



**Hastings Rare Metals Limited**

ABN 43 122 911 399

**Interim Financial Report**

**31 December 2011**

| <b>Contents</b>                             | <b>Page</b> |
|---|-------------|
| Directors' Report                           | 3           |
| Auditor's Independence Declaration          | 10          |
| Condensed Statement of Comprehensive Income | 11          |
| Condensed Statement of Financial Position   | 12          |
| Condensed Statement of Changes in Equity    | 13          |
| Condensed Statement of Cash Flows           | 14          |
| Notes to the Condensed Financial Statements | 15          |
| Directors' Declaration                      | 22          |
| Independent Auditor's Review Report         | 23          |

## DIRECTORS' REPORT

Your directors submit the financial report of the Company for the half-year ended 31 December 2011. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

### Directors

The names of directors who held office during or since the end of the interim and until the date of this report are noted below. Directors were in office for this entire period unless otherwise stated.

|                 |  |
|-----------------|--|
| David Nolan     | Non-Executive Chairman                           |
| Anthony Ho      | Non-Executive Director                           |
| Steve Mackowski | Executive Director (appointed 12 October 2011)   |
| Matthew Walker  | Executive Director (resigned 10 November 2011)   |
| James Robinson  | Non-Executive Director (resigned 7 October 2011) |

### Company Secretary

Guy Robertson was appointed company secretary on 7 October 2011 following the resignation of James Robinson on that date.

### Operating results

The loss of the Company for the half-year after income tax was \$1,028,448 (31 December 2010 loss: \$2,337,087).

### Review of Operations

#### Summary

Hastings made significant advances during the half year.

A new JORC-compliant resource estimate of 36.2 million tonnes containing significant rare metals and heavy rare earths was announced for the Hastings project in September 2011. In November 2011 Hastings completed an in-house scoping study on the project which highlighted the project's potential for excellent returns on the basis of strong market fundamentals for heavy rare earths in both the medium and long term.

Hastings completed a sampling programme over portions of the previously defined ironstone lenses at the Yangibana project during the period confirming the presence of significant rare earth content.

In September 2011 Hastings announced the appointment of Mr Steve Mackowski as Technical Director. Mr Mackowski, who has significant technical and operational experience in rare earths, is directing the technical aspects of Hastings' two projects.

In early 2012 the company announced a \$5.38 million capital raising and completed the first tranche of \$3.2 million providing the Company with a strong foundation to continue with the development programme.



Figure 1. Location of the Hastings and Yangibana Projects

### Hastings Project

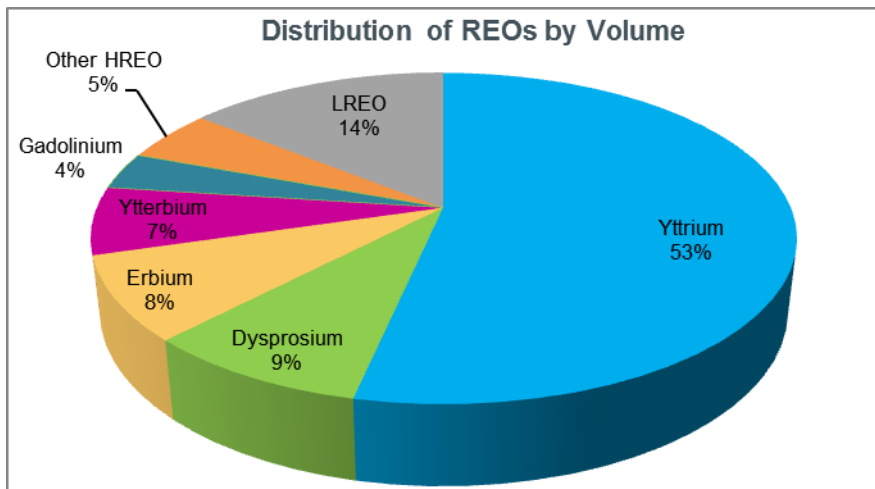
During the period the Company completed its initial drilling programme at the Hastings Project near Halls Creek in the East Kimberley Region of Western Australia.

The drilling resulted in a major increase in the JORC-compliant resources for the project. The upgraded resource estimate was conducted by independent consultants at a 1500ppm Nb<sub>2</sub>O<sub>5</sub> cut-off and comprises:-

|                 | Category         |       | Tonnage           | ppm ZrO <sub>2</sub> | ppm Nb <sub>2</sub> O <sub>5</sub> | ppm Ta <sub>2</sub> O <sub>5</sub> | ppm Ga <sub>2</sub> O <sub>5</sub> | ppm HfO <sub>2</sub> | ppm Dy <sub>2</sub> O <sub>5</sub> | ppm Y <sub>2</sub> O <sub>3</sub> | ppm TREO     | ppm HREO     |
|-----------------|------------------|-------|-------------------|----------------------|------------------------------------|------------------------------------|------------------------------------|----------------------|------------------------------------|-----------------------------------|--------------|--------------|
| Main            | Indicated        | Oxide | 1,400,000         | 8,860                | 3,507                              | 183                                | 113                                | 322                  | 190                                | 1,132                             | 2,151        | 1,828        |
|                 | Indicated        | Fresh | 25,400,000        | 8,914                | 3,547                              | 182                                | 110                                | 318                  | 186                                | 1,120                             | 2,100        | 1,802        |
| HW Zone         | Indicated        | Fresh | 300,000           | 9,080                | 3,625                              | 183                                | 104                                | 311                  | 185                                | 1,096                             | 2,130        | 1,772        |
| <b>Total</b>    | <b>Indicated</b> |       | <b>27,100,000</b> | <b>8,913</b>         | <b>3,545</b>                       | <b>182</b>                         | <b>110</b>                         | <b>318</b>           | <b>186</b>                         | <b>1,120</b>                      | <b>2,103</b> | <b>1,803</b> |
| North Extension | Inferred         | Oxide | 250,000           | 8,860                | 3,507                              | 183                                | 113                                | 322                  | 190                                | 1,132                             | 2,151        | 1,828        |
|                 | Inferred         | Fresh | 2,100,000         | 8,914                | 3,547                              | 182                                | 110                                | 318                  | 186                                | 1,120                             | 2,100        | 1,802        |
| Main Deep       | Inferred         | Fresh | 6,750,000         | 8,914                | 3,547                              | 182                                | 110                                | 318                  | 186                                | 1,120                             | 2,100        | 1,802        |
| <b>Total</b>    | <b>Inferred</b>  |       | <b>9,100,000</b>  | <b>8,914</b>         | <b>3,547</b>                       | <b>182</b>                         | <b>110</b>                         | <b>318</b>           | <b>186</b>                         | <b>1,120</b>                      | <b>2,100</b> | <b>1,802</b> |
| <b>TOTAL</b>    |                  |       | <b>36,200,000</b> | <b>8,913</b>         | <b>3,546</b>                       | <b>182</b>                         | <b>110</b>                         | <b>318</b>           | <b>186</b>                         | <b>1,120</b>                      | <b>2,102</b> | <b>1,802</b> |

The analyses carried out during the programme provided the first detailed breakdown of the rare earth content of the deposit.

The deposit has an unusually high proportion of the more valuable heavy rare earth oxides (HREO) to total rare earth oxides (TREO), as shown in the pie chart below.



Of particular interest is the presence of the heavy rare earth oxides dysprosium and yttrium which were both identified in December 2010 by the US Department of Energy as being in critical short supply in both the short term (0-5 years) and the medium term (5-15 years).

The final assay results relating to the seven diamond drill tails confirm the tenor of the project's mineralisation and the geological interpretation of the resource and the drill core will be beneficial in conducting further metallurgical testing.

The diamond drill tails at a 1500 ppm Nb<sub>2</sub>O<sub>5</sub> cut-off provided the following intersections:-

| Hole No | Section North | From | To  | Int | Est TW | ppm ZrO <sub>2</sub> | ppm Nb <sub>2</sub> O <sub>5</sub> | ppm Ta <sub>2</sub> O <sub>5</sub> | ppm Ga <sub>2</sub> O <sub>5</sub> | ppm HfO <sub>2</sub> | ppm TREO | ppm HREO | ppm LREO | Min type |
|---------|---------------|------|-----|-----|--------|----------------------|------------------------------------|------------------------------------|------------------------------------|----------------------|----------|----------|----------|----------|
| HRCD003 | 10800         | 209  | 220 | 11  | fold   | 11049                | 4316                               | 241                                | 114                                | 412                  | 2601     | 2254     | 347      | P        |
| HRCD011 | 9200          | 259  | 294 | 35  | 14     | 9644                 | 4186                               | 213                                | 116                                | 360                  | 2202     | 1919     | 283      | P        |
| HRCD013 | 10000         | 79   | 117 | 38  | 22     | 10399                | 4176                               | 230                                | 129                                | 384                  | 2475     | 2145     | 330      | P        |
| HRCD016 | 9400          | 172  | 185 | 13  | 7      | 9534                 | 3784                               | 211                                | 117                                | 355                  | 2255     | 1951     | 304      | P        |
| HRCD020 | 10600         | 103  | 123 | 20  | 16     | 10205                | 3716                               | 212                                | 114                                | 372                  | 2287     | 1989     | 298      | P        |
| HRCD030 | 10200         | 176  | 208 | 32  | fold   | 9916                 | 3734                               | 204                                | 112                                | 362                  | 2216     | 1934     | 282      | P        |
| HRCD045 | 9800          | 99   | 137 | 38  | fold   | 8647                 | 3407                               | 192                                | 109                                | 327                  | 2136     | 1790     | 346      | P        |

Where:-

TW is true width, ZrO<sub>2</sub> is zirconium oxide, Nb<sub>2</sub>O<sub>5</sub> is niobium oxide, Ta<sub>2</sub>O<sub>5</sub> is tantalum oxide, Ga<sub>2</sub>O<sub>3</sub> is gallium oxide, HfO<sub>2</sub> is hafnium oxide.

HREO is the sum of the oxides of the heavy rare earth elements europium (Eu), gadolinium (Gd), terbium (Tb), dysprosium (Dy), holmium (Ho), erbium (Er), thulium (Tm), ytterbium (Yb), lutetium (Lu), and yttrium (Y).

LREO is the sum of the oxides of the light rare earth elements lanthanum (La), cerium (Ce), praseodymium (Pr), neodymium (Nd), and samarium (Sm).

TREO is the sum of the oxides of the heavy rare earth elements (HREO) and the light rare earth elements (LREO).

Mineralisation types are either P primary or O oxidised. There is a small transition zone but this will not affect metallurgical performance.

Bulk surface sampling and assay results from the 2011 drilling program have shown that the HREO content accounts for approximately 85% of the TREO content of the deposit. Rare metals hafnium, gallium, niobium, zirconium and tantalum and heavy rare earths dysprosium, erbium, ytterbium and yttrium were found to be present in significant concentrations – see table below:

|                         |                                | Price (kg)* | Hastings Grade (ppm) | Contained Metal (t) |
|-------------------------|--------------------------------|-------------|----------------------|---------------------|
| <b>Rare Metal</b>       | <b>Rare Metal Oxide</b>        |             |                      |                     |
| Zirconium               | ZrO <sub>2</sub>               | 4.60        | 8,913                | 322,651             |
| Niobium                 | Nb <sub>2</sub> O <sub>5</sub> | 30          | 3,546                | 128,365             |
| Tantalum                | Ta <sub>2</sub> O <sub>5</sub> | 284         | 182                  | 6,588               |
| Gallium                 | Ga <sub>2</sub> O <sub>3</sub> | 800         | 110                  | 3,982               |
| Hafnium                 | HfO <sub>2</sub>               | 472         | 318                  | 11,512              |
|                         |                                |             |                      | <b>473,098</b>      |
| <b>Rare Earth Metal</b> | <b>Rare Earth Oxide</b>        |             |                      |                     |
| Lanthanum               | La <sub>2</sub> O <sub>3</sub> | 45          | 34                   | 1,231               |
| Cerium                  | Ce <sub>2</sub> O <sub>3</sub> | 43          | 127                  | 4,597               |
| Praseodymium            | Pr <sub>2</sub> O <sub>3</sub> | 142         | 19                   | 688                 |
| Neodymium               | Nd <sub>2</sub> O <sub>3</sub> | 571         | 73                   | 2,643               |
| Samarium                | Sm <sub>2</sub> O <sub>3</sub> | 211         | 46                   | 1,665               |
| Europium                | Eu <sub>2</sub> O <sub>3</sub> | 2,445       | 3                    | 109                 |
| Gadolinium              | Gd <sub>2</sub> O <sub>3</sub> | 292         | 75                   | 2,715               |
| Terbium                 | Tb <sub>2</sub> O <sub>3</sub> | 2,651       | 24                   | 869                 |
| Dysprosium              | Dy <sub>2</sub> O <sub>3</sub> | 1,744       | 186                  | 6,733               |
| Holmium                 | Ho <sub>2</sub> O <sub>3</sub> | 381         | 43                   | 1,557               |
| Erbium                  | Er <sub>2</sub> O <sub>3</sub> | 392         | 173                  | 6,263               |
| Thulium                 | Tm <sub>2</sub> O <sub>3</sub> | 3,182       | 22                   | 796                 |
| Ytterbium               | Yb <sub>2</sub> O <sub>3</sub> | 126         | 139                  | 5,032               |
| Lutetium                | Lu <sub>2</sub> O <sub>3</sub> | 1,151       | 18                   | 652                 |
| Yttrium                 | Y <sub>2</sub> O <sub>3</sub>  | 209         | 1,120                | 40,544              |
|                         |                                |             | <b>2,103</b>         | <b>76,092</b>       |
| <b>TOTAL</b>            |                                |             |                      | <b>549,190</b>      |

\* Metal-Pages.com, Industrial Minerals and AsianMetal.com, average January 1 2011 to June 30 2011.  
REE oxides 99% min FOB China, Y oxide 99.999% min FOB China and Zr structural ceramic/electronic grade.

In November 2011 the Company announced the results of an internal Scoping Study primarily considering various production scenarios and was based on a plant capacity of 1 million tonnes per annum producing critical Heavy Rare Earths Oxides (HREO) products of yttrium and dysprosium in addition to other rare metal products.

**The highlights of the scoping study were as follows:**

- Mine Life: 15 years
- Production of 150 tonnes of Dy<sub>2</sub>O<sub>3</sub> and 1,000 tonnes of Y<sub>2</sub>O<sub>3</sub> per annum
- Annual net cash flow (EBITDA) exceeding \$150m per annum
- Short Capital payback period of <5 years
- Heavy Rare Earths (Yttrium/Dysprosium) primary product
  - >8% demand growth in last 3 years
  - Both products on critical supply list of US Department of Energy in short to medium term (5-10 years)
- Financial returns have potential to improve significantly with further work

The Study was undertaken to confirm the economic potential of the Hastings Heavy Rare Earth Project.

The Study modelled an open pit mining operation and the on-site production of marketable products, primarily heavy rare earth oxide and also niobium and zirconium concentrate products. An analysis of varying mill throughput volumes was also assessed.

The Study results show that the Hastings Heavy Rare Earths Project has the potential to become a very profitable operation with a long mine life. The Study assumed an initial mine life of 15 years, however based on the current JORC-compliant Indicated and Inferred Resource of 36Mt the project has a potential operational life exceeding 20 years.

Based on the Study assumptions, the project has a net present value in excess of \$500 million using a discount rate of 10% and an IRR of >20%. These results compare favourably with other heavy rare earth company studies.

An expansion to a 1.5 million tonnes per annum plant would improve the economies of scale and the financials of the project.

Input parameters for the Study included results from historical test work and pilot plant results and a JORC-compliant Resource estimated by an independent geological consulting firm.

Based on a significant amount of historical test work including the construction of a pilot plant in the late 1980s in the United Kingdom, the project mineralisation is amenable to standard rare earth – rare metal treatment involving the following stages of processing:

- Crushing
- Grinding
- Sulphation
- Leaching
- Solvent Extraction
- Refining

Ongoing test work is aimed to verify recoveries achieved by this process but also to test new technologies to determine the optimum route forward. The results of this test work will be incorporated into the Pre-Feasibility Study.

The Study contemplates the annual sale of:

150 tonnes of Dy<sub>2</sub>O<sub>3</sub>

1,000 tonnes of Y<sub>2</sub>O<sub>3</sub>

2,500 tonnes of Nb<sub>2</sub>O<sub>5</sub>

6,500 tonnes of ZrO<sub>2</sub>

**The project has additional potential in that:**

- The study has only assumed the production of Heavy Rare Earths Oxides of Dysprosium and Yttrium, and Zircon Oxide and Niobium Oxide concentrates.
- The Hasting Heavy Rare Earths Project contains other rare earths and rare metals such as Tantalum, Hafnium etc and the addition of these products would add significant value to the project.
- The current JORC Compliant Inferred and Indicated Resource of 36Mt (see table above) has significant potential to increase, particularly to the south where recent geological traverses have identified apparent strong mineralisation over wide intervals. The mineralised zone is known to extend for some 750m to the south of the defined resources (see previous ASX release). An increase in the resource has potential to increase throughput and mine life, with resultant increase in project value.

**Yangibana Project**

During the period the Company announced that the results of a recent sampling programme over portions of the previously defined ironstone lenses at the Yangibana Project confirmed the presence of significant rare earth content. Hastings holds a 60% interest in the Yangibana Project that comprises six granted Exploration Licences.

The highest grade returned from 38 samples was 12.6% total rare earth oxides (TREO) which included 2.29% of the so-called critical rare earth oxides defined as being the oxides of neodymium, europium, terbium, dysprosium and yttrium by the US Department of Energy in December 2010. Of these, the neodymium oxide (Nd<sub>2</sub>O<sub>5</sub>) content of this sample was 2.19%.

Due to access difficulties to the eastern portion of the tenements, this sampling programme was confined to the Yangibana North, Gossan and Lion's Ear prospects on the main northern zone of mineralisation, and the Yangibana, Yangibana South and Tongue prospects to the south (Figure 2).

The analyses of the 38 samples provided the following results in percent (%).

| Prospect        | No | TREO max | TREO min | TREO ave    | CREO max | CREO min | CREO ave    | Nd <sub>2</sub> O <sub>5</sub> max | Nd <sub>2</sub> O <sub>5</sub> min | Nd <sub>2</sub> O <sub>5</sub> ave |
|-----------------|----|----------|----------|-------------|----------|----------|-------------|------------------------------------|------------------------------------|------------------------------------|
| Yangibana North | 11 | 4.89     | 0.11     | <b>1.46</b> | 1.07     | 0.02     | <b>0.31</b> | 0.97                               | 0.09                               | <b>0.28</b>                        |
| Gossan          | 3  | 3.64     | 0.16     | <b>1.67</b> | 0.74     | 0.04     | <b>0.36</b> | 0.71                               | 0.03                               | <b>0.34</b>                        |
| The Lion's Ear  | 5  | 12.80    | 0.77     | <b>4.17</b> | 2.29     | 0.14     | <b>0.79</b> | 2.19                               | 0.13                               | <b>0.74</b>                        |
| Yangibana       | 5  | 0.59     | 0.25     | <b>0.41</b> | 0.29     | 0.11     | <b>0.19</b> | 0.26                               | 0.10                               | <b>0.17</b>                        |
| Yangibana South | 6  | 2.92     | 0.04     | <b>1.40</b> | 1.44     | 0.02     | <b>0.68</b> | 1.41                               | 0.02                               | <b>0.66</b>                        |
| Tongue          | 8  | 2.68     | 0.11     | <b>0.74</b> | 1.26     | 0.04     | <b>0.31</b> | 0.35                               | 0.04                               | <b>0.28</b>                        |
| TOTAL AVERAGES  | 38 |          |          | <b>1.54</b> |          |          | <b>0.42</b> |                                    |                                    | <b>0.39</b>                        |

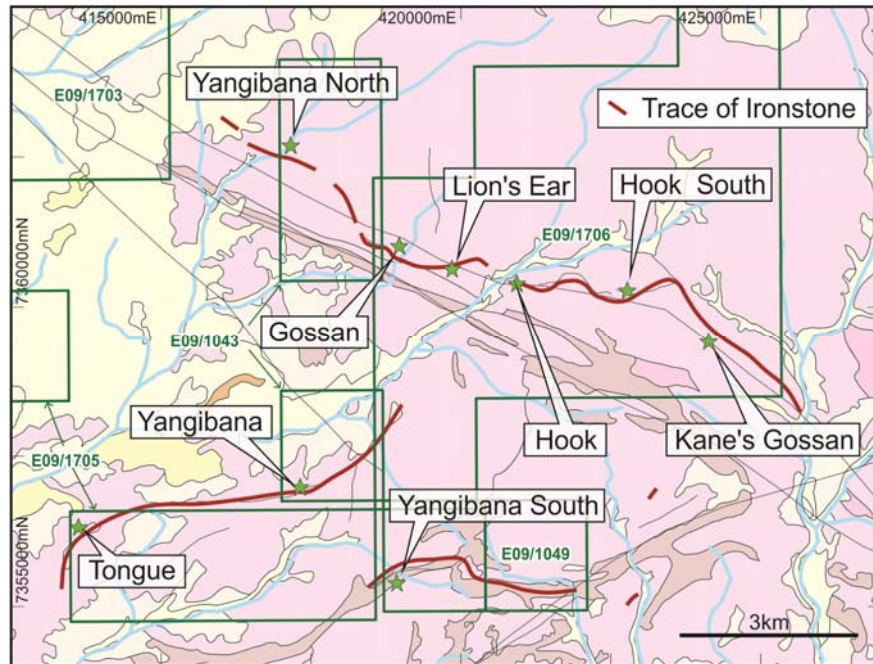


Figure 2: Location of Main Ironstone Prospects at Yangibana

The samples cannot be considered to be either randomly collected or representative of the full width of the area tested at any site. Most samples were selected on the basis of the highest scintillometer reading (counts per second or cps) in a given target site on the assumption that high thorium (Th) content would correspond with high rare earth content as had been indicated by previous exploration. On the basis of the assay results from this sampling programme, however, this assumption is not valid as can be seen in the full table of results at the end of this announcement.

Based on the assays, the distribution of the rare earths in the 38 samples averaged as follows:

| oxides    | La   | Ce   | Pr  | Nd   | Sm  | Eu  | Gd  | Dy  | Y   |
|-----------|------|------|-----|------|-----|-----|-----|-----|-----|
| % of TREO | 18.6 | 42.9 | 5.9 | 25.5 | 4.0 | 0.8 | 1.4 | 0.3 | 0.6 |

Light rare earths

Heavy rare earths

As was previously known, the rare earth distribution of the Yangibana ironstones is heavily biased towards the light rare earth oxides (LREO). Of particular interest, however, is the relatively high proportion of the critical rare earth neodymium in the rare earth mix, at 25%.



## Corporate

### **Appointment of Technical Director**

During the period Hastings announced the appointment of Mr Steve Mackowski to position of Technical Director. Mr Mackowski will be directing the technical aspects of Hastings' two key rare earth projects at its namesake deposit and Yangibana in Western Australia.

Mr Mackowski joined Hastings after serving at rare earths company Arafura Resources Ltd (ASX: ARU) as General Manager Project Development & Technology after spending 5 years with the development of the company.

Mr Mackowski is a qualified engineer in mineral processing with 30 years technical and operational experience in rare earths, uranium, industrial minerals, nickel, kaolin and iron ore. He has also worked at a number of major mining companies including, Iluka, TiWest, WMC, Comalco, Hamersley Iron and Mary Kathleen Uranium Ltd.

Mr Matthew Walker resigned as executive director on 10 November 2011. On behalf of the Board I thank Mr Walker for his contribution to the Company.

### **Capital Raising**

Early in 2012 the Company announced a capital raising of \$5.38 million, of which \$3.32 million has been completed. The funds will allow Hastings to progress the development of its exploration projects.

### **Deferral of Payment for Yangibana Acquisition**

The company agreed with Artemis Resources Limited to settle the second tranche of the Yangibana purchase price by the issue of 3,000,000 shares at 10 cents each and a further \$750,000 payable before 31 December 2012.

### **Competent Person's Statement**

*The information in this presentation that relates to Resources is based on information compiled by Simon Coxhell. Simon Coxhell is a consultant to the Company and a member of the Australian Institute of Mining and Metallurgy. Simon Coxhell has sufficient experience relevant to the styles of mineralisation and types of deposits which are covered in this presentation and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2004 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ("JORC Code"). Simon Coxhell consents to the inclusion in this presentation of the matters based on his information in the form and context in which it appears.*

*The information in this presentation that relates to Exploration Results is based on information compiled by Andy Border. Andy Border is a consultant to the Company and a member of the Australian Institute of Mining and Metallurgy. Andy Border has sufficient experience relevant to the styles of mineralisation and types of deposits which are covered in this presentation and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2004 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ("JORC Code"). Andy Border consents to the inclusion in this presentation of the matters based on his information in the form and context in which it appears.*

### **Auditor's Independence Declaration**

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 10 and forms part of this directors' report for the half-year ended 31 December 2011.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.



**David Nolan**

**Non-Executive Chairman**

**14 March 2012**



Accountants | Business and Financial Advisers

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Hastings Rare Metals Limited for the half-year ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia  
14 March 2012

A handwritten signature in blue ink, appearing to read 'M R W OHM'.

**M R W OHM**  
Partner, HLB Mann Judd

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

|  | Notes | Consolidated<br>31 Dec 2011<br>\$ | Company<br>31 Dec 2010<br>\$ |
|--|-------|-----------------------------------|------------------------------|
| <b>Continuing operations</b>   |       |                                   |                              |
| Interest income  |       | 40,329                            | 178,693                      |
| Gain on sale of shares   |       | -                                 | 14,718                       |
|  |       | <u>40,329</u>                     | <u>193,411</u>               |
| Finance costs  |       | (30,224)                          | (1,361)                      |
| Marketing  |       | (51,168)                          | -                            |
| Employee benefits expense  |       | (120,000)                         | (60,000)                     |
| Directors' fees  |       | (88,308)                          | (48,300)                     |
| Legal fees   |       | (333,984)                         | (3,975)                      |
| Consulting and professional fees   |       | (257,417)                         | (52,784)                     |
| Impairment of available-for-sale assets                                      |       | -                                 | (126,000)                    |
| Travel expenses  |       | (52,796)                          | (15,455)                     |
| Other expenses   |       | (134,880)                         | (140,041)                    |
| <b>Loss before income tax expense</b>  | 2     | <b>(1,028,448)</b>                | <b>(254,505)</b>             |
| Income tax expense   |       | -                                 | -                            |
| <b>Loss after tax from continuing operations</b>                             |       | <b>(1,028,448)</b>                | <b>(254,505)</b>             |
| Loss after tax from discontinued operation                                   |       | -                                 | <b>(2,082,582)</b>           |
| <b>Net Loss for the period</b>   |       | <b>(1,028,448)</b>                | <b>(2,337,087)</b>           |
| <b>Other comprehensive income</b>  |       | -                                 | -                            |
| <b>Total comprehensive loss for the period</b>                               |       | <b>(1,028,448)</b>                | <b>(2,337,087)</b>           |
| Basic earnings/(loss) per share (cents per share)                            |       | (1.56)                            | (5.67)                       |
| Basic earnings/(loss) per share from continuing operations (cents per share) |       | (1.56)                            | (0.62)                       |
| Basic earnings per share from discontinuing operations (cents per share)     |       | -                                 | (5.05)                       |

The accompanying notes form part of these financial statements

**CONDENSED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2011**

|   |      | Consolidated      |                    |
|---|------|-------------------|--------------------|
|   | Note | 31 Dec 2011<br>\$ | 30 June 2011<br>\$ |
| <b>Assets</b>                                   |      |                   |                    |
| <b>Current Assets</b>                           |      |                   |                    |
| Cash and cash equivalents                       |      | 436,752           | 3,446,823          |
| Trade and other receivables                     |      | 79,358            | 102,847            |
| <b>Total Current Assets</b>                     |      | <b>516,110</b>    | <b>3,549,670</b>   |
| <b>Non-Current Assets</b>                       |      |                   |                    |
| Deferred exploration and evaluation expenditure | 3    | 9,313,786         | 7,732,281          |
| <b>Total Non-Current Assets</b>                 |      | <b>9,313,786</b>  | <b>7,732,281</b>   |
| <b>Total Assets</b>                             |      | <b>9,829,896</b>  | <b>11,281,951</b>  |
| <b>Liabilities</b>                              |      |                   |                    |
| <b>Current Liabilities</b>                      |      |                   |                    |
| Trade and other payables                        |      | 1,885,879         | 2,363,236          |
| <b>Total Liabilities</b>                        |      | <b>1,885,879</b>  | <b>2,363,236</b>   |
| <b>Net Assets</b>                               |      | <b>7,944,017</b>  | <b>8,918,715</b>   |
| <b>Equity</b>                                   |      |                   |                    |
| Issued capital                                  | 4    | 12,628,740        | 12,574,990         |
| Share option reserve                            | 5    | 1,647,381         | 1,647,381          |
| Accumulated losses                              |      | (6,332,104)       | (5,303,656)        |
| <b>Total Equity</b>                             |      | <b>7,944,017</b>  | <b>8,918,715</b>   |

The accompanying notes form part of these financial statements.

**CONDENSED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

**Consolidated**

|   | <b>Issued Capital</b> | <b>Accumulated<br/>Losses</b> | <b>Option Reserve</b> | <b>Total</b>     |
|---|-----------------------|-------------------------------|-----------------------|------------------|
|   | <b>\$</b>             | <b>\$</b>                     | <b>\$</b>             | <b>\$</b>        |
| <b>Balance at 1 July 2011</b>           | 12,574,990            | (5,303,656)                   | 1,647,381             | 8,918,715        |
| Loss for the period                     | -                     | (1,028,448)                   | -                     | (1,028,448)      |
| Total comprehensive loss for the period | -                     | (1,028,448)                   | -                     | (1,028,448)      |
| Shares issued during the half year      | 53,750                | -                             | -                     | 53,750           |
| <b>Balance at 31 December 2011</b>      | <b>12,628,740</b>     | <b>(6,332,104)</b>            | <b>1,647,381</b>      | <b>7,944,017</b> |

**Company**

|   | <b>Issued Capital</b> | <b>Accumulated<br/>Losses</b> | <b>Option Reserve</b> | <b>Total</b>     |
|---|-----------------------|-------------------------------|-----------------------|------------------|
|   | <b>\$</b>             | <b>\$</b>                     | <b>\$</b>             | <b>\$</b>        |
| <b>Balance at 1 July 2010</b>           | 7,866,570             | (1,022,149)                   | 1,047,752             | 7,892,173        |
| Loss for the period                     | -                     | (2,337,087)                   | -                     | (2,337,087)      |
| Total comprehensive loss for the period | -                     | (2,337,087)                   | -                     | (2,337,087)      |
| Shares issued during the half year      | 1,492,500             | -                             | -                     | 1,492,500        |
| Transaction costs on share issue        | (4,980)               | -                             | -                     | (4,980)          |
| Expired options during the half year    | -                     | 1,047,752                     | (1,047,752)           | -                |
| <b>Balance at 31 December 2010</b>      | <b>9,354,090</b>      | <b>(2,311,484)</b>            | <b>-</b>              | <b>7,042,606</b> |

The accompanying notes form part of these financial statements.

**CONDENSED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

|  | Consolidated       | Company          |
|--|--------------------|------------------|
|  | 31 Dec 2011        | 31 Dec 2010      |
|  | \$                 | \$               |
|  | Inflows/(Outflows) |                  |
| <b>Cash flows from operating activities</b>                |                    |                  |
| Payments to suppliers and employees                        | (772,645)          | (286,414)        |
| Interest received  | 40,329             | 153,129          |
| <b>Net cash (used in) operating activities</b>             | <b>(732,316)</b>   | <b>(133,285)</b> |
| <b>Cash flows from investing activities</b>                |                    |                  |
| Payments for exploration and evaluation expenditure        | (2,277,755)        | (353,395)        |
| Payments for investments                                   | -                  | (929,009)        |
| Proceeds from sale of investments                          | -                  | 2,049,250        |
| <b>Net cash (used in)/provided by investing activities</b> | <b>(2,277,755)</b> | <b>766,846</b>   |
| <b>Cash flows from financing activities</b>                |                    |                  |
| Issue of shares  | -                  | 1,597,500        |
| Cost of raising capital                                    | -                  | (4,980)          |
| <b>Net cash used in financing activities</b>               | <b>-</b>           | <b>1,592,520</b> |
| Net (decrease)/increase in cash held                       | (3,010,071)        | 2,226,081        |
| Cash and cash equivalents at the beginning of the period   | 3,446,823          | 3,960,171        |
| Cash and cash equivalents at the end of the period         | <b>436,752</b>     | <b>6,186,252</b> |

The accompanying notes form part of these financial statements

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Statement of compliance

These interim consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2011 and any public announcements made by Hastings Rare Metals Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

#### Basis of preparation

The interim report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The Company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period.

#### Significant accounting judgements and key estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim report, the significant judgements made by management in applying the Company's accounting policies and the key estimates of uncertainty were the same as those applied for the year ended 30 June 2011, except for the following:

#### Impairment

The Directors assess impairment at each reporting date by evaluating conditions specific to the consolidated entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

The Directors have considered capitalized exploration expenditure as at 31 December 2011 and are satisfied that no impairment indicators exist. The ultimate recoupment of value is dependent on the successful development and commercial exploitation or sale of the respective areas.

#### Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the consolidated entity incurred a loss for the period of \$1,028,448, had a working capital deficiency of \$1,369,679, and had net cash outflows from operating activities of \$732,316 for the period ended 31 December 2011.

The Directors believe that it is reasonably foreseeable that the consolidated entity will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

- The consolidated entity has been successful in raising \$3.32 million of additional capital subsequent to period end (see note 8);
- The consolidated entity will be seeking to complete a further issue of 20,600,000 shares at 10 cents per share following shareholder approval at a General Meeting to be held on 11 April 2012 (see Note 8);
- On 20 January 2012 the Company reached agreement with Artemis Resources Limited to restructure settlement of the \$1 million which was payable to Artemis Resources Limited in respect of the Yangibana acquisition. Of the amount of \$1 million payable \$300,000 is to be converted to equity (3,000,000 shares at 10c each) following shareholder approval at a meeting to be held in March 2012, with the balance to be paid over the balance of the 2012 calendar year.;
- The consolidated entity has the ability to continue to raise additional funds on a timely basis, pursuant to the Corporations Act 2001;
- The ability of the consolidated entity to further scale back certain parts of their activities that are non essential so as to conserve cash; and
- The consolidated entity retains the ability, if required, to wholly or in part dispose of interests in mineral exploration and development assets.

#### Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2011, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2011.

It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2011. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

### NOTE 2: LOSS BEFORE INCOME TAX EXPENSE

|  | Consolidated | Company     |
|--|--------------|-------------|
|  | 31 December  | 31 December |
|  | 2011         | 2010        |
|  | \$           | \$          |

The following expenses are included in other expenses and are relevant in explaining the financial performance for the half-year:

|                           |        |        |
|---------------------------|--------|--------|
| Insurance                 | 29,853 | 18,380 |
| Rent                      | 24,000 | 35,000 |
| Accounting and audit fees | 22,730 | 24,875 |



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

**NOTE 3: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE**

|  | Consolidated        |                  |
|--|---------------------|------------------|
|  | 31 December<br>2011 | 30 June<br>2011  |
|  | \$                  | \$               |
| Costs carried forward in respect of areas of interest in the following phases: |                     |                  |
| <b>Exploration and evaluation phase – at cost</b>                              |                     |                  |
| Balance at beginning of year   | 7,732,281           | 1,848,360        |
| Acquisition costs <sup>1</sup>   | 443,032             | 6,239,965        |
| Exploration expenditure  | 1,138,473           | 2,273,964        |
| Write off of exploration expenditure   | -                   | (2,630,008)      |
| <b>Total deferred exploration and evaluation expenditure</b>                   | <u>9,313,786</u>    | <u>7,732,281</u> |

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent upon the successful development and commercial exploitation or sale of the respective areas.

<sup>1</sup> Acquisition costs in the current period comprise stamp duty on the acquisition of the Hastings project and the Yangibana project.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

**NOTE 4: ISSUED CAPITAL**

|   | Consolidated              |                                     |
|---|---------------------------|-------------------------------------|
|   | 31 December<br>2011<br>\$ | Year ended<br>30 June<br>2011<br>\$ |
| <i>Ordinary shares - Issued and fully paid</i>  |                           |                                     |
| Opening balance   | 12,574,990                | 7,866,570                           |
| Options converted at 25 cents   | -                         | 280,227                             |
| Shares issued during the period   | 53,750                    | 4,462,273                           |
| Less share issue costs  | -                         | (34,080)                            |
| Closing balance   | 12,628,740                | 12,574,990                          |
|   | No.                       | No.                                 |
| <i>Movements in ordinary shares on issue</i>  |                           |                                     |
| Opening balance   | 58,500,000                | 40,030,000                          |
| Options converted at 25 cents   | -                         | 1,120,907                           |
| Performance shares converted into ordinary shares   | 12,500,000                | -                                   |
| Share issued during the period  | 413,462                   | 17,349,093                          |
| Closing balance   | 71,413,462                | 58,500,000                          |
|   | No.                       | No.                                 |
| <i>Movements in performance shares on issue</i>   |                           |                                     |
| Opening balance   | 12,500,000                | -                                   |
| A class performance shares issued   | -                         | 6,250,000                           |
| B class performance shares issued   | -                         | 6,250,000                           |
| Performance shares converted into ordinary shares following achievement of A and B class performance milestones associated with revised JORC resource announced on 8 September 2011 | (12,500,000)              | -                                   |
| Closing balance   | -                         | 12,500,000                          |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

|  | Consolidated              |                                     |
|--|---------------------------|-------------------------------------|
|  | 31 December<br>2011<br>\$ | Year ended<br>30 June<br>2011<br>\$ |
| <b>NOTE 5: OPTIONS</b>   |                           |                                     |
| <i>Movements in options reserve were as follows:</i>   |                           |                                     |
| Opening balance  | 1,647,381                 | 1,047,752                           |
| Expiration of options  | -                         | (1,047,752)                         |
| Value of options issued during the year  | -                         | 1,647,381                           |
| Closing balance  | 1,647,381                 | 1,647,381                           |
|  | No.                       | No.                                 |
| <i>Movements in options over ordinary shares on issue</i>  |                           |                                     |
| Opening balance  | 37,500,000                | 39,970,000                          |
| Expiration of options  | -                         | (38,849,093)                        |
| Options issued during the period   | 15,000,000                | 37,500,000                          |
| Options exercised  | -                         | (1,120,907)                         |
| Closing balance  | 52,500,000                | 37,500,000                          |
|  | No.                       | No.                                 |
| <i>Movements in performance options</i>  |                           |                                     |
| Opening balance  | 15,000,000                | -                                   |
| A class performance options issued   | -                         | 7,500,000                           |
| B class performance options issued   | -                         | 7,500,000                           |
| Performance options converted into options following achievement of A and B class performance milestones associated with revised JORC resource announced on 8 September 2011 | (15,000,000)              | -                                   |
| Closing balance  | -                         | 15,000,000                          |

Options carry no voting rights and carry no rights to dividends.

### NOTE 6: SEGMENT REPORTING

#### Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board in assessing performance and in determining the allocation of resources.

The operating segments are identified by the Board based on the nature of its interests and projects. Discrete financial information about each of these projects is reported to the executive management team on at least a monthly basis.

#### Location of interests and nature of projects

##### Hastings Rare Metals and Heavy Rare Earths Project

The Hastings Rare Metals and Heavy Rare Earths Project comprises of ten (10) wholly owned prospecting licenses in the East Kimberley region of Western Australia. The project hosts significant JORC compliant resources of the rare metals zircon, niobium and tantalum, and the heavy rare yttrium.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

### NOTE 6: SEGMENT REPORTING (Continued)

#### Yangibana Project

The Group owns 60% interest in the Yangibana Rare Earth Project in the Gascoyne region of Western Australia. The project comprises six (6) granted Exploration Licenses Covering 68 sub-blocks and approximately 203 square kilometres.

In the prior period the Group discontinued its activities in the following projects; Silver Oil and Gas Prospect in the USA and the Mt Palmer project in the Southern Cross region of Western Australia.

The following table presents the revenue and profit information regarding the segment information provided to the Board for the half-year periods ended 31 December 2011 and 31 December 2010.

| <b>Consolidated</b>     | Investing -<br>Activities<br>\$ | Exploration -<br>Activities<br>Hastings<br>Project<br>\$ | Exploration -<br>Activities<br>Yangibana<br>Project<br>\$ | Unallocated<br>\$ | Total<br>\$ |
|-------------------------|---------------------------------|--|---|-------------------|-------------|
| <b>31 December 2011</b> |                                 |  |   |                   |             |
| Segment revenue         | -                               | -  | -   | 40,329            | 40,329      |
| Segment expenses        | -                               | -  | -   | 1,068,777         | 1,068,777   |
| Segment result          | -                               | -  | -   | (1,028,448)       | (1,028,448) |
| Segment assets          | -                               | 7,016,417  | 2,297,369   | 516,110           | 9,829,896   |
| Segment liabilities     | -                               | -  | 1,030,000   | 855,879           | 1,885,879   |

| <b>Company</b>          | Investing -<br>Activities<br>\$ | Exploration -<br>Activities<br>USA<br>\$ | Exploration -<br>Activities<br>Australia<br>\$ | Unallocated<br>\$ | Total<br>\$ |
|-------------------------|---------------------------------|--|--|-------------------|-------------|
| <b>31 December 2010</b> |                                 |  |  |                   |             |
| Segment revenue         | 312,411                         | -  | -  | -                 | 312,411     |
| Segment expenses        | 246,361                         | 2,082,582                                | 256,079  | 64,476            | 2,649,498   |
| Segment result          | 66,050                          | (2,082,582)                              | (256,079)                                      | (64,476)          | (2,337,087) |
| Segment assets          | 6,826,334                       | -  | 266,944  | 273,699           | 7,366,977   |
| Segment liabilities     | -                               | 196,792                                  | -  | 127,579           | 324,371     |

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

**NOTE 6: DIVIDENDS**

The Directors of the Company have not declared an interim dividend.

**NOTE 7: CONTINGENT LIABILITIES**

There has been no change in contingent liabilities since the last annual reporting date.

**NOTE 8: EVENTS SUBSEQUENT TO REPORTING DATE**

On 20 January 2012 the Company reached agreement with Artemis Resources Limited to restructure settlement of the \$1 million which was payable to Artemis Resources Limited in respect of the Yangibana acquisition. Of the amount of \$1 million payable, \$300,000 is to be converted to equity (3,000,000 shares at 10c each) following shareholder approval at a meeting to be held in April 2012, with the balance to be paid over the balance of the 2012 calendar year. The debt is secured over the Yangibana project and bears an interest rate of 12% per annum.

On 8 February 2012 the company announced a capital raising of \$5.4m. The capital raising is to be completed in two tranches with the first Tranche 1 comprising 33,200,000 ordinary shares at 10c per share raising \$3,320,000 before costs having been completed. Tranche 2 comprising 20,600,000 ordinary shares at 10c per share for \$2,060,000 before costs will be completed following shareholder approval in April 2012. The company will also issue 53,800,000 free attaching options on a one-for-one basis following shareholder approval in April 2012.

Other than as outlined above there have been no significant events since the interim reporting date.

**DIRECTORS' DECLARATION**

In the opinion of the Directors of Hastings Metals Limited ('the Company'):

1. The financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
  - a. complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - b. giving a true and fair view of the Company's financial position as at 31 December 2011 and of its performance for the half-year then ended; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303 (5) of the Corporations Act 2001.



**David Nolan**

**Director**

**14 March 2012**



Accountants | Business and Financial Advisers

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Hastings Rare Metals Limited

### Report on the Condensed Interim Financial Report

We have reviewed the accompanying interim financial report of Hastings Rare Metals Limited ("the company") which comprises the condensed statement of financial position as at 31 December 2011, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising 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 half-year end or from time to time during the half-year.

#### *Directors' responsibility for the interim financial report*

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

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Independence*

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



Accountants | Business and Financial Advisers

*Matters relating to the electronic presentation of the reviewed interim financial report*

This review report relates to the interim financial report of the company for the half-year ended 31 December 2011 included on the company's website. The company's directors are responsible for the integrity of the company's website. We have not been engaged to report on the integrity of this website. The review report refers only to the interim financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the interim financial report. If users of the interim financial report are concerned with the inherent risks arising from publication on a website they are advised to refer to the hard copy of the reviewed interim financial report to confirm the information contained in this website version of the interim financial report.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Hastings Rare Metals Limited is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

*HLB Mann Judd*

**HLB MANN JUDD**  
**Chartered Accountants**

A handwritten signature in blue ink, appearing to read 'M R W OHM'.

**M R W OHM**  
**Partner**

**Perth, Western Australia**  
**14 March 2012**