

**QUARTERLY ACTIVITIES REPORT  
FOR THE PERIOD ENDING 30 JUNE 2010**

Dynasty Metals Limited (ASX: DMA) is an Australian exploration company focused on developing its iron ore projects in the Pilbara region of Western Australia.

As at release date of 30 July 2010:

Issued Shares: 77.7M

Options: 18.5M @ A\$0.20

Share Price: A\$0.14

Market Cap: A\$11M

Cash: A\$2.84M

Debt: Nil

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### Key Points

- > Drilling commenced at Prairie Downs Iron Project, designed to both upgrade and increase the current 453 million tonne JORC-compliant Inferred Resource.
- > From drilling to date, the Spearhole Detrital Channel Iron deposit has been extended from 10.8km<sup>2</sup> to 22.5km<sup>2</sup> in area.
- > Drilling has also included a Sonic Rig which has collected several 5 tonne samples for beneficiation testwork.
- > Sonic samples are ideal for metallurgical and ore deposit testwork.
- > The 2010 exploration program and associated activities have been designed to advance Prairie Downs Iron Project to the pre-feasibility stage by the end of 2010.
- > A letter of offer was received from a potential strategic partner, namely the Chinese steel producer Hebei XingHua Iron and Steel Co. Ltd ("XingHua") which would provide:
  - a strong foundation to support the enhancement of project assets and corporate growth;
  - a proposed \$6.4 million equity placement to XingHua to accelerate drilling at Prairie Downs and support pre-feasibility studies.
  - ongoing funding, assistance with infrastructure requirements, and executive/technical support.
- > Interest expressed by various groups including successful Chinese explorers, in Dynasty's non-core coal, base metals, gold and uranium tenements.

## Prairie Downs – Overview

Dynasty's iron ore project tenements are located in the Pilbara region of Western Australia, 40km south west of the township of Mt Newman.

Dynasty's flagship Prairie Downs Project is located 40km to the west, south-west of Mt Newman. Exploration is focussed on a number of targets within the tenements with the main area drilled to date being at the Spearhole.

To date, Dynasty has drilled only ~24km<sup>2</sup> (<1%) of its ~3,600km<sup>2</sup> Prairie Downs tenement holding in the northern part of E52/1927 illustrated in the above figure and in March 2010, Dynasty announced initial JORC-Compliant Inferred Resources of 453 million tonnes of Detrital Channel Iron (ironstone gravels) and 23.3 million tonnes of Marra Mamba Iron Formation.

The 2010 exploration programs are underway and are aimed at further testing and significantly expanding the current resources, as well as drilling a large iron-rich basal conglomerate. Dynasty's exploration target is more than 1 billion tonnes of mineralised iron deposits.

The drilling has included a Sonic Drill (**Figure 1**) which drills a 150mm hole in unconsolidated material and gives an excellent high volume representative sample, ideal for metallurgical and beneficiation testwork.



**Figure 1, Sonic Drill Rig (Boart Longyear) on Dynasty's Prairie Downs Iron Ore Project**

*The sonic drilling is a relatively new exploration technique which generates accurate 'core' samples of unconsolidated material and which are ideal for assessing ore characterisation, density and metallurgical characteristics required for optimal beneficiation processes.*

During 2010, Dynasty plans to commence detailed commercial investigations that will cover preliminary mine planning, beneficiation process design, mining and processing costs, transport

infrastructure, capital costs, environment and native title clearances, and government approvals. A pre-feasibility study is anticipated to commence in late 2010.

## Prairie Downs – 2010 Exploration Program

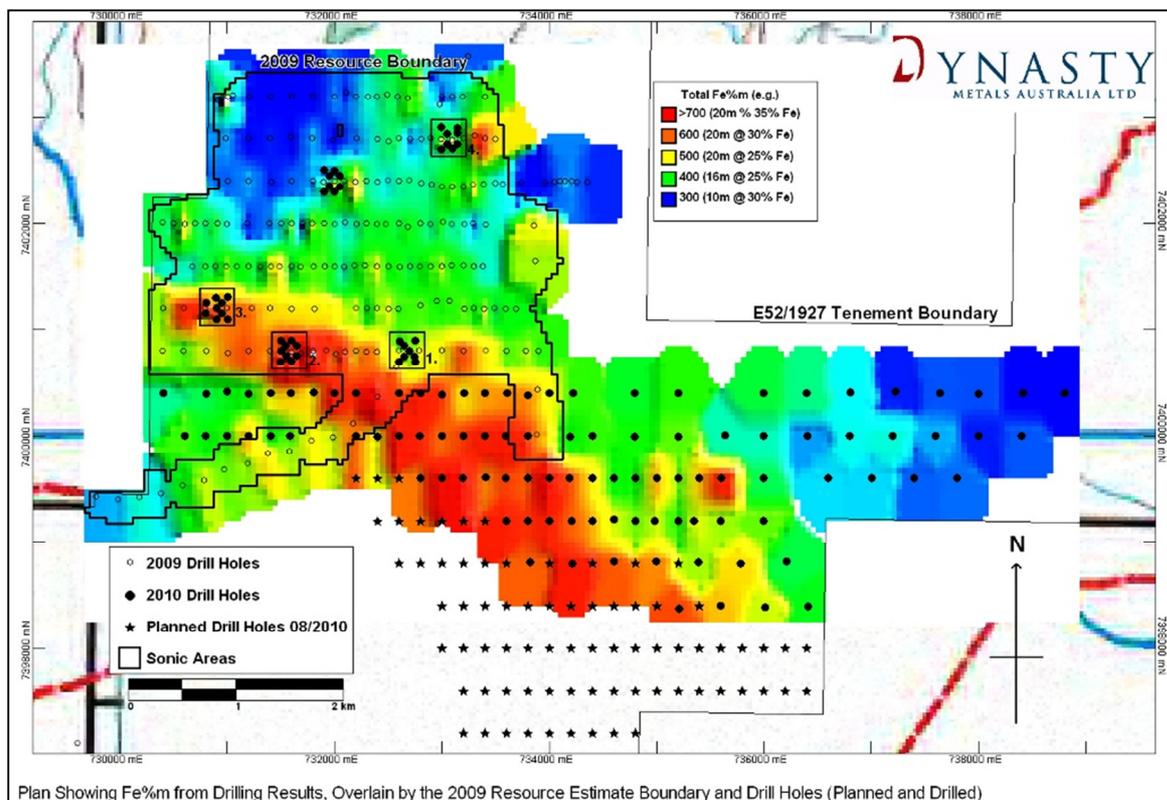
During the quarter, Dynasty commenced the \$2.5 million exploration program aimed at advancing the understanding of the iron mineralisation present in the Prairie Downs tenements and to carry out detailed beneficiation studies of these large detrital (ironstone gravel) deposits.

Drilling in the first stage, completed to date comprised 5,089m of reverse-circulation (“RC”) drilling and 1,092m of sonic drilling. Assays from samples taken during this drilling will be received progressively over the coming weeks.

**At the Spearhole Prospect, the 2010 RC drilling program to date has :-**

- > **infilled the 453 million tonne Inferred Resource defined in 2009;**
- > **defined higher grade iron zones and shown continuity and consistency; and**
- > **identified and tested extensions to the south and south east of 2009 resource**

The first stage 2010 drilling has extended the known detrital iron mineralisation approximately 4 km to the southeast, over an additional area of 11.5 km<sup>2</sup> as **Figure 2** below illustrates. The program to date has confirmed that, **Dynasty is well on the way to achieving the exploration target of more than 1 billion tonnes of iron deposits at the Spearhole Prospect.**



**Figure 2 – shows the extension of the channel to the south south east as defined in the 2009 program and in the initial stage of the 2010 Exploration Program**

The iron mineralisation remains near surface, with grades and thicknesses consistent with (and in places better than) the same style of mineralisation in the current resource defined in the

2009 Exploration Program. The detrital iron mineralisation is contained within a large drainage system between outcropping Brockman and Marra Mamba Iron Formations.

The sonic rig has drilled large diameter holes in five areas of the Spearhole Detrital Channel Iron deposit, shown as clusters in Figure 2 above. The aim has been to collect bulk samples “representative” of the in-situ material which are composited into five-tonne parcels for beneficiation testwork in Perth laboratories.



**Figure 3 – collecting a sonic drill sample**

Sonic drilling provides continuous and relatively undisturbed core samples, which are ideal for metallurgical test work and ore characterisation studies. This program has also provided valuable information on the size and distribution of the detrital iron in the stratigraphy. The better understanding of the deposit has led to observing consistent lower-grade interburden between iron-rich layers which it may be possible to mine and remove selectively.



**Figure 4, laying out and measuring a sonic drill sample**

**Overall, these initial results confirm a number of similarities between Dynasty's Prairie Downs deposit and Brockman Resources' 1.6 billion tonne Marillana Detrital Channel Iron Deposit, 100km to the north of Prairie Downs.**

The RC drilling program is continuing and testing for:

- > further extensions to the Spearhole resource;
- > hidden hard-rock hematite (DSO) deposits;
- > the ancient Archaean Iron formation in the north of the tenements; and
- > iron-rich zones within the large basal conglomerate hard-rock formation.

The detailed aerial geophysical survey completed during the quarter has been utilised in planning these drilling programs.

### Prairie Downs – Other Activities During 2010

The planned drilling and other activities are systematically progressing towards commencing a pre-feasibility study on Dynasty's Prairie Downs Project later this year.

Various experts will be engaged by Dynasty in relation to aspects of the pre-feasibility study, including:

- > metallurgical consultants to assist with beneficiation testwork, e.g. the design of the process (beneficiation flow sheet), interpretation of the results and determination of beneficiation costs;
- > environmental consultants for seasonal base-line flora and fauna studies; and
- > engineering consultants to analyse alternative mine plan, transport and ship-loading infrastructure options.

### Prairie Downs – Economic Considerations

Dynasty believes that the Spearhole Detrital Channel Iron Resource at Prairie Downs has a reasonable probability of proving to be economic to mine and beneficiate due to:

- > Mining costs likely to be low due to:
  - Low to negligible strip (waste to ore) ratio;
  - Economies of scale (>15 Mtpa operation); and
  - Free digging – relatively soft, unconsolidated deposit – **“drill, blast, pre-crush & grind” will not be required.**
- > Simple processing (beneficiation):
  - Simple physical processes, involving separation of iron from clays & silica;
  - Beneficiation increases iron content and reduces silica to near-commercial DSO grades with very low phosphorous content;
  - Sweet spots, high-grade zones, hematite ores to uplift average grades; and

- Availability of higher grade blending material from traditional hematite iron deposits such as the Marra Mamba Formation.
- > Transport to port:
  - Five alternative rail routes including four existing rail corridors; and
  - Develop projects and required infrastructure either stand-alone or in cooperation with nearby explorers, future producers.

## Partnership with Hebei XingHua Iron and Steel

During the quarter, the Company received a letter of offer from the Chinese steel producer Hebei XingHua Iron and Steel Co. Ltd (“XingHua”), a subsidiary of XingHua Industrial Company. The Dynasty Board has accepted the letter of offer, which is subject to shareholder, regulatory and Government approvals.

The offer comprises a placement to XingHua of 40 million new shares in Dynasty at a price of \$0.16/share to raise A\$6.4 million. The new shares will be placed on voluntary escrow for 12 months from the date of issue. Subject to shareholder and other approvals, XingHua will have a 34% interest in the Company. In addition, the offer makes provision for the issue of 20 million options with an exercise price of \$0.20/option and an expiry date of 31 December 2012.

Pending shareholder approval, the placement to XingHua will enable the company to further expedite exploration activities and pre feasibility studies.

Dynasty Chairman, Ian Levy, commented:

“The letter of offer from a significant Chinese Steel producer, XingHua, is a strong endorsement of Dynasty’s investment attractions. This strategic partnership will provide a strong foundation to support the enhancement of project assets and corporate growth. Through Dynasty’s representative office in China provided by XingHua, we will have a presence in China, a highly respected and well connected relationship partner, a basis on which to establish iron ore off-take arrangements, and access to Hebei steel mills producing 20 million tonnes per annum and requiring approximately 30 million tonnes per annum iron ore.

## Corporate

### Rationalisation of Non-Core Tenements

To ensure the Company remains focused on its Pilbara iron ore projects, the Board has decided to transfer all its non-iron tenements to the following three new wholly owned subsidiaries:

- > Scorpion Resources Limited – Stanley Nabberu Tenements (base metals, gold and uranium)
- > Irwin Energy Limited – Irwin River Coal and Petroleum Exploration Licenses (coal and coal seam gas)
- > Taurus Resources Limited – W.A. and N.T. uranium, Victorian gold projects.

Dynasty continues to progress the potential spin-offs of the above three subsidiaries into separately listed companies. On completion of the tenement transfer and securing further tenements as may be appropriate, the Board intends to provide a priority-offer and/or in-

specie distribution of the shares in the subsidiaries to Dynasty shareholders at that time, so as to unlock value in these areas for the benefit of shareholders.

Geo-Exploration & Mineral Development Bureau of Ning Xia (“Ning Xia”), a State owned Chinese exploration company, is progressing discussions with Dynasty regarding the Company’s uranium and base metal projects.

During a recent visit to Australia, Ning Xia representatives discussed Xia providing funding for these projects, potentially in conjunction with Dynasty divesting the assets to a separately listed company.

#### **Placements during the quarter:**

On 1 April 2010, Dynasty announced the placement of 10 million shares at an issue price of \$0.21 per share, raising \$2.1 million.

At a General Meeting held on 25 June 2010, resolutions to give Directors’ discretion to issue up to 15% of new shares in Dynasty and to place 50 million new shares to strategic and/or sophisticated investors, were approved by shareholders.

#### **Capital Structure**

As at 28 July 2010, Dynasty has on issue:

*Quoted shares:* 77,681,312

*Unlisted options:* 500,000 exercisable at \$0.20 expiring 1 September 2010  
18,000,000 exercisable at \$0.20 expiring 21 December 2011

**At 30 June 2010, Dynasty had cash on hand totalling \$2.84 million.**

### **Competent Persons**

*Qualifying statement: Malcolm Carson has compiled the information in this report from information supplied to Dynasty Metals Limited. Malcolm Carson has sufficient experience that is relevant to the style of mineralisation, the types of deposit under consideration and to the activity that he is undertaking and qualifies as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results (“JORC Code”). Mr Carson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

*JORC Statement: All resources reported in the above release have been determined by Dynasty’s independent consultants, Terra Search Pty Ltd in conjunction with Geonomik Pty Ltd. All resources have been classified by Geonomik Pty Ltd as an Inferred resource and reported in accordance with the 2004 edition of the JORC Code.*