



Dynasty Metals Australia Limited

**Half-Year Financial Report
31 December 2012**

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Corporate Information

Company Particulars	Dynasty Metals Australia Limited ACN 110 385 709 The Company is an exploration company with its securities listed only on the Australian Securities Exchange.
Registered Office	Level 4, 35 Havelock Street West Perth WA 6005 Telephone: +61 8 6316 4414 Facsimile: +61 8 6316 4404 Email: admin@dynastymetals.com.au Website: www.dynastymetals.com.au
Directors	Thomas Pickett (Independent Chairman) Lewis Tay (Managing Director) Bin Wang (Non-executive Director) Bo Xin Dong (Alternate Director for Bin Wang)
Company Secretary	Louise Edwards
Auditor	Deloitte Touche Tohmatsu Level 14, Woodside Plaza 240 St Georges Terrace Perth WA 6000
Share Registrar	Security Transfer Registrars Pty Ltd Suite 1, Alexandra House 770 Canning Highway Applecross WA 6153 Telephone: +61 8 9315 2333 Facsimile: +61 8 9315 2233

DIRECTORS' REPORT

Your directors submit their report for the half-year ended 31 December 2012.

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.

Tom Pickett LLB	(Non-Executive Chairman)
Lewis Tay B.App.Sc.DipAF	(Managing Director)
Bin Wang	(Non-Executive Director)
Bo Xin Dong	(Alternate Director for Bin Wang)

REVIEW OF OPERATIONS

Exploration Update

Activities in the six months to 31 December 2012 focussed primarily on Dynasty Metals Australia Limited (the "Company") continuing with works to improve the value of its flagship Spearhole Project ("Spearhole"), which is located south-west of Mt Newman in the Pilbara region of Western Australia, together with ongoing exploration of the other tenements in the Pilbara region. In Addition to this examination of several opportunities in iron ore and other commodities to add to the Company's existing exploration portfolio.

Exploration highlights for the period included:

- Beneficiation testing with Chinese Northeastern University is well underway and preliminary beneficiation results show potential for high grade iron ore concentrates (> 58.5% Fe) to be produced via magnetic separation. These processes will potentially be able to be added to the beneficiation process to increase grade and/or yield.
- Ground magnetics identified potential Marra Mamba direct shipping ore (DSO) targets near Newman. A drilling program is planned to test these DSO targets.

RESULTS OF OPERATIONS

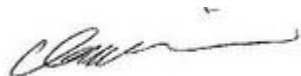
The Company incurred an after tax operating loss for the half-year ended 31 December 2012 of \$283,947 (2011: \$809,870).

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditor, Deloitte Touche Tohmatsu, which is included on page 5.

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

On behalf of the Directors



Lewis Tay
Managing Director
Perth, 28 February 2013

The Board of Directors
Dynasty Metals Australia Limited
Level 4, 35 Havelock Street
WEST PERTH WA 6005

28 February 2013

Dear Board Members

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 lead partner for the review of the financial statements of Dynasty Metals Australia Limited for the half year ended 31 December 2012, 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



DELOITTE TOUCHE TOHMATSU



Chris Nicoloff
Partner
Chartered Accountants

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

	Notes	31 December 2012 \$	31 December 2011 \$
Continuing Operations			
Revenue	4	922,866	98,460
Exploration expenditure		(504,691)	(1,018,903)
Impairment in investments		(262,085)	(43,284)
Share of loss of associate	5	(377,226)	-
Other expenses		(412,367)	(558,588)
Loss from continuing operations before income tax	4	(633,503)	(1,522,315)
Income tax benefit		350,006	712,445
Loss from continuing operations after tax		(283,497)	(809,870)
Other comprehensive income, net of income tax Items that may be reclassified subsequently to profit or loss			
Fair value gains on available-for-sale financial assets		-	-
Tax effect on fair value gains		-	-
Total other comprehensive income, net of income tax		-	-
Total comprehensive income/(loss) for the period		(283,497)	(809,870)
Profit/(loss) is attributable to			
Members of the parent		(283,497)	(809,870)
Total comprehensive income/(loss) is attributable to:			
Members of the parent		(283,497)	(809,870)
Earnings per share (cents per share)			
- basic: for loss for the half-year		(0.27)	(0.77)
- diluted: for loss for the half-year		(0.27)	(0.77)

The accompanying condensed notes form part of this financial report

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012**

	Notes	31 December 2012 \$	30 June 2012 \$
ASSETS			
Current Assets			
Cash and cash equivalents	6	1,230,194	1,813,615
Trade and other receivables		100,000	141,857
Prepayments and accrued interest		4,157	-
Total Current Assets		1,334,351	1,955,472
Non-Current Assets			
Investments accounted for using the equity method		950,270	1,327,496
Other financial assets		928,022	346,851
Property, plant and equipment		97,587	108,609
Total Non-Current assets		1,975,879	1,782,956
TOTAL ASSETS		3,310,230	3,738,428
LIABILITIES			
Current liabilities			
Trade and other payables		227,828	482,529
Total Current Liabilities		227,828	482,529
TOTAL LIABILITIES		227,828	482,529
NET ASSETS		3,082,402	3,255,899
EQUITY			
Contributed equity	8	17,925,378	17,815,378
Reserves		-	-
Accumulated losses		(14,842,976)	(14,559,479)
TOTAL EQUITY		3,082,402	3,255,899

The accompanying condensed notes form part of this financial report

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

	Notes	31 December	
		2012	2011
		\$	\$
Cash flows from operating activities			
Payments to suppliers and employees		(1,014,102)	(1,543,546)
Interest paid		(3,301)	-
Income tax refund		350,006	-
Interest received		57,232	65,237
Net cash provided by/(used in) operating activities		(610,165)	(1,478,309)
Cash flows from investing activities			
Payment for property, plant and equipment		-	-
Proceeds from loan to associate		-	-
Proceeds on sale of investment securities		26,744	-
Net cash provided by/(used in) investing activities		26,744	-
Cash flows from financing activities			
Proceeds from issue of equity instruments		-	-
Payment for share issue costs		-	-
Net cash provided by/(used in) financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		(583,421)	(1,478,309)
Cash and cash equivalents at the beginning of the period		1,813,615	3,889,140
Cash and cash equivalents at the end of the period	6	1,230,194	2,410,831

The accompanying condensed notes form part of this financial report

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

	Contributed Equity	Reserves	Accumulated losses	Total equity
	\$	\$	\$	\$
Balance at 1 July 2011	17,355,778	2,972,344	(16,448,317)	3,879,805
Loss for the period	-	-	(809,870)	(809,870)
Other comprehensive income for the period, net of income tax	-	-	-	-
Total comprehensive income for the period	-	-	(809,870)	(809,870)
Transactions with owners in their capacity as owners				
Share-based payments	145,800	-	-	145,800
Balance at 31 December 2011	17,501,578	2,972,344	(17,258,187)	3,215,735
Balance at 1 July 2012	17,815,378	-	(14,559,479)	3,255,899
Loss for the period	-	-	(283,497)	(283,497)
Other comprehensive income for the period, net of income tax	-	-	-	-
Total comprehensive income for the period	-	-	(283,497)	(283,497)
Transactions with owners in their capacity as owners				
Share-based payments	110,000	-	-	110,000
Balance at 31 December 2012	17,925,378	-	(14,842,976)	3,082,402

The accompanying condensed notes form part of this financial report

CONDENSED CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The financial report of Dynasty Metals Australia Limited (the "Company") for the half-year ended 31 December 2012 was authorised for issue in accordance with a resolution of the directors on 27 February 2013.

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

The principal activity of the Company during the half-year was exploration and evaluation of mineral licences.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Statement of Compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of Preparation

The condensed financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2012 annual financial report for the financial year ended 30 June 2012, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Adoption of new or revised accounting standards and interpretations

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Company include:

Amendments to AASB 1, 5, 7, 101, 112, 120, 121, 132, 133 and 134 as a consequence of AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Company's accounting policies and has no effect on the amounts reported for the current or prior half-years. However, the application of AASB 2011-9 has resulted in changes to the Company's presentation of, or disclosure in, its half-year financial statements.

CONDENSED CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

AASB 2011-9 introduces new terminology for the statement of comprehensive income and income statement. Under the amendments to AASB 101, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and the income statement is renamed as a statement of profit or loss. The amendments to AASB 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section:

- (a) items that will not be reclassified subsequently to profit or loss; and
- (b) items that may be reclassified subsequently to profit or loss when specific conditions are met.

Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

3. SEGMENT INFORMATION

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers, being the executive management team.

Information reported to the Company's board of directors for the purposes of resource allocation and assessment of performance is more specifically focused on mineral exploration.

Management has determined that the Company has one reportable segment, being mineral exploration in Australia. 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.

CONDENSED CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)**4. REVENUE, INCOME AND EXPENSES****Revenue, Income and Expenses from Continuing Operations**

	31 December 2012	31 December 2011
<i>Revenue</i>	\$	\$
Interest revenue	52,866	98,460
Gain on sale of joint venture interest	870,000	-
	<u>922,866</u>	<u>98,460</u>
<i>Expenses</i>		
Director's fees and remuneration	149,315	126,950
Depreciation	11,021	11,453
Exploration expenditure	504,691	1,018,903
	<u>665,027</u>	<u>1,157,306</u>

5. SHARE OF LOSS OF ASSOCIATE ACCOUNTED FOR USING THE EQUITY METHOD

Share of loss - associate	<u>377,226</u>	-
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6. CASH AND CASH EQUIVALENTS

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

Cash at bank and in hand	1,230,194	2,410,831
	<u>1,230,194</u>	<u>2,410,831</u>

7. COMMITMENTS AND CONTINGENCIES

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

8. CONTRIBUTED EQUITY

	<i>31 December 2012</i>	
	<i>No.</i>	<i>\$</i>
<i>(i) Ordinary shares</i>		
<i>Movement in ordinary shares on issue</i>		
Balance at beginning of financial period	105,383,509	17,815,378
Issue of shares during the period through a share based payment	750,000	110,000
At 31 December 2012	<u>106,133,509</u>	<u>17,925,378</u>

CONDENSED CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS (continued)

The 750,000 fully paid ordinary shares issued during the period were in relation to full settlement of an outstanding creditor obligation to Bolun Mining Technologies for consulting services provided totalling \$110,000.

9. DISPOSAL OF JOINT VENTURE INTEREST

The Company disposed of their 8.65% joint venture interest in EPC 956 and 957 to Tiaro Energy Corporation Pty Ltd in consideration for three million fully paid ordinary shares in ASX listed parent, Tiaro Coal Limited (ASX: TCM) on 6 August 2012. The fair value of the shares issued for consideration was 29 cents per share, totalling \$870,000.

10. EVENTS AFTER THE REPORTING DATE

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, except the following:-

The Company announced on 15 January 2013, that it had been granted an iron ore tenement E47/2396 within the Pilbara region of Western Australia.

DIRECTORS' DECLARATION

The directors declare that:

- a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Consolidated Entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors



Lewis Tay
Managing Director

Perth, 28 February 2013

Independent Auditor's Review Report to the members of Dynasty Metals Australia Limited

We have reviewed the accompanying half-year financial report of Dynasty Metals Australia Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2012, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 6 to 14.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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 a 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 half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Dynasty Metals Australia Limited's financial position as at 31 December 2012 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.

Auditor's Independence Declaration

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*, which has been given to the directors of Dynasty Metals Australia Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

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 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Chris Nicoloff

Partner

Chartered Accountants

Perth, 28 February 2013