



# **Dynasty Metals Australia Limited and its Controlled Entities**

**Half-Year Financial Report  
31 December 2009**

# **DYNASTY METALS AUSTRALIA LIMITED**

## **HALF YEAR REPORT**

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# DYNASTY METALS AUSTRALIA LIMITED

## HALF YEAR REPORT

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### DIRECTORS' REPORT

Your directors submit their report for the half-year ended 31 December 2009.

### DIRECTORS

The names of the company's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Ian Levy *CA* (Chairman)  
Malcolm Carson *BSc (Geology), MSc (Nat Res mgt)* (Technical Director)  
Lewis Tay *BSc. DipAF* (Non-Executive Director)  
Richard Oh *CA MAICD* (Non-Executive Director)  
Graham Anderson *CA, BBus, DipFP* (Non-Executive Director)

### REVIEW OF OPERATIONS

This half yearly report is dated 16 March 2010 and is for the six months ended 31 December 2009.

Dynasty Metals Australia Ltd (Dynasty) is an Australian mining company that is listed on the Australian Securities Exchange with an ASX code DMA.

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### HIGHLIGHTS

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- During the half year, the drilling on Dynasty's Pilbara Iron Ore projects at Prairie Downs and Warramboos for a total of ~11,000m.
- The Prairie Downs, drilling confirmed the presence of thick sequences of Marra Mamba Formation, the presence of Tertiary Channel Iron Deposits and substantial deposits of Detrital Channel Iron.
- Warramboos results proved as expected showed the presence of Tertiary Channel Iron Deposits.
- Assay results from the Marra Mamba Prospect at Prairie Downs and reported during the half showed the presence of DSO grade material with results of up to 58m @ 56.2%Fe (61.3% Calcined Fe) and 51m @ 55.5%Fe (61.1% Calcined Fe) were returned.
- The majority of the remainder of the channel iron drill cuttings assays were received during the period and compilation for JORC resource estimates commenced.
- Also reported during the period was the exploration success in identifying substantial near-surface and contiguous detrital iron deposits which potentially represent several hundred million tonnes of in situ material which with beneficiation could represent the basis for a viable project.
- Several bulk samples and selected samples were collected in the period and were submitted to the laboratory for preliminary beneficiation and "**proof of concept**" assays and selected samples were processed to confirm beneficiation can successfully upgrade the material to a commercial product. The results of this work were reported to the ASX on 11<sup>th</sup> February 2010.
- The planned 2010 exploration program will be designed to advance Dynasty's understanding of the iron deposits identified during 2009, to determine the costs of beneficiation and the scope to move towards the development of a iron ore mining project.

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- At a corporate level, Directors continued during the period to advance its negotiations with several Chinese groups which have expressed interest in investing in Dynasty due to the exploration success on the Prairie Downs Project.

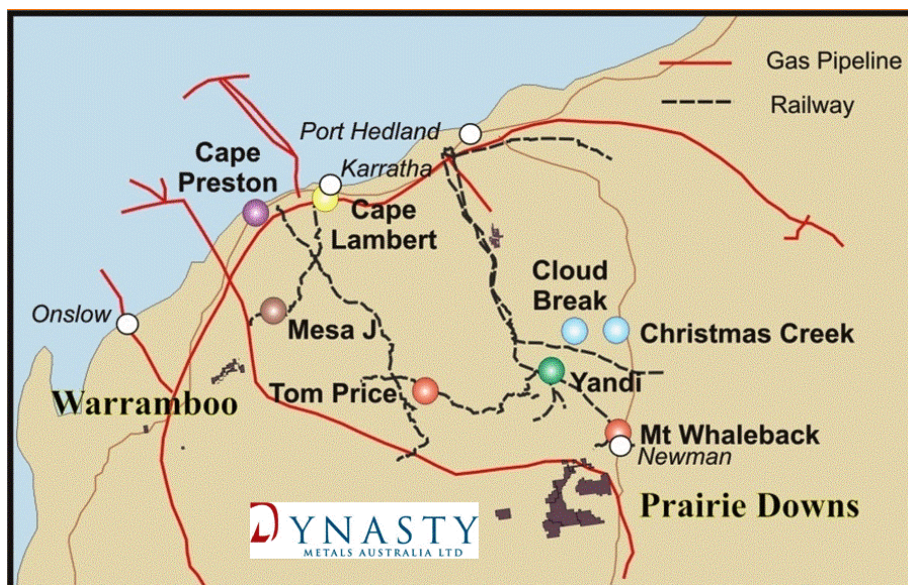


Figure 1 – Strategic Location of Dynasty's Pilbara Iron Ore Projects

### EXPLORATION – PRIORITIES – PRAIRIE DOWNS

The Prairie Downs prospects represented the focus of Dynasty's exploration efforts during the half year. In addition the company applied for new areas to increase its ground position, west, south west, south and south east of Mt Newman by a further 1,000km<sup>2</sup> to 3,591km<sup>2</sup>, see Figure 2. Drilling was targeted to test the Marra Mamba Formation in outcrop and predicted iron rich channels on E52/1927 as described in various announcements during the period. Substantial tonnages of iron rich material were identified during the drilling program in these prospects on Prairie Downs. Four prospect areas were defined, see Figure 2.

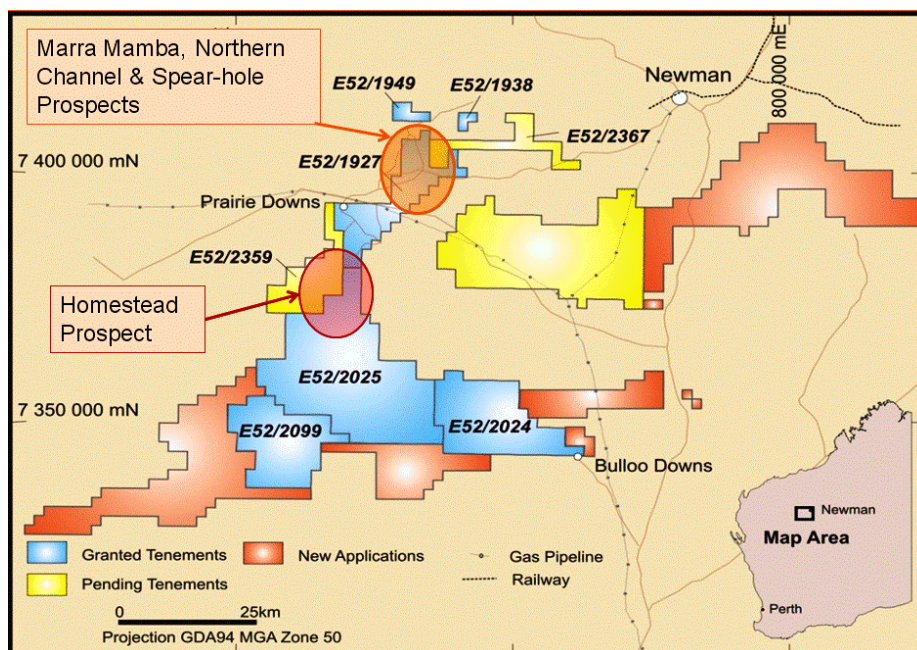


Figure 2 – Dynasty's Prairie Downs Tenements and location of key prospects, identified during quarter



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### Marra Mamba Prospect

Key results from the Stage 1 Reverse Circulation (RC) drill holes, MMRC001 to MMRC015 targeted to test for Marra Mamba Formation on Prairie Downs Tenement (E52/1927) are summarised in Table 1. These results which were reported during the half year, confirm that the intercepts of Marra Mamba Iron Formation to date have been iron-rich with calcined in-situ grades ranging from 55% Fe to 62% Fe, and showing low concentrations of phosphorous, typically 0.04% to 0.07% P.



*Drilling Marra  
Mamba Prospect,  
Prairie Downs  
E52/1927*

The results demonstrate Dynasty's early exploration success by confirming with drilling the presence of strongly mineralised sections of the important Marra Mamba Iron Formation. These results provide confidence for future exploration for Marra Mamba on Dynasty's tenements.

*TABLE 1: Key Results Marra Mamba Project - Summarised*

Hole	Intersection Length	Fe %	CaFe <sup>1</sup> %	Including	Fe %	CaFe <sup>1</sup> %
MMRC003	27 metres	53.10%	58.70%	10 metres	52.00%	59.00%
				& 7 metres	58.50%	64.20%
MMRC004	58 metres	56.20%	61.30%	11 metres	60.50%	65.50%
				& 24 metres	59.10%	64.10%
MMRC005	56 metres	50.50%	55.10%	41 metres	54.00%	58.90%
MMRC006	6 metres	58.00%	61.80%			
MMRC007	42 metres	54.70%	60.50%	18 metres	57.20%	63.00%
MMRC009	14 metres	50.90%	54.80%			
MMRC010	47 metres	54.10%	58.90%	33 metres	56.30%	61.10%
MMRC011	60 metres	50.10%	55.10%	43 metres	51.90%	57.40%
MMRC012	10 metres	52.80%	57.50%			

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<b>MMRC015</b>	43 metres	50.90%	55.20%	14 metres	59.50%	64.00%
<b>MMRC017</b>	10 metres	49.41%	57.00%			
<b>MMRC020</b>	22 metres	55.74%	59.91%	17 metres	58.06%	61.92%
<b>MMRC021</b>	8 metres	59.05%	60.64%			
<b>MMRC022</b>	14 metres	54.50%	60.42%			
<b>MMRC023</b>	55 metres	51.64%	58.32%	16 metres	54.58%	60.83%
				& 18 metres	52.75%	60.42%
<b>MMRC024</b>	51 metres	55.55%	61.11%	20 metres	57.53%	62.73%
				& 15 metres	60.44%	65.38%
<b>MMRC027</b>	10 metres	51.68%	57.53%			
<b>MMRC028</b>	43 metres	52.51%	57.47%	8 metres	54.65%	59.14%
				& 10 metres	58.77%	63.80%
<b>MMRC029</b>	16 metres	57.57%	61.42%			

Further to the drilling of outcropping Marra Mamba in the Marra Mamba Prospect, Dynasty has commenced a review of regional geophysics with a view to identifying possible buried deposits of Marra Mamba on the tenements. This analysis together with ground geophysics will be undertaken to define drill targets for testing during the 2009/2010 field season.

### Spear-hole, Northern Channel Iron and Marra Mamba Prospects

To date, drilling has intersected several Tertiary Channel Iron deposits (CID) which were based on sub-crop of Channel Iron and a very large area of younger; Detrital Channel Iron (DID) with thicknesses from surface ranging from 15 to 35m. The DID deposit appears to be thickening to the east and south east along the Spear-hole drainage system.

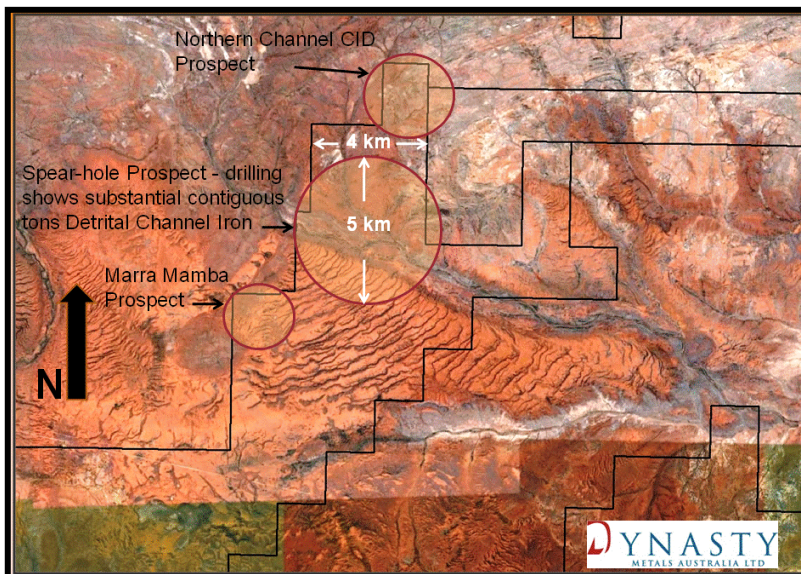


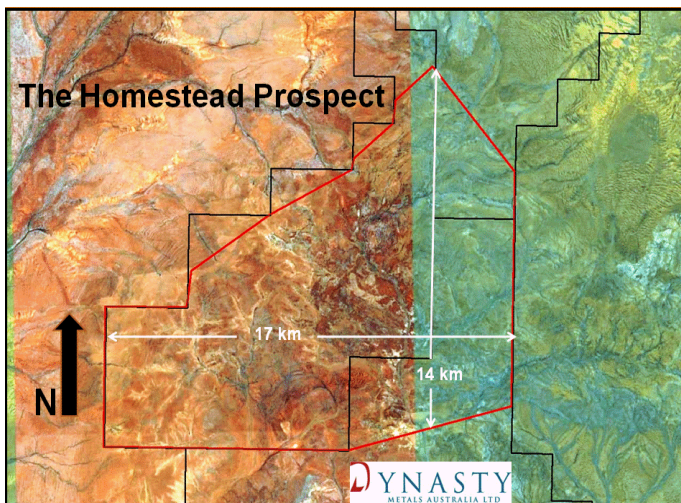
Figure 3 – shows the location of the Channel Iron and the Marra Mamba Prospects tested by recent drilling, on a regional satellite image which clearly shows the extent of the drainage systems

## DYNASTY METALS AUSTRALIA LIMITED

### HALF YEAR REPORT

As predicted by the geological models described in previous announcements, drilling confirmed that large areas of the northern portion of E52/1927 does contain several hundred million tonnes of Detrital Channel Iron and smaller occurrences of Tertiary Channel Iron. Drilling suggests that these deposits remain open to the south and to the south east of the area tested.

#### Homestead Prospect



In addition to drilling the Marra Mamba, Tertiary Channel Iron and Detrital Channel Iron targets, Dynasty has identified a substantial proterozoic deposit in the Bangemalle Basin on its tenements which comprises a “basal haematite-clast conglomerate” which is located on the fault margin with the Hamersley basin. The basal conglomerate, referred to as the Homestead Prospect, covers an area within Dynasty’s tenements of >100km<sup>2</sup> and is estimated from field observations to be possibly up to 40m thick in places.

*Figure 4 – the area of basal conglomerate containing massive Haematite clasts within Dynasty’s tenements E52/2025 and E52/2359*

On the north and western contact at the intersection of regional north east and north west trending faults large hematite clasts (presumably derived from the Hamersley Basin) within a heavily ferruginised matrix have been observed and sampled.

#### 2010 Exploration Program

Dynasty considers the results from the 2009 program will support the commencement of an accelerated next phase of exploration which will in Phase 1 for 2010, comprise further drilling to better define high grade zones within the detrital deposits, in-fill drilling and extensions to the drilling to the south and south east; and the collection of bulk samples for detailed beneficiation test work with the aim to define an optimum process and costs of beneficiation.

The program will focus on looking for hidden extensions of deposits of Marra Mamba and Brockman Formation and will include a short program to test an interesting and substantial copper anomaly in the south east of the tenement area.

A successful outcome for Phase 1 for the detrital deposits, would lead to a Phase 2 2010 program which would involve further in-fill drilling of the deposits to enable the determination of a JORC Compliant Measured Resource, mine planning and determination of Proven and Probable Reserves, environmental studies and trial mining to generate large bulk samples to confirm beneficiation results from Phase 1. Phase 2 will be designed to cover pre-feasibility work (PFS) and the basis for final feasibility studies.

A successful outcome for Phase 2 would lead to Phase 3 2010/2011 program, which will be the completion of the PFS and the undertaking of a bankable feasibility study.

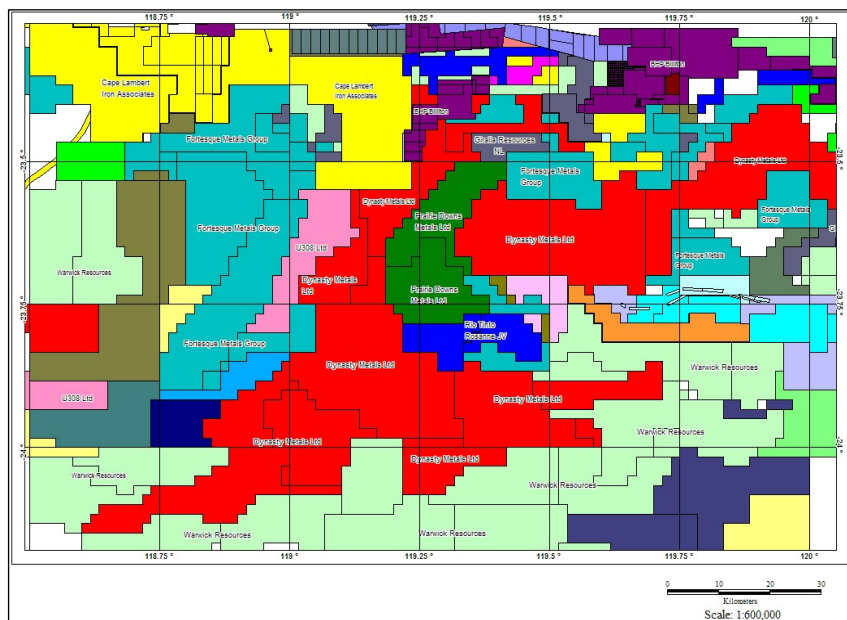


# DYNASTY METALS AUSTRALIA LIMITED

## HALF YEAR REPORT

### Strategic Location

In addition to the above exploration focus, Dynasty has increased its tenement portfolio with new applications during the quarter and identified number of new iron ore exploration opportunities which will be investigated during the 2009/2010 exploration season. The tenements are all centrally located near to advanced exploration projects and existing mining operations and infrastructure as illustrated in the Figures 1, 2, and 3 above and in Figure 5 below.



*Figure 5 – Dynasty's tenements (in red) covering its Prairie Downs Prospects and neighbours*

### RESULTS OF OPERATIONS

The company incurred an after tax operating loss for the half-year ended 31 December 2009 of \$3,864,629 (2008: \$1,940,001).

### AUDITOR'S INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditor's, PKF Chartered Accountants, which is included on page 9.

Signed in accordance with a resolution of the directors.

Graham Anderson  
Director

16 March 2010



## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of Dynasty Metals Australia Limited for the half year ended 31 December 2009, I declare that to the best of my knowledge and belief there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Dynasty Metals Australia Limited and the entities it controlled during the half year.



**PKF**  
Chartered Accountants



**Chris Nicoloff**  
Partner

Dated at Perth, Western Australia on this 16<sup>th</sup> day of March 2010.

Tel: 61 8 9278 2222 | Fax: 61 8 9278 2200 | [www.pkf.com.au](http://www.pkf.com.au)  
West Australian Partnership | ABN 39 542 778 278  
Level 7, BGC Centre | 28 The Esplanade | Perth | Western Australia 6000 | Australia  
PO Box Z5066 | St Georges Terrace | Perth | Western Australia 6831

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# DYNASTY METALS AUSTRALIA LIMITED

## HALF YEAR REPORT

### CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Notes	Consolidated 31 December 2009 \$	31 December 2008 \$
<b>Continuing Operations</b>			
<b>Revenue</b>	5	486,222	130,443
Occupancy expenses		(26,329)	(19,325)
Share based payments expense		(2,125,800)	(115,311)
Exploration expenditure		(1,811,308)	(1,120,505)
Other expenses		(368,500)	(450,675)
Impairment in investments		(34,514)	(364,628)
<b>Profit/(loss) from continuing operations before income tax</b>		(3,880,229)	(1,940,001)
Income tax benefit		15,600	-
<b>Profit/(loss) from continuing operations after tax</b>		(3,864,629)	(1,940,001)
<b>Other comprehensive income</b>			
Foreign currency translation		-	41
Fair value gains on available-for-sale financial assets		52,000	-
Tax effect on fair value gains		(15,600)	-
<b>Total other comprehensive income</b>		36,400	41
<b>Total comprehensive income/(loss) for the period</b>		(3,828,229)	(1,939,960)
<b>Profit/(loss) is attributable to</b>			
Members of the parent		(3,864,629)	(1,940,001)
Non-controlling interest		-	-
<b>Total comprehensive income/(loss) is attributable to:</b>			
Members of the parent		(3,828,229)	(1,939,960)
Non-controlling interest		-	-
<b>Earnings per share (cents per share)</b>			
- basic; for loss for the half-year		(5.90)	(3.48)
- diluted; for loss for the half-year		(5.90)	(3.48)

# DYNASTY METALS AUSTRALIA LIMITED

## HALF YEAR REPORT

### CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009

	Notes	Consolidated 31 December 2009 \$	30 June 2009 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		2,501,751	2,958,663
Trade and other receivables		180,901	205,697
<b>Total Current Assets</b>		<b>2,682,652</b>	<b>3,164,360</b>
<b>Non-Current Assets</b>			
Other financial assets		350,581	998,530
Property, plant and equipment		2,463	6,953
<b>Total Non-Current assets</b>		<b>353,044</b>	<b>1,005,483</b>
<b>TOTAL ASSETS</b>		<b>3,035,696</b>	<b>4,169,843</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		351,160	279,297
<b>Total Current Liabilities</b>		<b>351,160</b>	<b>279,297</b>
<b>TOTAL LIABILITIES</b>		<b>351,160</b>	<b>279,297</b>
<b>NET ASSETS</b>		<b>2,684,536</b>	<b>3,890,546</b>
<b>EQUITY</b>			
Contributed equity	9	10,871,308	10,111,253
Accumulated losses		(11,079,152)	(7,214,523)
Reserves		2,892,380	993,816
<b>TOTAL EQUITY</b>		<b>2,684,536</b>	<b>3,890,546</b>

# DYNASTY METALS AUSTRALIA LIMITED

## HALF YEAR REPORT

### CONDENSED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2009

	Notes	Consolidated 31 December 2009 \$	31 December 2008 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(614,723)	(281,792)
Payments for exploration expenditure		(1,637,789)	(1,788,140)
Interest received		50,894	188,617
<b>Net cash flows from/(used in) operating activities</b>		<b>(2,201,618)</b>	<b>(1,881,315)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		-	(2,069)
Purchase of equity investments		(1,771,795)	-
Proceeds from sale of fixed assets		-	17,650
Proceeds from sale of equity investments		2,656,461	-
Loan received from other entities		-	(1,522)
Release of bond deposit		99,985	-
<b>Net cash flows from/(used in) investing activities</b>		<b>984,651</b>	<b>14,059</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		780,000	-
Capital raising costs		(19,945)	-
<b>Net cash flows from/(used in) financing activities</b>		<b>760,055</b>	<b>-</b>
Net increase/(decrease) in cash and cash equivalents		(456,912)	(1,867,256)
Cash and cash equivalents at beginning of period		2,958,663	4,744,805
<b>Cash and cash equivalents at end of period</b>	6	<b>2,501,751</b>	<b>2,877,549</b>



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### CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2009

<b>CONSOLIDATED</b>	<b>Issued shares</b>	<b>Option reserve</b>	<b>Available for sale investments reserve</b>	<b>Foreign currency translation reserve</b>	<b>Accumulated losses</b>	<b>Total equity</b>
<b>At 1 July 2008</b>	9,311,253	413,584	1,585,550	1,132	(4,705,668)	6,605,851
Loss for the period	-	-	-	-	(1,940,001)	(1,940,001)
Impairment of investments	-	-	(1,585,550)	-	-	(1,585,550)
Foreign currency translation	-	-	-	41	-	41
<b>Total comprehensive income for the period</b>	-	-	(1,585,550)	41	(1,940,001)	(3,525,510)
<b>Transactions with owners in their capacity as owners</b>						
Issue of shares	-	-	-	-	-	-
Share-based payments	-	282,861	-	-	-	282,861
<b>At 31 December 2008</b>	9,311,253	696,445	-	1,173	(6,645,669)	3,363,202
<b>At 1 July 2009</b>	10,111,253	708,937	284,636	243	(7,214,523)	3,890,546
Loss for the period	-	-	-	-	(3,864,629)	(3,864,629)
Transfer to profit or loss upon derecognition	-	-	(263,636)	-	-	(263,636)
Gain on movement in fair value of investments	-	-	52,000	-	-	52,000
Tax effect of gain in fair value movements	-	-	(15,600)	-	-	(15,600)
<b>Total comprehensive income for the period</b>	-	-	(227,236)	-	(3,864,629)	(4,091,865)
<b>Transactions with owners in their capacity as owners</b>						
Issue of shares	760,055	-	-	-	-	760,055
Share-based payments	-	2,125,800	-	-	-	2,125,800
<b>At 31 December 2009</b>	10,871,308	2,834,737	57,400	243	(11,079,152)	2,684,536

# **DYNASTY METALS AUSTRALIA LIMITED**

## **HALF YEAR REPORT**

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### **1. CORPORATE INFORMATION**

The financial report of Dynasty Metals Australia Limited (the Company) for the half-year ended 31 December 2009 was authorised for issue in accordance with a resolution of the directors on 16 March 2010.

Dynasty Metals Australia Limited is a company incorporated in Australia and limited by shares which are publicly traded on the Australian Securities Exchange.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The half-year financial report should be read in conjunction with the annual Financial Report of Dynasty Metals Australia Limited as at 30 June 2009.

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 2009 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

#### **(a) Basis of Preparation**

The half-year financial report is a general purpose financial report, which has been prepared in accordance with the requirement 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, except where stated.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

#### **(b) Significant accounting policies**

The accounting policies have been consistently applied by the entities in the consolidated entity and are consistent with those applied in the 30 June 2009 annual report, except for the adoption of amending standards mandatory for annual periods beginning on or after 1 July 2009, as noted below.

#### **(c) New Accounting Standards and Interpretations**

##### *(a) Changes in Accounting Policies and Disclosures*

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and are effective from 1 July 2009.

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#### **(c) New Accounting Standards and Interpretations (continued)**

##### *(a) Changes in Accounting Policies and Disclosures (continued)*

Significant new and revised standards and interpretations effective for the current financial reporting period that are relevant to the consolidated entity are:

- AASB 3 Business Combinations
- AASB 8 Operating Segments
- AASB 101 Presentation of Financial Statements
- AASB 127 Consolidated and Separate Financial Statements

The adoption of AASB 3 and AASB 127 will change the accounting policy of the group for future acquisitions and changes in ownership interests. These standards are applied prospectively and had no material impact on prior business combinations.

AASB 8 has replaced AASB 114 Segment Reporting upon its effective date. The Group concluded that the operating segments determined in accordance with AASB 8 are the same as the business segments previously identified under AASB 114. A narrative description has been made in the notes to the financial report.

The revised AASB 101 separates owner and non-owner changes in equity. As a consequence the statement of comprehensive income has been presented by the consolidated entity and related disclosures have been made in the half year financial report.

##### *(b) Accounting Standards and Interpretations issued but not yet effective.*

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the consolidated entity for the half year ended 31 December 2009.

#### **(d) Basis of consolidation**

The half-year financial statements comprise the financial statements of Dynasty Metals Australia Limited and its controlled subsidiaries ("the Group").

### **3. FINANCIAL RISK MANAGEMENT**

Aspects of the Company's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2009.

### **4. OPERATING SEGMENTS**

Management has determined that the company has one reportable segment, being mineral exploration in Australia and Botswana. As the company is focused on exploration, the Board monitors the company based on actual versus budgeted exploration expenditure incurred by area of interest.

This internal reporting framework is the most relevant to assist the Board with making decisions regarding the company and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date.

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### 4. OPERATING SEGMENTS (continued)

	<i>CONSOLIDATED</i>	
	<i>December 2009</i>	<i>December 2008</i>
	<i>\$</i>	<i>\$</i>
<b>Revenue</b>		
Australia	-	-
Botswana	-	-
Total revenue	-	-
<b>Expenses</b>		
Australia	1,668,308	1,704,393
Botswana	-	1,423
Total expenses	1,668,308	1,705,816
<b>Segment results</b>		
<i>Australia</i>	1,668,308	1,704,393
<i>Botswana</i>	-	1,423

### 5. REVENUE, INCOME AND EXPENSES

#### (a) Revenue, Income and Expenses from Continuing Operations

<b>Revenue</b>		
Interest revenue	33,916	130,443
Gain on sale of investment	452,306	-
	486,222	130,443
<b>Allocated to Exploration Expenditure</b>		
Consulting fees	-	4,151
Director fees	143,000	94,000
Direct exploration expenses	1,638,706	993,349
Travel expenditure	24,849	18,378
Other expenses	4,753	10,627
Total Exploration Expenditure	1,811,308	1,120,505
<b>Other Expenses</b>		
Depreciation	4,490	13,944

### 6. CASH AND CASH EQUIVALENTS

For the purposes of the half-year cash flow statement, cash and cash equivalents are comprised of the following:

Cash at bank and in hand	2,501,751	2,877,549
	2,501,751	2,877,549



# DYNASTY METALS AUSTRALIA LIMITED

## HALF YEAR REPORT

### 7. SHARE BASED PAYMENT PLANS

On 24 December 2009, 18,000,000 unlisted options were issued to Directors and Consultants pursuant to the resolutions passed in the AGM on 24 November 2009.

The exercise price of the options is \$0.20. The options will become exercisable immediately and expire on 21 December 2011. The fair value of the options granted is estimated as at the date of grant using a BlackScholes calculation model, taking into account the terms and conditions upon which the options were granted. The estimated total fair value of the options granted is \$2,125,800.

The following table lists the inputs to the model used for the half-year ended 31 December 2009:

<i>Share price</i>	\$0.23
<i>Exercise price</i>	\$0.20
<i>Interest rate</i>	4.51%
<i>Expiry date</i>	21/12/2011
<i>Volatility</i>	82%
<i>Value per option</i>	0.1181

### 8. COMMITMENTS AND CONTINGENCIES

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

### 9. CONTRIBUTED EQUITY

	<i>December 2009</i>	
	<i>No.</i>	<i>\$</i>
<i>(i) Ordinary shares</i>		
	67,681,312	10,871,308
<i>Movement in ordinary shares on issue</i>		
Balance at beginning of financial year	63,631,312	10,111,253
Issue of shares during the year through placement	300,000	30,000
Conversion of listed options at \$0.20ea	3,750,000	750,000
Capital raising costs	-	(19,945)
At 31 December 2009	67,681,312	10,871,308

### 10. EVENTS AFTER THE BALANCE SHEET DATE

On 15 March 2010, the Statement of Claim from a drilling company was settled for a total amount of \$150,000.

No matters or circumstances have arisen since the end of the half year which have significantly affected or may significantly affect the operations or the state of affairs of the Company in the future financial years.

## DYNASTY METALS AUSTRALIA LIMITED

### HALF YEAR REPORT

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#### DIRECTORS'S 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 Company are in accordance with the *Corporations Act 2001*, including:
  - i. give a true and fair view of the financial position as at the 31 December 2009 and the performance for the half-year ended on that date of the Company; and
  - ii. comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations 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, 16 March 2010



Chartered Accountants  
& Business Advisers

## INDEPENDENT AUDITOR'S REVIEW REPORT

### TO THE MEMBERS OF DYNASTY METALS AUSTRALIA LIMITED

#### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Dynasty Metals Australia Limited, which comprises the condensed statement of financial position as at 31 December 2009, and the condensed statement of comprehensive income statement, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at 31 December 2009 or from time to time during the half year ended on that date.

#### *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 establishing and maintaining internal control 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 2009 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*.

Tel: 61 8 9278 2222 | Fax: 61 8 9278 2200 | [www.pkf.com.au](http://www.pkf.com.au)  
West Australian Partnership | ABN 39 542 778 278  
Level 7, BGC Centre | 28 The Esplanade | Perth | Western Australia 6000 | Australia  
PO Box Z5066 | St Georges Terrace | Perth | Western Australia 6831

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*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 2009 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.



**PKF**  
Chartered Accountants



**Chris Nicoloff**  
Partner

Dated at Perth, Western Australia on this 16<sup>th</sup> day of March 2010.