

DYNASTY

METALS AUSTRALIA LTD

29 October 2010

Mr Wade Baggott
Adviser, Issuers (Perth)
Australian Stock Exchange Limited
Level 8, Exchange Plaza
2 The Esplanade
Perth WA 6000

Dear Wade

ASX QUERY

We refer to your letter dated 27 October 2010.

In response to your questions, we reply as follows:

1. Yes.
2. Malcolm Carson, Dynasty's Technical Director, received the first draft resource report from Terra Search at approximately 7 am EDST on 26 October 2010. The final resource report was received by the Technical Director at 12.17pm EDST on 26 October 2010. At that time the final resource report was forwarded by email to the Company's Chairman, Ian Levy, and its Executive Director, Lewis Tay, and a series of telephone calls took place between these gentlemen in relation to the report, as well as discussion on the collation of an ASX release and consideration of a trading halt being called.

Shortly after these telephone discussions occurred, a telephone conversation took place between yourself and myself in relation to the ASX price volume query in relation to trading in Dynasty shares. I subsequently made telephone calls to Mr Carson and Mr Tay in relation to this matter and then immediately contacted you to request a trading halt which was subsequently confirmed in writing and released to the market around 1.31pm EDST.

3. Dynasty did not make the trading halt request earlier as the Company's view was that the information was confidential, and that management had not had sufficient time to review the resource report for completeness and accuracy, prior to preparing a suitable release to the market.

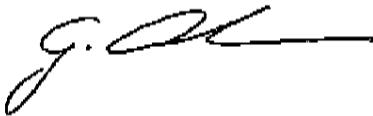
Dynasty also advises that it had indicated to the market in both its June 2010 quarterly report and within its 2010 annual report that it had an exploration target of around 1B tonnes. The Chairman's report within the 2010 Annual Report also indicated that in relation to the company's drilling program that *"Results to date are encouraging with completion scheduled for late October 2010"*.

It was also known that Mr Carson was scheduled to speak at the Mining 2010 conference in Brisbane between 27 -29 October 2010 and a copy of this presentation was released to the market on 27 October 2010. The Company is also aware of speculative comments on market chat forums in relation to the company posted on 26 October 2010 that may have contributed to the increase in price and volume.

The company is not aware of any breach of confidentiality on the part of its directors, officers, employees and consultants. Measures taken to maintain confidentiality include provisions under contracts of employment and confidentiality agreements.

4. N/A.
5. We confirm that the Company is in compliance with the listing rules and in particular, listing rule 3.1.

Yours sincerely
DYNASTY METALS AUSTRALIA LTD



GRAHAM ANDERSON
Director and Company Secretary



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27 October 2010

Mr. Graham Anderson
 Company Secretary
 Dynasty Metals Australia Limited
 Suite 2, Mezzanine Level, 35-37 Havelock Street
 WEST PERTH WA 6005

By fax: 9322 7211

Dear Graham

Dynasty Metals Australia Limited (the "Company")

We refer to the following:

1. The Company's announcement released to ASX at 10:45 AM EDST on 27 October 2010 and titled "*Dynasty Triples JORC Resource to 1.4 billion tonnes*" (the "Announcement"). The Announcement included amongst other things, the following:

"Sydney, Australia: Iron ore company Dynasty Metals Limited (ASX: DMA) today announced a 1.4 billion tonne JORC Compliant Resource including 932 million tonnes at 27.4% Fe at a cut-off grade of 20% Fe for the Company's Spearhole Detrital Channel Iron deposit ("ironstone gravel") at Prairie Downs in the Pilbara region of Western Australia (see Table 1).

The total Mineral Resource estimate has increased 300% since the Company announced the initial Mineral Resource estimate for the Spearhole Deposit in March 2010.. This increase is a result of the 2010 drilling programs successfully extending the resources approximately 4 km to the southeast, over an additional area of 11.5 km2."

(the "Resource Information")
2. The price query letter from ASX dated 26 October 2010 and the Company's response dated 27 October 2010 and released to the market at 10:03 AM EDST on 27 October 2010.
3. The trading halt request by the Company dated 26 October 2010 and released to the market at 1:34 PM EDST on 26 October 2010 (the "Trading Halt").
4. The increase in the price of the Company's securities from a closing price on Monday 25 October 2010 of \$0.24 to an intra-day high of \$0.285 on 26 October 2010 as well as an increase in the volume of securities traded, prior to the Company entering the Trading Halt.

Australian Securities Exchange

Australian Stock Exchange
 Sydney Futures Exchange

Australian Clearing House
 SFE Clearing Corporation

ASX Settlement and Transfer Corporation
 Austraclear

We wish to draw your attention to the definition of "aware" in chapter 19 of the listing rules which states that:

"an entity becomes aware of information if a director or executive director (in the case of a trust, director or executive officer of the responsible entity or management company) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as a director or executive officer of that entity".

Further we wish to draw your attention to listing rule 3.1 which requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in listing rule 3.1A.

Paragraph 18 of Guidance Note 8 states:

"Once a director or executive officer becomes aware of information, he or she must immediately consider whether that information should be given to ASX. An entity cannot delay giving information to ASX pending formal sign-off or adoption by the board, for example."

Please note that for disclosure not to be required under listing rule 3.1, all of the exceptions under listing rule 3.1A must apply:

- 3.1A.1 A reasonable person would not expect the information to be disclosed.
- 3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential.
- 3.1A.3 One or more of the following applies.
 - It would be a breach of a law to disclose the information.
 - The information concerns an incomplete proposal or negotiation.
 - The information comprises matters of supposition or is insufficiently definite to warrant disclosure.
 - The information is generated for the internal management purposes of the entity.
 - The information is a trade secret."

Finally, we would like to draw your attention to ASX's policy position on the concept of "confidentiality" which is detailed in paragraphs 34 to 40 of Guidance Note 8. In particular, paragraphs 34 and 35 of the Guidance Note state that:

"'Confidential' in this context has the sense of 'secret'..." and loss of confidentiality may be indicated by otherwise unexplained changes to the price of the entity's securities, or by reference to the information in the media or analysts reports".

Having regard to the Announcement, the above definitions, listing rule 3.1 and Guidance Note 8 - Continuous Disclosure, we ask that you answer the following questions in a format suitable for release to the market in accordance with listing rule 18.7A.

1. Does the Company consider the Resource Information (or any part of it) contained in the Announcement to be material to the Company?
2. When did the Company become aware of the Resource Information contained in the Announcement? Please include details of the relevant time and circumstances of the Company becoming aware of the Resource Information.
3. If the answer to any part of question 1 is "yes" and the Company became aware of the Resource Information (or any part of it) referred to in the Announcement, prior to the time the Company released the Announcement, please advise the following:

- 3.1 Please advise why the Company did not make an announcement at an earlier time or request a trading halt earlier.
- 3.2 Why was the Resource Information not released to the market at that earlier time? Please comment specifically on the application of listing rule 3.1?
4. If the answer to question 1 is "no", please advise the basis on which the Company does not consider the Resource Information (or any part of it) contained in the Announcement to be material.
5. Please confirm that the Company is in compliance with listing rule 3.1.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

Please note the ASX reserves its right under listing rule 18.7A to release this letter and the Company's response to the market. Accordingly the Company's response should address each question separately and be in a format suitable for release to the market.

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately. Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than **5:00pm (WST) on Friday 29 October 2010**.

Your response should be sent to ASX by facsimile on facsimile number (08) 9221 2020. It should not be sent to the Company Announcements Office.

If you have any queries regarding any of the above, please contact me on (08) 9224 0023.

Yours sincerely



Wade Baggott
Senior Adviser, Issuers (Perth)