

ASX Code: DMA



ASX Announcement
13th September 2010

Company Announcement Office
Australian Securities Exchange Limited

MEMO OF UNDERSTANDING WITH
Geo-Exploration & Mineral Development Bureau of Ning Xia, China

Dynasty Metals Australia Limited ("Dynasty") is pleased to advise that further to its announcement dated 16th July 2010, it has now entered into a Memorandum of Understanding ("MOU") with Geo-Exploration & Mineral Development Bureau of Ning Xia ("Ning Xia"), a State owned Chinese exploration company, which establishes the basis for **joint exploration on Dynasty's coal and coal seam gas (CSG), base metals and uranium tenements and expands Dynasty's exploration scope by introducing the company to coal, coal seam gas, gold and other mineral exploration opportunities in China and Mongolia.** Ning Xia also brings a strong technical team with a track record of exploration success in China and elsewhere.

Ning Xia is a major exploration bureau based in North West of China operating since 1956. During the past 50 years, Ning Xia has discovered more than 200 significant deposits (uranium, coal, oil and gas). In this period, Ning Xia's technical team has discovered and proven reserves of 33.5 billion tonnes of coal and 990 million cubic meters of coal seam gas, and achieved outstanding results in identifying the thermal and water resources.

The terms of the MOU are as follows:

PARTIES

DYNASTY METALS AUSTRALIA LTD (DMA) ACN 110 385 709 of Level 6, 175 Macquarie Street, Sydney NSW 2000 Australia

Geo-Exploration & Mineral Development Bureau of Ning Xia (NINGXIA) of #718, He Lan Shan Road West, Xi Xia District, Yin Chuan City, The People's Republic of China

DMA and NINGXIA wish to form a mineral exploration joint venture and develop a relationship for the mutual benefit of both Parties and agree to formally document the principles and scope of that relationship in a binding agreement based upon the following points:

It is acknowledged by both parties that the contents of this agreement is to remain confidential and can only be released as required by DMA under its ASX listing rule obligations and corporate laws in Australia, where possible this will be in consultation with NINGXIA.

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- A** *DMA has a potential multi-mineral tenement offering and access to additional tenements both in Australia and in Asia, both parties agree to finalise the detail and structure of the Joint-Venture (s) proposal and to engage in mineral exploration, DMA will assist NINGXIA through the formal process of applying for exploration allowances provided by the Chinese government and any related relevant authorities for which NINGXIA is eligible to apply to enabling NINGXIA to expand its business activities outside of China.*
- B** *Both DMA and NINGXIA intend to utilise their combined strengths in mineral exploration and the capital markets to actively seek additional and new opportunities in Australia, China and surrounding countries.*
- C** *As part of the relationship, NINGXIA will provide various technical and geological services to DMA from its pool of technical expertise and strength in exploring coal, coal seam gas, uranium and base metals.*
- D** *It is agreed that this Memorandum of Understanding is non-binding and it is the intention of both parties to agree and form either a Joint Venture company or as appropriate to form contractually Joint Ventures with the percentages of interest held by either party in the project and / or the JV company to be based on the amount of capital injected and or the technical expertise and contribution to each project within the Joint Venture or Joint ventures.*
- E** *This Memorandum of agreement will terminate automatically if a formal agreement is not entered into within six months of its execution.*
- F** *The laws of New South Wales govern this Memorandum of Understanding.*
- G** *Each Party will bear its own costs in relation to the negotiation, preparation and execution of the Joint Venture and any further documentation required. However, unless the agreement otherwise provides, the cost of performing an obligation will be borne by the Party concerned.*

ENDS

For and on behalf of the Board

DYNASTY METALS AUSTRALIA LIMITED

For further information please contact either Messrs:

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