

ANNUAL REPORT



DYNASTY

METALS AUSTRALIA LTD

ABN: 80 110 385 709

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CHAIRMAN'S LETTER

Dear Shareholder,

During the financial year under review there has almost been a complete change to the board and to broaden the company's activities away from a primary focus on uranium.

On listing, the company's exploration projects were represented by an extensive portfolio of uranium tenements in Western Australia, Northern Territory and Botswana; together with iron ore and base metals tenements in Warrambo and Prairie Downs in Western Australia and gold leases in Bendoc Victoria.

Since listing coal seam gas interests in the Irwin River area in Western Australia have been added; together with a Coal Joint Venture Agreement in the Queensland Maryborough Coal Basin this financial year.

The new board recognised that the company had a very large portfolio of tenements and engaged a former group chief geologist of CRA to do an independent review of this portfolio. As a result of this external review together with an internal assessment, it was decided to focus future exploration activities on the company's coal and iron ore tenements. However the recent election of a pro uranium West Australian State Liberal government has re-vitalized interest in uranium projects and the company will therefore conduct a vigorous and robust rationalization of its uranium portfolio to achieve the best possible outcomes for shareholders.

Notwithstanding this recent revitalized interest in uranium, your board believes that the focus on coal and iron ore will give much better prospects for the Company to enhance shareholders value and to attract new investments in the immediate and long term future of the company.

Your board is mindful of challenging times ahead in the next eighteen months at least and it will endeavour to do its utmost to steer and advance the Company's mineral exploration properties to add shareholder value and drive your Company forward to greater heights and security.

The board is also very grateful for the loyal support of shareholders and investors and hope this continues unabated. I would also like to express my gratitude to my fellow directors for their sterling efforts, support and diligence in these difficult and turbulent times.

Richard Oh CA MAICD
Chairman
Dynasty Metals Australia Ltd

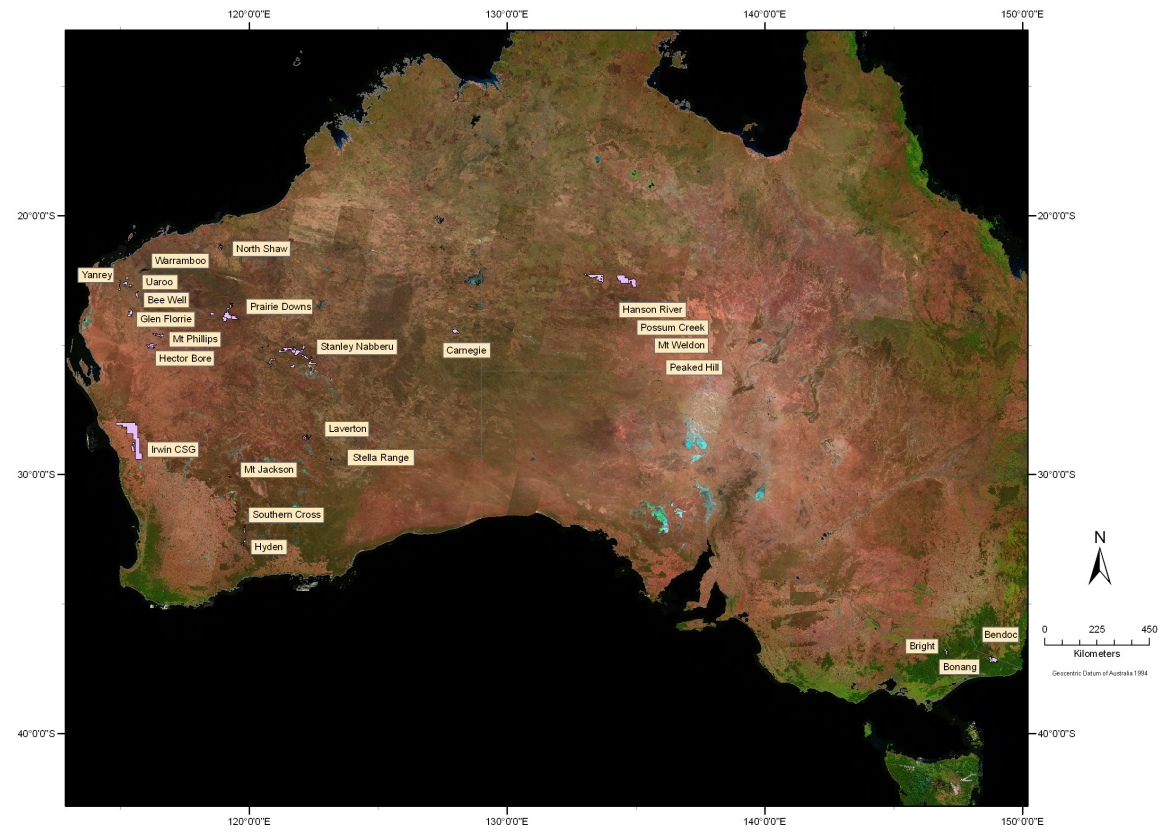
Perth, Western Australia
Dated 30th September 2008

REVIEW OF OPERATIONS

PROJECT PORTFOLIO

Dynasty's Australian and African project portfolio covers iron ore, coal, coal seam gas, base metals, gold and uranium. Since November 2007, under new management, Dynasty has undertaken a comprehensive uranium exploration programme, expanded its coal interests through joint ventures and technically reviewed its project portfolio with a view to identifying the potential of its tenements, further exploration and rationalisation.

General Location Dynasty's Tenement Portfolio



Dynasty's projects are summarised in **Table 1**. These areas are targeted by the company for the commodities listed in this table.

Table 1 – Dynasty's Project Portfolio

| Project | Location | Tenement Area | Target Commodity |
|--------------------------|-----------------------|-----------------|----------------------|
| WESTERN AUSTRALIA | | Km ² | |
| Irwin | Northern Perth Basin | 2190 | Coal, coal seam gas |
| Prairie Downs | East Pilbara | 1391 | Iron, Base Metals, U |
| Warrambo | West Pilbara | 169 | Iron |
| Carnegie | Amadeus basin | 344 | Uranium |
| Hector Bore | Gascoyne | 513 | Uranium, Gold |
| Yanrey | Carnarvon Basin | 456 | Uranium |
| Glen Florrie | Gascoyne | 202 | Uranium |
| Kunderong | West Pilbara | 135 | Uranium |
| Stanley - Nabberu | Stanley-Nabberu Basin | 2699 | Uranium |
| Mt Phillips | Gascoyne | 340 | Uranium |

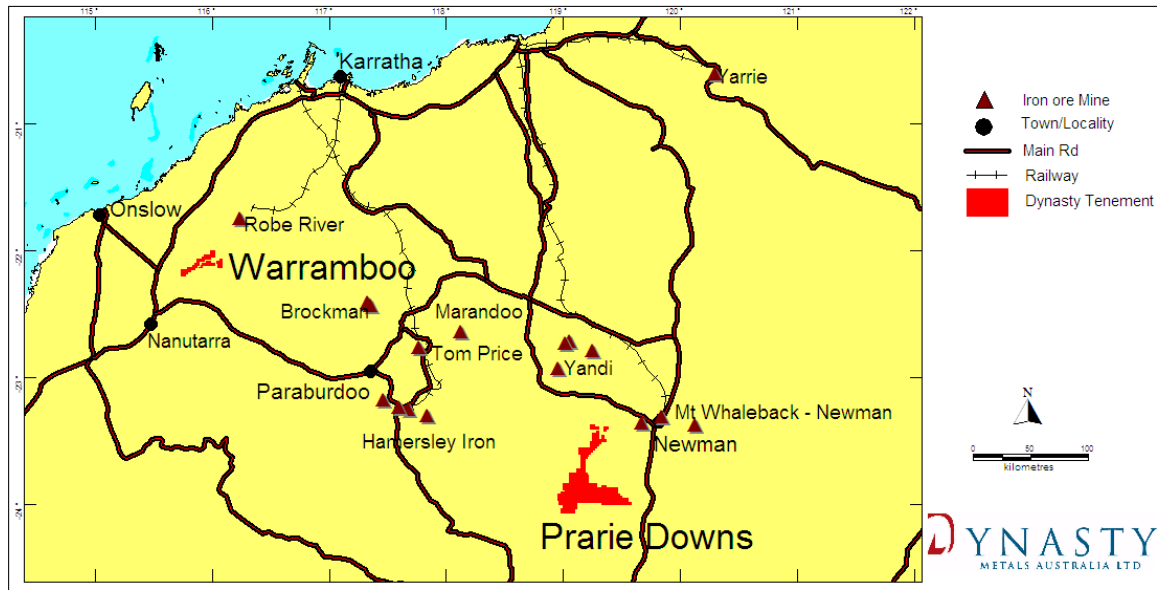
| | | | |
|---------------------------|------------------------|------|----------------------|
| Bee Well | Gascoyne | 339 | Uranium |
| Hyden | Yilgarn | 221 | Gold, Nickel, Copper |
| Southern Cross | Yilgarn | 22 | Gold |
| NORTHERN TERRITORY | | | |
| Peaked Hill | Arunta | 1143 | Uranium |
| Mt Weldon | Arunta | 691 | Uranium |
| Hanson River | Arunta | 1048 | Uranium |
| Possum Creek | Arunta | 47 | Uranium |
| VICTORIA | | | |
| Bendoc | North Eastern Victoria | 172 | Gold |
| Bonang | North Eastern Victoria | 229 | Gold |
| BOTSWANA | | | |
| Kutamagore | North Eastern Botswana | 839 | Uranium |
| Sashe | North Eastern Botswana | 376 | Uranium |
| Mokgware Hills | South Eastern Botswana | 720 | Uranium |
| Kodilbeleng | Southern Botswana | 673 | Uranium |
| Jwaneng West | Southern Botswana | 663 | Uranium |
| Semarule | Southern Botswana | 644 | Uranium |
| Tonata East | Eastern Botswana | 808 | Uranium |
| Pikwe | Eastern Botswana | 622 | Uranium |

IRON ORE AND BASE METAL PROJECTS

WARRAMBOO

Location

Figure 1 - Location of Iron Ore Projects

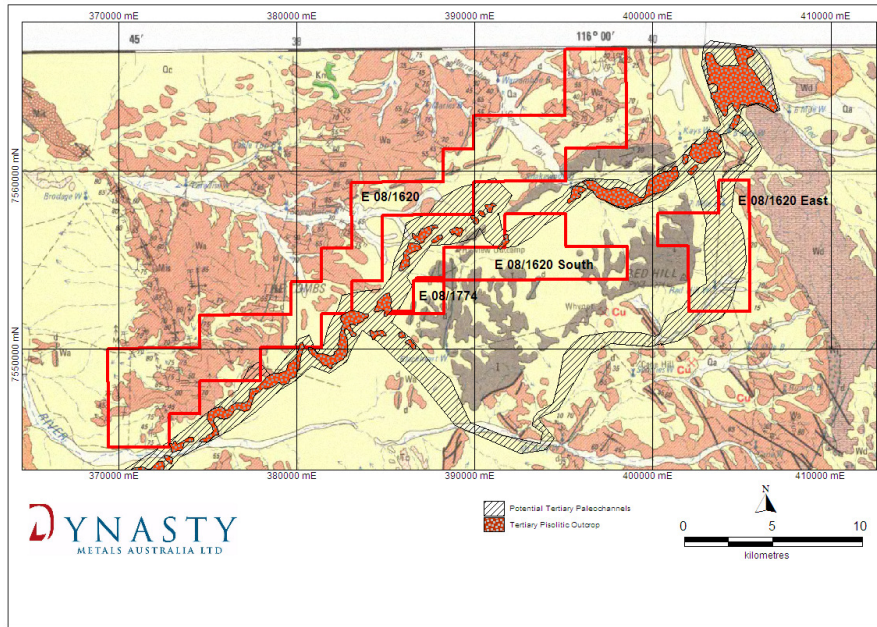


The Warramboo tenements cover an area of 159.5km² and are located in the Pilbara on Red Hill station ~100km east of the Western Australian coastal township of Onslow, 50km south of the rail head at Robe River and 200km to the west-north-west the township of Paraburdoo, see **Figure 1**.

Geology

The Geology at Warramboo is dominated by Proterozoic arenites, shales and siltstones of the Ashburton formation, with valleys covered in recent alluvium. In the south of the tenements, sandstones and conglomerates of the Mount Minnie Group, strongly lateritised in parts, are present. Tertiary pisolite and conglomerate deposits within paleochannels are also present within the area. These deposits are referred to as "Channel Iron Deposits".

Figure 2 - Geology and Tenement Location Warramboo



Dynasty's mineral exploration targets are the Channel Iron Deposit's which are currently mined at Rio Tinto's Robe River, see **Figure 1** approximately 60km from Warramboo and which are present on adjacent tenements held by Mineralogy Limited.

Copper mineralisation to the south of the area appears to be related to NNW shears within the Ashburton Formation sediments.

Exploration and Project Summary

The primary target on the Warramboo tenements is iron ore concentrated in paleochannels comprising Tertiary Pisolite¹, referred to as Channel Iron Deposits.

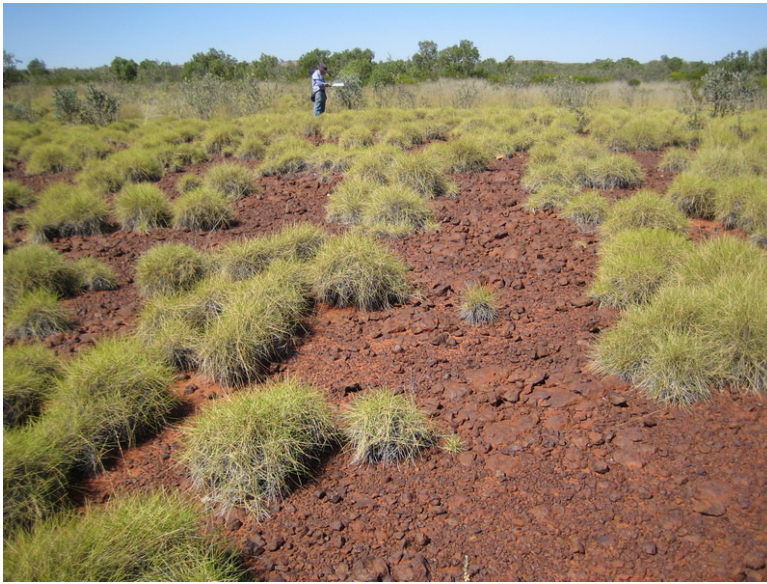
Base metals mineralisation (copper, lead and zinc) associated with shear zones is a secondary target. Previous exploration within the Dynasty Tenements consisted of regional geophysics and geological mapping. Surface exploration by CRA over an area of Tertiary pisolitic conglomerate covered by Dynasty tenements, returned several results in the 50-60% Fe range which shows good potential for Channel Iron Deposits.

Dynasty also collected several rock chip samples of the Channel Iron Deposits on the western edge of E 08/1620 South (see **Figure 2**) with the results presented in **Table 2**. The Strongest result was 45.6% Fe from this outcrop

Table 2 - Selected Rock-chip results Warramboo Downs

| Sample | Locality | Description | Al ₂ O ₃ | Fe | P | S | SiO ₂ |
|--------|-------------------------------------|---|--------------------------------|------|-------|-------|------------------|
| 611 | Warramboo - North of Mineralogy CID | Ironstone, Ashbuton Formation siltstones. | 6.69 | 37.8 | 0.642 | 0.051 | 25.8 |
| 612 | Warramboo South | Goethite Rich Pisolite conglomerate | 2.41 | 31.2 | 0.022 | 0.012 | 44.8 |
| 613 | Warramboo South | Tertiary Pisolitic conglomerate CID | 3.73 | 45.6 | 0.032 | 0.067 | 19.1 |
| 614 | Warramboo South | Tertiary Pisolitic conglomerate CID | 2.87 | 36.6 | 0.03 | 0.044 | 35 |
| 615 | Warramboo South | Tertiary Pisolitic conglomerate CID | 1.71 | 35.3 | 0.035 | 0.044 | 38.9 |

¹ A **pisolite** is a sedimentary rock formed from pisoliths which are concretions spherical in shape, and comprise concentric layers reaching 5-8 mm in diameter. The name derives from the Hellenic word for pea.

Figure 3 – Photograph Warrambo Sub-crop

Airborne radiometrics indicates there may be extensions of the Channel Iron Deposits under cover and with a potential length within the Dynasty tenements of 3km and width of around 800m.

Without drilling it is not possible to determine the depth (or thickness) of any Channel Iron Deposits.

However, typically these deposits in the Pilbara range in thickness from 5m to 50m.

Future Exploration

Future programs will consist of gravity surveys, ground radiometrics and mapping, followed by targeted drilling

to determine the length, depth and grade of potential Channel Iron Deposits in the paleochannels.

PRAIRIE DOWNS

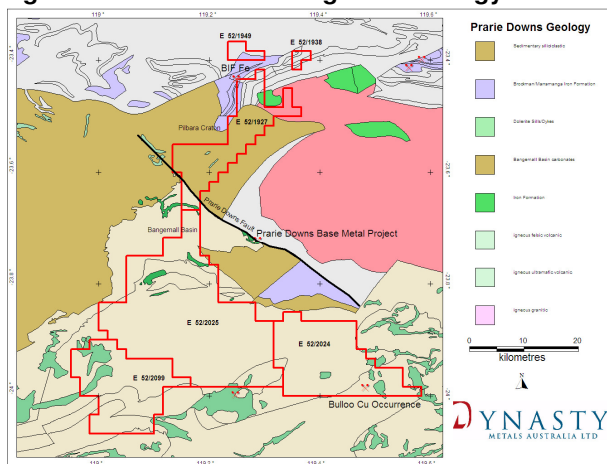
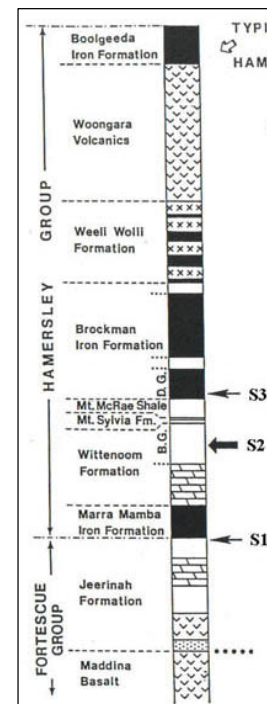
Location

The Prairie Downs tenements cover an area of ~1390km² located ~30km west of the rail head at Mt Newman (see Figure 1).

Geology

The geology of the area consists of the complex Hamersley formation which contains Brockman and Marra Mamba Iron Formations (see Figure 4) as well as an older unnamed iron formation. Brockman and Marra Mamba Iron Formations are mined at Mt Newman, Mt Whaleback, Mt Tom Price and Brockmans.

The Prairie Downs Fault cuts the tenement in a north westerly direction and separates the Hamersley formation from Bangemall Basin sediments, see Figure 5. These sediments have a coarse basal conglomerate consisting mainly of clasts of Hamersley iron formation rocks, or their equivalent. Iron, gold and copper mineralisation is present in the region.

Figure 5 – Tenements & Regional Geology**Figure 4**

Exploration and Project Summary

Dynasty's priority target on Prairie Downs is a commercially viable deposit of Brockman and/or Marra Mamba Iron Formation.

A secondary target is paleochannel iron deposits and a lower priority target is gold, base metals (copper, silver, lead and zinc) and uranium mineralisation.

Previous exploration within the Dynasty Tenements included some work on the Hamersley Iron formation in the north as well as regional surveys for gold and base metals in the south.

Dynasty has recently completed a reconnaissance trip where several rock chip samples from three areas were taken with the results presented in **Table 3**.

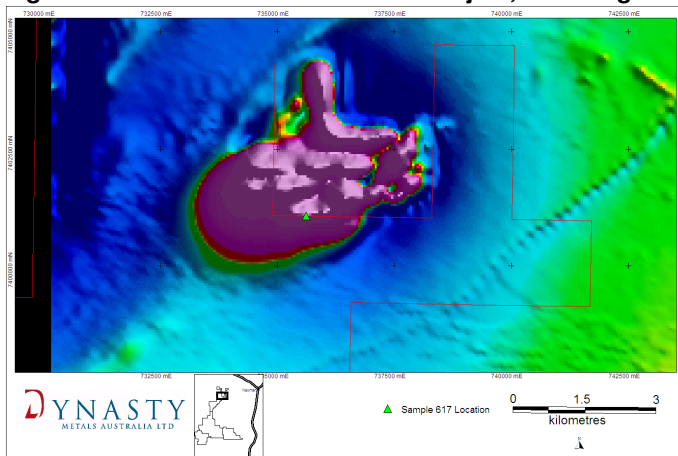
Table 3 - Selected Rock-chip results Prairie Downs

| Sample | Locality | Description | Al ₂ O ₃ | Fe | P | S | SiO ₂ |
|--------|--------------------------|--|--------------------------------|------|-------|-------|------------------|
| 617 | North East Prairie Downs | Banded Iron Formation with some Bedded Iron Formation, MGT, Haem and Silica | 0.30 | 42.9 | 0.077 | 0.025 | 35.7 |
| 618 | Central Prairie Downs | Conglomerate with Hamersley Formation clasts of BIF and Chert within a Haematite/silica matrix | 0.38 | 48.5 | 0.060 | 0.018 | 29.9 |
| 619 | Central Prairie Downs | Conglomerate as above, more Cherty | 0.45 | 36.9 | 0.034 | 0.026 | 46.5 |
| 620 | Central Prairie Downs | Conglomerate, dominated by Iron Formation clasts and strongly Haematitic matrix | 1.84 | 62.6 | 0.031 | 0.010 | 7.8 |
| 622 | Central Prairie Downs | Conglomerate, around 50% Chert, 50% BIF clasts | 0.20 | 29.8 | 0.064 | 0.007 | 56.5 |

The Dynasty tenements cover the Brockman and Marra Mamba formations and an un-named iron formation. In the north east of the tenement, an enriched iron outcrop in which siliceous layers of the original banded iron formation had been partially replaced by haematite/martite, was examined and sampled, see results **Table 3**.

The Geology map shows the iron formation forming a large syncline with the central part of the syncline located to the north of the DMA tenement. The magnetics, see **Figure 6**, shows that a substantial portion of the iron formation may cross into the Dynasty's tenements.

Figure 6 - North East Prairie Downs Project, Aeromagnetics



Field observations in the central part of the project of the basal conglomerate of the Prairie Downs Formation, within the Bangemall Basin, shows it to contain zones of high Iron formation content with large clasts of Hamersley Iron Formation or equivalent within a ferruginous (haematitic) matrix. Results shown in **Table 3** are of this conglomerate.

The results of up to 62.6% Fe with low contaminants are encouraging. The variation of the clast content and the silica content in the haematite matrix are responsible for the variation in Fe content.

Higher in the stratigraphy the chert clast content is significantly higher hence the lower Fe response. The higher grade outcrops may be related to structural controls or a particular horizon and further work is needed to clarify this.

Figure 7 – Outcrop Tertiary Pisolite – Prairie Downs

This formation is mapped to have a large areal extent with dimensions of several kilometres and a depth and thickness of the higher grade material as yet unknown. Based on the observations to date, this basal conglomerate has the potential to contain a substantial iron deposit.

East of Dynasty's Prairie Downs' tenements there is a silver-lead-zinc deposit owned by Prairie Downs Metals Limited which has reported it to contain 4.7 million tonnes at 6.3% zinc, 18g/t silver and 1.8% lead.

From limited published geological data on the project, it appears this mineralisation is partly controlled by the Prairie Downs Fault which cuts through the Dynasty tenements

and represents a target for further investigation.

Copper reported on a major north east structure in the south of the tenement may be part of a larger system in a dolomitic siltstone unit which could represent a host for more significant mineralisation. Samples from this copper mineralisation returned 29.1% copper and 20.9g/t silver.

The region could also contain significant Uranium mineralisation in calcrete or as a paleochannel deposit with uranium sourced from the granites to the east.

Future Exploration

Results from the recent reconnaissance trip will be evaluated and a ground magnetic survey in the north will be completed. Targets for high grade Bedded Iron Formation will be identified and drilled. The Iron rich conglomerate will be mapped and sampled and if encouraging further work such as ground magnetics and drilling will be completed. Prospecting of the copper occurrences will be followed by detailed mapping and soil sampling to identify drill targets.

COAL AND COAL SEAM METHANE

Location

Dynasty has secured five exploration licences covering 762km² in the northern Perth basin, east of Dongara and Geraldton.

In addition to EPL's, Dynasty has also applied for Petroleum Exploration Licenses and Mineral Exploration Licenses over part of these areas, see Figure 8.

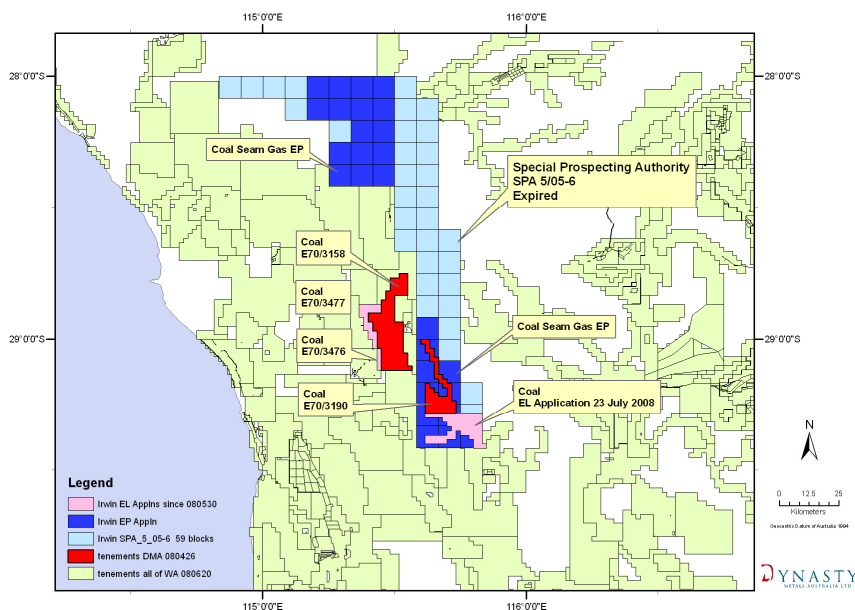
Figure 8 – DMA Tenements Irwin River

Table 4 – Source Rocks Oil and Gas – Irwin River

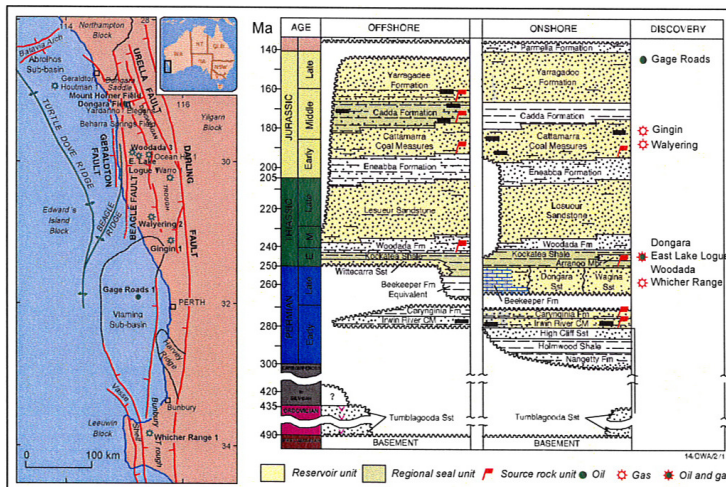
| NAME | TYPE |
|-------------------------------------|------------------------------------|
| Permian Irwin River Coal Measures | Potential gas condensate source |
| Lower Triassic Kockatea Shale | Primary oil source |
| Lower Jurassic Cockleshell Gully Fm | Gas and condensate source |
| Mid Jurassic Cadda Shale | Gas, condensate source at Warro #1 |
| Mid to Upper Jurassic Yarragadee Fm | Gas source at Warro #1 |

The Dongara Gas Field produces principally from the basal Triassic Sandstone, and also from the Permian Irwin River Coal Measures and the Permian Carynginia Formation. Some oil occurs in the Basal Triassic Sandstone. The same formation also produces gas at the Yardarino and Mondarra Fields (non-commercial oil is present at Yardarino). The Gingin and Walyering Fields have historically produced commercial gas flows with minor condensate from the Cattamarra Coal Measures of the Lower Jurassic Cockleshell Gully Formation which overlies the Irwin River Coal Measures, see **Table 5**.

Table 5 – Reservoir Source Rocks

| NAME | TYPE |
|-------------------------------------|---|
| Lower Permian Highcliff sandstone | contains gas and oil at Arrowsmith #1 |
| Irwin River Coal Measures | contains gas and oil at Arrowsmith #1 |
| Lower Permian Carynginia Formation | oil at Arrowsmith and Yardarino |
| Lower Permian Carynginia Limestone | gas at Woodada. |
| Lower Permian Wagina Sandstone | contains oil at Mondarra. |
| Basal Triassic Dongara Sandstone | produces gas and oil at Dongara-Yardarino |
| Kockatea Shale | sand lenses contain oil at many sites, including Mt Horner, Arrowsmith, Mt Adams and North Erregulla. |
| Upper Triassic Lesuer Formation | excellent reservoir but overlying seal is lacking, no accumulation yet found |
| Lower Jurassic Cockleshell Gully Fm | produced gas at Gingin, and Walyering. |
| Middle Jurassic Cadda Formation | gas influx into Warro #1 from thin sands caused suspension of the well and side-tracking. |
| Middle-Upper Jurassic Yarragadee Fm | contains non commercial gas at Warro #1 |

Coal Potential and Targets

Figure 11 – Stratigraphy showing Irwin River and Cattamarra Coal Measures

Field studies and drilling from previous exploration in the area indicate that the coal resources of the Irwin River Coal Field lie in a moderately complex geological setting and consist of a low rank black coal.

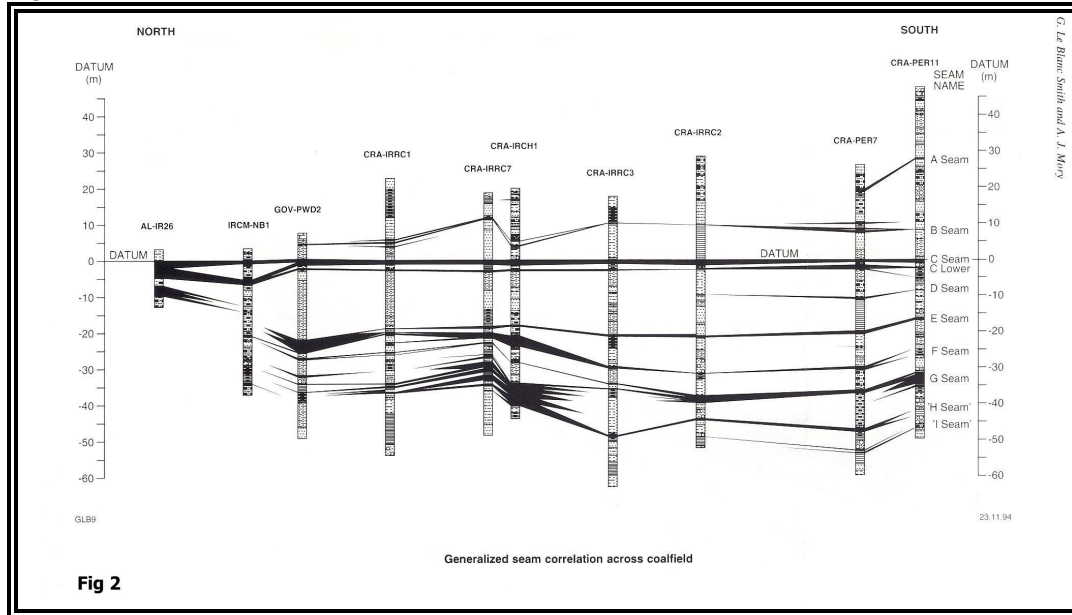
The coalfield, which covers an area of approximately 170 square kilometres, outcrops intermittently over a strike length of about 44 km.

CRA in 1986 estimated a substantial Inferred Resource based on widely spaced drilling data (circa 4km centers) and comprising narrow seams many of which were deemed non-recoverable at

the time. (GSWA Report 44 pg 29, Le Blanc and Mory 1996).

There are nine principal seams in the coalfield, each of which locally exceed 0.5 metres in thickness. These are (from the top): seams A, B, C, C lower, D, E, F, G and H. The stratigraphic relationships are shown in Figures 11 and 12.

Figure 12 – Coal Seams of the Irwin River Coal Measures



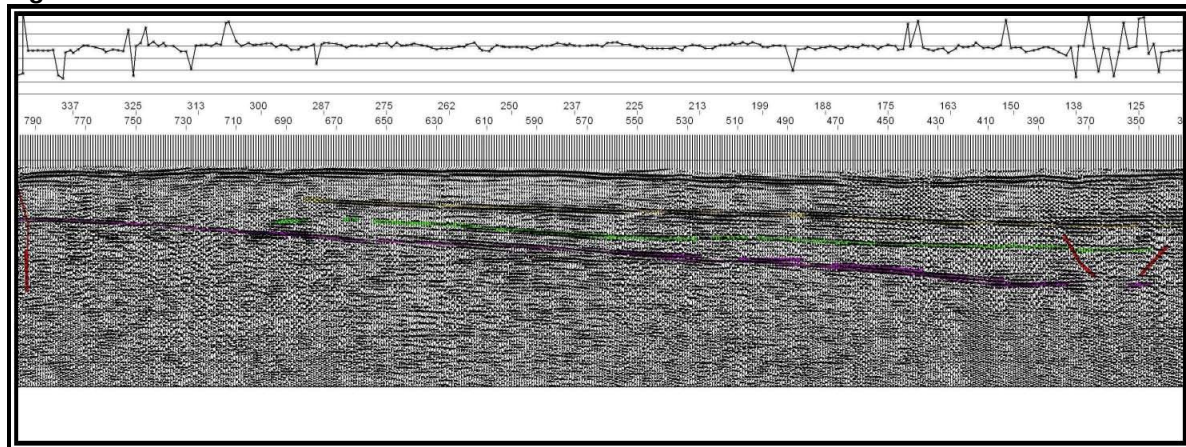
Seams exceeding 1.5 m in thickness include C Seam, F Seam, and G Seam.

Dynasty Exploration

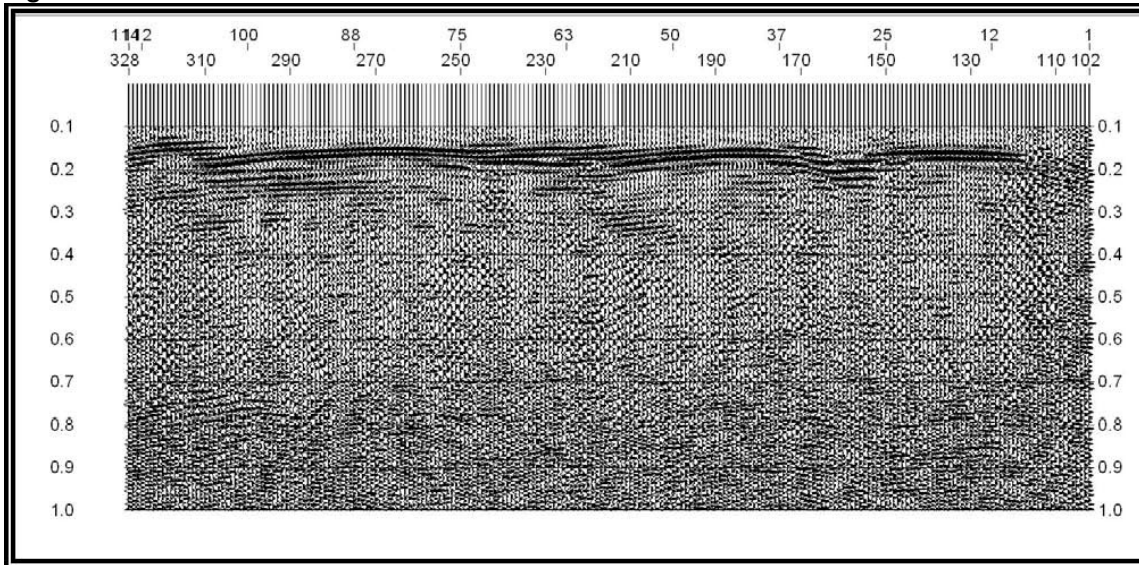
Over the past year Dynasty has recorded approximately 100km of 2D seismic over its Irwin River area. The results from this work interpreted by Dynasty's geophysical consultants, have delineated two areas which the company believes warrant further exploration.

The southern area seismic results show coal seams at >400m in depth which represents depths where coal seam methane can be generated and stored within the seams, see **Figure 13**.

Figure 13 – Southern Seismic Section



The second area made up of six blocks, is part of the northern portion of the tenement area. The 2007 seismic survey shows a significant section which appears to be coal seams at a relatively shallow depth. This puts the coals within that window where coal seam methane (if present in the coals) can be easily tested by a shallow drilling program, see **Figure 14**.

Figure 14 – Northern Seismic Section

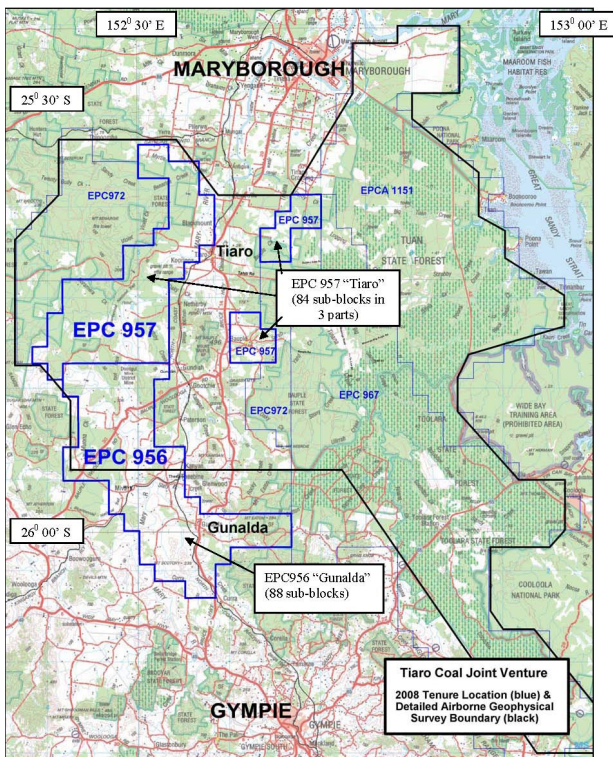
Future exploration

Historical evidence and Dynasty seismic work suggest the coal measures on its Irwin River Tenements, represent a valid exploration target for coal seam methane and that the inter-bedded sands within the coal seams may also contain methane migrated from the coal seams. The Permian Coal Measures are overlain by Triassic shales which may act as a seal preventing escape of gases.

Further interpretation and exploration is planned for the 2008/2009 reporting period.

TIARO COAL JOINT VENTURE

Location

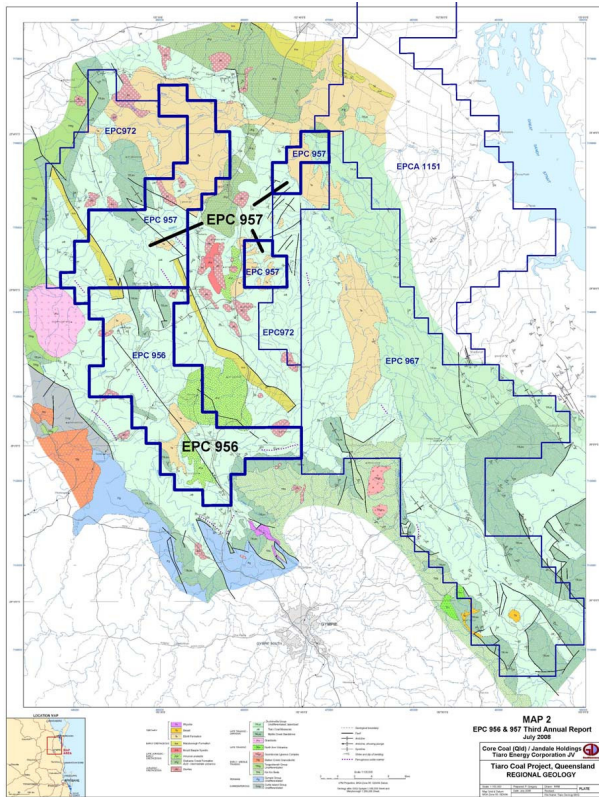
Figure 15 – Exploration Licenses Tiaro Coal Joint Venture

EPC 956 "Gunalda" and EPC 957 "Tiaro" are located over the Tiaro Coalfield within the Mesozoic Maryborough Basin of southeast Queensland, between the towns of Gympie and Maryborough, see Figure 15.

The tenements were granted to a Joint Venture between Core Coal (Qld) Pty Ltd and Jandale Holdings Pty Ltd on 22 June 2005 and 5 July 2005 respectively, each for a period of two years. Dynasty in 17 June 2008 entered into a Farm-in agreement whereby it has the right to earn a 51% in EPC956 and EPC957.

Regional Geology

The area in the joint venture incorporates most of the accessible area of the Jurassic Tiaro Coal Measures. Coking, PCI and thermal coals have been described from the coal measures over widespread areas.

Figure 16 – Tiaro Coal Joint Venture Tenements, Geology

The Tiaro coals are banded coals of the Walloon-type and useful sedimentologic and stratigraphic analogies can be made between the Maryborough and Moreton/Surat Basins to assist in exploration strategies, see Figure 9. Coals in the Tiaro Measures have higher ranks as measured by sparse vitrinite reflectance determinations.

The Maryborough Basin developed closer to an active continental margin and had a higher heat flow than the intracratonic Moreton and Surat Basins. The Maryborough Basin also has younger intrusive rocks that have caused localised heating (and deformation) of the coal.

Stratigraphy

The EPC area incorporates primarily the Jurassic Tiaro Coal Measures, which occur within the lower part of the Jurassic-Cretaceous Maryborough Basin, see Figure 17.

Figure 17 – Stratigraphic Relationships, Maryborough Region

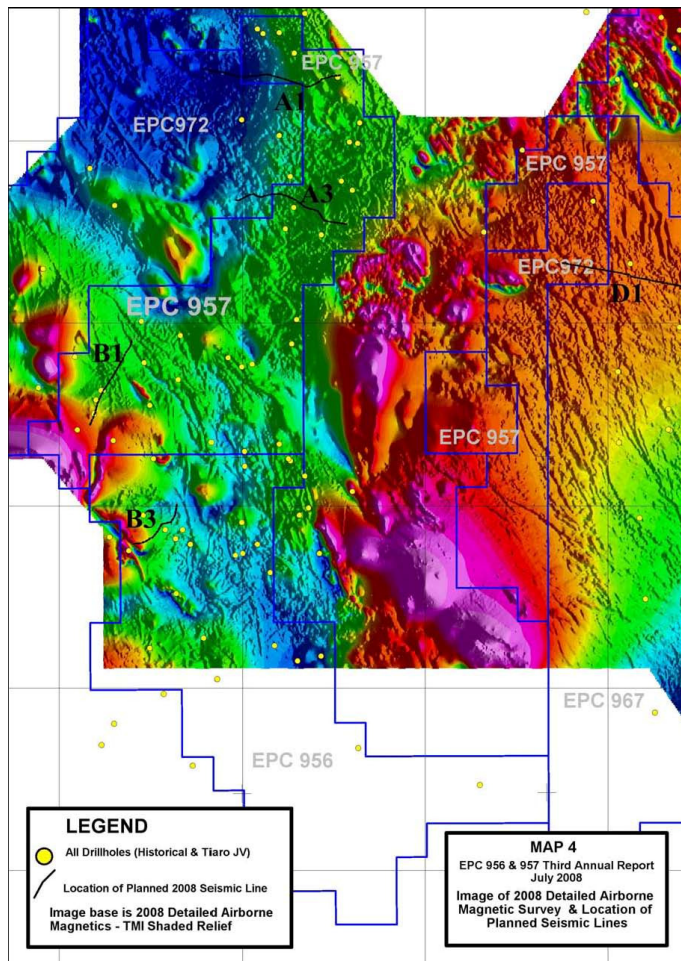
| | AGE | FORMATION | STRATIGRAPHY | LITHOLOGY | DEPOSITIONAL ENVIRONMENT | THICKNESS |
|-------------------------|------------------|--------------------------------------|--------------|--|--|---------------|
| MARYBOROUGH BASIN | CAINOZOIC | ELLIOT FORMATION TAKURA BEDS | | Quartz / carbonate sands | Marine shelf | 0 to 1000m |
| | | | | Basalt | Fluvatile | 0 to 52m |
| | EARLY CRETACEOUS | BURRUM COAL MEASURES | | Fine medium grain sandstone and greywacke, siltstone, shale, mudstone and coal seams | Deltaic | 1700 to 3000m |
| | | MARYBOROUGH FORMATION | | Siltstone, mudstone, sandstone, minor conglomerate, limestone and coal | Shallow marine | 600 to 2500m |
| | | GRAHAMS CREEK FORMATION | | Intermediate to acid flows and pyroclastics, tuffaceous sandstone, siltstone | Continental, lacustrine in part | 200 to 1200m |
| | | TIARO COAL MEASURES | | Shale, sandstone, siltstone, coal, ferruginous coite | Fluvatile, lacustrine | 850m |
| | MID JURASSIC | MYRTLE CREEK SANDSTONE | | Quartzose sandstone | Fluvatile | 50 to 500m |
| GYMPIE BLOCK (Basement) | EARLY TRIASSIC | BROOWEENA FORMATION/ KIN KIN BEDS | | Sandstone, shale, conglomerate, phyllite | Fluvatile, lacustrine and marine shelf | ~3000m |
| | PERMIAN | BIGGENDEN BEDS | | Sandstone, shale, mudstone, conglomerate, andesitic volcanics, limestone | Marine shelf | ~2500m |

The Tiaro Coal Measures are conformably underlain by the Myrtle Creek Sandstone (the basal unit of the Maryborough Basin) and are overlain by the volcanic, tuffaceous and conglomeratic Grahams Creek Formation that may in part be contemporaneous with the coal measures.

The Cretaceous Maryborough Formation overlies, with slight unconformity, the Jurassic sequence. The Jurassic rocks were deposited in a rejuvenated extensional basin and have been block faulted and folded during the Cretaceous.

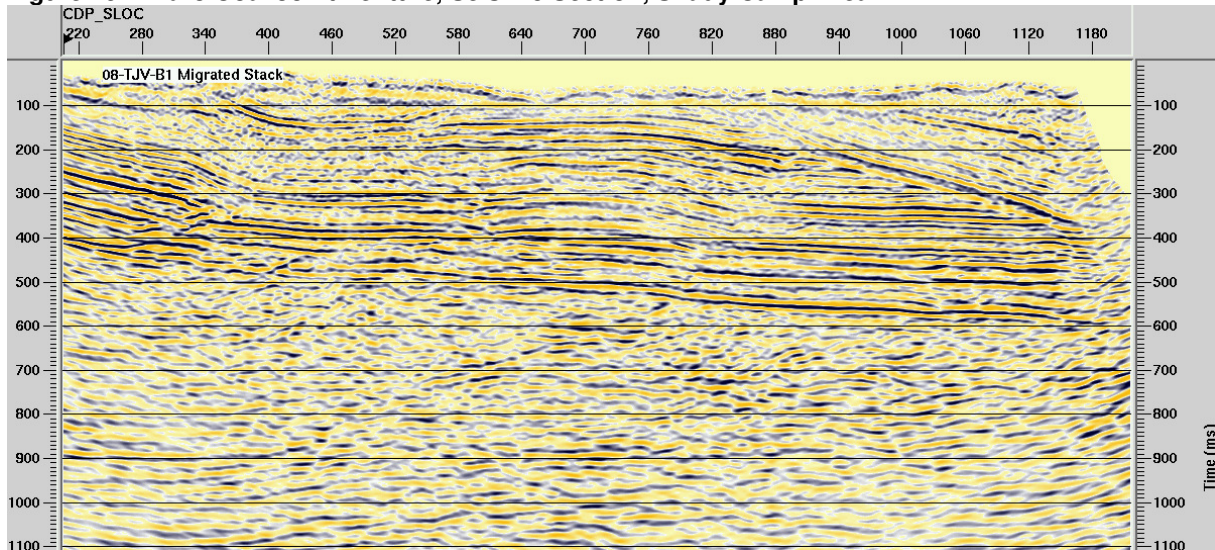
Previous geological investigations over the Tiaro Coalfield indicated that the field was structurally complex, intruded by dykes/intrusives, with thin coal seams of interesting quality.

To support future targeted exploration, a high resolution airborne magnetic and radiometric survey was completed over the entire project area, see **Figures 18**.

Figure 18 – Tiaro Coal Joint Venture - Magnetic Geophysical Survey

In addition, the joint venture carried out a seismic survey over 4 lines totalling approximately 20km, see **Figures 19**.

The geophysical surveys were designed to provide more accurate information on the geological structure and location of potential coal-bearing horizons. The initial results generally show greater structural detail, possible coal seams and provide for the better delineation of drilling targets.

Figure 19 – Tiaro Coal Joint Venture, Seismic Section, Shady Camp Area

Exploration and Project Summary

Previous historical and joint venture drilling results confirmed the presence of the Tiaro Coal Measure sequence at shallow depths within EPC 956 / 957. The geophysical survey results have shown greater structural detail and enabled the joint venture to design a targeted 2,500m drilling programme which is to commence in September / October 2008.

URANIUM

Dynasty has tenements in Western Australia, Northern Territory and Botswana which were secured to target uranium mineralisation, see **Table 1** above.

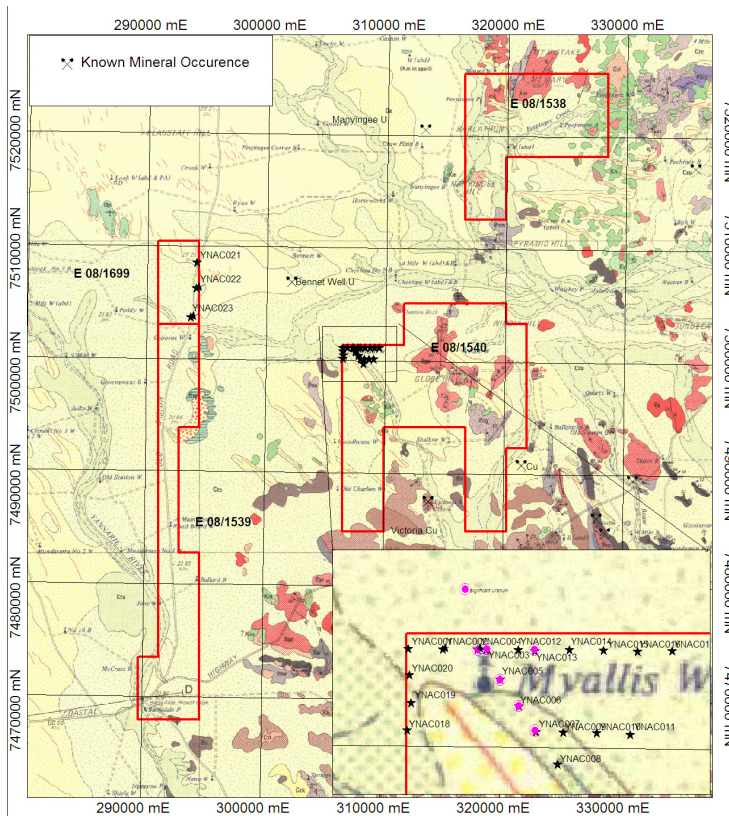
THE YANREY PROJECT

Location

The Yanrey group of tenements is made up of 4 licenses, E08/1699, 1538, 1539, 1540 located 90km south east of Onslow.

The northern tenement (E08/1539) is located 2.5km from the Manyingee paleochannel uranium deposit (Paladin Energy Ltd) and the central tenement (E08/1540) is located 7 km from the Bennet Well paleochannel uranium deposit (Scimitar Resources Ltd). A further area to the southwest oriented in a north-south direction along the old Onslow road consists of two tenements (E08/1538 and E08/1699).

Figure 20 - Drilling by Dynasty Metals



continue to drain the uranium enriched granites.

Dynasty Exploration

Dynasty's geological exploration work included mapping, sampling and hand held spectrometer surveys; together with airborne EM survey and the drilling of 23 Aircore holes. The Electro Magnetic surveys (EM) identified several paleochannels.

Geology

The project area covers the contact between the younger Cretaceous rocks of the Carnarvon Basin and the underlying Paleoproterozoic granite and metamorphic sedimentary and igneous rock sequences of the Ashburton Province. There are extensive paleochannel development within the Carnarvon Basin sediments.

Exploration and Project Summary

Exploration on the Yanrey tenements is targeting uranium sourced from the Proterozoic Granites of the Gascoyne Province and concentrated in paleochannels.

Exploration and discoveries in the area has confirmed the presence of paleochannel mineralisation. The granites represent a source of uranium.

Substantial ancient river beds preserved in the form of paleochannels exist within the mature terrain. These paleochannels

Reconnaissance drilling on some of these paleochannels returned anomalous grade estimates of up to 627ppm eU₃O₈ (calculated from gamma log) within a 2.1 m zone of 295ppm eU₃O₈ confirming the presence of uranium mineralisation in these paleochannels.

Table 6 - Selected Gamma Log Results.

| Hole Number | Easting | Northing | Average grade (ppm, eU ₃ O ₈) | Thickness (m) | Depth from (m) | Depth to (m) | Maximum (ppm eU ₃ O ₈) |
|-------------|---------|----------|--|---------------|----------------|--------------|---|
| YNAC003 | 307302 | 7501197 | 150.2 | 0.85 | 32.97 | 33.82 | 180 |
| YNAC003 | | Incl | 168.8 | 0.25 | 33.42 | 33.67 | 180 |
| YNAC003 | | | 224.6 | 0.70 | 40.87 | 41.57 | 320 |
| YNAC003 | | Incl | 253.6 | 0.55 | 40.92 | 41.47 | 320 |
| YNAC003 | | And | 290.2 | 0.30 | 41.02 | 41.32 | 320 |
| YNAC003 | | | 146.9 | 0.85 | 41.92 | 42.77 | 198 |
| YNAC003 | | Incl | 181.2 | 0.30 | 42.32 | 42.62 | 198 |
| YNAC003 | | | 170.7 | 0.70 | 57.87 | 58.57 | 220 |
| YNAC003 | | Incl | 213.6 | 0.25 | 58.17 | 58.42 | 220 |
| YNAC004 | 307205 | 7501206 | 197.5 | 0.60 | 32.77 | 33.37 | 299 |
| YNAC004 | | incl | 258.3 | 0.30 | 32.92 | 33.22 | 299 |
| YNAC004 | | | 316.9 | 0.60 | 36.32 | 36.92 | 518 |
| YNAC004 | | Incl | 374.2 | 0.45 | 36.42 | 36.87 | 518 |
| YNAC004 | | and | 395.5 | 0.40 | 36.47 | 36.87 | 518 |
| YNAC004 | | | 110.0 | 0.20 | 38.32 | 38.52 | 116 |
| YNAC004 | | | 169.5 | 0.50 | 58.12 | 58.62 | 225 |
| YNAC004 | | Incl | 196.2 | 0.30 | 58.27 | 58.57 | 225 |
| YNAC004 | | | 136.4 | 0.95 | 59.67 | 60.62 | 155 |
| YNAC005 | 307470 | 7500840 | 114.8 | 0.90 | 31.49 | 32.39 | 127 |
| YNAC005 | | | 158.4 | 0.50 | 35.89 | 36.39 | 205 |
| YNAC005 | | incl | 183.2 | 0.30 | 35.99 | 36.29 | 205 |
| YNAC005 | | | 120.5 | 0.80 | 41.49 | 42.29 | 132 |
| YNAC005 | | | 141.7 | 0.60 | 47.19 | 47.79 | 179 |
| YNAC005 | | | 163.4 | 1.30 | 60.14 | 61.44 | 229 |
| YNAC005 | | Incl | 188.4 | 0.80 | 60.49 | 61.29 | 229 |
| YNAC005 | | And | 217.7 | 0.30 | 60.84 | 61.14 | 229 |
| YNAC006 | 307690 | 7500510 | 177.2 | 1.65 | 35.18 | 36.83 | 292 |
| YNAC006 | | Incl. | 219.1 | 0.95 | 35.43 | 36.38 | 292 |
| YNAC006 | | and | 260.9 | 0.45 | 35.48 | 35.93 | 292 |
| YNAC006 | | | 294.9 | 2.10 | 41.18 | 43.28 | 627 |
| YNAC006 | | Incl | 406.3 | 1.15 | 41.53 | 42.68 | 627 |
| YNAC006 | | And | 576.2 | 0.30 | 42.08 | 42.38 | 627 |
| YNAC007 | 307895 | 7500200 | 171.4 | 1.85 | 44.24 | 46.09 | 314 |
| YNAC007 | | Incl | 200.8 | 1.15 | 44.34 | 45.49 | 314 |
| YNAC007 | | And | 268.7 | 0.35 | 44.39 | 44.74 | 314 |
| YNAC007 | | and | 298.5 | 0.20 | 44.44 | 44.64 | 314 |
| YNAC013 | 307865 | 7501190 | 113.2 | 0.30 | 45.54 | 45.84 | 122 |

Future Exploration

The next phase of work is planned to include further more detailed delineation of paleochannels deploying suitable geophysical or remote sensing techniques with follow-up drilling of the targets defined through interpretation of the geophysical results.

BEE WELL

Location

The Bee Well tenement, E09/1347, is located 230km south of Onslow on the Barradale to Maroonah Road.

Geology

The Bee Well Uranium Project is situated within the southern half of the Proterozoic Gascoyne Province and is dominated by Proterozoic Granitoids of the Minnie Creek batholiths.

The Gascoyne Province is that part of a Palaeoproterozoic orogenic belt not covered by major sedimentary basins and flanked by the Mesoproterozoic Bangemall Basin to the north and the Archaean Yilgarn Craton to the south.

Exploration and Project Summary

Exploration on the Bee Well tenement is targeting both surficial uranium in calcrete sourced from the Proterozoic Granites of the Gascoyne Province and primary uranium deposits. There is also some gold, base metal and iron potential within the area. The tenements are in the vicinity of known Uranium carnotite mineralisation in Calcrete which has formed within recent sediments.

Bee Well contains highly prospective ground in the vicinity of known mineralized areas with little exploration history. It represents a good opportunity for a grassroots discovery.

Future Exploration

Geological mapping, rock chip sampling, geochemical surveys and magnetic surveys will be undertaken so as to define the location of possible uranium, gold and iron mineralisation which will be subject to intensive follow-up exploration.

HECTOR BORE

Location

The Hector Bore Uranium project consists of three tenements, E09/1204, E09/1310, E09/1339.

The project is located in the Gascoyne region 270 km east of Carnarvon and approximately 130 km east of Gascoyne Junction. Access is via dry weather gravel roads from Gascoyne Junction to Mooloo Station, then via privately maintained station tracks.

Geology

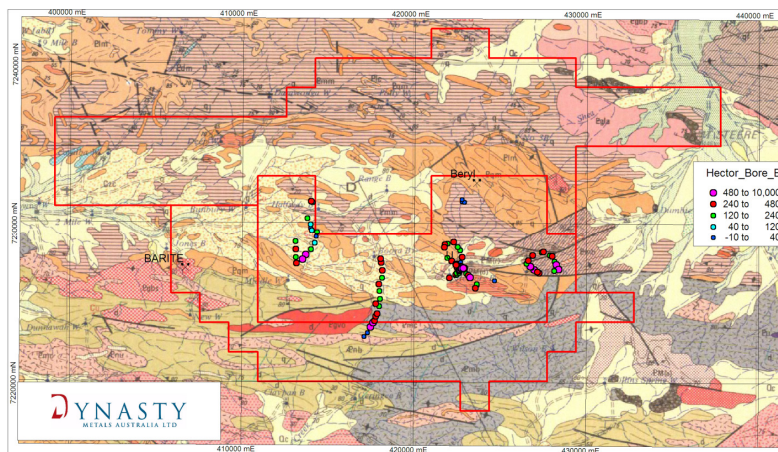
The Hector Bore Uranium Project is located within the southern part of the Paleoproterozoic Gascoyne Complex on the southern side of a major faulted boundary between an area dominated by rocks of the Durlacher and Morarie Supersuites. The southern area of the Complex consists mainly of Halfway Gneiss Formation and Moogie Metamorphics Supergroup (Williams et al. 1983). This boundary is marked by a series of WNW-trending faults and shear zones.

The Gascoyne Complex is bounded by the Bangemall Basin to the north and the Yilgarn Craton to the south.

Approximately 30% of the tenement area is covered by Tertiary and Quaternary colluvium and alluvium, silt, sand, gravel and rubble. Quartz muscovite-biotite schist, gneiss, and foliated micaceous quartzite of the Morrissey Metamorphic Suite are the predominant exposed rock types in the area and biotite granite gneiss is also present.

Exploration and Project Summary

Figure 21 – Dynasty Metals Sampling, Regional Geology



Exploration on the Hector Bore tenement is targeting both surficial uranium in calcrete sourced from the Proterozoic Granites of the Gascoyne Province and primary uranium deposits.

There is also some gold and base metal potential within the area.

The tenements contain known uranium mineralisation at Hector Bore as well as several interesting targets such as pegmatites and a barite occurrence.

Dynasty Exploration

The work by dynasty has included geological evaluation and desktop studies of available public domain data. There has been rockchip sampling and hand held spectrometer surveys. A total of 26 soil geochemical samples were taken and analysed but returned generally low values. The spectrometer work showed several zones of high response. See **Figure 21** for location of sampling.

Future Exploration

Previous exploration in the area will be fully examined and all the historical data collated and evaluated. Radiometric surveys will be undertaken to identify the most prospective areas. Follow-up exploration focused on the identified prospective areas, the Hector Bore carnotite and the beryl and barite occurrences will be undertaken.

GLEN FLORRIE

Location

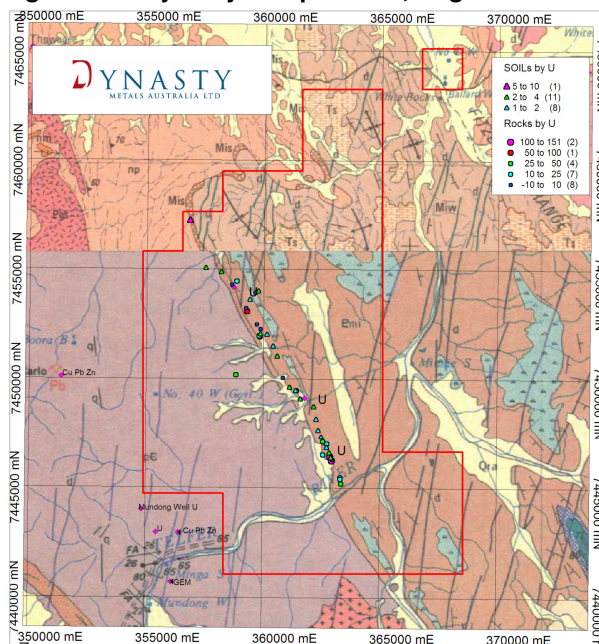
The Glen Florrie project consists of two non-contiguous tenement areas both of which are assigned the same tenement number (E08/1621). The main area of interest is located 43 km southwest of the North West Coastal Highway and 33 km southwest of Uaroo Station Homestead. Glen Florrie homestead lies 30 km to the east.

Geology

The tenement is located within the Capricorn Orogen in the northeastern portion of the Paleoproterozoic Gascoyne Complex and includes a portion of the Mesoproterozoic Edmund Basin (Occhipinti et al 2003, Martin et al 2005). The western half of the tenement area contains older Paleoproterozoic foliated and gneissic granodiorite and tonalite of the Moorarie Supersuite (1805-1785 Ma; Gascoyne Complex) intruded by an equigranular muscovite biotite granodiorite and monzogranite (probably a member of the Dulacher Supersuite).

Mundong Well Cu-U deposit is the main known uranium occurrence in the area. The deposit is located approximately 700 m to the south of the Glen Florrie tenement. Two U-Cu-Pb occurrences are shown on the Edmund 1:250K geological map 3 and 4 km north of the Mundong Well deposit.

Figure 22 – Dynasty Sample Sites, Regional Geology



Exploration and Project Summary

The major focus of exploration on the tenements are surficial uranium in calcrete sourced from the Proterozoic Granites of the Gascoyne province and primary uranium deposits. Glen Florrie lies within a region where there has been limited exploration and the tenement contains prospective areas in the vicinity of known mineralized areas within a geological setting for Uranium mineralisation of several different styles.

Dynasty Exploration

Dynasty's exploration has included geological evaluation and desktop studies of work by previous explorers (BHP and Uranerz). The contact zone between the Gascoyne and Bangemall rock groups was sampled for multi element analyses of 20 rock chips and 18 soils, see **Figure 22**.

The highest result was 151ppm U and the anomalous zones coincided with those identified in the Minedex mineral occurrence database.

Future Exploration

The work to date has identified several broad target zones including the Gascoyne-Bangemall contact zone, the alluvials to the east of this contact and vein deposits similar to the Mundong Well deposit within the Gascoyne complex. Detailed analysis of the Radiometrics, Systematic spectrometer and geochemistry surveys will be undertaken to assist in effectively targeting exploration.

MT PHILLIPS

Location

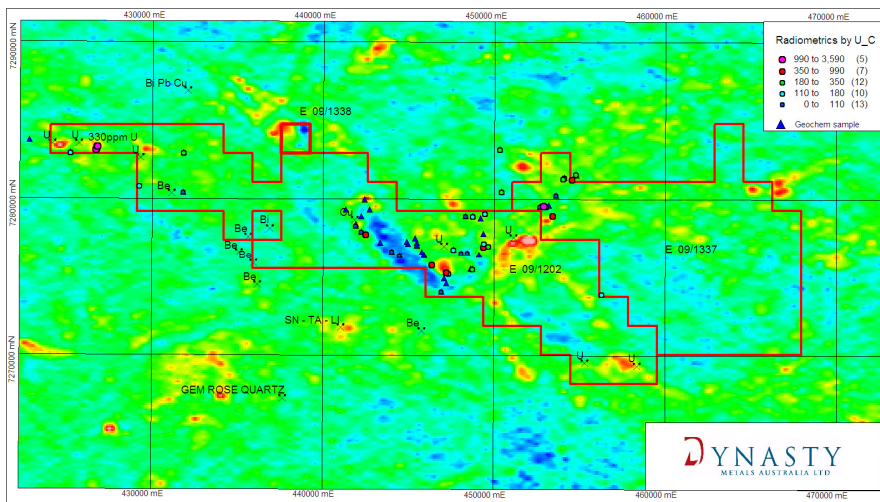
The Mt Phillips Uranium project consists of three contiguous tenements, E09/1202, E09/1337, E09/1338. The region is highly prospective for Uranium and is fully owned by Dynasty Metals Australia Limited.

Exploration and Project Summary

At Mt Phillips the major focus of exploration on the tenements are surficial uranium in calcrete sourced from the Proterozoic Granites of the Gascoyne province and primary uranium deposits.

Radiometrics show several discrete uranium anomalies in a variety of geological settings and which represent strong exploration targets. There is a large radiometric anomaly in an area of recent sediments which may contain a substantial calcrete deposit which is a potential host for uranium mineralisation. There is also a potential for gold and base metal mineralisation in the tenement area.

Figure 23 – Location Mt Phillips Soil Samples



uranium, see **Figure 23**. Three of these samples returned anomalous uranium results between 100 and 330ppm from a discrete uranium anomaly which also showed a strong spectrometer response.

Future Exploration

Completion of the review and evaluation of previous work and further field investigation of the identified uranium anomalies followed by systematic exploration. The large strong anomaly in the central part of the project area will be closely examined for calcrete hosted uranium mineralisation. The Structural Zone which includes the Bangemall Inlier, will be prospected for unconformity style uranium as well as vein hosted uranium, gold and/or base metals.

BOTSWANA

During the reporting period, Dynasty secured exploration rights to 8 properties in Botswana, which are referred to in **Figure 24**.

Dynasty Exploration

The work by Dynasty has included geological evaluation and desktop studies of available public domain data. Geological reconnaissance has been undertaken which has included the collection of rockchip samples and hand held spectrometer surveys.

A total of 73 geochemical samples were taken and analysed for a broad suite of elements including

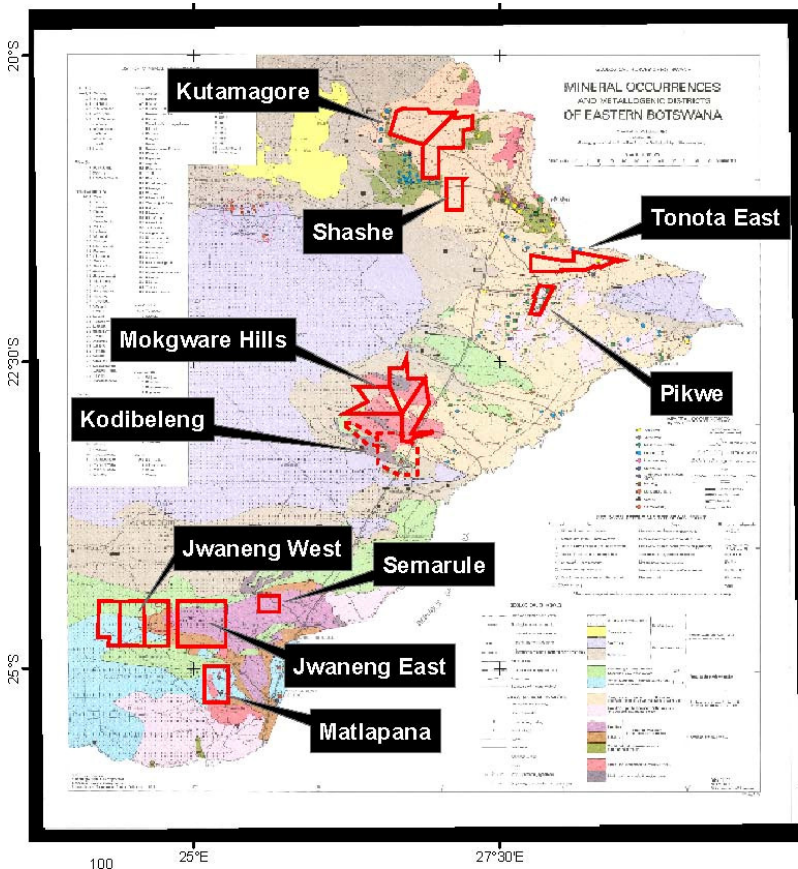
Geology

The oldest rocks in Botswana comprise Archaean basement that underlies the eastern part of the country. The Archaean rocks can be attributed to the Zimbabwe craton in the north, the Kaapvaal craton in the south and the intervening Limpopo Belt (**Figure 24**). The Kaapvaal craton is intruded by the ca 3.0 Ga Gaborone Granite, a multiphase intrusion with a prominent component of coarse-grained, rapakivi-textured granite.

Dioritic to syenitic intrusions of the East and West Kubung Complexes (on Jwaneng East) are thought to be approximately the same age as the Gaborone Granite.

Between 2500 Ma and 1700 Ma, mainly sedimentary cover sequences were deposited unconformably on the Archaean basement. These include the Transvaal Supergroup, followed by the Otse Group, the Waterberg Group and the Palapye Group. These are preserved in the south and central parts of eastern Botswana (Figure 33). At around 2050 Ma, mafic to ultramafic intrusions of the Molopo Farms Complex were emplaced into the Kaapvaal craton. The age of these intrusions is similar to that of the Bushveld mafic-ultramafic intrusion.²

Figure 24 – Geology and Botswana Tenements



Most syenitic complexes, including the Semarule, Segwawa, Moshaneng and Jwaneng syenites are thought to have been intruded after deposition of the Transvaal Supergroup but before deposition of the Waterberg Group.

Younger Proterozoic mobile belts, comprising the Eburnian (ca 2000 – 1800 Ma), the Kibaran (ca 1400 – 1000 Ma) and the Pan-African (ca 1000 – 750 Ma), occur in the west of Botswana. They are largely overlain by Phanerozoic or younger cover sequences and are not discussed further in this report.

Phanerozoic successions were deposited on top of the Archaean and Proterozoic basement complexes. The first of these was the Karoo Supergroup, which includes red beds and important coal measures, and culminated in extensive outpourings of basalt,

the Stormberg Lava Group. The Karoo Supergroup is Carboniferous to Jurassic in age and the final stages of deposition were associated with the break-up and dispersal of Gondwana.

Widespread intrusion of kimberlites and related rocks during the Cretaceous followed deposition of the Karoo Supergroup. Some of these intrusions are associated with diamonds (e.g. at Jwaneng and Orapa).

The Kalahari Beds is an informal term for loosely consolidated sediments that unconformably overlie the Karoo and pre-Karoo rocks. This unit comprises alluvial, lacustrine and eolian sediments, and duricrusts, including ferricrete, calcrete and silcrete. The age of the Kalahari Beds is poorly constrained but is post-Cretaceous.

² Carney et al. (1994)

In combination, the Karoo Supergroup and the Kalahari Beds cover approximately 75% of Botswana's surface area.

Exploration and Project Summary

There was significant exploration for uranium in Botswana in the late 1960's, 1970's and 1980's. Conspicuous airborne radiometric anomalies were identified at Mojabana, Serule and Dukwe, and in the Tuli Block (Gould, 1979). Several styles of uranium mineralisation can be targeted by exploration.

Botswana's only active uranium project is owned by A-cap Resources Limited at Serule. Known as Mokobaesi, it is located on A-cap's Lethlakane tenement. Carnotite at Mokobaesi is partly hosted in calcrete and partly hosted in underlying carbonaceous shale and siltstone of the Lower Karoo Supergroup (Figure 23). No resource has been announced but drilling is currently taking place at the prospect to determine a JORC-compliant resource. Better intersections include 7.2 metres at 1309 ppm U_3O_8 and 16.9 metres at 706 ppm U_3O_8 .

The main conceptual targets for uranium mineralisation are:

- Syenite intrusions, including the Semarule Syenite where secondary uranium minerals on joints had previously been reported.
- The Lower Shoshong Formation of the Transvaal Supergroup which unconformably overlies granite; anomalous radioactivity has been reported from this stratigraphic unit by previous explorers.
- Sedimentary rocks of the Lower Karoo Supergroup, which hosts uranium mineralisation at Mokobaesi, in northern Botswana.
- Calcrete, which is widespread in Botswana and is commonly developed over granite or granite gneiss with high background uranium and thorium.

In Botswana, the extensive calcrete deposits, the hot climate and the high background concentrations of uranium in large granite bodies such as the Gaborone Granite and the Mahalapye Granite should favour the formation of calcrete-hosted uranium deposits. The Mokobaesi uranium deposit in Botswana is partly hosted by calcrete.

Dynasty Exploration

During the reporting period, Dynasty carried out a field investigation of its Botswana tenement portfolio. Other mineral commodities are not covered by these applications. During this visit, relevant radiometric, aeromagnetic and gravity data was acquired, from the Botswana Geological Survey Department.

Radiometric data sets revealed anomalies on or close to Dynasty's tenements that were fully assessed during the field visit.

Future Exploration

Semarule was secured due to reports of secondary uranium minerals found on joints in the Semarule Syenite, which contains high background uranium (up to 53.1 ppm) and thorium (up to 510.4 ppm), particularly in pods, dykes and veins.

Jwaneng East was secured over syenite intrusions shown on geological maps of the Botswana Geological Survey Department which are poorly exposed or entirely covered by Kalahari Sands.

There is no historical evidence that these intrusions host uranium mineralisation but the West Kubung (diorite/syenite) Complex contains disseminated magnetite and pyrite and is also considered as a base and precious metals target.

Calcrete is believed to be widespread on Jwaneng East, either at the surface or at shallow depths, particularly in the Dikhuu Valley. The high background uranium content of the Gaborone Granite, over which the calcrete is developed, suggests some potential for calcrete-hosted uranium mineralisation, despite the disappointing results of this reconnaissance survey.

Jwaneng West was secured because calcrete is thought to exist at shallow depth over much of the tenement area. Where calcrete has developed over or close to the Gaborone Granite, it has the potential to host uranium mineralisation.

The potential of the poorly exposed Dithojana Formation (Transvaal Supergroup) should also be assessed.

Matlapana was secured due to the presence of calcrete-hosted uranium. Iron-rich rocks around the contacts of the Segwawa Syenite may indicate iron metasomatism and significant hydrothermal activity.

Moshaneng was secured for the presence of a syenite-diorite complex which has the potential for base and precious metal mineralisation.

Kodibeleng was secured for the Lower Shoshong Formation, which forms a northwest-trending range of hills. Radioactive anomalies have previously been reported from this stratigraphic unit.

Mogkware Hills covers part of an extensive drainage-related radiometric anomaly (uranium and thorium channels). The nature of this anomaly still needs to be established by reconnaissance prospecting.

The Lower Karoo Supergroup is mineralised at the Mokobaesi uranium prospect and also underlies extensive areas in the northern tenement application. Sedimentary rocks of the Lower Karoo Supergroup are not exposed on the tenement application.

Pikwe contains Lower Karoo Supergroup rocks which are locally exposed immediately south of the Lethlakane Fault at the northern end of the Pikwe tenement application, but are mostly hidden under alluvial cover. The Lower Karoo Supergroup hosts uranium mineralisation at Mokobaesi, which is also located close to the Lethlakane Fault.

Tonota East contains Gneisses of the Northern Zone of the Limpopo Belt which may have high background uranium but are unlikely to contain economic uranium mineralisation. It is recommended that the Tonota East application be relinquished.

Shashe is underlain by granite gneiss (mainly Jankie Gneiss) which are thought to have a low prospectivity for uranium.

Kutamagore was secured due to the presence of a small radiometric anomaly (uranium and thorium channels) on eastern Kutamagore; together with other radiometric anomalies to the east of the tenement area.

The Kutamagore tenement also has some potential for nickel sulphides associated with a small ultramafic intrusion and for base metal mineralisation in cordierite-anthophyllite schist that forms a remnant of the Matsitama greenstone belt.

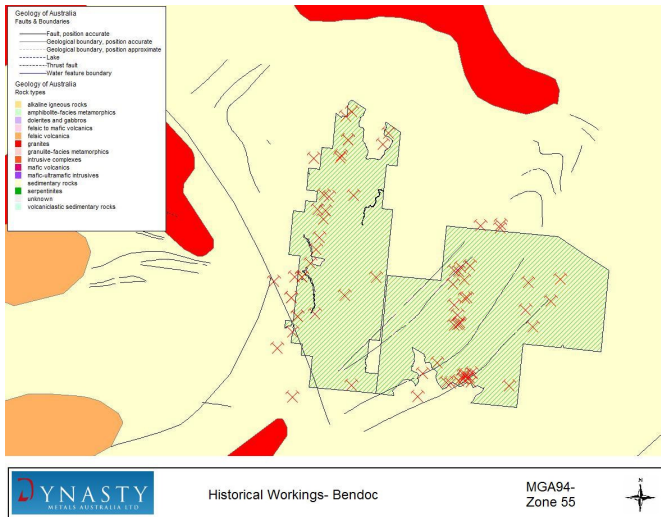
Future Exploration

Dynasty will implement specific programmes targeting the potential mineralisation identified from the 2007/2008 exploration programmes.

GOLD PROJECTS

BENDOC AND BONANG

Figure 25 – Historical Workings Bendoc



Location

Bendoc (EL4799) and Bonang (EL4824) are located in eastern Victoria on the NSW boarder, 100 km north of Orbest. Combined, these tenements cover a total area of approximately 400 km². Bendoc is a town of less than 200 residents supported by logging, saw milling and intensive agriculture. The majority of the services are provided by the town of Delegate which is located 5 km north of the Victorian border in NSW.

Exploration and Project Summary

Historically, this area has been particularly active by both alluvial and primary reef miners. Gold grades recovered from quartz reefs are reported to average 57 g/t gold.

Over 40,000 ounces are reported to have been produced from the Bendoc and Bonang mineral fields from numerous workings, see **Figure 25**.

Figure 26 – Mineralised Zones and Shoots Bendoc

Modern exploration has used a combination of geochemistry and geophysics to identify suitable anomalies for drilling. A substantial drill programme was undertaken by Zephyr Minerals between 1994 to 1996 and was designed to test a region of elevated geochemical anomalism and primary vein-hosted historical workings.

The drilling returned anomalous results which were interpreted by Zephyr to fall in several mineralized zones or shoots, see **Figure 26**.

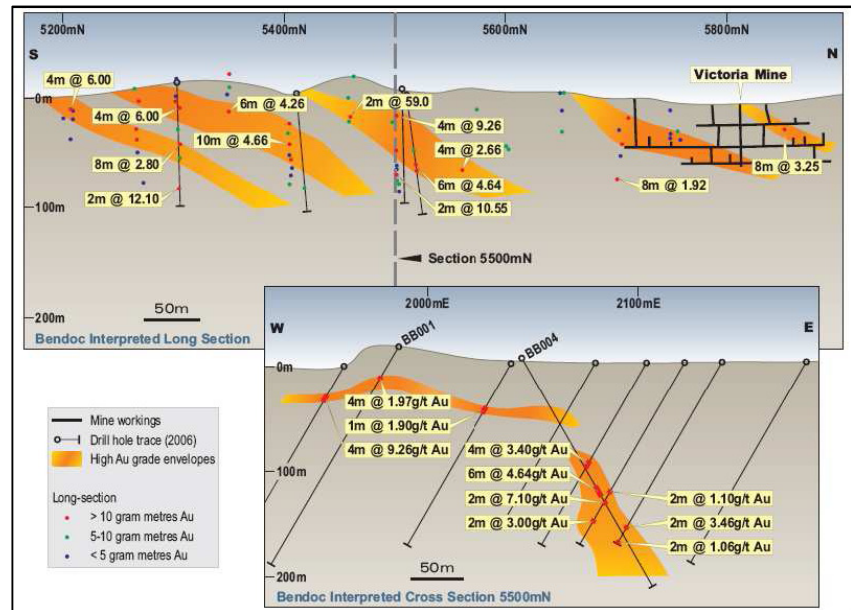
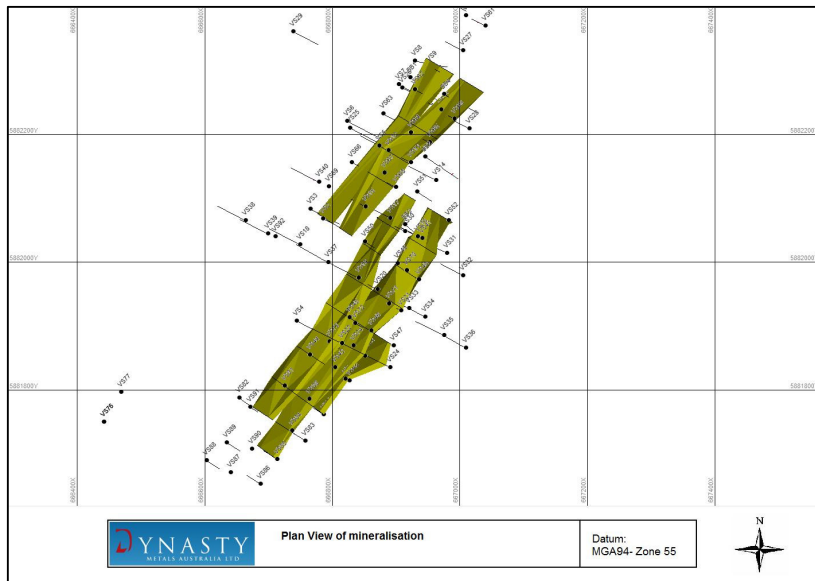


Figure 27 – Mineralised Shoots Bendoc**Dynasty Exploration**

Throughout the Bendoc Bonang tenements, a total of 252 geochemical samples (both rock chip and sediment samples) were collected. The majority of these samples were taken near existing workings. Peak values are recorded from rock chip sampling recorded in excess of 10g/t gold and ten samples contained grades >1g/t gold. These results from these samples represent significant exploration targets to be followed up by further drilling.

Dynasty Metals conducted a drilling campaign around the Victoria Star area comprising

four diamond drill holes each of which reached a depth greater than 120 m. Drill hole BB4 recorded numerous significant intercepts with broad scale mineralization from 57.4m to 81.5 m (i.e. 24.1 m) having an average grade of over 2 g/t Au. This zone included 6m @ 4.64g/t Au from 71m and 2m @ 7.19 g/t Au from 79.5m.

The drilling confirmed the existence of pervasive mineralisation in shoots which has the potential to be commercially viable, see **Figure 27**.

Future Exploration

Dynasty's exploration targeted previously known mineralized areas which had been historically worked. The majority of the tenement remains under explored. Future exploration will employ detailed geophysics and multi-element geochemistry with the aim to generate significant primary targets. Parallel structures identified in regional mapping also represent prospective structural targets.

HYDEN**Location**

The Hyden tenements are located approximately 90 km east of Hyden and approximately 350 km south east of Perth. They surround the Forrestania Gold mine and can be accessed by traveling east along the East Hyden Bin Road from the township of Hyden and continuing east along the adjoining Hyden Norseman Road until turning south at the intersection of Forrestania Southern Cross Road. The tenement area can be accessed by tracks off to the east approximately 20 kilometers south along the Forrestania Southern Cross Road.

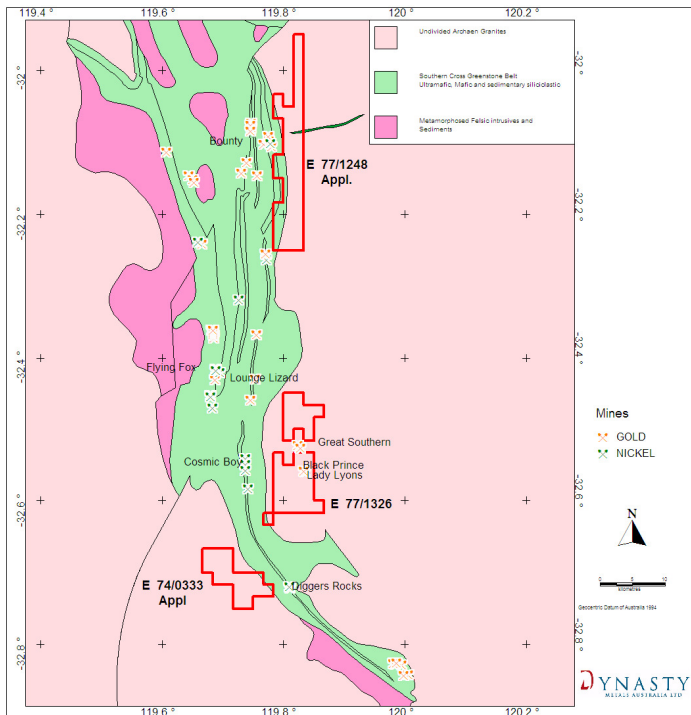
Geology

The main Tenement area are to the east of the margin of the Forrestania Greenstone Belt which is the southern extension of the Southern Cross Greenstone Belt and approximately 35 km of the southern termination of the belt. The tenement area is underlain by late Archaean granitoids which form a sheared contact with the greenstone belt.

Mafic amphibolite, crops out in the Forrestania Greenstone Belt. Serpentinite and talc-carbonate-tremolite schist units also form part of the belt within this area. Only minor outcrops of granite occur adjacent to the tenement area. The area is known for its ridges of banded iron formation (BIF); e.g. at Iron Cap.

A favourable feature of the zone in which the tenement is located is that it is close to a deviation in the regional strike orientation of the greenstone belt and consequently, may have been associated with a heterogeneous stress field and associated dilational and compressional zones during the time of gold mineralization. Quaternary regolith consisting of white to yellow sand and playa lakes and related sediments overlying a Tertiary laterite crust covers most of the tenement area, see **Figure 28**.

Figure 28 – Geology and Hyden Tenements



Exploration and Project Summary

The region has had extensive exploration efforts for both nickel and gold mineralisation. There has been limited work on the tenements. There are two small abandoned mines located on the southern portion of tenement E77/1326 (Black Prince and Lady Lyons). This tenement surrounds the historic Great Southern Gold Mine and is near the Flying Fox and Cosmic Boy Nickel Mines. E77/1248 is next to the Bounty Gold Mine and the southern E74/0333 is to the west of the Diggers Rocks Nickel mine.

The gold occurs in quartz vein hosts in shears and nickel in Komatiite flows within greenstones.

The Southern Cross region contains several >1 million ounce deposits and is considered highly prospective.

Future Exploration

Compilation of any previous work in the area is the first priority followed by identification of structurally and geologically prospective targets using available geophysical and geological datasets. Following this, ground geophysics, surface geochemistry and RAB drilling will be completed to evaluate the prospects.

DIRECTORS' REPORT

The Directors present the following report for the financial year ended 30 June 2008.

DIRECTORS

The Directors at any time during or since the end of the year are:

Richard Oh (Chairman) CA, MAICD – Director since 29 October 2007

Richard has been a Chartered Accountant with 35 years experience including being a stock broker principal for more than 12 years. He was a founding shareholder and director of two boutique stock broking firms in Perth and held positions of executive director and managing director in these firms. As a stockbroker he was instrumental in the listing of numerous companies including resources exploration companies. He has also previously held positions of chairman, director and company secretary at various times in resources, property and industrial list and unlisted public companies.

Richard is currently the non executive Chairman of Accent Resources NL, an ASX listed company. He is also a Founding Director of Capital & Corporate Advisors Pty Ltd, a licensed securities dealer company that he established with a firm of Chartered Accountants. He is also a member of the Australian Institute of Company Directors and a foundation member of the West Australian Chinese Chamber of Commerce.

Lewis Tay (Executive Director) BSc, DipAF – Director since 17 January 2008

Lewis Tay has a Bachelor of Science Degree and also holds a Graduate Diploma of Applied Finance. He has been actively and successfully involved in property development, commodity trading, and share market investment particularly in Australian resource companies over the last 15 years. In that time he has established some healthy and useful business relationships with various Australian, Chinese and Japanese companies. These relationships together with his extensive contacts could be invaluable to the company's future fortunes.

Graham Anderson (Non-Executive Director/Company Secretary) BBus, DipFP, CA- Director since 6 August 2004

Graham Anderson is a Chartered Accountant who operates his own specialist accounting and management consultancy practice. From 1990 to 1997 he was an audit partner of Duesburys and from 1997 to 1999 he was an audit partner at Horwath Perth. He is a Chairman and Company Secretary of APA Financial Services Ltd, Director and Company Secretary of Echo Resources Limited, Pegasus Metals Limited and Company Secretary of Apex Minerals NL, Mamba Minerals Limited and Catalpa Resources Limited. Graham was appointed as Chairman of Dynasty Metals Australia Limited on 6 September 2007.

Malcolm Carson (Technical Director) BSc (Geology) MSc (Nat Res Mgt) UWA – Appointed on the 29 October 2007

Mr Carson has broad qualifications and experience in the mining sector. His formal qualifications include a BSc (Geology) and an MSc in Natural Resource Management (economics, resource management and environment). Since 1970, Mr Carson has worked in many aspects across the mineral resource industry including exploration, mining, environmental approvals, business development commercial evaluation, manufacturing, banking and finance, corporate and government. He has a depth of experience in all these areas and worked in Australia, Africa and Asia.

Mr Carson commenced his career as an exploration geologist focusing on coal, nickel and gold. As an exploration geologist he contributed to the discovery of coal, nickel and gold deposits in Australia and Africa which were developed into long term profitable working mines.

After working as an exploration geologist Mr Carson spent several years as a senior executive in the public sector responsible for the facilitation of resources development and in the investment banking sector in project and corporate finance and treasury.

Garry Hemming (Non-Executive Director) – Resigned on 15 August 2008

Garry Hemming was appointed on the 29 October 2007 and resigned on 15 August 2008

Rita Brooks (Managing Director) – Resigned on 26 October 2007

Rita Brooks was appointed on the 6 August 2006 and resigned on 26 October 2007

Andrew Stocks (Non-Executive Director) – Appointed on the 29 October 2007

Andrew Stocks was appointed on the 24 July 2007 and resigned on 29 October 2007.

David McSweeney – Resigned on 6 September 2007

David McSweeney was appointed on the 8 January 2007 and resigned on 6 September 2007.

DIRECTORS' REPORT (Continued)

DIRECTORS' INTERESTS

As at the date of this report the relevant interest of each Director in the shares and options of the Company are:

| | Shares | | Options | |
|------------|-------------|----------------|-------------|----------------|
| | In own name | In other names | In own name | In other names |
| R Oh | — | — | — | — |
| L Tay | 3,088,409 | — | 2,211,820 | — |
| G Anderson | — | 1,000,000 | — | 500,000 |
| M Carson | — | — | — | — |

PRINCIPAL ACTIVITY

The principal activity of the Company is exploration for mineral resources.

REVIEW OF OPERATIONS AND RESULTS

Details of the operations of the Company are set out in the Review of Operations on pages 4 to 26.

The Company incurred an after tax operating loss of \$2,987,487 (2007: Loss \$1,058,156).

DIVIDENDS

No dividend is recommended for the current year.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the year the Company:

- Raised \$3,429,537 through a conversion of 16,835,187 listed options at 20 cents each and 250,000 unlisted options at 25 cents each.
- Sold the Laverton Nickel Project for \$400,000 fully paid shares in Poseidon Nickel Limited.
- Sold the Stella Range tenement E39/1066 for \$75,000 to Sulphide Resources Limited.
- Entered into a Farm-In agreement with Tiaro Coal to have the right to acquire up to 51% interest in EPC 956 and EPC 957.

In the opinion of the Directors, there were no other significant changes in the state of affairs of the Company that occurred during the year under review not disclosed in this report or in the financial statements.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Subsequent to the end of the Financial Year, the Company:

- Paid \$750,000 as part of the first initial payment to the Tiaro Coal Joint Venture to acquire up to 51% interest in EPC 956 and EPC 957
- Issued 5,150,000 unlisted options exercisable at \$0.20 expiring 30 November 2009 as a satisfaction of distribution, promotion and marketing services rendered.

No other matters have arisen since 30 June 2008 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2008, of the Company; or
- the results of those operations; or
- the state of affairs, in financial years subsequent to 30 June 2008, of the Company .

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments in the operations of the Company have been set out in the Review of Operations. Further information on the likely developments and expected results of operations of the Company has not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Company.

DIRECTORS' REPORT (Continued)

MEETINGS OF DIRECTORS

The following table sets out the number of meetings the Directors held during the year ended 30 June 2008.

There were a total of eight Directors' Meetings held during the year.

| Director | Number Eligible to Attend | Number Attended |
|--|---------------------------|-----------------|
| Richard Oh (Appointed 29 October 2007) | 3 | 3 |
| Lewis Tay (Appointed 17 January 2008) | 2 | 2 |
| Graham Anderson | 8 | 8 |
| Malcolm Carson (Appointed 29 October 2007) | 3 | 3 |
| Garry Hemming (Appointed 29 October 2007 and resigned on 15 August 2008) | 3 | 3 |
| Rita Brooks (Resigned 26 October 2007) | 4 | 4 |
| David McSweeney (Resigned 6 September 2007) | 2 | 2 |
| Andrew Stocks (Resigned 29 October 2007) | 4 | 4 |

AUDIT COMMITTEE

The Company has established an Audit Committee that comprises the full Board of the Company. The Audit Committee did not meet during the year.

ENVIRONMENTAL ISSUES

The Company's policy is to comply with all relevant legislation and best practice conventions in respect of its exploration and mining activities on the tenements it holds.

DIRECTORS' BENEFITS

Since the date of the last Directors' Report, no Director has received, or become entitled to receive, (other than a remuneration benefit included in Note 16 to the financial statements), a benefit because of a contract that:

- (a) the Director; or
- (b) a firm of which the Director is a member; or:
- (c) an entity in which the Director has a substantial financial interest; has made (during the year ended 30 June 2008, or at any other time) with the Company; or
- (d) an entity that the Company controlled, or a body corporate that was related to the Company, when the contract was made or when the Director received, or became entitled to receive, the benefit (if any).

REMUNERATION REPORT (AUDITED)

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation
- E Additional information

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

DIRECTORS' REPORT (Continued)

A Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market practice for delivery of reward. The Board ensures that executive rewards satisfies the following key criteria for good reward governance practises:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage/alignment of executive compensation
- transparency and capital management

The Group has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

Alignment to shareholders' interests:

- has economic profit as a core component of plan design
- focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value
- attracts and retains high calibre executives.

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards
- provides recognition for contribution

The framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives. As executives gain seniority with the Group, the balance of this mix shifts to a higher proportion of "at risk" rewards.

The Board has established a remuneration committee which provides advice on remuneration and incentive policies and practises and specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors. The Corporate Governance Statement provides further information on the role of this committee.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Board has also considered the advice of independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration.

Directors' fees

The current base remuneration was last reviewed with effect from 17 January 2008. The Chairman's and other non-executive directors remuneration is inclusive of committee fees.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$200,000 per annum and was approved by shareholders at the General Meeting on 24 July 2007.

B Details of remuneration

Amounts of remuneration

Details of the remuneration of the directors, the key management personnel of the Group (as defined in AASB 124 *Related Party Disclosures*) and specified executives of the Group are set out in the following tables:

DIRECTORS' REPORT (Continued)**B Details of remuneration (Continued)**

| Directors & Highest Paid Executives Remuneration | | | | | | | | | |
|--|-------------------------------|----------------|--------------|------------------------|---------------------|---------------|----------------|------------------------------------|--------------|
| | PRIMARY | | | POST EMPLOYMENT | | EQUITY | | Remuneration Consisting of Options | TOTAL |
| Directors | Salary, Fees & Superannuation | Other services | Non-Monetary | Super-annuation | Retirement Benefits | Options | Other benefits | | \$ |
| Richard Oh - Chairman (Appointed 27 October 2007) | | | | | | | | | |
| 2008 | 34,000 | 34,030 | 577 | - | - | - | - | - | 68,607 |
| 2007 | - | - | - | - | - | - | - | - | - |
| Lewis Tay - Executive Director (Appointed 17 January 2008) | | | | | | | | | |
| 2008 | 50,000 | - | 1,905 | - | - | 174,800 | - | 78% | 226,705 |
| 2007 | - | - | - | - | - | - | - | - | - |
| Graham Anderson - Non Executive Director | | | | | | | | | |
| 2008 | 42,750 | 59,850 | 1,162 | - | - | 39,515 | - | 29% | 143,277 |
| 2007 | 60,000 | - | - | - | - | - | 3,969 | - | 63,969 |
| Malcolm Carson - Non Executive Director (Appointed 27 October 2007) | | | | | | | | | |
| 2008 | 24,000 | 14,048 | 322 | - | - | - | - | - | 38,370 |
| 2007 | - | - | - | - | - | - | - | - | - |
| Garry Hemming - Non Executive Director (Appointed 27 October 2007 and resigned on the 15 August 2008) | | | | | | | | | |
| 2008 | 24,000 | 21,240 | 383 | - | - | - | - | - | 45,623 |
| 2007 | - | - | - | - | - | - | - | - | - |
| Rita Brooks - Managing Director (Resigned 26 October 2007) | | | | | | | | | |
| 2008 | 40,000 | 26,264 | 562 | - | - | - | - | - | 66,826 |
| 2007 | 120,000 | - | - | - | - | - | 3,969 | - | 123,969 |
| David McSweeney - Chairman (Resigned 6 September 2007) | | | | | | | | | |
| 2008 | 6,000 | - | 1,163 | 2,400 | - | 128,775 | - | 94% | 138,338 |
| 2007 | 18,000 | - | - | 7,200 | - | - | 3,969 | - | 29,169 |
| Andrew Stocks - Non Executive Director (Resigned 29 October 2007) | | | | | | | | | |
| 2008 | 8,333 | 68,000 | 926 | 750 | - | 32,194 | - | 78% | 110,203 |
| 2007 | 57,865 | - | - | 960 | - | - | 3,970 | - | 62,795 |
| Peter Andrews - Non Executive Director (Resigned 25 January 2007) | | | | | | | | | |
| 2008 | - | - | - | - | - | - | - | - | - |
| 2007 | 35,167 | - | - | - | - | - | 3,969 | - | 39,136 |
| Total Remuneration Directors | | | | | | | | | |
| 2008 | 229,083 | 223,432 | 7,000 | 3,150 | - | 375,284 | - | - | 837,949 |
| 2007 | 291,032 | - | - | 8,160 | - | - | 19,846 | - | 319,038 |

DIRECTORS' REPORT (Continued)

C Service Agreements

The details of service agreements of the key management personnel of Dynasty Metals Australia Limited and the Group are as follow:

Mr Malcolm Carson – Technical Director

- Term of agreement – 6 months commencing 1st September 2008
- A remuneration of \$10,000 per month plus 500,000 unlisted options exercisable at \$0.20 each expiring 1 September 2010. The issue of the options are subject to shareholders approval in the forthcoming Annual General Meeting in November 2008.
- A minimum of one month notice is required in the event of termination.

There are no other service agreements in place.

D Share-based compensation

Options granted to Directors' and officers of the Company

During the year, Mr David McSweeney received 1,000,000 unlisted options exercisable at \$0.25 each expiring 10 January 2010 and 1,000,000 unlisted options exercisable at \$0.40 each expiring 10 January 2010. These options lapsed on the 5 November 2007 due to his resignation as a Director from the Company.

Mr Andrew Stocks also received 250,000 unlisted options exercisable at \$0.25 each expiring 10 January 2010 and 250,000 unlisted options exercisable at \$0.40 each expiring 10 January 2010. Mr Stocks exercised 250,000 unlisted options at \$0.25 during the year. The remaining 250,000 unlisted options lapsed on the 3 December 2007 due to his resignation as a Director from the Company.

In addition, Mr Lewis Tay and Mr Graham Anderson were granted 2,211,820 and 500,000 options exercisable at \$0.35 expiring 28 February 2010 respectively on the 16 May 2008 after shareholders' approval on a General Meeting. Mr Tay and Mr Anderson converted 2,211,820 (2007: Nil) and 500,000 (2007: Nil) options at \$0.20 each during the year.

E Additional Information

Options and rights over equity instruments granted as compensation

Details of options over ordinary shares in the Company that were granted as compensation to each key management person during the past two years and details of options that were vested during the past two years are as follows:

| Directors | Number of options granted during 2008 | Grant date | Fair value per option at grant date (\$) | Exercise price per option (\$) | Expiry date | Number of options vested during 2008 |
|-----------------|--|------------|---|---|-------------|--|
| Lewis Tay | 2,211,820 | 16/05/08 | \$0.079 | \$0.35 | 28/02/10 | 2,211,820 |
| Graham Anderson | 500,000 | 16/05/08 | \$0.079 | \$0.35 | 28/02/10 | 500,000 |
| David McSweeney | 1,000,000 | 24/07/07 | \$0.13 | \$0.25 | 10/01/10 | 1,000,000 |
| | 1,000,000 | 24/07/07 | \$0.13 | \$0.40 | 10/01/10 | - |
| Andrew Stocks | 250,000 | 24/07/07 | \$0.13 | \$0.25 | 10/01/10 | 250,000 |
| | 250,000 | 24/07/07 | \$0.13 | \$0.40 | 10/01/10 | - |

The fair value of the share options granted during the year at date of grant using the Black Scholes option valuation methodology was 11.29 cents each or a total of \$214,315 for the 2,711,820 options issued to Mr Lewis Tay and Mr Graham Anderson. The material assumptions used in valuing the options were a share price of 31 cents, an exercise price of \$0.35, a risk free interest rate of 7.25%, an expiry date of 28 February 2010 and a volatility factor of 70%. The derived figure per share option was discounted by 30% to reflect that the options are unlisted and 'out of the money'.

The fair value of the options is recognised as an expense over the period from grant to vesting date. The amount recognised as part of share-based payments expense during the year was \$214,315.

DIRECTORS' REPORT (Continued)**E Additional Information (continued)**

A further \$160,968 was expensed for the unlisted options issued to Mr McSweeney and Mr Stocks. The fair value of the share options granted using the Black Scholes option valuation methodology was 12.88 cents each. The material assumptions used in valuing the options were a share price of 30 cents, an exercise price of \$0.25, a risk free interest rate of 6.25%, an expiry date of 10 January 2010 and a volatility factor of 50%.

There was no options and rights over equity instruments granted as compensation to key management person in 2007.

No options have been granted since the end of the financial year. The options were provided at no cost to the recipients.

Details of options over ordinary shares in the Company that were granted as compensation to each key management person during the reporting period and details of options that were exercised during the reporting period are as follows:

| | Value of options granted during 2008 (A) \$ | Value of options exercised during the year (B) \$ | Value of options lapsed during the year (C) \$ |
|------------------|---|---|--|
| Directors | | | |
| Lewis Tay | 174,800 | - | - |
| Graham Anderson | 39,515 | - | - |
| David McSweeney | 128,775 | - | 128,775 |
| Andrew Stocks | 32,194 | 62,500* | - |

* The value of options exercised prior to resignation.

- The value of options granted in the year is the fair value of the options calculated at grant date using a Black Scholes option valuation methodology. The total value of the options granted is included in the table above.
- The value of options exercised during the year is calculated as the market price of shares of the Company on the Australian Securities Exchange as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.
- The value of the options that lapsed during the year represents the benefit forgone and is calculated at the date the option lapsed using a Black-Scholes Options Valuation model with no adjustments for whether the performance criteria have or have not been achieved.

Details of ordinary shares in the Company that were issued to each key management person on the exercise of compensation options during the reporting period are as follows:

| | Shares issued No. | Weighted Average Exercise Price Paid per share \$ | Unpaid per share \$ |
|------------------|----------------------|--|------------------------|
| Directors | | | |
| Andrew Stocks | 250,000 | 0.25 | - |

There is no other additional information other than the information disclosed above.

Shares issued on exercise of options

During or since the end of the financial year, the Company issued 16,835,187 ordinary shares at 20 cents each and 250,000 ordinary shares at 25 cents each as a result of the exercise of options.

Options outstanding

Unissued ordinary shares of Dynasty Metals Australia Limited under option at the date of this report are as follow:

| Date options granted | Expiry date | Issue price of shares | Number under option |
|----------------------|------------------|-----------------------|---------------------|
| 30 January 2007 | 31 December 2009 | \$0.30 | 200,000 |
| 30 January 2007 | 31 December 2009 | \$0.30 | 300,000 |
| 20 May 2008 | 28 February 2010 | \$0.35 | 20,917,029 |
| 15 September 2008 | 30 November 2009 | \$0.20 | 5,150,000 |
| | | | 26,567,029 |

DIRECTORS' REPORT (Continued)

INDEMNIFICATION

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company (as named above), the Company Secretary, and all executive officers of the Company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporation Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The Company has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer of the Company or of any related body corporate against a liability incurred as such an officer.

NON-AUDIT SERVICES

During the year Stantons International, the Company's Auditor, has not performed any other services in addition to their statutory duties. Auditors' remuneration is disclosed in Note 24.

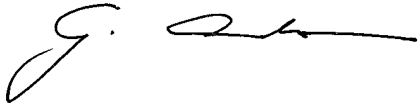
The Board has considered the non-audit services provided during the year by the Auditor and in accordance with written advice provided by resolution of the Directors of the Company, is satisfied that the provision of those non-audit services during the year by the Auditor is compatible with, and did not compromise, the Auditor independence requirements of the Corporations Act 2001 for the following reason:

- (a) the non-audit services provided do not undermine the general principles relating to Auditor independence as set out in APES 110-Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the Auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 38.

Signed in accordance with a resolution of the Directors

Dated 30 September 2008

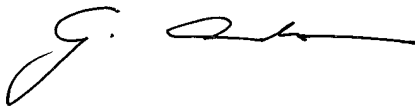


GRAHAM ANDERSON
Director

DIRECTORS' DECLARATION

- 1) In the opinion of the Directors:
 - (a) the financial statements and notes of the Company, as set out on pages 39 to 60, are in accordance with the Corporations Act 2001 including:
 - i) giving true and fair view of the Company's financial position as at 30 June 2008 and of the performance for the year then ended; and
 - ii) complying with Accounting Standards and Corporations Regulations 2001; and
 - iii) The audited remuneration disclosures as set out in the Directors' report comply with the Accounting Standard AASB 124: Related Party Disclosures and the Corporation Act 2001
 - 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
- 2) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2008.

This declaration is signed in accordance with a resolution of the Board of Directors.



GRAHAM ANDERSON
Director

Perth, Western Australia
Dated 30 September 2008

Stantons International

ABN 41 103 088 697

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WEST PERTH WA 6005, AUSTRALIA
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DYNASTY METALS AUSTRALIA LIMITED

Report on the Financial Report and the AASB 124 remuneration disclosures contained in the Directors' Report

We have audited the accompanying financial report of Dynasty Metals Australia Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the Directors' Report under the heading "remuneration report" on pages 29 to 33.

Directors' responsibility for the Financial Report and the AASB 124 remuneration disclosures contained in the Directors' Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the 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. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report of the Group, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The directors of the Company are also responsible for the remuneration disclosures contained in the Directors' Report.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is also to express an opinion on the remuneration disclosures contained in the Directors' Report based on our audit.

Member of Russell Bedford International



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the Directors' Report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the Directors' Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the Directors' Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the Directors' Report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion on the financial report

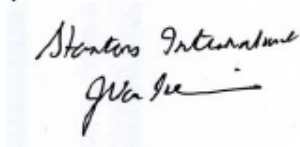
In our opinion:

- (a) the financial report of Dynasty Metals Australia Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report of the Group also complies with International Financial Reporting Standards as disclosed in note 2(a)

Auditor's opinion on the AASB 124 remuneration disclosures contained in the directors' report

In our opinion the remuneration disclosures that are contained in pages 29 to 33 of the Directors' Report comply with section 300 A of the *Corporations Act 2001*.

STANTONS INTERNATIONAL
(An Authorised Audit Company)



J P Van Dieren
Director

West Perth, Western Australia
30 September 2008

Stantons International

ABN 41 103 088 697

LEVEL 1, 1 HAVELOCK STREET
WEST PERTH WA 6005, AUSTRALIA
PH: 61 8 9481 3188 • FAX: 61 8 9321 1204
www.stantons.com.au

30 September 2008

Board of Directors
Dynasty Metals Australia Limited
Suite 2, 35 - 37 Havelock Street
WEST PERTH
WA 6005

Dear Sirs

RE: 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 Audit Director for the audit of the financial statements of Dynasty Metals Australia Limited for the year ended 30 June 2008, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely
STANTONS INTERNATIONAL
(Authorised Audit Company)



John Van Dieren
Director

INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

| | | 30 June 2008 | | 30 June 2007 | |
|--|-------------|---------------------|--------------------|---------------------|--------------------|
| | Note | Consolidated | Company | Consolidated | Company |
| | | \$ | \$ | \$ | \$ |
| Interest received | | 301,437 | 301,437 | 191,685 | 191,685 |
| Sale of tenements | | 475,000 | 475,000 | - | - |
| Exploration expenses | 3 | (2,444,177) | (2,444,177) | (805,496) | (805,496) |
| Marketing expenses | | - | - | (38,109) | (38,109) |
| Occupancy expenses | | (29,724) | (29,724) | (11,345) | (11,345) |
| Share based payments | | (383,360) | (383,360) | (30,224) | (30,224) |
| Administration expenses | | (906,663) | (896,009) | (364,667) | (364,667) |
| (Loss) from ordinary activities before related income tax expense | | (2,987,487) | (2,976,833) | (1,058,156) | (1,058,156) |
| Income tax attributed to operating loss | 4 | - | - | - | - |
| (Loss) after Income Tax | | (2,987,487) | (2,976,833) | (1,058,156) | (1,058,156) |
| Earnings/(loss) per share | | | | | |
| Basic (cents per share) | 18 | (6.388) | (6.388) | (3.264) | (3.264) |
| Diluted (cents per share) | 18 | (6.388) | (6.388) | (3.264) | (3.264) |

The accompanying notes form part of these financial statements

**BALANCE SHEET
AS AT 30 JUNE 2008**

| | Note | 2008 | | 2007 | |
|--------------------------------------|------|------------------|------------------|------------------|------------------|
| | | Consolidated | Company | Consolidated | Company |
| | | \$ | \$ | \$ | \$ |
| Current Assets | | | | | |
| Cash and cash equivalents | 5 | 4,743,757 | 4,742,687 | 4,070,617 | 4,070,617 |
| Trade and other receivables | 6 | 199,952 | 209,984 | 78,668 | 78,668 |
| Total Current Assets | | <u>4,943,709</u> | <u>4,952,671</u> | <u>4,149,285</u> | <u>4,149,285</u> |
| Non-Current Assets | | | | | |
| Other financial assets | 7 | 2,537,518 | 2,537,682 | 711,115 | 711,115 |
| Plant and equipment | 8 | 36,838 | 36,838 | 33,157 | 33,157 |
| Total Non-Current Assets | | <u>2,574,356</u> | <u>2,574,520</u> | <u>744,272</u> | <u>744,272</u> |
| Total Assets | | <u>7,518,065</u> | <u>7,527,191</u> | <u>4,893,557</u> | <u>4,893,557</u> |
| Current Liabilities | | | | | |
| Trade and other payables | 9 | 912,214 | 911,818 | 107,076 | 107,076 |
| Total Current Liabilities | | <u>912,214</u> | <u>911,818</u> | <u>107,076</u> | <u>107,076</u> |
| Total Liabilities | | <u>912,214</u> | <u>911,818</u> | <u>107,076</u> | <u>107,076</u> |
| Net Assets | | <u>6,605,851</u> | <u>6,615,373</u> | <u>4,786,481</u> | <u>4,786,481</u> |
| Equity | | | | | |
| Contributed equity | 10 | 9,311,253 | 9,311,253 | 6,013,938 | 6,013,938 |
| Accumulated losses | 11 | (4,705,668) | (4,695,014) | (1,718,181) | (1,718,181) |
| Unrealised gain reserve | 12 | 1,585,550 | 1,585,550 | 460,500 | 460,500 |
| Share option reserve | 13 | 413,584 | 413,584 | 30,224 | 30,224 |
| Foreign currency translation reserve | 14 | 1,132 | - | - | - |
| Total Equity | | <u>6,605,851</u> | <u>6,615,373</u> | <u>4,786,481</u> | <u>4,786,481</u> |

The accompanying notes form part of these financial statements

CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

| | Note | 30 June 2008 | | 30 June 2007 | |
|---|------|-------------------------|-------------------------|-------------------------|-------------------------|
| | | Consolidated \$ | Company \$ | Consolidated \$ | Company \$ |
| Cash Flows from operating activities | | | | | |
| Interest received | | 220,449 | 220,449 | 174,943 | 174,943 |
| Payments to suppliers and employees | | (2,603,405) | (2,594,443) | (1,131,974) | (1,131,974) |
| Net cash flows (used in) operating activities | | <u>(2,382,956)</u> | <u>(2,373,994)</u> | <u>(957,031)</u> | <u>(957,031)</u> |
| Cash flows from investing activities | | | | | |
| Proceeds from sale of tenements | | 75,000 | 75,000 | - | - |
| Payments for equity investments | | (300,000) | (300,000) | - | - |
| Loan to subsidiary | | - | (10,032) | - | - |
| Payments for property, plant and equipment | | (16,219) | (16,219) | (35,944) | (35,944) |
| Net cash flows (used in) investing activities | | <u>(241,219)</u> | <u>(251,251)</u> | <u>(35,944)</u> | <u>(35,944)</u> |
| Cash flows from financing activities | | | | | |
| Payments of cost of share issues | | (132,222) | (132,222) | (65,000) | (65,000) |
| Proceeds from issue of shares | | 3,429,537 | 3,429,537 | 2,105,309 | 2,105,309 |
| Net cash flows from/(used in) financing activities | | <u>3,297,315</u> | <u>3,297,315</u> | <u>2,040,309</u> | <u>2,040,309</u> |
| Net increase in cash and cash equivalents | | 673,140 | 672,070 | 1,047,334 | 1,047,334 |
| Cash and cash equivalents at beginning of the period | | <u>4,070,617</u> | <u>4,070,617</u> | <u>3,023,283</u> | <u>3,023,283</u> |
| Cash and cash equivalents at end of the period | 5 | <u>4,743,757</u> | <u>4,742,687</u> | <u>4,070,617</u> | <u>4,070,617</u> |

RECONCILIATION OF OPERATING LOSS AFTER INCOME TAX TO NET CASH FLOWS USED IN OPERATING ACTIVITIES

| | | | | |
|---|---------------------------|---------------------------|-------------------------|-------------------------|
| Operating (loss) after tax | (2,987,487) | (2,976,833) | (1,058,156) | (1,058,156) |
| Non-cash items | | | | |
| Depreciation and amortisation | 12,538 | 12,538 | 5,147 | 5,147 |
| Share based payment expense | 383,360 | 383,360 | 30,224 | 30,224 |
| Interest reinvested in bank guarantee | (1,353) | (1,353) | - | - |
| Proceeds from sale of tenement | (400,000) | (400,000) | - | - |
| Cash items | | | | |
| Proceeds from sale of tenement not classified as operating activities | (75,000) | (75,000) | - | - |
| Changes in operating assets and liabilities, net of effects from purchase of controlled entities | | | | |
| (Increase)/decrease in receivables | (111,252) | (121,285) | 13,300 | 13,300 |
| (Increase)/decrease in other assets | - | - | (1,115) | (1,115) |
| (Decrease)/increase in payables | 796,238 | 804,579 | 53,569 | 53,569 |
| Net cash flows (used in) operating activities | <u>(2,382,956)</u> | <u>(2,373,994)</u> | <u>(957,031)</u> | <u>(957,031)</u> |

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2008

| | Issued Capital | Unrealised Gain Reserve | Option Reserve | Foreign Currency Reserve | Accumulated Losses | Total Equity |
|---|-------------------|-------------------------------|-------------------|--------------------------------|-----------------------|-----------------|
| CONSOLIDATED | | | | | | |
| Balance at 30 June 2006 | 3,973,630 | - | - | - | (660,025) | 3,313,605 |
| Issue of share capital | 2,105,308 | - | - | - | - | 2,105,308 |
| Share capital raising costs | (65,000) | - | - | - | - | (65,000) |
| Gain/Loss on available for sale investments | - | 460,500 | - | - | - | 460,500 |
| Recognition of share based payments | - | - | 30,224 | - | - | 30,224 |
| Loss for the year | - | - | - | - | (1,058,156) | (1,058,156) |
| Balance at 30 June 2007 | 6,013,938 | 460,500 | 30,224 | - | (1,718,181) | 4,786,481 |
| Issue of share capital | 3,429,537 | - | - | - | - | 3,429,537 |
| Share capital raising costs | (132,222) | - | - | - | - | (132,222) |
| Gain/Loss on available for sale investments | - | 1,125,050 | - | - | - | 1,125,050 |
| Recognition of share based payments | - | - | 383,360 | - | - | 383,360 |
| Recognition on foreign exchange | - | - | - | 1,132 | - | 1,132 |
| Loss for the year | - | - | - | - | (2,987,487) | (2,987,487) |
| Balance at 30 June 2008 | 9,311,253 | 1,585,550 | 413,584 | 1,132 | (4,705,668) | 6,605,851 |

| | Issued Capital | Unrealised Gain Reserve | Option Reserve | Foreign Currency Reserve | Accumulated Losses | Total Equity |
|---|-------------------|-------------------------------|-------------------|--------------------------------|-----------------------|-----------------|
| COMPANY | | | | | | |
| Balance at 30 June 2006 | 3,973,630 | - | - | - | (660,025) | 3,313,605 |
| Issue of share capital | 2,105,308 | - | - | - | - | 2,105,308 |
| Share capital raising costs | (65,000) | - | - | - | - | (65,000) |
| Gain/Loss on available for sale investments | - | 460,500 | - | - | - | 460,500 |
| Recognition of share based payments | - | - | 30,224 | - | - | 30,224 |
| Loss for the year | - | - | - | - | (1,058,156) | (1,058,156) |
| Balance at 30 June 2007 | 6,013,938 | 460,500 | 30,224 | - | (1,718,181) | 4,786,481 |
| Issue of share capital | 3,429,537 | - | - | - | - | 3,429,537 |
| Share capital raising costs | (132,222) | - | - | - | - | (132,222) |
| Gain/Loss on available for sale investments | - | 1,125,050 | - | - | - | 1,125,050 |
| Recognition of share based payments | - | - | 383,360 | - | - | 383,360 |
| Loss for the year | - | - | - | - | (2,976,833) | (2,976,833) |
| Balance at 30 June 2008 | 9,311,253 | 1,585,550 | 413,584 | - | (4,695,014) | 6,615,373 |

The accompanying notes form part of these financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1 CORPORATE INFORMATION

The financial report of Dynasty Metals Australia Ltd (the Company) for the year ended 30 June 2008 was recognised for issue in accordance with a resolution of the Directors on 26 September 2008.

The Company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Company are described in review of operations.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with Australian Accounting Standards (AASBs) (including the Australian interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial report of the Group also complies with the International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board.

b) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The Group's (incorporating Dynasty Metals Australia Limited "parent entity", Dunblane Enterprise Pty Ltd, Scorpion Resources Pty Ltd and Dynasty Botswana Limited) and the parent entity's assessment of the impact of new standards and interpretations that may affect the Group is set out below.

(i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8.

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group has not yet decided when to adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

(ii) Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12].

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Group, as the Group does not have any borrowings.

(iii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101.

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group intends to apply the revised standard from 1 July 2009.

c) Interest in Joint Venture Operations

The Company's interest in joint venture operations is accounted for by recognizing the Company's assets and liabilities from the joint venture, as well as expenses incurred by the Company's share of income earned from the joint venture, in the financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)

d) Property, Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Plant and equipment is depreciated on the straight-line method at the rate of 22.5% - 40%.

Motor vehicles is depreciated on the straight-line method at the rate of 22.5%.

Impairment

The carrying values of plant and equipment are viewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An item of property, plant and equipment is recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is recognised.

e) Exploration and Evaluation Expenditure

The Company has adopted the policy of expensing all exploration and evaluation expenditure in relation to its mineral tenements as incurred.

f) Recoverable Amount of Assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or group of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the assets (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease (refer note 2(d)).

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase (refer note 2(d)).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)

g) Financial Assets

Investments are recognised and recognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the income statement.

Gains or losses on available-for-sale investments are recognised directly in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as “loans and receivables”. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

h) Financial Instruments Issued by the Company

Financial liabilities are classified as either financial liabilities “at fair value through profit or loss” or other financial liabilities.

Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)

i) **Cash and Cash Equivalents**

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statements, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

j) **Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects come or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expenses relating to any provision is presented in the income statement net of any reimbursement.

k) **Operating Leases**

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability. Lease payments received reduce the liability.

l) **Revenue**

Revenue is recognised to the extent that is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific criteria must also be met before revenue is recognised:

Interest Income

Interest income is recognised as it accrues.

m) **Income Tax**

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- Except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combinations and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of the unused tax assets and unused tax losses can be recognised:

- Except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized; and
- A deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

n) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at present value of the estimated future cash outflows to be made for those benefits.

o) Share-based Payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a Black Scholes Model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest.

The above policy is applied to all equity-settled share-based payments that were granted after 7 November 2002 that vested after 1 January 2005. No amount has been recognised in the financial statements in respect of the other equity-settled share-based payments.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

p) Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

q) Significant accounting judgements, estimates and assumptions

Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Recovery of deferred assets

Deferred tax assets are recognised for deductible temporary differences when management considers that it is probable that future taxable profits will be available to utilize those temporary differences.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black and Scholes model, using the assumptions detailed below. The Group measures the cost of cash-settled share-based payments

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)

at fair value at the grant date using a black and scholes formula taking into account the terms and conditions upon which the instruments were granted.

r) Basis of consolidation

The consolidated financial statements comprise the financial statements of Dynasty Metals Australia Limited ("Company") and its subsidiaries ("Group"). The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. All intercompany balances and transactions, including unrealized profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the Company has control.

s) Comparatives figures

Comparative figures have been restated when necessary.

t) Foreign currency translations

Transactions in foreign currencies are translated to the functional currencies of group entities at the foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to functional currency at the foreign exchange rate at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to functional currency at foreign exchange rates ruling at the dates the fair value was determined.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)

| | 2008 | | 2007 | |
|--|--------------------|------------------|--------------------|----------------|
| | \$ Consolidated | \$ Company | \$ Consolidated | \$ Company |
| NOTE 3. EXPLORATION AND EVALUATION EXPENDITURES | | | | |
| Exploration/evaluation expenditure written off | 2,444,177 | 2,444,177 | 805,496 | 805,496 |
| | <u>2,444,177</u> | <u>2,444,177</u> | <u>805,496</u> | <u>805,496</u> |

NOTE 4. INCOME TAX

The prima facie tax on operating (loss) is reconciled to the income tax provided in the financial statements as follows:

| | | | | |
|--|------------------|------------------|----------------|----------------|
| Prima facie tax on operating (loss) at 30% | (896,246) | (893,050) | (317,447) | (317,447) |
| Permanent differences: | | | | |
| Capital raising costs | (26,784) | (26,784) | (18,464) | (18,464) |
| Accrued income | (17,334) | (17,334) | (4,688) | (4,688) |
| Provisions | 405 | 405 | 3,020 | 3,020 |
| Non deductible | 1,931 | 1,931 | - | - |
| Share based payment | 115,008 | 115,008 | 9,067 | 9,067 |
| Income tax benefit not brought to account | 823,020 | 819,824 | 328,512 | 328,512 |
| Income tax expense | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Deferred Tax Assets | | | | |
| Capital raising costs | 73,867 | 73,867 | 59,053 | 59,053 |
| Provisions | 5,116 | 5,116 | 4,711 | 4,711 |
| Unused tax losses | 1,434,858 | 1,431,662 | 611,838 | 611,838 |
| | <u>1,513,841</u> | <u>1,510,645</u> | <u>675,602</u> | <u>675,602</u> |
| Deferred Tax Liabilities | | | | |
| Unrealised gain on investments | 475,665 | 475,665 | 68,850 | 68,850 |
| Accrued Interest | 23,891 | 23,891 | 6,556 | 6,556 |
| Net recognised deferred tax balances | <u>1,014,285</u> | <u>1,011,089</u> | <u>600,196</u> | <u>600,196</u> |

The benefit for tax losses will only be obtained if:

- the Company derives future assessable income of a nature and an amount sufficient to enable the benefit from the deductions for the losses to be recognised;
- the Company continues to comply with the conditions for deductibility imposed by Law; and
- No changes in tax legislation adversely affect the ability of the Company to recognise these benefits.

NOTE 5. CASH AND CASH EQUIVALENTS

Reconciliation of cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

| | | | | |
|--------------|------------------|------------------|------------------|------------------|
| Cash at bank | 1,454,931 | 1,453,861 | 20,617 | 20,617 |
| Term deposit | 3,288,826 | 3,288,826 | 4,050,000 | 4,050,000 |
| | <u>4,743,757</u> | <u>4,742,687</u> | <u>4,070,617</u> | <u>4,070,617</u> |

There is a \$10,000 in the term deposit which is subject to indemnity guarantee on a tenement.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)

| | 2008 | | 2007 | |
|--|--------------------|----------------|--------------------|---------------|
| | \$ Consolidated | \$ Company | \$ Consolidated | \$ Company |
| NOTE 6. TRADE AND OTHER RECEIVABLES | | | | |
| Other Receivables | 45,480 | 55,512 | 23,044 | 23,044 |
| Prepayments | 6,604 | 6,604 | 11,416 | 11,416 |
| Accrued Interest | 79,635 | 79,635 | 21,853 | 21,853 |
| GST receivable | 68,233 | 68,233 | 22,355 | 22,355 |
| | <u>199,952</u> | <u>209,984</u> | <u>78,668</u> | <u>78,668</u> |

Receivables

These amounts generally arise from transactions during usual operating activities of the consolidated entity and are non-interest bearing. These amounts do not contain any impaired receivables, and are not considered overdue.

NOTE 7. OTHER FINANCIAL ASSETS

| | | | | |
|---|------------------|------------------|----------------|----------------|
| Term deposit for bank guarantee | 22,468 | 22,468 | 21,115 | 21,115 |
| Investments in listed companies at fair value | 2,515,050 | 2,515,050 | 690,000 | 690,000 |
| Investment in subsidiaries (refer Note 25) | - | 164 | - | - |
| | <u>2,537,518</u> | <u>2,537,682</u> | <u>711,115</u> | <u>711,115</u> |

Term deposit for bank guarantee relate to indemnity guarantee over tenements.

The investment in listed companies at fair value relate to an agreement with Atlas Iron Ltd, whereby Atlas Iron Ltd has acquired the iron ore rights on the North Shaw project tenement E45/2728. Dynasty received 500,000 Atlas Iron Ltd shares and retained a 2% of gross sales revenue royalty.

Dynasty holds 0.17% (2007: 0.24%) of the ordinary share capital of Atlas Iron Ltd, a Company involved in iron ore exploration. The Directors of Dynasty do not believe that the Company is able to exert significant influence over Atlas Iron Ltd. The market value at 24 September 2008 for Atlas Iron Ltd is \$842,500.

The investments in listed companies at fair value also relates to 227,978 shares received by Poseidon Nickel Limited as part of a consideration received for the sale of the Laverton Nickel tenements.

Dynasty holds 0.14% (2007: 0%) of the ordinary shares capital of Poseidon Nickel Ltd, a Company involved in nickel exploration. The Directors of Dynasty do not believe that the Company is able to exert significant influence over Poseidon Nickel Ltd. The market value at 24 September 2008 for Poseidon Nickel Ltd is \$96,891.

During the year, Dynasty also invested \$300,000 in Fairstar Resources Limited for 2,000,000 ordinary shares with 1,000,000 free options attached.

Dynasty holds 0.54% (2007: 0%) of the ordinary shares capital of Fairstar Resources Limited, a Company involved in nickel exploration. The Directors of Dynasty do not believe that the Company is able to exert significant influence over Fairstar Resources Limited. The market value at 24 September 2008 for Fairstar Resources Limited are \$260,000 (Ordinary Shares) and \$50,000 (Options).

NOTE 8. PLANT AND EQUIPMENT

| | Computer Equipment at cost \$ | Motor Vehicle at cost \$ | Office Equipment at cost \$ | Total \$ |
|---|--|--------------------------------|--------------------------------------|-----------------|
| CONSOLIDATED | | | | |
| <i>Gross carrying amount</i> | | | | |
| Balance at 1 July 2006 | 2,489 | - | - | 2,489 |
| Additions | 3,444 | 29,800 | 2,700 | 35,944 |
| Balance at 30 June 2007 | 5,933 | 29,800 | 2,700 | 38,433 |
| Additions | 16,218 | - | - | 16,218 |
| Write off | (128) | - | - | (128) |
| Balance at 30 June 2008 | 22,023 | 29,800 | 2,700 | 54,523 |
| <i>Accumulated depreciation/recognized and impairment</i> | | | | |
| Balance at 1 July 2006 | (128) | - | - | (128) |
| Depreciation expense | (1,289) | (3,353) | (506) | (5,148) |
| Balance at 30 June 2007 | (1,417) | (3,353) | (506) | (5,276) |
| Depreciation expense | (5,225) | (6,704) | (608) | (12,537) |
| Write off | 128 | - | - | 128 |
| Balance at 30 June 2008 | (6,514) | (10,057) | (1,114) | (17,685) |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)

NOTE 8. PLANT AND EQUIPMENT (CONTINUED)

| | Computer Equipment at cost \$ | Motor Vehicle at cost \$ | Office Equipment at cost \$ | Total \$ |
|--|--|--------------------------------|--------------------------------------|-----------------|
| CONSOLIDATED | | | | |
| <i>Net book value</i> | | | | |
| As at 30 June 2007 | 4,516 | 26,447 | 2,194 | 33,157 |
| As at 30 June 2008 | 15,509 | 19,743 | 1,586 | 36,838 |
| COMPANY | | | | |
| <i>Gross carrying amount</i> | | | | |
| Balance at 1 July 2006 | 2,489 | - | - | 2,489 |
| Additions | 3,444 | 29,800 | 2,700 | 35,944 |
| Balance at 30 June 2007 | 5,933 | 29,800 | 2,700 | 38,433 |
| Additions | 16,218 | - | - | 16,218 |
| Write off | (128) | - | - | (128) |
| Balance at 30 June 2008 | 22,023 | 29,800 | 2,700 | 54,523 |
| <i>Accumulated depreciation/recognized in and impairment</i> | | | | |
| Balance at 1 July 2006 | (128) | - | - | (128) |
| Depreciation expense | (1,289) | (3,353) | (506) | (5,148) |
| Balance at 30 June 2007 | (1,417) | (3,353) | (506) | (5,276) |
| Depreciation expense | (5,225) | (6,704) | (608) | (12,537) |
| Write off | 128 | - | - | 128 |
| Balance at 30 June 2008 | (6,514) | (10,057) | (1,114) | (17,685) |
| <i>Net book value</i> | | | | |
| As at 30 June 2007 | 4,516 | 26,447 | 2,194 | 33,157 |
| As at 30 June 2008 | 15,509 | 19,743 | 1,586 | 36,838 |

| | 2008 | | 2007 | |
|---|----------------|----------------|----------------|----------------|
| | Consolidated | Company | Consolidated | Company |
| NOTE 9. TRADE AND OTHER PAYABLES | | | | |
| Trade payables | 144,601 | 144,601 | 61,067 | 61,067 |
| Accruals | 766,559 | 766,000 | 24,241 | 24,241 |
| Other payables | 1,054 | 1,217 | 21,768 | 21,768 |
| | 912,214 | 911,818 | 107,076 | 107,076 |

The average credit period on purchase of goods is within 30 days.

NOTE 10. CONTRIBUTED EQUITY

Issued Capital

| | | | | |
|--|------------------|------------------|------------------|------------------|
| 55,631,312 fully paid ordinary shares (2007: 38,546,125) | 9,752,406 | 9,752,406 | 6,322,869 | 6,322,869 |
| Prospectus Costs | (24,831) | (24,831) | (24,831) | (24,831) |
| Capital Raising Costs | (416,322) | (416,322) | (284,100) | (284,100) |
| | 9,311,253 | 9,311,253 | 6,013,938 | 6,013,938 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)

NOTE 10. CONTRIBUTED EQUITY (CONTINUED)

| | Consolidated | | Company | |
|---|-------------------|------------------|-------------------|------------------|
| | No | \$ | No | \$ |
| Balance at beginning of financial year | 38,546,125 | 6,013,938 | 38,546,125 | 6,013,938 |
| Conversion of share options 13 July 2007 @ \$0.20 | 3,552,812 | 710,562 | 3,552,812 | 710,562 |
| Conversion of share options 15 October 2007 @ \$0.20 | 676,220 | 135,244 | 676,220 | 135,244 |
| Conversion of share options 16 October 2007 @ \$0.20 | 505,655 | 101,131 | 505,655 | 101,131 |
| Conversion of share options 22 October 2007 @ \$0.20 | 428,000 | 85,600 | 428,000 | 85,600 |
| Conversion of share options 28 November 2007 @ \$0.25 | 250,000 | 62,500 | 250,000 | 62,500 |
| Conversion of share options 14 February 2008 @ \$0.20 | 52,500 | 10,500 | 52,500 | 10,500 |
| Conversion of share options 29 February 2008 @ \$0.20 | 615,000 | 123,000 | 615,000 | 123,000 |
| Conversion of share options 14 March 2008 @ \$0.20 | 11,005,000 | 2,201,000 | 11,005,000 | 2,201,000 |
| Costs of share issue | - | (132,222) | - | (132,222) |
| Balance at 30 June 2008 | 55,631,312 | 9,311,253 | 55,631,312 | 9,311,253 |

Movements in listed share options

| | Consolidated No | Company No |
|---|--------------------|---------------|
| Balance at beginning of financial year | 21,768,158 | 21,768,158 |
| Conversion of share options 13 July 2007 @ \$0.20 | (3,552,812) | (3,552,812) |
| Conversion of share options 15 October 2007 @ \$0.20 | (676,220) | (676,220) |
| Conversion of share options 16 October 2007 @ \$0.20 | (505,655) | (505,655) |
| Conversion of share options 22 October 2007 @ \$0.20 | (428,000) | (428,000) |
| Conversion of share options 28 November 2007 @ \$0.25 | (250,000) | (250,000) |
| Conversion of share options 14 February 2008 @ \$0.20 | (52,500) | (52,500) |
| Conversion of share options 29 February 2008 @ \$0.20 | (615,000) | (615,000) |
| Conversion of share options 14 March 2008 @ \$0.20 | (11,005,000) | (11,005,000) |
| Options lapsed | (4,682,971) | (4,682,971) |
| Balance at 30 June 2008 | - | - |

Unlisted Share Options

At 30 June 2008, the Company had on issue 21,417,029 unlisted options. The options carry no rights to dividend and no voting rights. The details of the unlisted options are:

500,000 Unlisted options exercisable at \$0.30 expiring 31 December 2009.

20,917,029 Unlisted options exercisable at \$0.35 expiring 28 February 2010.

Movements in unlisted share options

| | 500,000 | 500,000 |
|---|-------------------|-------------------|
| Balance at beginning of financial year | | |
| Issued to shareholders during the year (exercise price of \$0.35 expiring 28 February 2010) | 20,917,029 | 20,917,029 |
| Balance at 30 June 2008 | 21,417,029 | 21,417,029 |

| | 2008 | | 2007 | |
|---|--------------------|---------------|--------------------|---------------|
| | Consolidated \$ | Company \$ | Consolidated \$ | Company \$ |
| NOTE 11. ACCUMULATED LOSSES | | | | |
| Accumulated losses at beginning of year | (1,718,181) | (1,718,181) | (660,025) | (660,025) |
| Net loss | (2,987,487) | (2,976,833) | (1,058,156) | (1,058,156) |
| Accumulated losses at end of year | (4,705,668) | (4,695,014) | (1,718,181) | (1,718,181) |

NOTE 12. UNREALISED GAIN RESERVE

| | 2008 | 2007 |
|-------------------------------------|--------------------|----------------|
| | Consolidated \$ | Company \$ |
| Balance at beginning of year | 460,500 | - |
| Revaluation increments | 1,125,050 | 460,500 |
| Balance at end of year | 1,585,550 | 460,500 |

The recognised gain reserve arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold that portion of the reserve which relates to that financial asset, and is effectively recognised in the income statement. Where a revalued financial asset is impaired that portion of the reserve which relates to that financial asset is recognised in the income statement.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)

| | 2008 | | 2007 | |
|--|----------------|----------------|---------------|---------------|
| | Consolidated | Company | Consolidated | Company |
| | \$ | \$ | \$ | \$ |
| NOTE 13. SHARE OPTION RESERVE | | | | |
| Balance at beginning of year | 30,224 | 30,224 | - | - |
| Recognition of share based payment expense | 383,360 | 383,360 | 30,224 | 30,224 |
| Balance at end of year | 413,584 | 413,584 | 30,224 | 30,224 |

The share option reserve is used to recognise the fair value of options issued to the consulting geologist and to related parties.

NOTE 14. FOREIGN CURRENCY TRANSLATION RESERVE

| | | | | |
|---|--------------|----------|----------|----------|
| Balance at beginning of year | - | - | - | - |
| Recognition of foreign currency translation | 1,132 | - | - | - |
| Balance at end of year | 1,132 | - | - | - |

NOTE 15. COMMITMENTS FOR EXPENDITURE

(a) Exploration Commitments

The Company must meet the following tenement expenditure commitments to maintain them until they expire or are otherwise disposed of. These commitments are not provided for in the financial statements and are:

| | | | | |
|--|-------------------|-------------------|-------------------|-------------------|
| - not later than one year | 1,567,860 | 1,567,860 | 934,879 | 934,879 |
| - later than one year but not later than two years | 3,181,720 | 3,181,720 | 934,879 | 934,879 |
| - later than two years but not later than five years | 6,417,400 | 6,417,400 | 3,903,895 | 3,903,895 |
| - later than five years | 7,888,900 | 7,888,900 | 6,360,390 | 6,360,390 |
| | 19,055,880 | 19,055,880 | 12,134,043 | 12,134,043 |

(b) Operating Lease Commitments

The Company has no operating lease commitments.

NOTE 16. KEY MANAGEMENT PERSONNEL DISCLOSURE

(a) Key Management Personnel Remuneration

(i) Directors

| | |
|-----------------|---|
| Richard Oh | Chairman – appointed 29 October 2007 |
| Lewis Tay | Executive Director – appointed 17 January 2008 |
| Graham Anderson | Non Executive Director |
| Malcolm Carson | Technical Director – appointed 29 October 2007 |
| Garry Hemming | Non Executive Director – appointed 29 October 2007 and resigned on 15 August 2008 |
| David McSweeney | Chairman – appointed 8 January 2007 and resigned 6 September 2007 |
| Rita Brooks | Managing Director – appointed 6 August 2006 and resigned 26 October 2007 |
| Andrew Stocks | Non Executive Director – appointed 30 January 2007 and resigned 29 October 2007 |

The Company has no other executive personnel.

(b) Summarised Compensation of Key Management Personnel

Summary of non-executive Directors and key management personnel compensation in the following categories are as follows:

| | 2008 | 2007 |
|------------------------------|----------------|----------------|
| Short-term employee benefits | 229,083 | 291,032 |
| Non-monetary benefits | 7,000 | - |
| Other fees | 223,432 | - |
| Post employment benefits | 3,150 | 8,160 |
| Share based payments | 375,284 | 19,846 |
| | 837,949 | 319,038 |

Refer to the Remuneration Report in the Directors' Report for detail compensation disclosure on Non-Executive Directors and key management personnel. The Company has taken advantage of the relief provided by the Corporate Amendments Regulation 2006(4) to transfer the detail compensation disclosures on Non-Executive Directors and key management personnel to the Directors' Report.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)

NOTE 16. KEY MANAGEMENT PERSONNEL DISCLOSURE (CONTINUED)

(c) Key Management Personnel Equity Holdings

| Ordinary Shares Held at 30 June 2008 | Balance 1 July 07 | Granted as remuneration | On exercise of options | Net change other* | Balance 30 June 08 |
|---|------------------------------|------------------------------------|-----------------------------------|------------------------------|-------------------------------|
| Richard Oh | 120,000 | - | - | (120,000) | - |
| Lewis Tay | 2,877,512 | - | - | - | 2,877,512 |
| Graham Anderson | 500,000 | - | - | 500,000 | 1,000,000 |
| Malcolm Carson | - | - | - | - | - |
| Garry Hemming | - | - | - | - | - |
| | 3,497,512 | - | - | 380,000 | 3,877,512 |

| Ordinary Shares Held at 30 June 2007 | Balance 1 July 06 | Granted as remuneration | On exercise of options | Net change other* | Balance 30 June 07 |
|---|------------------------------|------------------------------------|-----------------------------------|------------------------------|-------------------------------|
| David McSweeney | - | - | - | 83,000 | 83,000 |
| Peter Andrews | 1,000,000 | - | - | - | 1,000,000 |
| Rita Brooks | 8,774,705 | - | - | 55,000 | 8,829,705 |
| Andrew Stocks | - | - | - | 44,000 | 44,000 |
| Graham Anderson | 500,000 | - | - | - | 500,000 |
| | 10,274,705 | - | - | 182,000 | 10,456,705 |

| Options Held at 30 June 2008 | Balance 1 July 07 | Granted as per shareholders approval | Options exercised | Net change other | Balance 30 June 08 |
|---|------------------------------|---|------------------------------|-----------------------------|-------------------------------|
| Richard Oh | - | - | - | - | - |
| Lewis Tay | 100,000 | 2,211,820 | - | (100,000) | 2,211,820 |
| Graham Anderson | 500,000 | 500,000 | (500,000) | - | 500,000 |
| Malcolm Carson | - | - | - | - | - |
| Garry Hemming | - | - | - | - | - |
| | 600,000 | 2,711,820 | (500,000) | (100,000) | 2,711,820 |

| Options Held at 30 June 2007 | Balance 1 July 06 | Granted as per shareholders approval | Options exercised | Net change other | Balance 30 June 07 |
|---|------------------------------|---|------------------------------|-----------------------------|-------------------------------|
| David McSweeney | - | - | - | - | - |
| Peter Andrews | 1,000,000 | - | - | (1,000,000) | - |
| Rita Brooks | 3,255,082 | - | - | - | 3,255,082 |
| Andrew Stocks | - | - | - | - | - |
| Graham Anderson | 500,000 | - | - | - | 500,000 |
| | 4,755,082 | - | - | (1,000,000) | 3,755,082 |

* All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

(d) Other transactions and balances with non-executive Directors and key management personnel

During the year, the Group paid Richard Oh & Co \$34,030 for consulting services provided to Dynasty Metals Australia Limited. Mr Richard Oh is a Director of Richard Oh & Co.

The Group paid GDA Corporate \$59,850 for company secretarial, accounting and administration services provided to Dynasty Metals Australia Limited. Mr Graham Anderson is a Director of GDA Corporate.

The Group paid Minerals Resources Consultants Pty Ltd \$14,048 for consulting services provided to Dynasty Metals Australia Limited. Mr Malcolm Carson is a Director of Minerals Resources Consultants Pty Ltd.

The Group paid Roscoria Pty Ltd \$21,240 for consulting services provided to Dynasty Metals Australia Limited. Mr Garry Hemming is a Director of Roscoria Pty Ltd.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)

NOTE 16. KEY MANAGEMENT PERSONNEL DISCLOSURE (CONTINUED)

(e) Other transactions between the Company and its other related parties

Net payables of \$43,063 owing to Companies related by common Director as at year end.

NOTE 17. SHARE-BASED PAYMENTS

During the year, Mr David McSweeney received 1,000,000 unlisted options exercisable at \$0.25 each expiring 10 January 2010 and 1,000,000 unlisted options exercisable at \$0.40 each expiring 10 January 2010. These options lapsed on the 5 November 2007 due to his resignation as a Director from the Company.

Mr Andrew Stocks also received 250,000 unlisted options exercisable at \$0.25 each expiring 10 January 2010 and 250,000 unlisted options exercisable at \$0.40 each expiring 10 January 2010. Mr Stocks exercised 250,000 unlisted options at \$0.25 during the year. The remaining 250,000 unlisted options lapsed on the 3 December 2007 due to his resignation as a Director from the Company.

In addition, Mr Lewis Tay and Mr Graham Anderson were granted 2,211,820 and 500,000 options exercisable at \$0.35 expiring 28 February 2010 respectively on the 16 May 2008 after shareholders' approval on a General Meeting.

500,000 unlisted options were granted to consultant on 20 December 2006, exercisable at 30 cents each on or before 31 December 2009. 200,000 options may only be exercised after first year of grant date. 300,000 options exercisable immediately.

The number and exercise prices of option granted are as follows:

| | No of Options | Exercise price |
|--|------------------|-------------------|
| Outstanding at beginning of year | 500,000 | \$0.30 |
| Granted during the year | | |
| 1,250,000 expiring on 10 January 2010 | 1,250,000 | \$0.25 |
| 1,250,000 expiring on 10 January 2010 | 1,250,000 | \$0.40 |
| 2,711,820 expiring on 28 February 2010 | 2,711,820 | \$0.35 |
| Exercised during the year | | |
| 250,000 expiring on 10 January 2010 | (250,000) | \$0.25 |
| Lapsed during the year | | |
| 1,000,000 expiring 10 January 2010 | (1,000,000) | \$0.25 |
| 1,250,000 expiring 10 January 2010 | (1,250,000) | \$0.40 |
| Outstanding at end of year | <u>3,211,820</u> | |
| Exercisable at end of the year | <u>3,211,820</u> | |

The details of options outstanding at the end of the year are as follow:

500,000 have an exercise price of \$0.30 and a weighted average remaining contractual life of 1.2 years.

2,711,820 have an exercise price of \$0.35 and a weighted average remaining contractual life of 1.5 years

The fair value of the share options granted during the year at date of grant using the Black Scholes option valuation methodology was 7.9 cents each or a total of \$214,315 for the 2,711,820 options. The material assumptions used in valuing the options were a share price of 31 cents, an exercise price of \$0.35, a risk free interest rate of 7.25%, an expiry date of 28 February 2010 and a volatility factor of 70%. The derived figure per share option was discounted by 30% to reflect that the options are unlisted and 'out of the money'.

The fair value of the options is recognised as an expense over the period from grant to vesting date. The amount recognised as part of share-based payments expense during the year was \$214,315.

During the year, \$160,968 was expensed for the unlisted options issued to Mr McSweeney and Mr Stocks. The fair value of the share options granted using the Black Scholes option valuation methodology was 12.88 cents each. The material assumptions used in valuing the options were a share price of 30 cents, an exercise price of \$0.25, a risk free interest rate of 6.25%, an expiry date of 10 January 2010 and a volatility factor of 50%.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)

NOTE 18. EARNINGS PER SHARE

| | 2008 | | 2007 | |
|--|---------------|---------------|---------------|---------------|
| | Consolidated | Company | Consolidated | Company |
| Basic loss per share (cents per share) | (6.388) | (6.388) | (3.264) | (3.264) |
| Amount used in the calculation of basic EPS | \$(2,987,487) | \$(2,976,833) | \$(1,058,156) | \$(1,058,156) |
| Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share | 46,767,973 | 46,767,973 | 32,416,010 | 32,416,010 |

The options of the Company are not considered dilutive for the purpose of the calculation of diluted earnings per share as their conversion to ordinary shares would not decrease the net profit per share nor increase the net loss per share. Consequently, diluted earnings per share is the same as basic earnings per share.

NOTE 19. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

Risk management is carried out under the policies approved by the Board of Directors. The Board identifies and evaluates the risk and takes appropriate measures to minimize the risk.

The Group and the parent entity hold the following financial instruments

| | 2008 | | 2007 | |
|-------------------------------------|------------------|------------------|------------------|------------------|
| | Consolidated | Company | Consolidated | Company |
| | \$ | \$ | \$ | \$ |
| Financial assets | | | | |
| Cash and cash equivalents | 4,743,757 | 4,742,688 | 4,070,617 | 4,070,617 |
| Trade and other receivables | 193,348 | 203,381 | 67,252 | 67,252 |
| Available-for-sale financial assets | 2,515,050 | 2,515,050 | 690,000 | 690,000 |
| Other financial assets | 22,468 | 22,468 | 21,115 | 21,115 |
| | 7,474,623 | 7,483,587 | 4,848,984 | 4,848,984 |
| Financial liabilities | | | | |
| Trade and other payable | 162,214 | 161,819 | 107,076 | 107,076 |
| | 162,214 | 161,819 | 107,076 | 107,076 |

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally in Botswana and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Australian dollar and Pula (Botswana currency).

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities dominated in a currency that is not the entity's functional currency and net investments in foreign operations. The functional and presentation currency of Dynasty Metals Australia Limited is Australian Dollar.

Transactions in Botswana are minimal and the exposure to foreign exchange risk is limited.

Group and parent sensitivity

Based on the financial instruments held at 30 June 2008, had the Australian dollar weakened/strengthened by 10% against the Pula with all other variables held constant, there would be no material impact on the Group's and parent's income statement.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)

NOTE 19. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Price risk

The Group and the parent entity are exposed to equity securities price risk. This arises from investments held by the Group and classified on the balance sheet as available-for-sale. Neither the Group nor the parent entity is exposed to commodity price risk.

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

All of the Group's and parent entity's equity investments are publicly traded and are included in the Australian Securities Exchange.

The table below summarises the impact of increases/decreases of these investments on the Group's and the parent entity's equity. As all investments held by the Group and parent entity is classified as available-for-sale, there will be no impact on the post-tax profit of the Group and the parent entity. The analysis is based on the assumption that the equity indexes had increased/decreased by 9% (2007 – 7.5%) with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the index.

| | Impact on equity (2008) | | Impact on equity (2007) | |
|--------------------------------|-------------------------|---------|-------------------------|--------|
| | Consolidated | Parent | Consolidated | Parent |
| | \$ | \$ | \$ | \$ |
| Available-for-sale investments | 226,355 | 226,355 | 51,750 | 51,750 |

Equity would further increase/decrease as a result of gains/losses on equity securities classified as available-for-sale.

The price risk for the unlisted securities is immaterial in terms of the possible impact on profit or loss or total equity. It has therefore not been included in the sensitivity analysis.

iii) Cash flow and fair value interest rate risk

The Group and the parent entity do not have any borrowings and therefore do not have any exposure to cash flow and fair value interest rate risk in terms of borrowings. The Group and the parent entity's only exposure to cash flow and fair value interest rate risk are on the interest rates on the term deposits.

(b) Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Company or the Group. The Group's potential concentration of credit risk consists mainly of cash deposits with banks. The Group's short term cash surpluses are placed with banks that have investment grade ratings. The maximum credit risk exposure relating to the financial assets is represented by the carrying value as at the balance sheet date. The Company and the Group considers the credit standing of counterparties when making deposits to manage the credit risk.

Considering the nature of the business at current, the Group believes that the credit risk is limited.

(c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Maturities of financial liabilities

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)

NOTE 19. FINANCIAL RISK MANAGEMENT (CONTINUED)

| | 2008 | | 2007 | |
|---------------------------------|----------------|----------------|----------------|----------------|
| | Consolidated | Parent | Consolidated | Parent |
| | \$ | \$ | \$ | \$ |
| Trade and other payables | | | | |
| - Within one year | 162,214 | 161,819 | 107,076 | 107,076 |
| - One to five years | - | - | - | - |
| - Greater than five years | - | - | - | - |
| Total | 162,214 | 161,819 | 107,076 | 107,076 |

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

Derivative contracts classified as held for trading are fair valued by comparing the contracted rate to the current market rate for a contract with the same remaining period to maturity.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives and investments in unlisted subsidiaries) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(e) Interest Rate Risk Exposure

The Company's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the Company intends to hold fixed rate assets and liabilities to maturity.

Consolidated 30 June 2008

| | Floating Interest | Non Interest Bearing | Total |
|----------------------------------|-------------------|----------------------|------------------|
| | \$ | \$ | \$ |
| Financial Assets | | | |
| Cash and cash equivalents | 4,743,757 | - | 4,743,757 |
| Receivables | - | 199,952 | 199,952 |
| | 4,743,757 | 199,952 | 4,943,709 |
| Weighted Average Interest Rate | 7.48% | - | |
| Net Financial Assets | 4,743,757 | 199,952 | 4,943,709 |
| Financial Liabilities | | | |
| Trade and other payables | - | (912,214) | (912,214) |
| Net Financial Liabilities | - | (912,214) | (912,214) |
| | 4,743,757 | (712,262) | 4,031,495 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)

NOTE 19. FINANCIAL RISK MANAGEMENT (CONTINUED)

Company 30 June 2008

| | Floating Interest | Non Interest Bearing | Total |
|----------------------------------|-------------------|----------------------|-----------|
| | \$ | \$ | \$ |
| Financial Assets | | | |
| Cash and cash equivalents | 4,742,687 | - | 4,742,687 |
| Receivables | - | 209,984 | 209,984 |
| | 4,742,687 | 209,984 | 4,952,671 |
| Weighted Average Interest Rate | 7.48% | - | |
| Net Financial Assets | 4,742,687 | 209,984 | 4,952,671 |
| Financial Liabilities | | | |
| Trade and other payables | - | (911,818) | (911,818) |
| Net Financial Liabilities | - | (911,818) | (911,818) |
| | 4,742,687 | (701,834) | 4,040,853 |

NOTE 20. SEGMENT INFORMATION

The Company currently operates in one industry and two geographical segments, namely the mining industry in Australia and Botswana.

| | 2008 | 2007 |
|--------------------|------------------|------------------|
| Revenue | | |
| Australia | 776,437 | 191,685 |
| Botswana | - | - |
| | <u>776,437</u> | <u>191,685</u> |
| Expenditure | | |
| Australia | 3,003,270 | 1,249,841 |
| Botswana | 10,654 | - |
| | <u>3,013,924</u> | <u>1,249,841</u> |

NOTE 21. CONTINGENT LIABILITIES

The Directors are of the opinion that there are no contingent liabilities as at 30 June 2008.

NOTE 22. INTERESTS IN JOINT VENTURE

On the 28 April 2008, Dynasty Metals Australia Limited entered into a Farm-In agreement with Tiaro Coal to have the right to acquire up to 51% interest in EPC 956 and EPC 957 for payments up to \$5m. The Farm-In agreement was executed on the 17 June 2008.

On the 10 July 2008, Dynasty paid \$750,000 as part of the first initial payment to the Tiaro Coal Joint Venture.

NOTE 23. SUBSEQUENT EVENTS

- Mr Garry Hemming resigned as the Non Executive Director for Dynasty Metals Australia Limited on the 15 August 2008.

- Paid \$750,000 on the 10 July 2008 as part of the first initial payment to the Tiaro Coal Joint Venture to acquire up to 51% interest in EPC 956 and EPC 957.

| | 2008 | | 2007 | |
|--|---------------|---------------|---------------|---------------|
| | Consolidated | Company | Consolidated | Company |
| | \$ | \$ | \$ | \$ |
| NOTE 24. AUDITOR'S REMUNERATION | | | | |
| Audit services | 26,000 | 26,000 | 20,130 | 20,130 |
| Independent Accountants Report | - | - | - | - |
| | <u>26,000</u> | <u>26,000</u> | <u>20,130</u> | <u>20,130</u> |

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)**
NOTE 25. CONTROLLED ENTITIES

| | % Owned | | Book value of shares held | | Contribution to consolidated loss | |
|--------------------------------------|---------|------|---------------------------|------------|-----------------------------------|------------|
| | 2008 | 2007 | \$ 2008 | \$ 2007 | \$ 2008 | \$ 2007 |
| <i>Parent entity</i> | | | | | | |
| Dynasty Metals Australia Limited | | | | | | |
| <i>Entities controlled by Parent</i> | | | | | | |
| Scorpion Resources Ltd | 100% | 100% | 2 | 2 | - | - |
| Dynasty Botswana Ltd | 100% | 100% | 2 | 2 | - | - |
| Dunblane Enterprise Pty Ltd | 100% | - | 160 | - | - | - |

Scorpion Resources Ltd is incorporated in Australia.

Dynasty Botswana Ltd is incorporated in Australia.

Dunblane Enterprise Pty Ltd is incorporate in Botswana.

NOTE 26. RELATED PARTY TRANSACTIONS

There are no other related party transactions other than disclosed in Note 16 (d).

STOCK EXCHANGE INFORMATION

The additional information set out below relates to shares, options and tenements as at 17 September 2008.

DISTRIBUTION OF SHAREHOLDINGS

| Size of holding | Number of Shareholders |
|--------------------|------------------------|
| 1 – 1,000 | 15 |
| 1,001 – 5,000 | 59 |
| 5,001 – 10,000 | 132 |
| 10,001 – 100,000 | 293 |
| 100,001 and over | 75 |
| Total shareholders | 574 |

Number of shareholders with less than a marketable parcel of \$500 at \$0.15 per share is 42.

SUBSTANTIAL SHARE HOLDERS – as advised to the Company

| Name | No of shares |
|-----------|--------------|
| Lewis Tay | 3,088,409 |

VOTING RIGHTS

All ordinary shares issued by the Company carry one vote per share without restriction.

TWENTY LARGEST SHAREHOLDERS

| | Name of Shareholder | No of Shares | % |
|-----|--|--------------|-------|
| 1. | Lewis Tay | 3,088,409 | 5.55 |
| 2. | Baracus PL | 2,644,196 | 4.75 |
| 3. | Gao Meng Xin | 2,500,000 | 4.49 |
| 4. | Gao Xiang | 2,300,000 | 4.13 |
| 5. | JF Apex Sec Berhad | 2,253,486 | 4.05 |
| 6. | Wang Mian | 1,950,527 | 3.51 |
| 7. | Tiong King Siang | 1,633,000 | 2.94 |
| 8. | Thaler Shlomo | 1,622,971 | 2.92 |
| 9. | Lin Ping | 1,500,000 | 2.70 |
| 10. | Gao Ling | 1,400,000 | 2.52 |
| 11. | Tay Lay Kee | 1,384,789 | 2.49 |
| 12. | Tang Suet Mooi | 1,095,000 | 1.97 |
| 13. | Graham Douglas Anderson – Kudu A/C | 1,000,000 | 1.80 |
| 14. | Fanchel PL | 1,000,000 | 1.80 |
| 15. | ANZ Nom Ltd – Cash Income A/C | 1,000,000 | 1.80 |
| 16. | Richard Stanger - Inceptum | 1,000,000 | 1.80 |
| 17. | Lili Zheng | 710,000 | 1.28 |
| 18. | Oh Hock Phing | 700,000 | 1.26 |
| 19. | UOB Kay Hian Private Ltd – Clients A/C | 680,420 | 1.22 |
| 20. | Wong Po Chu | 648,640 | 1.17 |
| | Top 20 largest shareholders | 30,111,438 | 54.15 |

CORPORATE GOVERNANCE STATEMENT

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Dynasty have adhered to the principles of corporate governance. A description of the main corporate governance practices is set out below. Unless otherwise stated, the practices were in place for the entire year.

Board of Directors

The Board of Directors of the Company is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

As the Board acts on behalf of shareholders, it seeks to identify the expectations of shareholders, as well as other ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

The primary responsibilities of the Board include:

- formulation and approval of the strategic direction, objectives and goals of the Company;
- monitoring the financial performance of the Company, including approval of the Company's financial statements;
- ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
- the identification of significant business risks and ensuring that such risks are adequately managed;
- the review of performance and remuneration of Executive Directors; and
- the establishment and maintenance of appropriate ethical standards.

The responsibility for the operation and administration of the Company is carried out by Managing Director, who operates in an executive capacity, supported by appropriate consultants. The Board ensures that this team is suitably qualified and experienced to discharge their responsibilities, and assesses on an ongoing basis the performance of the management team, to ensure that management's objectives and activities are aligned with the expectations and risks identified by the board.

Independent Directors

Under ASX guidelines none of the current Board is considered to be an independent Director. Mrs Brooks is both Managing Director and substantial shareholder, Mr Stocks provides consulting services and Mr Anderson is a significant shareholder. The Board is satisfied that the structure of the Board is appropriate for the size of the Company and the nature of its operations and is a cost effective structure for managing the Company.

Communication to Market & Shareholders

The Board aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Directors and the Company. Information is communicated to shareholders and the market through:

- the Annual Report which is distributed to all shareholders;
- other periodic reports which are lodged with ASX and available for shareholder scrutiny;
- other announcements made in accordance with ASX Listing Rules;
- special purpose information memoranda issued to shareholders as appropriate; and
- the Annual General Meeting and other meetings called to obtain approval for Board action as appropriate.

Board Composition

When the need for a new Director is identified, selection is based on the skills and experience of prospective Directors, having regard to the present and future needs of the Company. Any Director so appointed must then stand for election at the next Annual General Meeting of the Company.

Terms of Appointment as a Director

The constitution of the Company provides that a Director other than the Managing Director may not retain office for more than three calendar years or beyond the third annual general meeting following his or her election, whichever is longer, without submitting for re-election. One third of the Directors must retire each year and are eligible for re-election. The Directors who retire by rotation at each Annual General Meeting are those with the longest length of time in office since their appointment or last election.

Board Committees

The Board has established separate committees for audit, board nomination and remuneration. However, in view of the current size of the Company and the nature of its activities, the committees currently comprise all members of the Board. Therefore effectively audit matters, the nomination of new Directors and the setting, or review, of remuneration levels of Directors and senior executives are reviewed by the Board as a whole and approved by resolution of the Board (with abstentions from relevant Directors where there is a conflict of interest). Where the Board considers that particular expertise or information is required, which is not available from within their number, appropriate external advice may be taken and reviewed prior to a final decision being made by the Board.

Remuneration

Remuneration and other terms of employment of executives, including executive Directors, are reviewed periodically by the Board having regard to performance, relevant comparative information and, where necessary, independent expert advice. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the Company's operations.

The terms of engagement and remuneration of executive Directors is reviewed periodically by the Board, with recommendations being made by the non-executive Director. Where the remuneration of a particular executive Director is to be considered, the Director concerned does not participate in the discussion or decision-making.

Independent Professional Advice

Directors have the right, in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Company's expense. Prior approval of the Chairman is required, which will not be unreasonably withheld.

Share Trading

Dealings are not permitted at any time whilst in the possession of price sensitive information not already available to the market. In addition, the Corporations Act 2001 prohibits the purchase or sale of securities whilst a person is in possession of inside information.

Code of Conduct

In view of the size of the Company and the nature of its activities, the Board has considered that an informal code of conduct is appropriate to guide executives, management and employees in carrying out their duties and responsibilities.

ASX CORE PRINCIPLES OF CORPORATE GOVERNANCE AND ASX GUIDELINES

Australian Securities Exchange Ltd (ASX) has published 10 core principles of corporate governance which it believes underlie good corporate governance together with guidelines to satisfy those core principles. Under ASX listing rules, listed companies are required to provide a statement in their annual reports outlining the extent to which they have followed these best practice guidelines. In the following table the ASX core principles and guidelines are listed in the left hand column, and the Company's comment/response is listed in the right hand column.

| | |
|---|---|
| ASX Principle 1: Lay Solid Foundations <i>Recognise and publish the respective roles and responsibilities of the board and management</i> | Comment/Response by Company |
| ASX Recommendations 1.1 Formalise and disclose the functions reserved to the Board and those delegated to management | The Board is comprised of one Executive Director, one Technical Director, one non executive Directors and a non executive Chairman. Management of the Company is carried out by the executive director with little or no delegation to staff. The full board meets on a regular basis for both management and board meetings. |
| ASX Principle 2: Board Structure <i>Have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties</i> | Comment/Response by Company |
| ASX Recommendations 2.1 A majority of Board members should be independent Directors | One of the two non executive Directors are independent according to the ASX definition of independence. In the view of the size of the Company and the nature of its activities the Board considers that the current Board is a cost effective and practical method of directing and managing the Company. |
| 2.2 The Chairperson should be an independent Director | The Chairman is an independent Non-Executive Director under the ASX definition. |
| 2.3 The roles of Chairperson and chief executive officer should not be exercised by the same individual | As stated above the Company operates with a an independent non-executive Chairman and an Executive Director. The Executive Director fulfils the role of chief executive officer. |
| 2.4 The Board should establish a nomination committee | The Board has established a nomination Committee which comprises the full Board. |

| | | |
|--|--|---|
| 2.5 | The information indicated in Guide to reporting on Principle 2 should be provided. (See Guide Notes at end of table) | Not applicable. |
| ASX Principle 3: Ethical and responsible decision-making <i>Actively promote ethical and responsible decision-making</i> | | Comment/Response by Company |
| ASX Recommendations | | |
| 3.1 | The Company should establish a code of conduct to guide the Directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to the practices necessary to maintain confidence in the Company's integrity, and the responsibility and accountability of individuals for reporting or investigating reports of unethical practices | In view of the size of the Company and the nature of its activities, the Board has considered that an informal code of conduct is appropriate to guide executives, management and employees in carrying out their duties and responsibilities. |
| 3.2 | Disclose the policy concerning trading in Company securities by Directors, officers and employees | The Company does not have a formal policy which sets out time restrictions on share dealings. The Company policy is that of the Corporations Law and ASX Listing Rules which state that dealings are not permitted at any time whilst in the possession of price sensitive information not already available to the market. |
| 3.3 | Provide the information indicated in Guide to Reporting on Principles. (See Guide Notes at end of table) | Not applicable – see above. |
| ASX Principle 4: Financial reporting integrity <i>Have a structure in place to independently verify and safeguard the integrity of the Company's financial reporting</i> | | Comment/Response by Company |
| ASX Recommendations | | |
| 4.1 | Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards | The Executive Director and Chief Financial Officer are required to sign a declaration addressing the integrity of the financial statements and maintenance of financial records in accordance with s286 of the Corporations Act. |
| 4.2 | The Board should establish an Audit Committee | The Board has established an Audit Committee that comprises the full Board. |

| | | |
|--|--|---|
| 4.3 | Structure the Audit Committee so that it consists of: - Only non-executive Directors - A majority of independent Directors - An independent chairperson who is not the chairperson of the Board - At least three members | Not applicable – see above. |
| 4.4 | Create a formal operating charter for the Audit Committee | Not applicable – see above. |
| 4.5 | Understand and provide the information indicated in the Guide to reporting on Principle 4. (See Guide Notes at end of table) | Not applicable – see above. |
| ASX Principle 5: Timely and balanced disclosure <i>Promote timely and balanced disclosure of all material matters concerning the Company</i> | | Comment/Response by Company |
| ASX Recommendations | | |
| 5.1 | Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance | Due to its size and structure the Board is able to meet on a regular basis for both management and Board meetings to ensure compliance with ASX Listing Rule disclosure requirements. The full Board is accountable for ASX compliance. |
| 5.2 | Understand and provide the information indicated in the Guide to Reporting on Principle 5. (See Guide Notes at end of table) | See above. |
| ASX Principle 6: Shareholder rights <i>Respect the rights of shareholders and facilitate the effective exercise of those rights</i> | | Comment/Response by Company |
| ASX Recommendations | | |
| 6.1 | Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings | See the section on Communication to Market and Shareholders. |
| 6.2 | Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the audit and the preparation and content, of the auditor's report | It is Company policy that the Auditor attends the AGM and part of the agenda is the tabling of the accounts and inviting shareholders to ask the Directors or the Auditor any questions about the report including the audit report. |
| ASX Principle 7: Risk Management <i>Establish a sound system of risk oversight and management and internal control</i> | | Comment/Response by Company |

| | |
|---|---|
| <p>ASX Recommendations</p> <p>7.1 The Board or appropriate board committee should establish policies on risk oversight and management</p> | <p>In view of the size of the Company and the nature of its activities, the Board has considered that establishing a formally constituted risk oversight and management committee would contribute little to its effective management. Accordingly risk oversight and management issues and policies are reviewed by the Board as a whole and approved by resolution of the Board (with abstentions from relevant Directors where there is a conflict of interest).</p> |
| <p>7.2 The Chief Executive Officer (or equivalent) and the chief financial officer (or equivalent) should state to the Board in writing that:</p> | |
| <p>7.2.1 the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board</p> | <p>The Executive Director and Company Secretary are required to sign a declaration addressing the integrity of the financial statements and maintenance of financial records in accordance with s286 of the Corporations Act.</p> |
| <p>7.2.2 the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects</p> | <p>As above</p> |
| <p>7.3 Information indicated in the Guide to Reporting on Principle 7 should be understood and provided. (See Guide Notes at end of table)</p> | <p>Not applicable for reasons stated above</p> |
| <p>ASX Principle 8: Enhanced Performance <i>Fairly review and actively encourage enhanced board and management effectiveness</i></p> | <p>Comment/Response by Company</p> |
| <p>ASX Recommendations</p> <p>8.1 Disclose the process for performance evaluation of the Board, its committees and individual Directors, and key executives</p> | <p>Due to the size and structure of the Board a formal evaluation process is not conducted.</p> <p>The Company operates with engaged contractors and no employees operating in a consulting geological capacity. The Company uses consultants for geological and Company Secretarial functions and pays market rates for experienced professionals.</p> |
| <p>ASX Principle 9: Remunerate fairly <i>Ensure that the level and composition of remuneration is sufficient and reasonable and its relationship to corporate and individual performance is defined</i></p> | <p>Comment/Response by Company</p> |

| | |
|--|---|
| <p>ASX Recommendations</p> <p>9.1 Provide disclosure in relation to the Company's remuneration policies to enable investors to understand (i) the costs and benefits of these policies and (ii) the link between remuneration paid to Directors and key executives and corporate performance.</p> | <p>The Company does not have a remuneration policy other than to ensure that Directors, staff and consultants are paid market rates in accordance with their qualifications, experience and contribution to the Company. Directors' remuneration for both Executive and Non Executive Directors is compared to other "junior explorers" as a guide to industry rates.</p> <p>There are no schemes of retirement benefits.</p> |
| <p>9.2 The Board should establish a remuneration committee</p> | <p>The Board has established a remuneration committee which comprises the full Board.</p> |
| <p>9.3 The structure of non-executive Directors' remuneration should be clearly distinguished from that of executives</p> | <p>Executive Directors are paid consulting fees to entities which they control. Directors' fees are paid separately to all Directors. The different types of remuneration including fringe benefits, superannuation, consulting fees and Directors' fees are all clearly outlined in the Annual Report.</p> |
| <p>9.4 Ensure equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders</p> | <p>No Directors, executives or staff has any equity based remuneration.</p> |
| <p>9.5 Ensure information indicated in ASX Guide to Reporting on Principle 9 is understood and provided. (See Guide Notes at end of table)</p> | <p>See above</p> |
| <p>ASX Principle 10: Interest of Stakeholders <i>Recognise the legal and other obligations of all legitimate stakeholders</i></p> | <p>Comment/Response by Company</p> |
| <p>ASX Recommendations</p> <p>10.1 Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders</p> | <p>In view of the size of the Company and the nature of its activities, the Board has considered that an informal code of conduct is appropriate to guide executives, management and employees in carrying out their duties and responsibilities.</p> |

ASX Guide to Reporting on Principles

ASX rules require that the following material should be included in the corporate governance section of the annual report:

- Principles 1 to 10 inclusive - an explanation of any departure from best practice recommendations 1.1 to 10.1
- Principle 2 - the skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report.
- Principle 2 - The names of the Directors considered by the board to constitute independent Directors and the Company's materiality thresholds.
- Principle 2 - A statement as to whether there is a procedure agreed by the board for Directors to take independent professional advice at the expense of the Company.
- Principle 2 - The term of office held by each director in office at the date of the annual report
- Principle 2 - The names of members of the nomination committee and their attendance at meetings of the committee.
- Principle 4 - Details of the names and qualifications of those appointed to the audit committee, or, where an audit committee has not been formed, those who fulfil the functions of an audit committee.
- Principle 4 - The number of meetings of the audit committee and the names of the attendees.
- Principle 8 - Whether a performance evaluation for the board and its members has taken place in the reporting period and how it was conducted.
- Principle 9 - Disclosure of the Company's remuneration policies referred to in best practice recommendation 9.1 and in Box 9.1.
- Principle 9 - The names of the members of the remuneration committee and their attendance at meetings of the committee.
- Principle 9 - The existence and terms of any schemes for retirement benefits, other than statutory superannuation, for non-executive Directors.

ASX guidelines also recommend that the following material should be made publicly available, ideally by posting it to the Company's website in a clearly marked corporate governance section:

- Principle 1 - a statement of matters reserved for the board or a summary of the board charter or a statement of delegated authority to management.
- Principle 2 - A description of the procedure for the selection and appointment of new Directors to the board.
- Principle 2 - The charter of the nomination committee or a summary of the role, rights, responsibilities and membership requirements for that committee.
- Principle 2 - The nomination committee's policy for the appointment of Directors.
- Principle 3 - Any applicable code of conduct or a summary of its main provisions. This disclosure may be the same as that required under principle 10.
- Principle 3 - The trading policy or a summary of its main provisions.
- Principle 4 - The audit committee charter.
- Principle 4 - Information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners.
- Principle 5 - A summary of the policies and procedures designed to guide compliance with Listing Rule disclosure requirements.
- Principle 6 - A description of the arrangements the Company has to promote communication with shareholders.
- Principle 7 - A description of the Company's risk management policy and internal compliance and control system.
- Principle 8 - A description of the process for performance evaluation of the board, its committees and individual Directors, and key executives.
- Principle 9 - The charter of the remuneration committee or a summary of the role, rights, responsibilities and membership requirements for that committee.
- Principle 10 - Any applicable code of conduct or a summary of its main provisions.

TENEMENT SCHEDULE AS AT 31 AUGUST 2008

| WESTERN AUSTRALIA | | | |
|--------------------------|-----------------|----------------------|---------------------------|
| PROJECT | TENEMENT | COMMODITY | DYNASTY'S INTEREST |
| Bee Well | E09/1347 | Uranium | Application 100% |
| Carnegie | E69/2223 | Uranium | Granted 100 % |
| Glen Florrie | E08/1621 | Uranium | Granted 100 % |
| Hector Bore | E09/1204 | Uranium | Granted 100 % |
| | E09/1310 | Uranium | Granted 100 % |
| | E09/1339 | Uranium | Granted 100 % |
| Hyden | E74/333 | Gold & Nickel | Application 100% |
| | E77/1248 | Gold & Nickel | Granted 100 % |
| | E77/1326 | Gold & Nickel | Granted 100 % |
| Irwin | E70/3158 | Coal Seam Gas | Application 100% |
| | E70/3190 | Coal Seam Gas | Application 100% |
| | E70/3476 | Coal Seam Gas | Application 100% |
| | E70/3477 | Coal Seam Gas | Application 100% |
| | E70/3501 | Coal Seam Gas | Application 100% |
| Mt Phillips | E09/1202 | Uranium | Granted 100 % |
| | E09/1337 | Uranium | Granted 100 % |
| | E09/1338 | Uranium | Granted 100 % |
| Nabberu | E69/2268 | Uranium | Application 100% |
| | E69/2269 | Uranium | Application 100% |
| | E69/2298 | Uranium | Application 100% |
| | E69/2299 | Uranium | Application 100% |
| Prairie Downs | E52/1927-I | Iron & Uranium | Granted 100 % |
| | E52/1938-I | Iron | Granted 100 % |
| | E52/1948 | Iron | Application 100% |
| | E52/1949 | Iron | Granted 100 % |
| | E52/2024 | Iron | Granted 100 % |
| | E52/2025 | Iron | Granted 100 % |
| | E52/2099 | Iron | Granted 100 % |
| Sir Samuel | P36/1524 | | Granted 100 % |
| Southern Cross | E77/1256 | | Application 100% |
| Southern Cross | P77/3533 | | Granted 100 % |
| Southern Cross | P77/3534 | | Granted 100 % |
| Southern Cross | P77/3535 | | Granted 100 % |
| Southern Cross | P77/3536 | | Granted 100 % |
| Stanley | E69/2265 | Uranium | Application 100% |
| Stanley | E69/2266 | Uranium | Application 100% |
| Stanley | E69/2267 | Uranium | Application 100% |
| Stanley | E69/2270 | Uranium | Application 100% |
| Stanley | E69/2294 | Uranium | Application 100% |
| Stanley | E69/2295 | Uranium | Application 100% |
| Stanley | E69/2296 | Uranium | Application 100% |
| Stanley | E69/2297 | Uranium | Application 100% |
| Stanley | E69/2300 | Uranium | Application 100% |
| Uaroo | E08/1790 | Uranium, base Metals | Application 100% |
| Uaroo | E08/1817 | Uranium, base Metals | Granted 100 % |
| Uaroo | P08/557 | Uranium, base Metals | Application 100% |
| Warrambo | E08/1620-I | Uranium | Granted 100 % |

| | | | |
|---------------------------|-------------|-----------|--------------------|
| Warrambo | E08/1774 | Uranium | Granted 100 % |
| Warrambo | P08/550 | Uranium | Application 100% |
| Warrambo | P08/551 | Uranium | Application 100% |
| Warrambo | P08/564 | Uranium | Application 100% |
| Yanrey | E08/1538 | Uranium | Granted 100 % |
| Yanrey | E08/1539 | Uranium | Granted 100 % |
| Yanrey | E08/1540 | Uranium | Granted 100 % |
| Yanrey | E08/1699 | Uranium | Granted 100 % |
| VICTORIA | | | |
| PROJECT | TENEMENT | COMMODITY | DYNASTY'S INTEREST |
| Bendoc | EL 4799 | Gold | Granted 100% |
| Bendoc | EL 4824 | Gold | Granted 100% |
| NORTHERN TERRITORY | | | |
| PROJECT | TENEMENT | COMMODITY | DYNASTY'S INTEREST |
| Hanson River | EL 25627 | | Granted 100% |
| Mt Weldon | EL 25626 | Uranium | Granted 100% |
| Peaked Hill | EL 25624 | Uranium | Granted 100% |
| Possum Creek | EL 25628 | | Granted 100% |
| BOTSWANA | | | |
| PROJECT | TENEMENT | COMMODITY | DYNASTY'S INTEREST |
| Botswana | PL 062/2008 | | Granted 100% |
| Botswana | PL 063/2008 | | Granted 100% |
| Botswana | PL 064/2008 | | Granted 100% |
| Botswana | PL 065/2008 | | Granted 100% |
| Botswana | PL 066/2008 | | Granted 100% |
| Botswana | PL 067/2008 | | Granted 100% |
| Botswana | PL 068/2008 | | Granted 100% |
| Botswana | PL 069/2008 | | Granted 100% |