



**FINANCIAL REPORT  
FOR THE HALF-YEAR  
ENDED 31 DECEMBER 2007**

## DIRECTORS' REPORT

The Directors of Dynasty Metals Australia Ltd submit herewith the financial report for the half year ended 31 December 2007. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Mr Richard Oh – Chairman (Appointed 26 October 2007)

Mr Lewis Tay – Executive Director (Appointed 21 January 2008)

Mr Malcolm Carson – Non Executive Director (Appointed 26 October 2007)

Mr Garry Hemming – Non Executive Director (Appointed 26 October 2007)

Mr Graham Anderson - Non Executive Director and Company Secretary (Appointed since 6 August 2004)

Mr David McSweeney – Chairman (Appointed 8 January 2007 – Resigned 6 September 2007)

Mrs Rita Marian Brooks (Resigned 29 October 2007)

Mr Andrew Stocks (Appointed 30 January 2007 – Resigned 29 October 2007)

## PRINCIPAL ACTIVITY

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

## REVIEW OF OPERATIONS

The change of management during the second quarter progressed smoothly while Dynasty continued developing the company's projects in particular the Irwin Coal Seam Gas Project in the mid-west of Western Australia and the Yanrey Uranium Project further north. The preparatory work for a major drilling programme at Yanrey was completed with the commencement of drilling after the reporting date in the third week of January, 2008. High priority targets are the continuation of the mineralised palaeochannels containing the Manyingee Uranium Deposit and the Bennet Well Uranium Prospect. An expansion of the company's technical team is in progress to cover the exploration of a very exciting large portfolio of project tenements.

### **Irwin Coal Seam Gas (DMA 100%)**

The project is located 65 kilometres east of Geraldton in close proximity to existing pipelines and the developing mid-west iron ore mining region.

Processing of 100 kilometres of seismic survey data is being carried out at Excel Geophysical Services (NZ) Ltd. Results from the work are expected early in the first quarter of 2008 for expert consultants' appraisal with the aim of defining the extent of the Irwin coal measures and locating drill targets for Coal Seam Gas accumulations.

### **Yanrey Uranium Project (DMA 100%)**

Located 90 kilometres south east of Onslow, the large tenement holding of six exploration licences is in close proximity to the Manyingee Uranium Deposit (Paladin Energy Ltd) and the Bennet Well Uranium Deposit (Scimitar Resources Ltd). Drilling designed during the reporting period to test for the occurrence of uranium and stratigraphic markers essential for roll-front uranium deposits.

An extensive airborne electromagnetic survey has highlighted several important palaeochannels, one of which contains the Manyingee deposit down stream. After the reporting date, a drilling

programme commenced in January 2008 with the objective to test a series of targets within each of four identified palaeochannels. Field work also began in the first week of January, 2008.

Outback Drilling Pty Ltd has been engaged to conduct the drilling of 50 air-core holes to a nominal depth of 100 metres. Down Under Surveys Pty Ltd (experts at down-hole gamma surveys) have been engaged to provide immediate feedback on the drilling by way of a down-hole gamma survey on each completed drill hole. This work will help identify uranium-rich zones and assist in siting the location of infill drill holes.

A preliminary regolith interpretation using the Aster dataset was conducted. This work defined new clay zones (inferred alteration zones), access tracks and vegetation types. ALOS images (higher resolution) were ordered to assist this work.

During the reporting period, Fathom Geophysics Pty Ltd completed the compilation and processing of all available geophysical data (aeromagnetic, radiometric) with the aim to identify key structures, anomalous areas and the location of palaeo-channels. The compilation work confirmed several existing target areas and identified several new areas worthy of follow-up.

In all, thirteen target areas were identified, nine U targets and four Cu-Zn targets. These target areas have been ranked and drill sites defined and prioritized. The highest priority uranium targets which will be drilled first, are adjacent to Scimitar's Bennet Well Prospect and Paladin's Manyingee Deposit.

As part of the on-going programme, a radiation base line survey is being conducted at all drill hole sites to define anomalous areas. This survey is also required by the DOIR as part of the Company's Radiation Management Plan. All drill samples will be submitted to Genalysis Pty Ltd as 4 metre composites. Intervals with anomalous gamma values will be split into 1 metre samples and submitted for geochemical analysis. These geochemical analyses will assist in determining pathfinder elements and help identify other mineral exploration targets.

#### **Mt Phillips Uranium Project (DMA 100%)**

Ground reconnaissance has determined radiometric anomalies related to shales, calcrete and shearing. Sampling results are awaited.

#### **Other Projects in Western Australia for uranium, base metals, gold and nickel-copper-PGE. Prairie Downs, Stanley-Nabberu, Glen Florrie, Warrambo.**

Work continued to assess the prospectivity of these important mineralised regions and to develop a schedule of airborne and ground work followed by drilling as warranted.

#### **Bendoc, Victoria, Gold (DMA 100%)**

Located in an historic gold mining area of Victoria, gold results in previous drilling of up to 2 metres grading 59g/t Au, and 10 metres grading 4.66 g/t Au are encouraging. Further work on designing a drilling programme was carried out during the reporting period and a finalised programme presented to the board.

#### **Botswana (uranium)**

After the reporting date, the five Exploration Licences under application in Botswana were granted (see ASX release dated 7<sup>th</sup> March 2008). Radiogenic syenites have been located as a potential

source of near surface uranium mineralisation and assessment is continuing regarding both uranium and base metal mineralisation.

**Corporate**

During the period the Group:

- Carried out drilling programmes at Yanrey.
- Raised \$1,095,037 from the conversion of options.
- Formed a subsidiary; Dunblane Enterprise Pty Ltd in Botswana. The Company has yet to commence operations as at the date of the report.

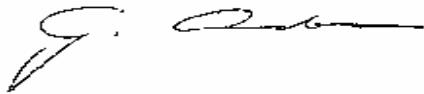
**RESULTS OF OPERATIONS**

The Group incurred an after tax operating loss for the half-year ended 31 December 2007 of \$767,532 (2006:\$467,093).

**AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 15.

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



Graham Anderson  
Director

Perth, Western Australia  
13<sup>th</sup> March 2008

**INCOME STATEMENT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

	Note	Consolidated 31 December 2007 \$	Company 31 December 2006 \$
Revenue	2	610,543	115,304
Occupancy expenses		(4,000)	(4,800)
Exploration expenses		(881,291)	(333,931)
Administrative expenses		(324,872)	(208,062)
Share based payments		(167,912)	(23,395)
Marketing expenses		-	(12,209)
<b>(Loss) before income tax</b>		<b>(767,532)</b>	<b>(467,093)</b>
Income tax expense		-	-
<b>Net (loss) attributable to members of Dynasty Metals Australia Ltd</b>		<b>(767,532)</b>	<b>(467,093)</b>
Basic loss per share (cents)		(1.803)	(1.530)
Diluted loss per share (cents)		(1.803)	(1.530)

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

**CONSOLIDATED BALANCE SHEET  
AS AT 31 DECEMBER 2007**

	Note	31 December 2007 \$	30 June 2007 \$
<b>Current Assets</b>			
Cash and cash equivalents		4,136,493	4,070,617
Trade and other receivables		100,123	78,688
<b>Total Current Assets</b>		<u>4,236,616</u>	<u>4,149,285</u>
<b>Non Current Assets</b>			
Other financial assets		1,455,932	711,115
Property, plant and equipment		35,298	33,157
<b>Total Non Current Assets</b>		<u>1,491,230</u>	<u>744,272</u>
<b>Total Assets</b>		<u>5,727,846</u>	<u>4,893,557</u>
<b>Current Liabilities</b>			
Trade and other payables		101,299	107,076
<b>Total Current Liabilities</b>		<u>101,299</u>	<u>107,076</u>
<b>Total Liabilities</b>		<u>101,299</u>	<u>107,076</u>
<b>Net Assets</b>		<u>5,626,547</u>	<u>4,786,481</u>
<b>Equity</b>			
Contributed equity	3	7,108,975	6,013,938
Option reserve	4	198,136	30,224
Unrealised gain reserve	5	805,317	460,500
Foreign exchange reserve		(168)	-
Accumulated losses		(2,485,713)	(1,718,181)
<b>Total Equity</b>		<u>5,626,547</u>	<u>4,786,481</u>

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

**CASH FLOW STATEMENT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

	<b>Consolidated 31 December 2007 \$</b>	<b>Company 31 December 2006 \$</b>
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees	(306,725)	(135,366)
Interest received	115,682	47,475
<b>Net cash flows used in operating activities</b>	<u>(191,043)</u>	<u>(87,891)</u>
<b>Cash flows from investing activities</b>		
Payments for exploration expenditure	(907,609)	(407,845)
Payments for plant and equipment	(7,031)	(2,700)
Proceeds from sale of tenement prospects	75,000	-
Loan received from other entities	1,522	-
<b>Net cash flows used in investing activities</b>	<u>(838,118)</u>	<u>(410,545)</u>
<b>Cash flows from financing activities</b>		
Net proceeds from share issues	1,095,037	795,308
<b>Net cash flows from financing activities</b>	<u>1,095,037</u>	<u>795,308</u>
<b>Net increase in cash and cash equivalents</b>	65,876	296,872
<b>Cash and cash equivalents at beginning of the half year</b>	<u>4,070,617</u>	<u>3,023,283</u>
<b>Cash and cash equivalents at end of the half year</b>	<u><b>4,136,493</b></u>	<u><b>3,320,155</b></u>

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

**STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

<b>Company</b>	<b>Issued Capital</b>	<b>Accumulated Losses</b>	<b>Reserves</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>At 1 July 2006</b>	3,973,630	(660,025)	-	3,313,605
Loss for the period	-	(467,093)	-	(467,093)
Issue of share capital	795,308	-	-	795,308
Option reserve	-	-	23,395	23,395
<b>At 31 December 2006</b>	<b>4,768,938</b>	<b>(1,127,118)</b>	<b>23,395</b>	<b>3,665,215</b>
<b>Consolidated</b>				
<b>At 1 July 2007</b>	6,013,938	(1,718,181)	490,724	4,786,481
Loss for the period	-	(767,532)	-	(767,532)
Issue of share capital	1,095,037	-	-	1,095,037
Option reserve	-	-	167,912	167,912
Unrealised gain reserve	-	-	344,817	344,817
Foreign exchange reserve	-	-	(168)	(168)
<b>At 31 December 2007</b>	<b>7,108,975</b>	<b>(2,485,713)</b>	<b>1,003,285</b>	<b>5,626,547</b>

*The above statement of changes in equity should be read in conjunction with the accompanying notes.*



**CONDENSED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007****NOTE 1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL  
REPORT**

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company and consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the annual Financial Report of Dynasty Metals Australia Limited as at 30 June 2007.

It is also recommended that the half-year financial report be considered together with any public announcements made by Dynasty Metals Australia Limited during the half year ended 31 December 2007 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

**(a) Basis of accounting**

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 “Interim Financial Reporting” and other mandatory professional reporting requirements.

The half-year financial report has been prepared on a historical cost basis. All amounts are presented in Australian dollars, unless otherwise stated. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The accounting policies and method of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company’s 2007 annual financial report for the financial year ended 30 June 2007 other than as detailed below.

Since 1 July 2007 the Group has adopted the following Standards and Interpretations mandatory for annual periods beginning on or after 1 January 2007. Adoption of these Standards and Interpretations did not have any effect on the financial performance or position of the Group.

- AASB 7 Financial Instruments: Disclosures
- AASB 2005-10 Amendments to Australian Accounting Standards (AASB 132,101,114,117,133,139,1,4, 1023 and 1038)
- AASB 2007-04 Amendments to Australian Accounting Standards arising from ED 151 and other amendments
- AASB 2007-7 Amendments to Australian Accounting Standards (AASB 1, 2, 4, 5, 107 and 108)

**CONDENSED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

	<b>Consolidated 31 December 2007 \$</b>	<b>Company 31 December 2006 \$</b>
<b>NOTE 2. LOSS BEFORE INCOME TAX</b>		
<i>Revenue</i>		
Interest revenue	135,543	89,804
Increase in value of investment	-	25,500
Sale of tenements/projects	475,000	-
<b>TOTAL REVENUE</b>	<u>610,543</u>	<u>115,304</u>
<i>Other Expenses</i>		
Depreciation	4,822	690
<b>NOTE 3. CONTRIBUTED EQUITY</b>		
<i>Ordinary Shares</i>		
Issued and fully paid	43,958,812	33,496,125
	<u>\$</u>	<u>\$</u>
	<u>7,108,975</u>	<u>4,768,938</u>
<i>Movements in ordinary shares on issue</i>		
	<b>No</b>	<b>\$</b>
Balance at 1 July 2007	38,546,125	6,013,938
Conversion of share options at \$0.20 13/7/07	3,552,812	710,562
Conversion of share options at \$0.20 15/10/07	676,220	135,244
Conversion of share options at \$0.20 16/10/07	505,655	101,131
Conversion of share options at \$0.20 22/10/07	428,000	85,600
Conversion of unlisted options at \$0.25 28/11/07	250,000	62,500
<b>Balance at 31 December 2007</b>	<u><b>43,958,812</b></u>	<u><b>7,108,975</b></u>
<i>Movement in listed share options</i>		
		<b>No</b>
At 1 July 2007		21,768,158
Conversion of share options at \$0.20 13/7/07		(3,552,812)
Conversion of share options at \$0.20 15/10/07		(676,220)
Conversion of share options at \$0.20 16/10/07		(505,655)
Conversion of share options at \$0.20 22/10/07		(428,000)
<b>Balance at 31 December 2007</b>		<u><b>16,605,471</b></u>
<i>Movement in unlisted options</i>		
		<b>No</b>
At 1 July 2007		500,000
Issued to Directors during the year:		
Options exercisable at \$0.25 each expiring 10 January 2010		1,250,000
Options exercisable at \$0.40 each expiring 10 January 2010		1,250,000
Lapsing of options at \$0.25 each expiring 10 January 2010		(1,000,000)
Lapsing of options at \$0.40 each expiring 10 January 2010		(1,250,000)
Conversion of unlisted options at \$0.25 each expiring 10 January 2010		(250,000)
<b>Balance at 31 December 2007</b>		<u><b>500,000</b></u>

**CONDENSED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

	<b>Consolidated 31 December 2007</b>	<b>Company 31 December 2006</b>
<b>NOTE 4. OPTION RESERVE</b>		
Balance at the beginning of the period	\$ 30,224	-
Recognition of share based payment expense	167,912	23,395
<b>Balance at the end of the period</b>	<b>198,136</b>	<b>23,395</b>

1,250,000 unlisted options were granted to Directors on the 24<sup>th</sup> July 2007. These options were issued on the 24<sup>th</sup> July 2007, exercisable at 25 cents each on or before 10<sup>th</sup> January 2010. The value of the share options at date of grant using the Black Scholes option valuation methodology was \$160,969 in total for the 1,250,000 share options. The material assumptions used in valuing the options were a share price of 30 cents, an exercise price of 25 cents, a risk free interest rate of 6.25%, an expiry date of 10<sup>th</sup> January 2010 and a volatility factor of 50%.

**NOTE 5. UNREALISED GAIN RESERVE**

Balance at the beginning of the period	460,500	-
Revaluation increments/(Decrements)	344,817	-
<b>Balance at the end of the period</b>	<b>805,317</b>	<b>-</b>

	<b>Cents</b>	<b>Cents</b>
<b>NOTE 6. EARNINGS PER SHARE</b>		
Basic (loss) per share	(1.803)	(1.530)
Weighted average number of ordinary shares used in calculation of basic earnings per share is 42,576,844.		

**NOTE 7. AVAILABLE-FOR-SALE INVESTMENTS**

As at the date of this report, the fair value of the available-for-sale investments included in other financial assets has decreased from \$1,434,817 as at 31 December 2007 to \$1,209,014.

**NOTE 8. SEGMENT INFORMATION**

The Company currently operates in one industry and two geographical segments, namely the mining industry in Australia and Botswana.

**Segment revenue**

	<b>Consolidated 31 December 2007</b>	<b>Company 31 December 2006</b>
Australia	\$ 610,543	\$ 115,304
Botswana	-	-
	<b>610,543</b>	<b>115,304</b>
Eliminations	-	-
<b>Consolidated</b>	<b>610,543</b>	<b>115,304</b>

**Segment result**

Australia	(758,264)	(467,093)
Botswana	(9,268)	-
	<b>(767,532)</b>	<b>(467,093)</b>
Eliminations	-	-
Loss before income tax benefit	(767,532)	(467,093)
Income tax benefit	-	-
<b>Loss for the period</b>	<b>(767,532)</b>	<b>(467,093)</b>

**CONDENSED NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

**NOTE 9. SUBSEQUENT EVENTS**

The Company has raised \$133,500 from conversion of 667,500 listed options at \$0.20 each expiring 29 February 2008. The Company has also entered into an Underwriting Agreement with Cachel Limited Partnership to underwrite a minimum of 8,000,000 to a maximum of 16,000,000 listed options expiring on the 29 February 2008 at 20 cents each. This underwriting process has not been completed as at the date of this report.

**NOTE 10. CONTINGENT ASSETS AND LIABILITIES**

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

**NOTE 11. COMPARATIVES**

The comparative figures for the period ended 31 December 2006 are for the Company only as the Company did not have any subsidiaries.

**DIRECTORS' DECLARATION**

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

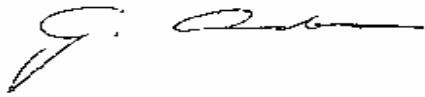
In the opinion of the directors:

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

- (i) giving a true and fair view of the financial position as at 31 December 2007 and the performance for the half-year ended on that date of the consolidated entity; and
- (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporation Regulations 2001; and

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

On behalf of the Board



Graham Anderson  
Director

Perth, Western Australia  
13<sup>th</sup> March 2008

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

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Dynasty Metals Australia Limited, which comprises the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

#### *Directors' Responsibility for the Half-Year Financial Report*

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

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2007 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Dynasty Metals Australia Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in

accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Independence*

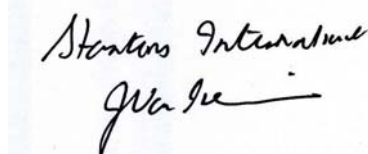
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Dynasty Metals Australia Limited on 13 March 2008.

#### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Dynasty Metals Australia Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

#### **STANTONS INTERNATIONAL**

A handwritten signature in black ink, appearing to read 'J P Van Dieren', is written over a light blue rectangular stamp. The stamp contains the text 'Stantons International' in a cursive font.

**J P Van Dieren**  
Director

West Perth, Western Australia  
13 March 2008

13 March 2008

Board of Directors  
Dynasty Metals Australia Limited  
Suite 2, 35 - 37 Havelock Street  
WEST PERTH WA 6005

Dear Sirs

**RE: DYNASTY METALS AUSTRALIA LIMITED**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Dynasty Metals Australia Limited.

As Audit Director for the review of the financial statements of Dynasty Metals Australia Limited for the period ended 31 December 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

**STANTONS INTERNATIONAL**  
**(Authorised Audit Company)**



**John Van Dieren**  
**Director**