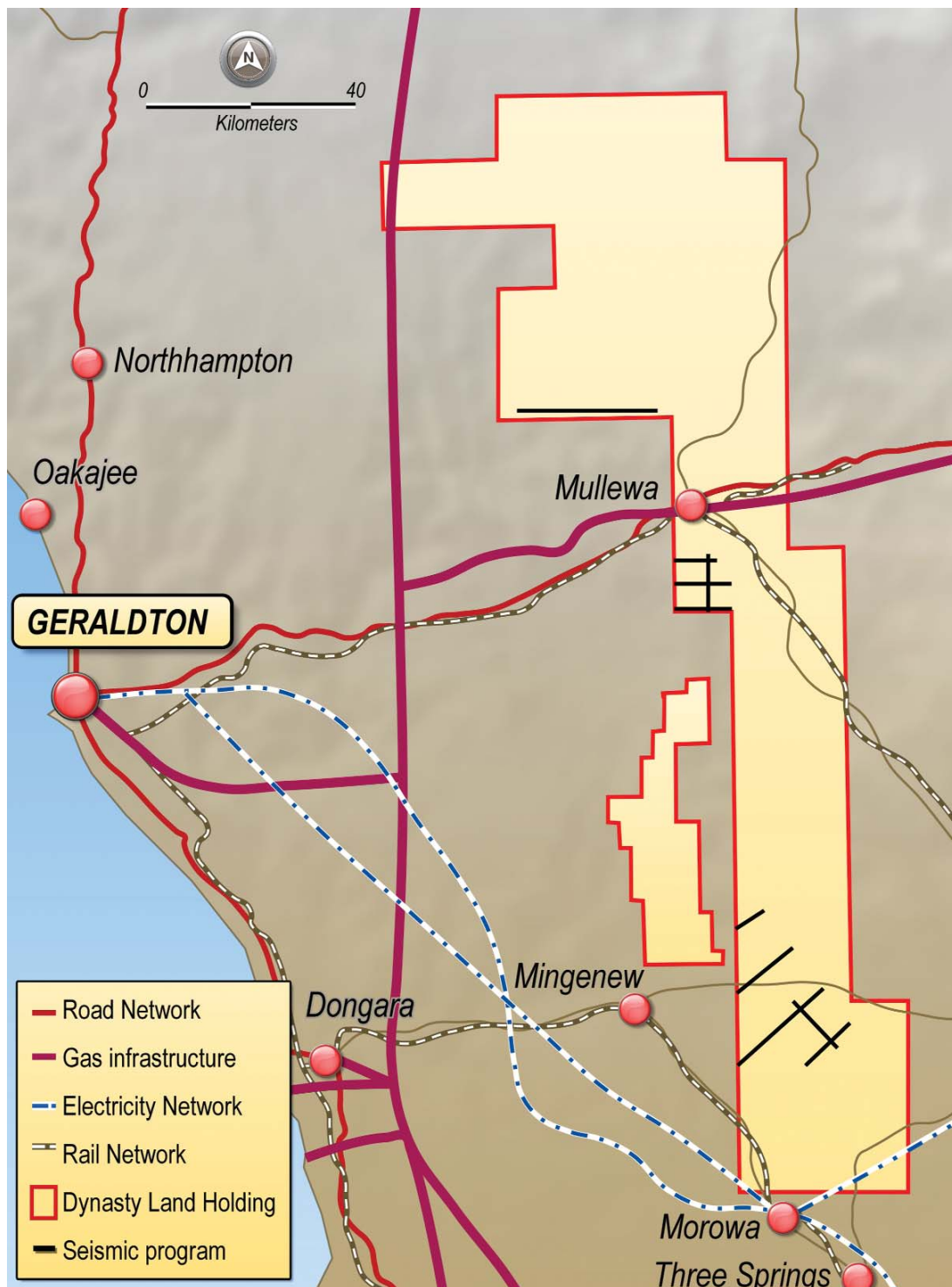


Figure 2 - Irwin Coal Seam Gas project

“There is the potential for gas price shocks. Western Australia is at present in its second year of anxiety over domestic gas supply, with prices having more than doubled and large industrial users currently finding it difficult to source new supply at any cost”.

– *Weekend Australian*, 22 September 2007



PROPOSED DEVELOPMENT OF IRWIN RIVER COAL SEAM GAS PROJECT

PHASE 1	PHASE 2	PHASE 3	PHASE 4
<ul style="list-style-type: none"> • Internal assessment evaluating and selection of potential areas of interest; • Application for Leases. 	<ul style="list-style-type: none"> • Granted permits; • Preliminary field studies; • Access agreements; • Seismic survey; • Recovered historical data and coal cores; • Reviewing previous exploration data; • Processing of seismic data; • Formal final report of SPA; • Proposal to exercise option for exploration permit. 	<ul style="list-style-type: none"> • Offer of grant; • Negotiate native title grant for exploration permit; • Drill program of Test Wells – proving the existence of significant gas in the coals. 	<ul style="list-style-type: none"> • Pilot project; • Create a number of pilot gas wells for monitoring production over an extended period.
2006	2007	2008	2009

	Complete
	Complete November 2007
	2008
	2008/2009

Cleaner Power Generation

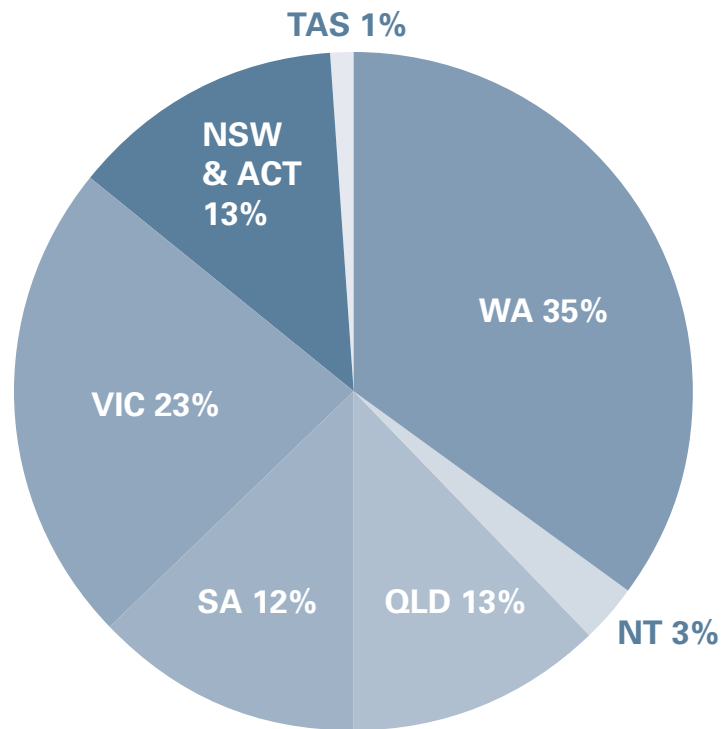
Gas is widely recognised in industry and government as the transition fuel on the path to cleaner power generation because it is proven technology and a relatively cheap option for moderate greenhouse gas emission reductions. One of the big reasons for the successful surge in Coal Seam gas development is that drilling technologies have been substantially improved since the 1980's and early 1990's when CSG prospects seemed quite gloomy. Today's technology is very clever directional drilling and it will be a critical development to the industry being able to ramp up reserves to the required level.

"The CO₂ emitted when gas is burned is about one third of that from coal."

Weekend Australian, 22 September 2007



WA GAS CONSUMPTION 2007



Source: ABARE 2007

“The introduction of emissions trading is likely to see a three-fold increase in the use of gas for power over the next 25 years.”

Excerpt from Weekend Australian 22 September 2007



Figure 3 - Seismic line at Dynasty CSG Project



Figure 4 – Dynasty's Australian exploration projects

URANIUM PROJECTS AUSTRALIA

Uranium

- Uranium exploration tenements covering 2,977km² applied for and granted in the Northern Territory.
- Geophysical survey undertaken at Yanrey to identify new palaeochannels and drill targets.
- Reconnaissance field trips undertaken to the Company's Western Australian uranium projects.
- Sampling and ground radiometric surveys conducted on the Gascoyne projects.

Yanrey Uranium Project

Located approx 90km inland from Onslow, the northern Yanrey uranium project tenement is situated 500m east of the Manyingee uranium deposit held by Paladin Resources Ltd. The Manyingee deposit hosts 8,080t at 0.1% U₃O₈ Indicated and 2,810 tonnes at 0.05% of U₃O₈ Inferred resources (Paladin, 2007).

Geological reconnaissance, geochemical sampling and radiometric survey work was undertaken during the Quarter in preparation for ground and aerial EM survey. The ground EM survey at Main Road Bore has been completed and the aerial EM program is scheduled to commence in August 2007.

These surveys are planned to define potential uranium bearing fluid paths. The EM surveys will test for extensions of the Manyingee Uranium palaeochannel. Extensions of the Bennet Well palaeochannel channels and the Main Road Bore palaeochannel will also be targeted.

Exploration Licence EL08/1699 was also granted in May 2007 at Yanrey Station. At Yanrey the company has expanded the exploration areas through additional exploration licence applications. Completed work to date includes:



Figure 5 – Dynasty's Australian Uranium projects

- Ground radiometric survey;
- The geophysical surveys will assist in defining potential uranium bearing fluid paths including palaeochannels, extensions of the Bennet Well Channel and Main Road Bone are also being targetted.

The summary of exploration activity includes:

- Soil sampling;
- Surface radiometric surveys;
- Airborne EM Survey

Proposed project development includes;

- Identification of new and existing palaeochannels;
- 12,000 m RAB drilling proposed
- Downhole and radiometric logging.

Mt Phillips Uranium Project

Mt Phillips is situated 200km east of Carnarvon. Previous exploration activities in 1979 identified elevated uranium values between 260ppm and 380ppm.

Known uranium mineralisation within the project area includes both primary and secondary occurrences including beta-uranophane/uraninite. These are associated with a large body of pegmatite and several occurrences of carnotite associated with calcrete and older colluvium. The carnotite was precipitated in cavities, as coatings along joints and on quartz grains in calcrete.

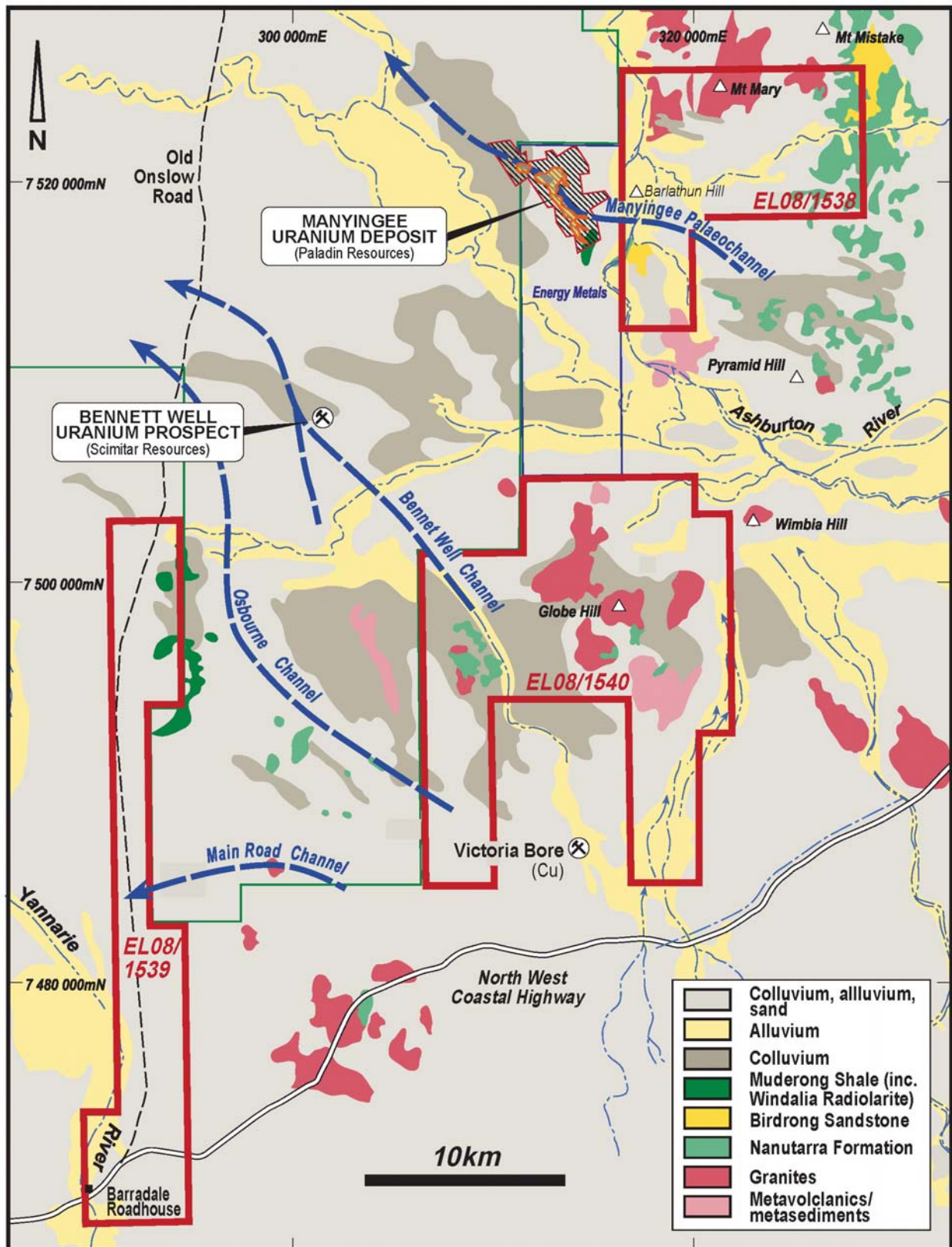


Figure 6 – Dynasty Yanrey Uranium Projects



In December 2006 field reconnaissance identified new exploration targets as well as sampling known prospects. Results and interpretation from geochemical sampling to explain the existence of elevated radiometric readings are pending. Encouraging first pass gamma ray spectrometer readings warranted further survey and geochemical sampling. Fieldwork testing for uranium and base metals is continuing.

Hector Bore Uranium Project

Located approximately 250km east of Carnarvon, the Hector Bore Project consists of 3 tenements with several uranium occurrences identified from previous exploration.

The Polly Well tenement is located 5km south of Wabli Creek and is situated immediately north of the Hector Bore prospect. Exploration commenced with a ground radiometric and geochemical surveys. Both geochemical and radiometric targets requiring additional evaluation have been identified.



Figure 7 – Access Track at Hector Bore

Warrambo Project

The Warrambo project is situated 110km south east of Onslow. Dynasty's exploration license is situated west of Red Hill's Iron ore prospects. Dynasty's tenement runs along the intersection of the Yanks Bore Fault and the Urandy Fault, which hosts the Whynot copper/gold prospect.

At EL08/1620 Dynasty commenced fieldwork to test for copper and channel iron deposits within the project area, as identified from the geological mapping.

Glen Florrie

Initial fieldwork, comprising geological verification and rock chip sampling has been undertaken. Dynasty is planning follow up ground radiometric reconnaissance for uranium and geochemical survey for base metals once initial results have been interpreted.

Prairie Downs Uranium and Base Metals Project

Prairie Downs is located approximately 60 kilometres south-west of Newman in the Eastern Pilbara, Western Australia.

As a result of reconnaissance and review, Dynasty has extended the Prairie Downs project with a further two exploration licence applications at Perry Creek (see below).

Prairie Downs Metals Ltd. has identified a 1 million tonne resource, grading 8.3% Zn, 1.7% Pb and 22g/t Ag. The Prairie Downs Zinc Project is located 6km northeast of Dynasty Metals' Perry Creek Project. Dynasty is targeting uranium, base metals and gold within the project area as identified by previous exploration.



Perry Creek Uranium and Base Metals Project

The project is approximately 30 kilometres south-west of Prairie Downs. It is situated in the Edmund Basin, Western Australia and is an extensive intracratonic shale-sandstone carbonate basin of early Mesoproterozoic age which forms the lower part of the Bangemall Superbasin.

Previous exploration by Geopeko (1983-85) and Pasminco (1992-94) explored for Mt Isa-style Pb-Zn and Jillewarra-type Cu-Pb-Au occurrences. Dynasty will commence work with reconnaissance mapping and a historical literature compilation and review.

Stanley / Nabberu Uranium and Nickel

DMA has commenced data compilation and a project review of the area. The Stanley-Nabberu project area is prospective for uranium, base metals, iron, gold and nickel-copper-PGE sulphides. The applications are progressing.

Northern Territory

DMA has been notified of the grant of four exploration licences in the Northern Territory, EL25624, EL25626, EL25627 and EL25628 – data compilation is commencing.

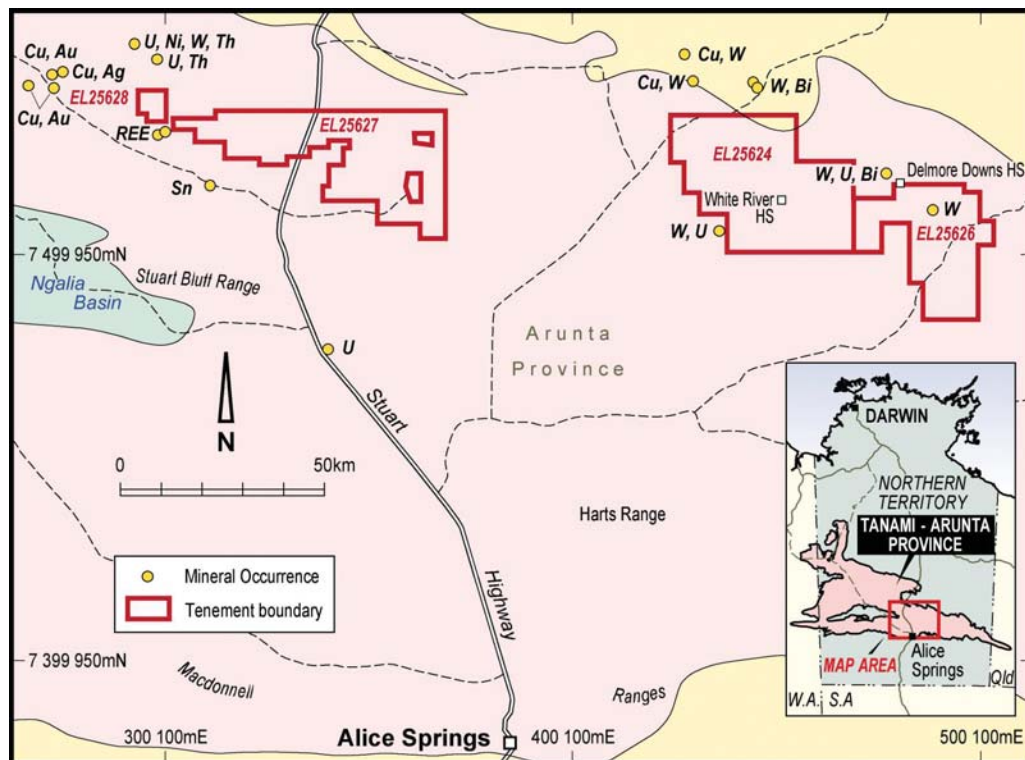


Figure 8 – Dynasty Northern Territory Uranium exploration projects



BOTSWANA, AFRICA

Uranium Projects – Botswana, Africa

In May 2007 DMA announced its strategy to significantly expand its uranium portfolio by applying for uranium exploration projects over five prospective areas across Botswana.

DMA believes this is a significant opportunity to expand into international uranium exploration and diversify the Company's Australian based projects. A number of uranium exploration projects are currently underway in Botswana and advanced uranium mines are operating in neighbouring Namibia. The Company's Botswana projects represent very good opportunities for new project development.

The projects are situated in the historic mining rich province of Selebi-Phikwe and Sekoma, in close proximity to Francistown and Botswana's capital city Gaborone. Botswana has an established diamond, gold and nickel mining industry. A-Cap Resources, African Energy and Bannerman Resources have uranium exploration projects in Botswana.

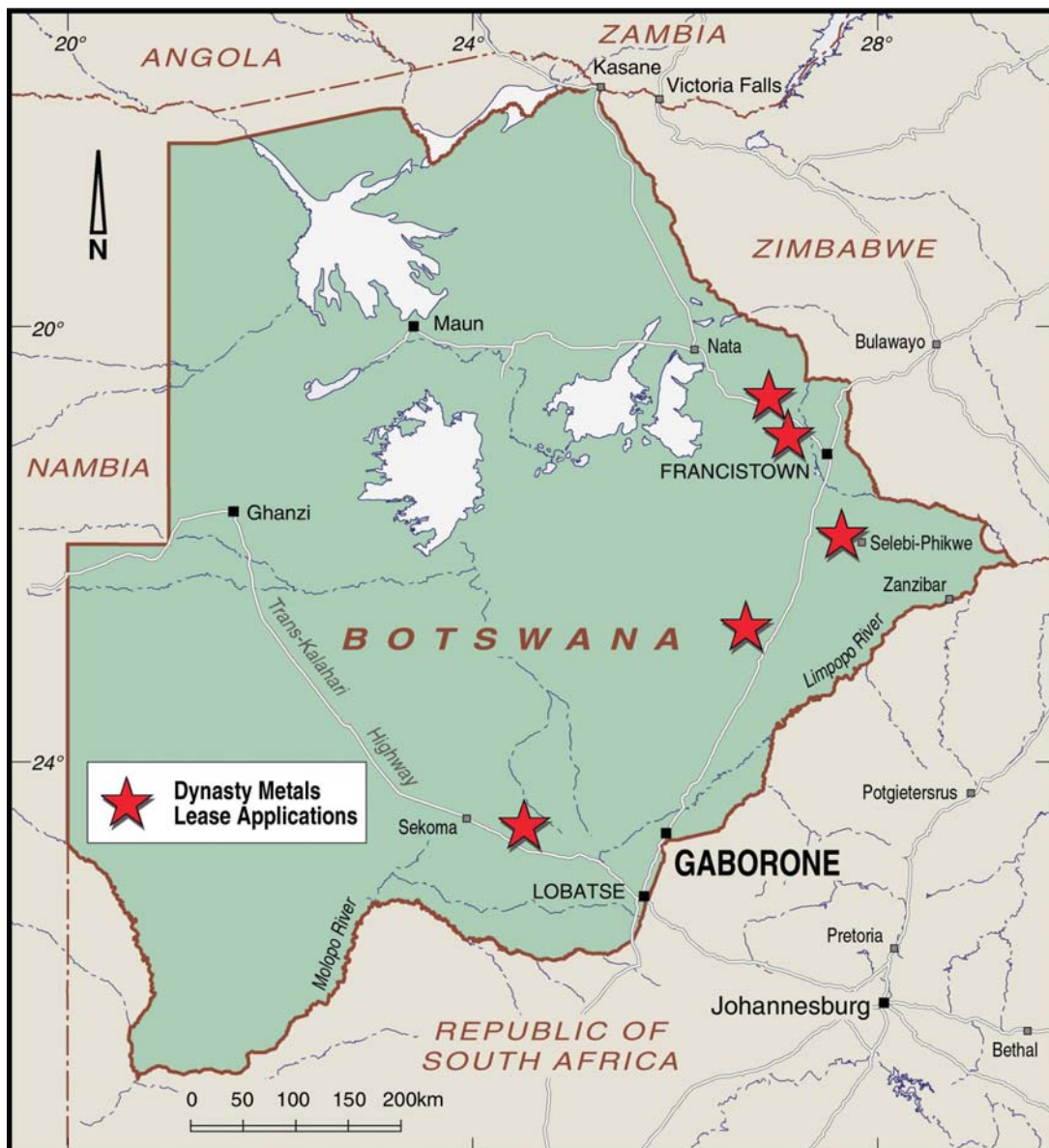


Figure 9 – Botswana Uranium Project Applications



OTHER PROJECTS



Figure 10 – Other Australian exploration projects

Hyden Nickel and Gold Project: Western Australia

Dynasty holds several tenement applications that are prospective for gold and nickel.

VICTORIA

Bright Gold Project

The Bright Gold Project is located 200km northeast of Melbourne. Historical production is recorded as 340,000 ounces of gold from a number of quartz reefs (1-40m in width), with an average recovered grade between 18-20g/t Au. The largest producers were the Rose Thistle and Shamrock Mine (101,240t @ 21.4g/t) and the Oriental Mine (127,571t @ 14g/t).

The reverse circulation/diamond drill program was commenced in early December to test seven potential mineralised zones (ASX release 26 October 2006). One of the two planned diamond drill holes at Victoria Reef VB1 has been completed. Preliminary sampling of this hole, located at 500144mE 5931430mN, returned a best result of 1.49g/t Au for the 148.6m to 148.9m interval. Complete assays results are anticipated shortly.

The second 200m hole and RC drilling has been completed. Work will continue in the next quarter.

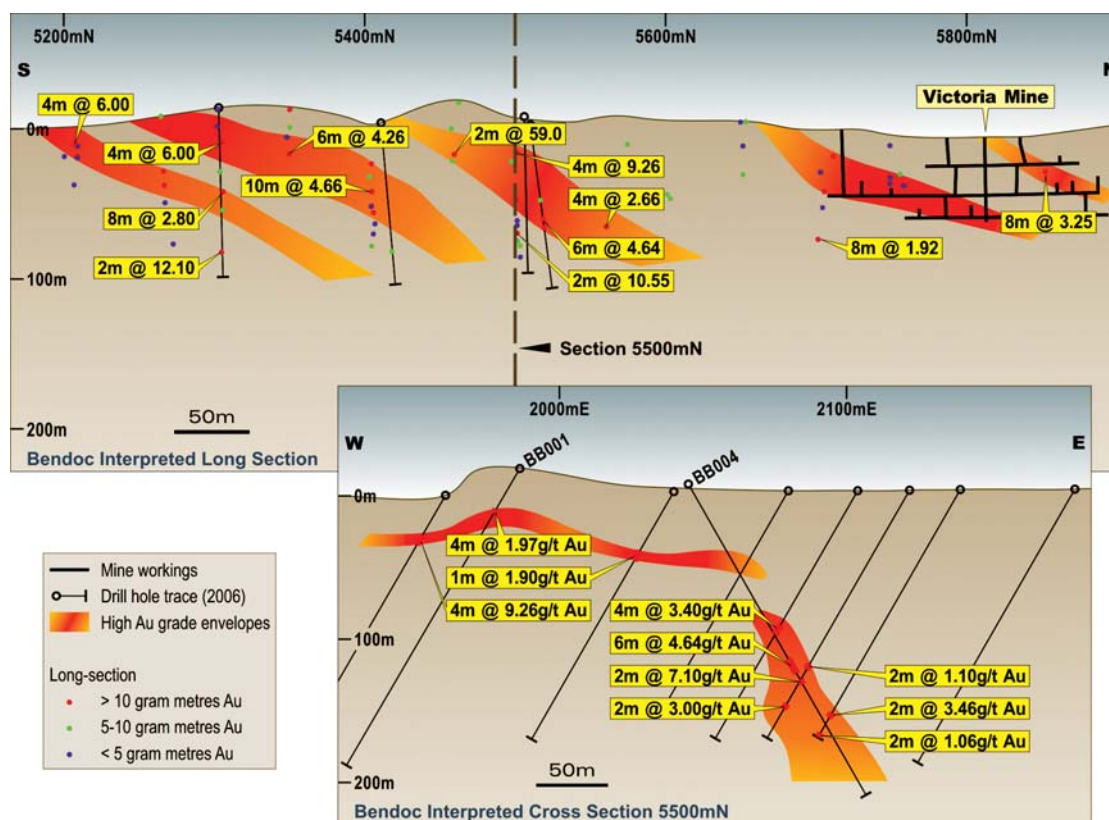


Figure 11 – Bendoc Gold Intersections

Bendoc Gold Project

Dynasty's Bendoc Gold Project is in the East Gippsland region, approximately 400km northeast of Melbourne. Sixty historical mines and minerals prospects have been recorded in the project area, with a total historical gold production of 40,000 ounces, predominantly from shallow and alluvial deposits. Dynasty has also identified 10 previously unrecorded sites of quartz reef gold mining.

The initial focus of exploration has been the Victoria Star Mine (average grade 51 g/t Au) where primary gold mineralisation extends over a 700m strike length co-incident with the old workings.

RC percussion drilling is planned to provide better definition of Victoria Star mineralisation. Recently located sites of past gold mining will be assessed with a view to drill testing; and the location of magnetic anomalies interpreted to be buried volcanic plugs by Geological Survey of Victoria geophysicists, will be verified by ground survey.

JOINT VENTURES AND ROYALTIES

We view the farm out of non-core projects as constructive in accelerating the evaluation of these prospective areas for which exploration which would have otherwise progressed more slowly.

Pincunah North (formerly North Shaw) (Atlas Iron & Dynasty)

Atlas Iron Limited (ASX Code: AGO) ("Atlas") is exploring for Iron on E45/2728. It has purchased the Iron Ore Rights from the Company in April 2006. Dynasty will retain a 2% gross royalty. Dynasty also retains the right to explore for gold within the project area.

Atlas recently commenced fieldwork at Pincunah North. This area contains extensive zones of surface iron enrichment. Reconnaissance work suggests mineralised trends have a strike length of up to 8km. Atlas has reported iron grades of 59.9% at Pincunah North.



Laverton

The project is located 15km north-west of Laverton and 1km south-east of the Denny Bore prospect, where Poseidon reported nickel sulphides including 0.37m @ 17.58% Ni in January 2007.

Poseidon formerly known as Niagra Mining Limited is completing a purchase of the Laverton project from Dynasty to value of \$400,000 in Poseidon shares as at the date of the agreement.

Stella Range

The Stella Range Gold Project is located approximately 100km east-southeast of Laverton covering an area of 165km².

Dynasty is discussing options for the joint-venture or outright sale of this project.



DIRECTORS' REPORT

The Directors present the following report for the financial year ended 30 June 2007.

DIRECTORS

The Directors at any time during or since the end of the year are:

Graham Anderson (Chairman/Company Secretary) - Director since 6 August 2004

Graham Anderson is a Chartered Accountant who operates his own specialist accounting and management consultancy practice. From 1990 to 1997 he was an audit partner of Duesburys and from 1997 to 1999 he was an audit partner at Horwath Perth. He is a Director and Company Secretary of APA Financial Services Ltd and Echo Resources Limited, Pegasus Metals Limited and Company Secretary of Apex Minerals NL, Mamba Minerals Limited and Westonia Mines Limited. Graham was appointed as Chairman of Dynasty Metals Australia Limited on 6 September 2007.

Rita Brooks (Managing Director) – Director since 6 August 2004

Rita Brooks is a business person with 20 years experience in the minerals exploration industry. She was a founding director of the uranium explorer Berkeley Resources Ltd. Rita was a founding Director of Dynasty when it listed on the ASX in Dec 2005.

Andrew Stocks (Non-Executive Director) – Appointed on the 30 January 2007

Mr Stocks is a Mining Engineer with twenty years experience in mining operations. He has been particularly active in the areas of business optimization, cost and production efficiency improvements, project evaluation and strategic development of mining projects in Australia and overseas.

Andrew was previously Managing Director and Chief Executive Officer of Siberia Mining Corporation until its merger with Monarch Gold prior to Siberia. He was Vice President, Operations of Crew Gold Corporation, a London based mining and exploration company with operations in Europe.

David McSweeney – Resigned on 6 September 2007

David McSweeney was appointed on the 8 January 2007 and resigned on 6 September 2007.

Peter Andrews – Resigned effective 25 January 2007

Peter Andrews was appointed on the 3 December 2004 and resigned on 25 January 2007.



DIRECTORS' INTERESTS

As at the date of this report the relevant interest of each Director in the shares and options of the Company are:

	Shares		Options	
	In own name	In other names	In own name	In other names
R Brooks	—	8,829,705	—	3,255,082
G Anderson	—	500,000	—	500,000
A Stocks	44,000	500,000	—	—

PRINCIPAL ACTIVITY

The principal activity of the Company is exploration for mineral resources.

REVIEW OF OPERATIONS AND RESULTS

Details of the operations of the Company are set out in the Review of Operations on pages 5 to 21.
The Company incurred an after tax operating loss of \$1,058,156 (2006: Loss \$486,132).

DIVIDENDS

No dividend is recommended for the current year.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the year the Company:

- Raised \$1,300,000 through a share placement of 5 million ordinary shares at 26 cents each.
- Raised \$805,308 through a conversion of 4,026,542 listed options at 20 cents each.
- Formed two subsidiaries: Scorpion Resources Limited and Dynasty Botswana Limited. Both subsidiaries have not commenced operations as at the date of this report.

In the opinion of the Directors, there were no other significant changes in the state of affairs of the Company that occurred during the year under review not disclosed in this report or in the financial statements.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Subsequent to the end of the Financial Year, the Company:

- Raised \$710,562 through the conversion of 3,552,812 listed options at 20 cents each.
- 2,500,000 Unlisted options have been issued to the Directors on the 24 July 2007.
1,250,000 options are exercisable at 25 cents each expiring on the 10 January 2010 and 1,250,000 options are exercisable at 40 cents each expiring on the 10 January 2010.
- Executed the letter of intent to sell the Laverton Nickel Project for \$400,000 fully paid shares in Poseidon Nickel Limited. The arrangement is subject to 3 months due diligence period.

No other matters have arisen since 30 June 2007 that have significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2007, of the Company; or
- (b) the results of those operations; or
- (c) the state of affairs, in financial years subsequent to 30 June 2007, of the Company .



LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments in the operations of the Company have been set out in the Review of Operations. Further information on the likely developments and expected results of operations of the Company has not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Company.

MEETINGS OF DIRECTORS

The following table sets out the number of meetings the Directors held during the year ended 30 June 2007.

There were a total of nine Directors' Meetings held during the year.

Director	Number Eligible to Attend	Number Attended
David McSweeney (Appointed on 8 January 2007)	5	5
Peter Andrews (Resigned on 25 January 2007)	5	5
Rita Brooks	9	9
Graham Anderson	9	9
Andrew Stocks (Appointed on 30 January 2007)	4	4

AUDIT COMMITTEE

The Company has established an Audit Committee that comprises the full Board of the Company. The Audit Committee did not meet during the year.

ENVIRONMENTAL ISSUES

The Company's policy is to comply with all relevant legislation and best practice conventions in respect of its exploration and mining activities on the tenements it holds.

DIRECTORS' BENEFITS

Since the date of the last Directors' Report, no Director has received, or become entitled to receive, (other than a remuneration benefit included in Note 15 to the financial statements), a benefit because of a contract that:

- (a) the Director; or
- (b) a firm of which the Director is a member; or
- (c) an entity in which the Director has a substantial financial interest; has made (during the year ended 30 June 2007, or at any other time) with the Company; or
- (d) an entity that the Company controlled, or a body corporate that was related to the Company, when the contract was made or when the Director received, or became entitled to receive, the benefit (if any).

REMUNERATION REPORT

This report outlines the remuneration arrangements in place for Directors and Executives of the Company.

Directors' Remuneration Policy

- (a) The policy of the Company is to pay remuneration of Directors and Senior Executives in cash and in amounts in line with employment market conditions relevant in the mining industry. Minor amounts of employee fringe benefits in the form of employee meals and entertainment are provided as part of the executives' way of conducting business.
- (b) The Company's performance, and hence that of its Directors and Executives, is measured in terms of a combination of Company share price growth, cash raised, exploration carried out and farm in expenditure attracted.
- (c) Details of the nature and amount of the remuneration of the Directors and highest paid Executives is as follows:



Directors & Highest Paid Executives Remuneration								
	Primary			Post Employment		Equity	Other	Total
	Salary, Fees & Super-annuation	Cash Bonus	Non-Monetary	Super-annuation	Retirement Benefits	Options	Benefits	\$
Directors								
David McSweeney - Chairman (Appointed 8 January 2007) - (Resigned on 6 September 2007)								
2007	18,000	—	—	7,200	—	—	3,969	29,169
2006	—	—	—	—	—	—	—	—
Peter Andrews - Non Executive Chairman (Resigned 25 January 2007)								
2007	35,167	—	—	—	—	—	3,969	39,136
2006	56,667	—	—	—	—	—	—	56,667
Rita Brooks - Managing Director								
2007	120,000	—	—	—	—	—	3,969	123,969
2006	46,250	—	—	—	—	—	—	46,250
Graham Anderson - Non Executive Director (Chairman - appointed 6 September 2007)								
2007	60,000	—	—	—	—	—	3,969	63,969
2006	52,387	—	—	—	—	—	—	52,387
Andrew Stocks - Non Executive Director (Appointed 30 January 2007)								
2007	57,865	—	—	960	—	—	3,970	62,795
2006	—	—	—	—	—	—	—	—
Richard Stanger - (Resigned 28 February 2006)								
2007	—	—	—	—	—	—	—	—
2006	46,901	—	—	2,144	—	—	—	49,045
Total Remuneration Directors								
2007	291,032	—	—	—	—	—	19,846	319,038
2006	202,205	—	—	—	—	—	—	204,349

SHARE OPTIONS

Options granted to Directors' and officers of the Company

No options have been granted over unissued shares of the Company to Directors or Executives as part of their remuneration during the year.

Subsequent to year end, 2,000,000 options have been issued to Mr David McSweeney and 500,000 options to Mr Andrew Stocks. These options were issued on the 24 July 2007.

Shares issued on exercise of options

During or since the end of the financial year, the Company issued 7,579,354 ordinary shares at 20 cents each ordinary shares as a result of the exercise of options.

Options outstanding

There are 18,215,346 listed options and 3,000,000 unlisted options outstanding as at the date of this Report.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any other related body corporate or in the interest issue of any other registered scheme.

INDEMNIFICATION

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company (as named above), the Company Secretary, and all executive officers of the Company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporation Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of



the premium. The Company has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer of the Company or of any related body corporate against a liability incurred as such an officer.

NON-AUDIT SERVICES

During the year Stantons International, the Company's Auditor, has not performed any other services in addition to their statutory duties. Auditors' remuneration is disclosed in Note 22.

The Board has considered the non-audit services provided during the year by the Auditor and in accordance with written advice provided by resolution of the Directors of the Company, is satisfied that the provision of those non-audit services during the year by the Auditor is compatible with, and did not compromise, the Auditor independence requirements of the Corporations Act 2001 for the following reason:

- (a) the non-audit services provided do not undermine the general principles relating to Auditor independence as set out in APES 110-Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the Auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 31.

Signed in accordance with a resolution of the Directors

Dated 27 September 2007

GRAHAM ANDERSON
Director



DIRECTORS' DECLARATION

In the opinion of the Directors:

- (a) The accompanying financial statements and notes are in accordance with the Corporations Act 2001, including:
 - giving a true and fair view of the Company's financial position as at 30 June 2007 and of its performance, as represented by its cash flows, for the year ended on that date.
 - complying with Accounting Standards in Australia and the Corporations Act 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.

The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Managing Director and Company Secretary for the financial year ended 30 June 2007.

Signed in accordance with a resolution of the Directors.

GRAHAM ANDERSON
Director

Perth, Western Australia
Dated 27 September 2007



Stantons International

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

Report on the Financial Report

We have audited the accompanying financial report of Dynasty Metals Australia Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the Corporations Regulations 2001, the Company has disclosed the information about the remuneration of directors and executives ("remuneration disclosures"), required by Australian Accounting Standard AASB 124 Related Party Disclosures, under the heading "Remuneration report" page 25, of the Directors' report and not the financial report. We have audited these remuneration disclosures.

Directors' Responsibility for the Financial Report and the AASB 124 remuneration disclosures contained in the Directors' Report

The directors of the company are responsible for the preparation and fair presentation of the 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 control relevant to the preparation and fair presentation of the 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. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report of the Group, comprising the financial statements and notes, complies with International Financial Reporting Standards, but that the financial report of the Company does not comply.

The directors of the Company are also responsible for the remuneration disclosures contained in the Directors' report.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is also to express an opinion that the remuneration disclosures contained in the Directors' report comply with Australian Accounting Standard AASB 124.

Member of Russell Bedford International





An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the Directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the Directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the Directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the Directors' report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

1. In our opinion:
 - (a) the financial report of Dynasty Metals Australia Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
 - (b) the financial report of the Group also complies with International Financial Reporting Standards as disclosed in note 2.
 - (c) the remuneration disclosures required by paragraphs Aus 25.4 to Aus 25.7.2 of Australian Accounting Standard AASB 124 Related Party Disclosures that are contained in the Remuneration report in the Directors' report comply with Australian Accounting Standard AASB 124 Related Party Disclosures.

STANTONS INTERNATIONAL
(An Authorised Audit Company)

J P Van Dieren
Director

West Perth, Western Australia
27 September 2007

27 September 2007

Board of Directors
Dynasty Metals Australia Limited
Ground Floor, 46 Ord Street
West Perth WA 6005

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 Director for the audit of the financial statements of Dynasty Metals Australia Limited for the year ended 30 June 2007, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

STANTONS INTERNATIONAL
(Authorised Audit Company)



J P Van Dieren
Director



FINANCIAL STATEMENTS

INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

		30 June 2007		30 June 2006	
	Note	Consolidated \$	Company \$	Consolidated \$	Company \$
Interest received		191,685	191,685	-	81,155
Gains from change in fair value of investments		-	-	-	229,500
Other income		-	-	-	370
Exploration expenses	3	(805,496)	(805,496)	-	(422,703)
Marketing expenses		(38,109)	(38,109)	-	(9,526)
Occupancy expenses		(11,345)	(11,345)	-	(9,600)
Share based payments		(30,224)	(30,224)	-	-
Administration expenses		(364,667)	(364,667)	-	(355,328)
(Loss) from ordinary activities before related income tax expense		(1,058,156)	(1,058,156)	-	(486,132)
Income tax attributed to operating loss	4	-	-	-	-
Loss after Income Tax		(1,058,156)	(1,058,156)	-	(486,132)
Earnings/(loss) per share					
Basic (cents per share)	17	(3.264)	(3.264)	-	(2.342)
Diluted (cents per share)	17	(3.264)	(3.264)	-	(2.342)

The accompanying notes form part of these financial statements



BALANCE SHEET AS AT 30 JUNE 2007

	Note	2007 Consolidated \$	2007 Company \$	2006 Consolidated \$	2006 Company \$
Current Assets					
Cash and cash equivalents	5	4,070,617	4,070,617	-	3,023,283
Trade and other receivables	6	78,668	78,668	-	91,968
Total Current Assets		4,149,285	4,149,285	-	3,115,251
Non-Current Assets					
Other financial assets	7	711,115	711,115	-	249,500
Plant and equipment	8	33,157	33,157	-	2,361
Total Non-Current Assets		744,272	744,272	-	251,861
Total Assets		4,893,557	4,893,557	-	3,367,112
Current Liabilities					
Trade and other payables	9	1107,076	107,076	-	53,507
Total Current Liabilities		107,076	107,076	-	53,507
Total Liabilities		107,076	107,076	-	53,507
Net Assets		4,786,481	4,786,481	-	3,313,605
Equity					
Contributed equity	10	6,013,938	6,013,938	-	3,973,630
Accumulated losses	11	(1,718,181)	(1,718,181)	-	(660,025)
Unrealised Gain Reserve	12	460,500	460,500	-	-
Option Reserve	13	30,224	30,224	-	-
Total Equity		4,786,481	4,786,481	-	3,313,605

The accompanying notes form part of these financial statements



FINANCIAL STATEMENTS

CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

	Note	30 June 2007		30 June 2006	
		Consolidated \$	Company \$	Consolidated \$	Company \$
Cash Flows from operating activities					
Interest received		174,943	174,943	-	74,928
Payments to suppliers and employees		(1,131,974)	(1,131,974)	-	(834,269)
Net cash flows (used in) operating activities		(957,031)	(957,031)	-	(759,341)
Cash flows from investing activities					
Payments for property, plant and equipment		(35,944)	(35,944)	-	(4,633)
Net cash flows (used in) investing activities		(35,944)	(35,944)	-	(4,633)
Cash flows from financing activities					
Proceeds from loans		-	-	-	(90,982)
Payment for investment		-	-	-	(20,000)
Payments of cost of share issues		(65,000)	(65,000)	-	-
Proceeds from issue of shares		2,105,309	2,105,309	-	3,742,301
Net cash flows from (used in) financing activities		2,040,309	2,040,309	-	3,631,319
Net increase in cash and cash equivalents		1,047,334	1,047,334	-	2,867,345
Cash and cash equivalents at beginning of the period		3,023,283	3,023,283	-	155,938
Cash and cash equivalents at end of the period	5	4,070,617	4,070,617	-	3,023,283

RECONCILIATION OF OPERATING LOSS AFTER INCOME TAX TO NET CASH FLOWS USED IN OPERATING ACTIVITIES

Operating (loss) after tax	(1,058,156)	(1,058,156)	-	(486,132)
Changes in assets and liabilities				
Receivables	13,300	13,300	-	(88,180)
Other assets	(1,115)	(1,115)	-	(229,500)
Loss on disposal of non-current asset	-	-	-	2,144
Depreciation and amortisation	5,147	5,147	-	128
Payables	53,569	53,569	-	42,199
Option Reserve	30,224	30,224	-	-
Net cash flows (used in) operating activities	(957,031)	(957,031)	-	(759,341)

The accompanying notes form part of these financial statements



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2006

	Issued Capital	Unrealised Gain Reserve	Option Reserve	Accumulated Losses	Total Equity
CONSOLIDATED					
Balance at 30 June 2005	231,329	-	-	(173,893)	57,436
Issue of share capital	3,981,559	-	-	-	3,981,559
Share capital raising costs	(239,258)	-	-	-	(239,258)
Loss for the year	-	-	-	(486,132)	(486,132)
Balance at 30 June 2006	3,973,630	-	-	(660,025)	3,313,605
Issue of share capital	2,105,308	-	-	-	2,105,308
Share capital raising costs	(65,000)	-	-	-	(65,000)
Gain/Loss on available for sale investments	-	460,500	-	-	460,500
Recognition of share based payments	-	-	30,224	-	30,224
Loss for the year	-	-	-	(1,058,156)	(1,058,156)
Balance at 30 June 2007	6,013,938	460,500	30,224	(1,718,181)	4,786,481

	Issued Capital	Unrealised Gain Reserve	Option Reserve	Accumulated Losses	Total Equity
COMPANY					
Balance at 30 June 2005	231,329	-	-	(173,893)	57,436
Issue of share capital	3,981,559	-	-	-	3,981,559
Share capital raising costs	(239,258)	-	-	-	(239,258)
Loss for the year	-	-	-	(486,132)	(486,132)
Balance at 30 June 2006	3,973,630	-	-	(660,025)	3,313,605
Issue of share capital	2,105,308	-	-	-	2,105,308
Share capital raising costs	(65,000)	-	-	-	(65,000)
Gain/Loss on available for sale investments	-	460,500	-	-	460,500
Recognition of share based payments	-	-	30,224	-	30,224
Loss for the year	-	-	-	(1,058,156)	(1,058,156)
Balance at 30 June 2007	6,013,938	460,500	30,224	(1,718,181)	4,786,481

The accompanying notes form part of these financial statements

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007****1 CORPORATE INFORMATION**

The financial report of Dynasty Metals Australia Ltd (the Company) for the year ended 30 June 2007 was authorised for issue in accordance with a resolution of the Directors on 27 September 2007.

The Company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Company are described in review of operations.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**a) Basis of Preparation**

The financial report is a general-purpose financial report, which has been prepared in accordance with Australian Accounting Standards (AASBs) (including the Australian interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group also complies with the IFRSs and interpretations adopted by the International Accounting Standards Board. The Company's financial report does not comply with IFRSs as the Company has elected to apply the relief provided to parent entities by AASB 132 Financial Instruments: Presentation and Disclosure in respect of certain disclosure requirements.

The financial statements were approved by the Board of Directors on 26 September 2007.

b) Adoption of new and revised Accounting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in any material changes to the Group's accounting policies.

At the date of authorisation of the financial report, the following Standards and interpretations were in issue but not yet effective:

- AASB 7 'Financial instruments: Disclosures' and consequential amendments to other accounting standards resulting from its issue.	Effective for annual reporting periods beginning on or after 1 January 2007
- AASB 101 'Presentation of Financial Statements' on revised standard	Effective for annual reporting periods beginning on or after 1 January 2007
- Interpretation 10 'Interim Financial Reporting and Impairment'	Effective for annual reporting periods beginning on or after 1 November 2006

c) 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's share of income earned from the joint venture, in the financial statements.

d) 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 viewed 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.

e) 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.

f) 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 asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 group 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the assets (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease (refer note 2(d)).

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase (refer note 2(d)).

**g) Financial Assets**

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

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 directly in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where 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.

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

h) Financial Instruments Issued by the Company

Financial liabilities are classified as either financial liabilities "at fair value through profit or loss" or other financial liabilities.

Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.



Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

i) 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 Statements, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

j) 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 come 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 expenses relating to any provision is presented in the income statement net of any reimbursement.

k) 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

l) Revenue

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

Interest Income

Interest income is recognised as it accrues.

m) Income Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

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 combinations 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 the 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 utilized; and
- A deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

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 utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

n) 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 present value of the estimated future cash outflows to be made for those benefits.

o) Share-based Payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a Black Scholes Model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest.

The above policy is applied to all equity-settled share-based payments that were granted after 7 November 2002 that vested after 1 January 2005. No amount has been recognised in the financial statements in respect of the other equity-settled share-based payments.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.



For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

p) Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

q) Significant accounting judgements, estimates and assumptions

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Recovery of deferred assets

Deferred tax assets are recognised for deductible temporary differences when management considers that it is probable that future taxable profits will be available to utilize those temporary differences.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a black and scholes model, using the assumptions detailed below. The Group measures the cost of cash-settled share-based payments at fair value at the grant date using a black and scholes formula taking into account the terms and conditions upon which the instruments were granted.

r) Basis of consolidation

The consolidated financial statements comprise the financial statements of Dynasty Metals Australia Limited ("Company") and its subsidiaries ("Group"). The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. All intercompany balances and transactions, including unrealized profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the Company has control.

s) Comparatives figures

Comparative figures have been restated when necessary.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 (CONTINUED)

	2007		2006	
	\$ Consolidated	\$ Company	\$ Consolidated	\$ Company

NOTE 3. EXPLORATION AND EVALUATION EXPENDITURE

Exploration/evaluation expenditure written off

	(805,496)	(805,496)	-	(422,703)
Movement during the year				
Balance at beginning of year	(422,703)	(422,703)	-	-
Expenditure incurred during the year	(805,496)	(805,496)	-	(422,703)
Balance at end of year	(1,228,199)	(1,228,199)	-	(422,703)

NOTE 4. INCOME TAX

The prima facie tax on operating (loss) is reconciled to the income tax provided in the financial statements as follows:

Prima facie tax on operating (loss) at 30%	(317,447)	(317,447)	-	(145,840)
Permanent differences:				
Capital raising costs	(18,464)	(18,464)	-	(14,636)
Market value change in investments	-	-	-	(68,850)
Accrued income	(4,688)	(4,688)	-	(1,868)
Provisions	3,020	3,020	-	1,691
Non deductible	-	-	-	84
Share based payment	9,067	9,067	-	-
Income tax benefit not brought to account	328,512	328,512	-	229,419
Income tax expense	-	-	-	-
Deferred Tax Assets				
Capital raising costs	59,053	59,053	-	52,263
Provisions	4,711	4,711	-	-
Unused tax losses	611,838	611,838	-	281,187
	675,602	675,602	-	333,450
Deferred Tax Liabilities				
Unrealised foreign exchange gain	68,850	68,850	-	-
Accrued Interest	6,556	6,556	-	-
Net recognised deferred tax balances	600,196	600,196	-	333,450

The benefit for tax losses will only be obtained if:

- (a) the Company derives future assessable income of a nature and an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- (b) the Company continues to comply with the conditions for deductibility imposed by Law; and
- (c) no changes in tax legislation adversely affect the ability of the Company to realise these benefits.

**NOTE 5. CASH AND CASH EQUIVALENTS****Reconciliation of cash and cash equivalents**

For the purpose of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

Cash at bank	20,617	20,617	-	218,702
Term deposit	4,050,000	4,050,000	-	2,804,581
	4,070,617	4,070,617	-	3,023,283

NOTE 6. TRADE AND OTHER RECEIVABLES

Other Receivables	23,044	23,044	-	64,670
Prepayments	11,416	11,416	-	17,075
Accrued Interest	21,853	21,853	-	6,228
GST receivable	22,355	22,355	-	3,995
	78,668	78,668	-	91,968

NOTE 7. OTHER FINANCIAL ASSETS

Term deposit for bank guarantee	21,115	21,115	-	20,000
Investments in listed companies at fair value	690,000	690,000	-	229,500
	711,115	711,115	-	249,500

The investment relates to an agreement with Atlas Iron Ltd, whereby Atlas Iron Ltd has acquired the iron ore rights on the North Shaw project tenement E45/2728. Dynasty received 500,000 Atlas Iron Ltd shares and retained a 2% of gross sales revenue royalty.

Dynasty holds 0.24% (2006: 0.55%) of the ordinary share capital of Atlas Iron Ltd, a Company involved in iron ore exploration. The Directors of Dynasty do not believe that the Company is able to exert significant influence over Atlas Iron Ltd.

NOTE 8. PLANT AND EQUIPMENT

CONSOLIDATED	Computer Equipment at cost \$	Motor Vehicle at cost \$	Office Equipment at cost \$	Total \$
Gross carrying amount				
Balance at 1 July 2005	-	-	-	-
Additions	4,633	-	-	4,633
Disposal	(2,144)	-	-	(2,144)
Balance at 1 July 2006	2,489	-	-	2,489
Additions	3,444	29,800	2,700	35,944
Balance at 30 June 2007	5,933	29,800	2,700	38,433
Accumulated depreciation/amortization and impairment				
Balance at 1 July 2005	-	-	-	-
Depreciation expense	(128)	-	-	(128)
Balance at 1 July 2006	(128)	-	-	(128)
Depreciation expense	(1,289)	(3,353)	(506)	(5,148)
Balance at 30 June 2007	(1,417)	(3,353)	(506)	(5,276)
Net book value				
As at 30 June 2006	2,361	-	-	2,361
As at 30 June 2007	4,516	26,447	2,194	33,157



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006 (CONTINUED)

Company	Computer Equipment at cost \$	Motor Vehicle at cost \$	Office Equipment at cost \$	Total \$
Gross carrying amount				
Balance at 1 July 2005	-	-	-	-
Additions	4,633	-	-	4,633
Disposal	(2,144)	-	-	(2,144)
Balance at 1 July 2006	2,489	-	-	2,489
Additions	3,444	29,800	2,700	35,944
Balance at 30 June 2007	5,933	29,800	2,700	38,433
Accumulated depreciation				
Balance at 1 July 2005	-	-	-	-
Depreciation expense	(128)	-	-	(128)
Balance at 1 July 2006	(128)	-	-	(128)
Depreciation expense	(1,289)	(3,353)	(506)	(5,148)
Balance at 30 June 2007	(1,417)	(3,353)	(506)	(5,276)
Net book value				
As at 30 June 2006	2,361	-	-	2,361
As at 30 June 2007	4,516	26,447	2,194	33,157

	2007		2006	
	Consolidated	Company	Consolidated	Company

NOTE 9. TRADE AND OTHER PAYABLES

Trade payables	61,067	61,067	-	33,612
Accruals	24,241	24,241	-	16,512
Other payables	21,768	21,768	-	3,383
	107,076	107,076	-	53,507

The average credit period on purchase of goods is within 30 days.

NOTE 10. CONTRIBUTED EQUITY

Issued Capital

38,546,125 fully paid ordinary shares (2006: 29,519,583)	6,322,869	6,322,869	-	3,973,630
Prospectus Costs	(24,831)	(24,831)	-	-
Capital Raising Costs	(284,100)	(284,100)	-	-
	6,013,938	6,013,938	-	3,973,630



	Consolidated		Company	
	No	\$	No	\$
Balance at beginning of financial year	29,519,583	3,973,630	29,519,583	3,973,630
Conversion of share options 12 July 2006 @ \$0.20	3,000	600	3,000	600
Conversion of share options 16 November 2006 @ \$0.20	3,973,542	794,708	3,973,542	794,708
Conversion of share options 2 March 2007 @ \$0.20	10,000	2,000	10,000	2,000
Conversion of share options 19 April 2007 @ \$0.20	40,000	8,000	40,000	8,000
Issue of 5,000,000 @ \$0.26	5,000,000	1,300,000	5,000,000	1,300,000
Costs of share issue	-	(65,000)	-	(65,000)
Balance at 30 JUNE 2007	38,546,125	6,013,938	38,546,125	6,013,938

Listed Share Options

At 30 June 2007 the Company had on issue 21,768,158 listed options with an expiry date of 29 February 2008 to subscribe for shares at 20 cents. The options carry no rights to dividend and no voting rights.

Movements in listed share options	Consolidated No	Company No
Balance at 30 JUNE 2006	25,794,700	25,794,700
Conversion of share options 12 July 2006 @ \$0.20	3,000	3,000
Conversion of share options 16 November 2006 @ \$0.20	3,973,542	3,973,542
Conversion of share options 2 March 2007 @ \$0.20	10,000	10,000
Conversion of share options 19 April 2007 @ \$0.20	40,000	40,000
Balance at 30 JUNE 2007	21,768,158	21,768,158

Unlisted Share Options

At 30 June 2007, the Company had on issue 500,000 unlisted options. The options carry no rights to dividend and no voting rights.

Movements in unlisted share options

Balance at 30 June 2006	-	-
Issued to consultant geologist during the year (exercise price of \$0.30 expiring 31 December 2009)	500,000	500,000
Balance at 30 June 2007	500,000	500,000

	2007		2006	
	Consolidated \$	Company \$	Consolidated \$	Company \$

NOTE 11. ACCUMULATED LOSSES

Accumulated losses at beginning of period	(660,025)	(660,025)	-	(173,893)
Net loss	(1,058,156)	(1,058,156)	-	(486,132)
Accumulated losses at end of period	(1,718,181)	(1,718,181)	-	(660,025)

NOTE 12. UNREALISED GAIN RESERVE

Balance at 30 June 2006	-	-	-	-
Revaluation increments	460,500	460,500	-	-
Balance at 30 June 2007	460,500	460,500	-	-



The unrealised gain reserve arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold that portion of the reserve which relates to that financial asset, and is effectively realised, is recognised in the income statement. Where a revalued financial asset is impaired that portion of the reserve which relates to that financial asset is recognised in the income statement.

NOTE 13. SHARE OPTION RESERVE

Balance at 30 June 2006	-	-	-	-
Recognition of share based payment expense	30,224	30,224	-	-
Balance at 30 June 2007	30,224	30,224	-	-

The share option reserve is used to recognise the fair value of options issued to consulting geologist.

NOTE 14. COMMITMENTS FOR EXPENDITURE

(a) Exploration Commitments

The Company must meet the following tenement expenditure commitments to maintain them until they expire or are otherwise disposed of. These commitments are not provided for in the financial statements and are:

- not later than one year	934,879	934,879	-	678,830
- later than one year but not later than two years	934,879	934,879	-	678,830
- later than two years but not later than five years	3,903,895	3,903,895	-	1,524,240
- later than five years	6,360,390	6,360,390	-	508,080
	12,134,043	12,134,043	-	3,389,980

(b) Operating Lease Commitments

The Company has no operating lease commitments.

NOTE 15. RELATED PARTY DISCLOSURE

(a) Key Management Personnel Remuneration

(i) Directors

David McSweeney	Chairman – appointed 8 January 2007 and resigned 6 September 2007
Peter Andrews	Chairman (Non Executive) – resigned 8 January 2007 and as a Director on 25 January 2007
Rita Brooks	Managing Director
Andrew Stocks	Director (Non Executive) – appointed 30 January 2007
Graham Anderson	Director (Non Executive)/Chairman – appointed 6 September 2007

The Company has no other executive personnel.

(b) Summarised Compensation of Key Management Personnel

Summary of non-executive Directors and key management personnel compensation in the following categories are as follows:

	2007	2006
Short-term employee benefits	319,038	202,205
Post employment benefits	-	2,144
Other long term benefits	-	-
Share based payments	-	-
	319,038	204,349



Refer to the Remuneration Report in the Directors' Report for detail compensation disclosure on Non-Executive Directors and key management personnel. The Company has taken advantage of the relief provided by the Corporate Amendments Regulation 2006(4) to transfer the detail compensation disclosures on Non-Executive Directors and key management personnel to the Directors' Report.

(c) Key Management Personnel Equity Holdings

Ordinary Shares Held at 30 June 2007	Balance 1 July 06	Granted as remuneration	On exercise of options	Net change other*	Balance 30 June 07
David McSweeney					
– Appointed 8 January 2007	-	-	-	83,000	83,000
Peter Andrews					
– Resigned 25 January 2007	1,000,000	-	-	-	1,000,000
Rita Brooks	8,774,705	-	-	55,000	8,829,705
Andrew Stocks					
– Appointed 30 January 2007	-	-	-	44,000	44,000
Graham Anderson	500,000	-	-	-	500,000
	10,274,705	-	-	182,000	10,456,705

Ordinary Options Held at 30 June 2007	Balance 1 July 06	Granted as per shareholders approval	Options exercised	Net change other	Balance 30 June 07
David McSweeney					
– Appointed 8 January 2007	-	-	-	-	-
Peter Andrews					
– Resigned 25 January 2007	1,000,000	-	-	-	-
Rita Brooks	3,255,082	-	-	-	3,255,082
Andrew Stocks					
– Appointed 30 January 2007	-	-	-	-	-
Graham Anderson	500,000	-	-	-	500,000
	4,755,082	-	-	-	3,755,082

* All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

(d) Other transactions and balances with non-executive Directors and key management personnel

Subsequent to year end on the 24 July 2007, 2,000,000 Options have been issued to the former Chairman, Mr David McSweeney. 1,000,000 Options are exercisable at 25 cents each expiring on the 10 January 2010 and 1,000,000 are exercisable at 40 cents each expiring on the 10 January 2010. Mr Andrew Stocks was issued 500,000 Options on the 24 July 2007. 250,000 Options are exercisable at 25 cents each expiring on the 10 January 2010 and 250,000 Options are exercisable at 40 cents each expiring on the 10 January 2010.

(e) Other transactions between the Company and its other related parties

- Net receivables of \$12,478 owing from a Company related by common Director as at year end.
- Net payables of \$19,631 owing to Companies related by common Director as at year end.
- Accounting and secretarial fees amounting to \$36,000 paid to a company owned by a director.
- Consulting fees amounting to \$47,200 paid to a company owned by a director.



NOTE 16. SHARE-BASED PAYMENTS

500,000 unlisted options were granted to consultant on 20 December 2006, exercisable at 30 cents each on or before 31 December 2009. 200,000 options may only be exercised after first year of grant date. 300,000 options exercisable immediately.

The number and weighted average exercise prices of option granted are as follows:

	No of Options	Weighted average exercise price
Outstanding at beginning of year	-	-
Granted during the year	500,000	\$0.30
Exercised during the year	-	-
Outstanding at end of year	500,000	\$0.30
Exercisable at end of the year	300,000	\$0.30

The options outstanding at the end of the year have an exercise price of \$0.30 and a weighted average remaining contractual life of 2.5 years.

The fair value of the share options granted during the year at date of grant using the Black Scholes option valuation methodology was 12 cents each or a total of \$38,300 for the 500,000 options. The material assumptions used in valuing the options were a share price of 24.5 cents, an exercise price of \$0.30, a risk free interest rate of 6%, an expiry date of 31 December 2009 and a volatility factor of 75%. The derived figure per share option was discounted by 35% to reflect that the options are unlisted and 'out of the money'.

The fair value of the options is recognised as an expense over the period from grant to vesting date. The amount recognised as part of share-based payments expense during the year was \$30,224.

	2007 No	2006 No
--	------------	------------

NOTE 17. EARNINGS PER SHARE

Basic loss per share (cents per share)	(3.264)	(3.264)
Amount used in the calculation of basic EPS	\$(1,058,156)	\$(486,132)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	32,416,010	20,750,456

The options of the Company are not considered dilutive for the purpose of the calculation of diluted earnings per share as their conversion to ordinary shares would not decrease the net profit per share nor increase the net loss per share. Consequently, diluted earnings per share is the same as basic earnings per share.

NOTE 18. FINANCIAL INSTRUMENTS

(a) Credit Risk Exposure

The credit risk on financial assets of the Company which have been recognised on the statement of financial position is generally the carrying amount, net of any provisions for doubtful debts.

(b) Interest Rate Risk Exposure

The Company's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the Company intends to hold fixed rate assets and liabilities to maturity.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 (CONTINUED)

Financial Assets	Floating Interest \$	Non Interest Bearing \$	Total \$
Cash and cash equivalents	4,070,617	-	4,070,617
Receivables	-	78,668	78,668
	4,070,617	78,668	4,149,285
Weighted Average Interest Rate	6.2%	-	-
Net Financial Assets	4,070,617	78,668	4,149,285
Financial Liabilities			
Trade and other payables	-	107,076	107,076
Net Financial Liabilities	-	107,076	107,076
	4,070,617	(28,408)	4,042,209

Net Fair Value of Financial Assets and Liabilities

The net fair value of the financial assets and liabilities are the same as their carrying amount.

NOTE 19. SEGMENT INFORMATION

The Company currently operates in one industry and one geographical segment, namely the mining industry in Australia. The two subsidiaries formed during the year did not trade as at the date of the report.

NOTE 20. CONTINGENT LIABILITIES

The Directors are of the opinion that there are no contingent liabilities as at 30 June 2007.

NOTE 21. SUBSEQUENT EVENTS

- 3,552,812 listed options have been exercised at \$0.20 on the 13th July 2007 raising \$710,562.
- 2,500,000 unlisted Options have been issued to the Directors on the 24th July 2007. 1,250,000 Options are exercisable at 25 cents each expiring on the 10 January 2010 and 1,250,000 Options are exercisable at 40 cents each expiring on the 10 January 2010.
- The Company sold the Laverton Nickel Project for \$400,000 fully paid shares in Poseidon. The arrangement is subject to 3 months due diligence starting on the 23 July 2007.
- David McSweeney resigned as the Chairman of Dynasty Metals Australia Limited on the 6 September 2007
- Graham Anderson was appointed Chairman of Dynasty Metals Australia Limited on 6 September 2007.

NOTE 22. AUDITOR'S REMUNERATION

	2007		2006	
	Consolidated \$	Company \$	Consolidated \$	Company \$
Audit services	20,130	20,130	-	9,868
Independent Accountants Report	-	-	-	4,969
	20,130	20,130	-	14,837



NOTE 23. CONTROLLED ENTITIES

% Owned		Book value of shares held		Contribution to consolidated loss	
2007	2006	\$ 2007	\$ 2006	\$ 2007	\$ 2006

Parent entity

Dynasty Metals Australia Limited

Entities controlled by Parent

Scorpion Resources Ltd	100%	-	2	-	-	-
Dynasty Botswana Ltd	100%	-	2	-	-	-

Scorpion Resources Ltd is incorporated in Australia.

Dynasty Botswana Ltd is incorporated in Australia.

STOCK EXCHANGE INFORMATION

The additional information set out below relates to shares, options and tenements as at 14 September 2007.

DISTRIBUTION OF SHAREHOLDINGS

Size of holding % of Issued Capital	Number of shareholders
1 – 1,000	15
1,001 – 5,000	75
5,001 – 10,000	133
10,001 – 100,000	292
100,001 and over	57
Total shareholders	572

Number of shareholders with less than a marketable parcel of \$500 at \$0.21 per share is 32.

SUBSTANTIAL SHARE HOLDERS – as advised to the Company

Name	No of shares
Rita Marian Brooks 21.09%	8,879,705

VOTING RIGHTS

All ordinary shares issued by the Company carry one vote per share without restriction.



TWENTY LARGEST SHAREHOLDERS

Name of Shareholder	No of Shares	%
Baracus Pty Ltd	7,674,705	18.23
Tay Lewis	2,054,082	4.88
Wong Po Chu	1,601,725	3.80
Zheng Jian Rong	1,600,000	3.80
Tiong King Siang	1,500,000	3.56
Wang Mian	1,420,527	3.37
Brooks William <Brooks Super A/C>	1,205,000	2.86
Real Grumpy Pty Ltd	1,000,000	2.37
Richard Stanger <Inceptum A/C>	1,000,000	2.37
Lam Ting	986,685	2.34
Equitas Nominees Pty Ltd <GRP A A/C>	600,000	1.42
Wang Zheng Hua	543,800	1.29
Graham Douglas Anderson <Kudu A/C>	500,000	1.19
Alan Svanosio	500,000	1.19
Dias Jose Emanuel	500,000	1.19
Titan Recruitment Pty Ltd	392,500	0.93
Dowell Peter Andrew	327,000	0.78
Workfast Pty Ltd <Blackham S/F A/C>	320,000	0.76
Ristovski Nominees Pty Ltd	300,000	0.71
Baroda Hill Investments Ltd	286,673	0.68
Top 20 largest shareholders	24,312,679	57.74



DISTRIBUTION OF OPTIONS

Size of holding % of Issued Capital	Number of shareholders
1 – 1,000	-
1,001 – 5,000	8
5,001 – 10,000	45
10,001 – 100,000	132
100,001 and over	38
Total option holders	223

TWENTY LARGEST OPTION HOLDERS

Name of Option holder	No of Options	%
Brooks William <Brooks Super A/C>	1,150,000	6.32
Baracus Pty Ltd	1,071,749	5.89
Bolin Bradley George	700,000	3.85
Tay Lewis	666,220	3.66
Dowell Peter Andrew	545,000	2.99
Zhang Hua	500,815	2.75
Anderson Graham Douglas <Kudu A.C>	500,000	2.75
Dowell Peter Andrew Dowell	455,000	2.50
Lam Ting	428,000	2.35
Griffin Kevin, & Johnston Jill <Manor Grove Staff>	400,000	2.20
Willingvale Pty Ltd	400,000	2.20
Baroda Hill Investments Ltd	375,655	2.06
Li Ze Qian	340,000	1.87
Wirawan Josephine	275,000	1.51
Wolanski Richard	250,000	1.37
Jacobs Corporation Pty Ltd <Jacobs Capital Venture A/C>	250,000	1.37
Bridge Lending SVCS Pty Ltd	201,923	1.11
Stone Stephen <Pearlstone Account>	200,000	1.10
Wells Peter Graham	200,000	1.10
B T & K R Ryan Pty Ltd	200,000	1.10
Top 20 largest optionholders	9,109,362	50.04



CORPORATE GOVERNANCE STATEMENT

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Dynasty have adhered to the principles of corporate governance. A description of the main corporate governance practices is set out below. Unless otherwise stated, the practices were in place for the entire year.

Board of Directors

The Board of Directors of the Company is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

As the Board acts on behalf of shareholders, it seeks to identify the expectations of shareholders, as well as other ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

The primary responsibilities of the Board include:

- formulation and approval of the strategic direction, objectives and goals of the Company;
- monitoring the financial performance of the Company, including approval of the Company's financial statements;
- ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
- the identification of significant business risks and ensuring that such risks are adequately managed;
- the review of performance and remuneration of Executive Directors; and
- the establishment and maintenance of appropriate ethical standards.

The responsibility for the operation and administration of the Company is carried out by Managing Director, who operates in an executive capacity, supported by appropriate consultants. The Board ensures that this team is suitably qualified and experienced to discharge their responsibilities, and assesses on an ongoing basis the performance of the management team, to ensure that management's objectives and activities are aligned with the expectations and risks identified by the board.

Independent Directors

Under ASX guidelines none of the current Board is considered to be an independent Director. Mrs Brooks is both Managing Director and substantial shareholder, Mr Stocks provides consulting services and Mr Anderson is a significant shareholder. The Board is satisfied that the structure of the Board is appropriate for the size of the Company and the nature of its operations and is a cost effective structure for managing the Company.

Communication to Market & Shareholders

The Board aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Directors and the Company. Information is communicated to shareholders and the market through:

- the Annual Report which is distributed to all shareholders;
- other periodic reports which are lodged with ASX and available for shareholder scrutiny;
- other announcements made in accordance with ASX Listing Rules;
- special purpose information memoranda issued to shareholders as appropriate; and
- the Annual General Meeting and other meetings called to obtain approval for Board action as appropriate.

Board Composition

When the need for a new Director is identified, selection is based on the skills and experience of prospective Directors, having regard to the present and future needs of the Company. Any Director so appointed must then stand for election at the next Annual General Meeting of the Company.



Terms of Appointment as a Director

The constitution of the Company provides that a Director other than the Managing Director may not retain office for more than three calendar years or beyond the third annual general meeting following his or her election, whichever is longer, without submitting for re-election. One third of the Directors must retire each year and are eligible for re-election. The Directors who retire by rotation at each Annual General Meeting are those with the longest length of time in office since their appointment or last election.

Board Committees

The Board has established separate committees for audit, board nomination and remuneration. However, in view of the current size of the Company and the nature of its activities, the committees currently comprise all members of the Board. Therefore effectively audit matters, the nomination of new Directors and the setting, or review, of remuneration levels of Directors and senior executives are reviewed by the Board as a whole and approved by resolution of the Board (with abstentions from relevant Directors where there is a conflict of interest). Where the Board considers that particular expertise or information is required, which is not available from within their number, appropriate external advice may be taken and reviewed prior to a final decision being made by the Board.

Remuneration

Remuneration and other terms of employment of executives, including executive Directors, are reviewed periodically by the Board having regard to performance, relevant comparative information and, where necessary, independent expert advice. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the Company's operations.

The terms of engagement and remuneration of executive Directors is reviewed periodically by the Board, with recommendations being made by the non-executive Director. Where the remuneration of a particular executive Director is to be considered, the Director concerned does not participate in the discussion or decision-making.

Independent Professional Advice

Directors have the right, in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Company's expense. Prior approval of the Chairman is required, which will not be unreasonably withheld.

Share Trading

Dealings are not permitted at any time whilst in the possession of price sensitive information not already available to the market. In addition, the Corporations Act 2001 prohibits the purchase or sale of securities whilst a person is in possession of inside information.

Code of Conduct

In view of the size of the Company and the nature of its activities, the Board has considered that an informal code of conduct is appropriate to guide executives, management and employees in carrying out their duties and responsibilities.



ASX CORE PRINCIPLES OF CORPORATE GOVERNANCE AND ASX GUIDELINES

Australian Stock Exchange Ltd (ASX) has published 10 core principles of corporate governance which it believes underlie good corporate governance together with guidelines to satisfy those core principles. Under ASX listing rules, listed companies are required to provide a statement in their annual reports outlining the extent to which they have followed these best practice guidelines. In the following table the ASX core principles and guidelines are listed in the left hand column, and the Company's comment/response is listed in the right hand column.

ASX Principle 1: Lay Solid Foundations Recognise and publish the respective roles and responsibilities of the board and management	Comment/Response by Company
ASX Recommendations 1.1 Formalise and disclose the functions reserved to the Board and those delegated to management	The Board is comprised of two Executive Director and an executive Chairman. Management of the Company is carried out by the executive director with little or no delegation to staff. The full board meets on a regular basis for both management and board meetings.
ASX Principle 2: Board Structure Have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties	Comment/Response by Company
ASX Recommendations 2.1 A majority of Board members should be independent Directors	None of the three Directors are independent according to the ASX definition of independence due to three Directors being executive and all Directors being either substantial or significant shareholders in the Company. In view of the size of the Company and the nature of its activities the Board considers that the current Board is a cost effective and practical method of directing and managing the Company.
2.2 The Chairperson should be an independent Director	As stated above the Chairman is an Executive Director and is not considered independent under the ASX definition. The Company is mindful of the costs and availability of experienced non-executive independent chairman and is satisfied the current Board structure is appropriate for the size of the Company and the nature of its activities.
2.3 The roles of Chairperson and chief executive officer should not be exercised by the same individual	As stated above the Company operates with a an Executive Chairman and a Managing Director. The Managing Director fulfils the role of chief executive officer.
2.4 The Board should establish a nomination committee	The Board has established a nomination Committee which comprises the full Board.
2.5 The information indicated in Guide to reporting on Principle 2 should be provided. (See Guide Notes at end of table)	Not applicable.



<p>ASX Principle 3: Ethical and responsible decision-making Actively promote ethical and responsible decision-making</p>	<p>Comment/Response by Company</p>
<p>ASX Recommendations</p> <p>3.1 The Company should establish a code of conduct to guide the Directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to the practices necessary to maintain confidence in the Company's integrity, and the responsibility and accountability of individuals for reporting or investigating reports of unethical practices</p>	<p>In view of the size of the Company and the nature of its activities, the Board has considered that an informal code of conduct is appropriate to guide executives, management and employees in carrying out their duties and responsibilities.</p>
<p>3.2 Disclose the policy concerning trading in Company securities by Directors, officers and employees</p>	<p>The Company does not have a formal policy which sets out time restrictions on share dealings. The Company policy is that of the Corporations Law and ASX Listing Rules which state that dealings are not permitted at any time whilst in the possession of price sensitive information not already available to the market.</p>
<p>3.3 Provide the information indicated in Guide to Reporting on Principles. (See Guide Notes at end of table)</p>	<p>Not applicable – see above.</p>
<p>ASX Principle 4: Financial reporting integrity Have a structure in place to independently verify and safeguard the integrity of the Company's financial reporting</p>	<p>Comment/Response by Company</p>
<p>ASX Recommendations</p> <p>4.1 Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards</p>	<p>The Managing Director and Company Secretary are required to sign a declaration addressing the integrity of the financial statements and maintenance of financial records in accordance with s286 of the Corporations Act.</p>
<p>4.2 The Board should establish an Audit Committee</p>	<p>The Board has established an Audit Committee that comprises the full Board.</p>
<p>4.3 Structure the Audit Committee so that it consists of:</p> <ul style="list-style-type: none"> - Only non-executive Directors - A majority of independent Directors - An independent chairperson who is not the chairperson of the Board - At least three members 	<p>Not applicable – see above.</p>
<p>4.4 Create a formal operating charter for the Audit Committee</p>	<p>Not applicable – see above.</p>
<p>4.5 Understand and provide the information indicated in the Guide to reporting on Principle 4. (See Guide Notes at end of table)</p>	<p>Not applicable – see above</p>



<p>ASX Principle 5: Timely and balanced disclosure Promote timely and balanced disclosure of all material matters concerning the Company</p>	<p>Comment/Response by Company</p>
<p>ASX Recommendations</p>	
<p>5.1 Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance</p>	<p>Due to its size and structure the Board is able to meet on a regular basis for both management and Board meetings to ensure compliance with ASX Listing Rule disclosure requirements. The full Board is accountable for ASX compliance.</p>
<p>5.2 Understand and provide the information indicated in the Guide to Reporting on Principle 5. (See Guide Notes at end of table)</p>	<p>See above.</p>
<p>Comment/Response by Company</p>	
<p>ASX Principle 6: Shareholder rights Respect the rights of shareholders and facilitate the effective exercise of those rights</p>	
<p>ASX Recommendations</p>	
<p>6.1 Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings</p>	<p>See the section on Communication to Market and Shareholders.</p>
<p>6.2 Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the audit and the preparation and content, of the auditor's report</p>	<p>It is Company policy that the Auditor attends the AGM and part of the agenda is the tabling of the accounts and inviting shareholders to ask the Directors or the Auditor any questions about the report including the audit report.</p>
<p>Comment/Response by Company</p>	
<p>ASX Principle 6: Shareholder rights Establish a sound system of risk oversight and management and internal control</p>	
<p>ASX Recommendations</p>	
<p>7.1 The Board or appropriate board committee should establish policies on risk oversight and management</p>	<p>In view of the size of the Company and the nature of its activities, the Board has considered that establishing a formally constituted risk oversight and management committee would contribute little to its effective management. Accordingly risk oversight and management issues and policies are reviewed by the Board as a whole and approved by resolution of the Board (with abstentions from relevant Directors where there is a conflict of interest).</p>
<p>7.2 The Chief Executive Officer (or equivalent) and the chief financial officer (or equivalent) should state to the Board in writing that:</p>	
<p>7.2.1 the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board</p>	<p>The Managing Director and Company Secretary are required to sign a declaration addressing the integrity of the financial statements and maintenance of financial records in accordance with s286 of the Corporations Act.</p>



7.2.2 the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects	As above
7.3 Information indicated in the Guide to Reporting on Principle 7 should be understood and provided. (See Guide Notes at end of table)	Not applicable for reasons stated above
ASX Principle 8: Enhanced Performance Fairly review and actively encourage enhanced board and management effectiveness	Comment/Response by Company
ASX Recommendations	Due to the size and structure of the Board a formal evaluation process is not conducted.
8.1 Disclose the process for performance evaluation of the Board, its committees and individual Directors, and key executives	The Company operates with only two part time contractors and one employee operating in a consulting geological capacity. The Company uses consultants for geological and Company Secretarial functions and pays market rates for experienced professionals.
ASX Principle 9: Remunerate fairly Ensure that the level and composition of remuneration is sufficient and reasonable and its relationship to corporate and individual performance is defined	Comment/Response by Company
ASX Recommendations	The Company does not have a remuneration policy other than to ensure that Directors, staff and consultants are paid market rates in accordance with their qualifications, experience and contribution to the Company. Directors' remuneration for both Executive and Non Executive Directors is compared to other "junior explorers" as a guide to industry rates.
9.1 Provide disclosure in relation to the Company's remuneration policies to enable investors to understand (i) the costs and benefits of these policies and (ii) the link between remuneration paid to Directors and key executives and corporate performance.	There are no schemes of retirement benefits.
9.2 The Board should establish a remuneration committee	The Board has established a remuneration committee which comprises the full Board. .
9.3 The structure of non-executive Directors' remuneration should be clearly distinguished from that of executives	Executive Directors are paid consulting fees to entities which they control. Directors' fees are paid separately to all Directors. The different types of remuneration including fringe benefits, superannuation, consulting fees and Directors' fees are all clearly outlined in the Annual Report.
9.4 Ensure equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders	No Directors, executives or staff has any equity based remuneration.
9.5 Ensure information indicated in ASX Guide to Reporting on Principle 9 is understood and provided. (See Guide Notes at end of table)	See above



ASX Principle 10: Interest of Stakeholders

Recognise the legal and other obligations of all legitimate stakeholders

Comment/Response by Company

ASX Recommendations

10.1 Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders

In view of the size of the Company and the nature of its activities, the Board has considered that an informal code of conduct is appropriate to guide executives, management and employees in carrying out their duties and responsibilities.



ASX Guide to Reporting on Principles

ASX rules requires that the following material should be included in the corporate governance section of the annual report:

- Principles 1 to 10 inclusive - an explanation of any departure from best practice recommendations 1.1 to 10.1
- Principle 2 - the skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report.
- Principle 2 - The names of the Directors considered by the board to constitute independent Directors and the Company's materiality thresholds.
- Principle 2 - A statement as to whether there is a procedure agreed by the board for Directors to take independent professional advice at the expense of the Company.
- Principle 2 - The term of office held by each director in office at the date of the annual report
- Principle 2 - The names of members of the nomination committee and their attendance at meetings of the committee.
- Principle 4 - Details of the names and qualifications of those appointed to the audit committee, or, where an audit committee has not been formed, those who fulfil the functions of an audit committee.
- Principle 4 - The number of meetings of the audit committee and the names of the attendees.
- Principle 8 - Whether a performance evaluation for the board and its members has taken place in the reporting period and how it was conducted.
- Principle 9 - Disclosure of the Company's remuneration policies referred to in best practice recommendation 9.1 and in Box 9.1.
- Principle 9 - The names of the members of the remuneration committee and their attendance at meetings of the committee.
- Principle 9 - The existence and terms of any schemes for retirement benefits, other than statutory superannuation, for non-executive Directors.

ASX guidelines also recommend that the following material should be made publicly available, ideally by posting it to the Company's website in a clearly marked corporate governance section:

- Principle 1 - a statement of matters reserved for the board or a summary of the board charter or a statement of delegated authority to management.
- Principle 2 - A description of the procedure for the selection and appointment of new Directors to the board.
- Principle 2 - The charter of the nomination committee or a summary of the role, rights, responsibilities and membership requirements for that committee.
- Principle 2 - The nomination committee's policy for the appointment of Directors.
- Principle 3 - Any applicable code of conduct or a summary of its main provisions. This disclosure may be the same as that required under principle 10.
- Principle 3 - The trading policy or a summary of its main provisions.
- Principle 4 - The audit committee charter.
- Principle 4 - Information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners.
- Principle 5 - A summary of the policies and procedures designed to guide compliance with Listing Rule disclosure requirements.
- Principle 6 - A description of the arrangements the Company has to promote communication with shareholders.
- Principle 7 - A description of the Company's risk management policy and internal compliance and control system.
- Principle 8 - A description of the process for performance evaluation of the board, its committees and individual Directors, and key executives.
- Principle 9 - The charter of the remuneration committee or a summary of the role, rights, responsibilities and membership requirements for that committee.
- Principle 10 - Any applicable code of conduct or a summary of its main provisions.



TENEMENT SCHEDULE

PROJECT WESTERN AUSTRALIA	TENEMENT	COMMODITY	DYNASTY'S INTEREST
Yanrey	E08/1538	Uranium	Granted 100%, subject to royalty
	E08/1539	Uranium	Granted 100%, subject to royalty
	E08/1540	Uranium	Granted 100%, subject to royalty
	E08/1699	Uranium	Granted 100%
Hector Bore	E09/1204	Uranium	Granted 100%, subject to royalty
	E09/1310	Uranium	Application 100%
	E09/1339	Uranium	Application 100%
Mt Phillips	E09/1202	Uranium	Granted 100%, subject to royalty
	E09/1337	Uranium	Application 100%
	E09/1338	Uranium	Application 100%
Bee Well	E08/1647	Uranium	Application 100%
Glen Florrie	E08/1621	Uranium	Granted 100%
Warrambo	E08/1620	Uranium	Granted 100%
	E08/1774	Uranium	Application 100%
	E08/550	Uranium	Application 100%
	E08/551	Uranium	Application 100%
Kunderong	E52/1948	Uranium	Application 100%
Carnegie	E69/2223	Uranium	Application 100%
Stanley/Nabberu	E2265-E2270	Uranium/Iron/Gold & Nickel	Application 100%
	E692294-E69/2297	Uranium/Iron/Gold & Nickel	Application 100%
	E692298-E69/2300	Uranium/Iron/Gold & Nickel	Application 100%
Bee Well	E09/1347	Uranium	Application 100%
Bullo Downs	E52/2024	Base Metals	Application 100%
	E52/2025	Copper/Gold	Application 100%
Collier	E52/2099	Base Metals	Application 100%
Ajana	E70/3158	Base Metals	Application 100%
Uaroo	E08/1790	Uranium/Base Metals	Application 100%
	E08/1817	Uranium/Base Metals	Application 100%
	P08/557	Uranium/Base Metals	Application 100%
Mullewa	E70/3190	Base Metals	Application 100%
Irwin	SPA5/05-6	Coal Seam Gas	Application 100%
Laverton	P38/3272	Gold & nickel	Granted 100%
	P38/3273	Gold & nickel	Granted 100%
	P38/3274	Gold & nickel	Granted 100%
	E38/1450	Gold & nickel	Granted 100%, subject to royalty
	E38/1587	Gold & nickel	Application 100%, subject to royalty
	E38/1622	Gold & nickel	Application 100%, subject to royalty
	E38/1752	Gold & nickel	Granted 100%
	E39/930	Gold & nickel	Granted 100%, subject to royalty
Stella Range	E39/1066	Gold & nickel	Granted 100%, subject to royalty
	E39/929	Gold & nickel	Granted 100%, subject to royalty
Hyden	P77/3533	Gold & nickel	Application 100%
	P77/3534	Gold & nickel	Application 100%
	P77/3535	Gold & nickel	Application 100%
	P77/3536	Gold & nickel	Granted 100%
	E74/333	Gold & nickel	Application 100%
	E77/1248	Gold & nickel	Granted 100%
	E77/1256	Gold & nickel	Application 100%
	E77/1326	Gold & nickel	Granted 100%
North Shaw	E45/2728	Iron & Gold	Granted 100% Atlas FE rights
Prairie Downs	E52/1927	Iron & Uranium	Application 100%
	E52/1931	Iron	Application 100%
	E52/1938	Iron	Application 100%
	E52/1949	Iron	Application 100%



TENEMENT SCHEDULE cont'd

PROJECT	TENEMENT	COMMODITY	DYNASTY'S INTEREST
NORTHERN TERRITORY			
Mt Weldon	EL25624	Uranium	Granted 100%
Peaked Hill	EL25626	Uranium	Granted 100%
Hanson River	EL25627	Uranium	Application 100%
Possum Creek	EL25628	Uranium	Application 100%
VICTORIA			
Bright	EL4571	Gold	Granted 100%, subject to royalty
Bendoc	EL4799	Gold	Granted 100%, subject to royalty
	EL4824	Gold	Granted 100%, subject to royalty





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DYNASTY

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