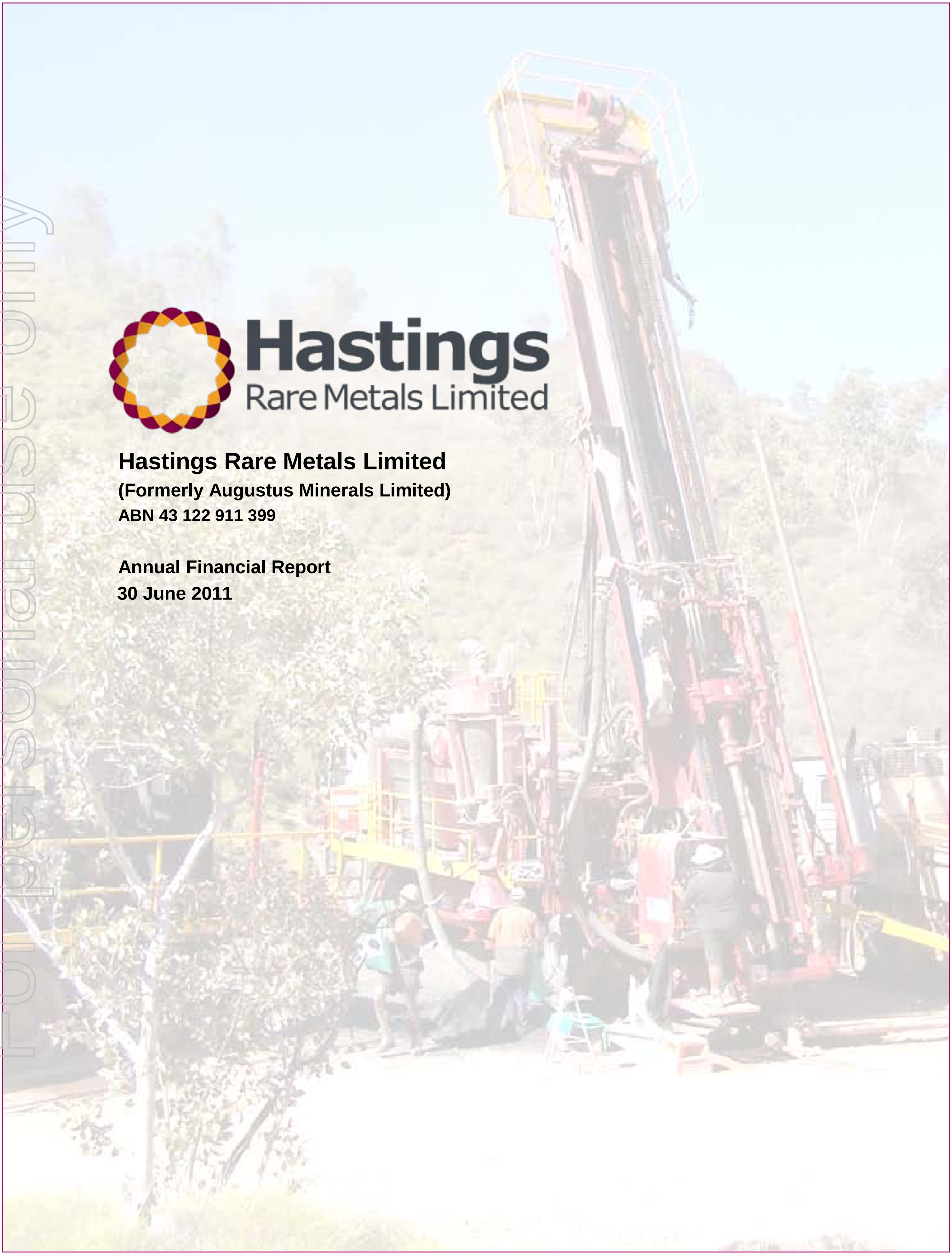

Hastings Rare Metals Limited

(Formerly Augustus Minerals Limited)

ABN 43 122 911 399

Annual Financial Report

30 June 2011

Hastings Rare Metals Limited

Contents

CORPORATE INFORMATION

ABN 43 122 911 399

Directors

Mr David Nolan
Mr Mathew Walker
Mr Anthony Ho
Mr James Robinson

Company Secretary

Mr James Robinson

Registered office

Suite 9, 1200 Hay Street
WEST PERTH WA 6005

Telephone: (08) 6460 4960
Fax: (08) 9324 3045

Principal place of business

Suite 9, 1200 Hay Street
WEST PERTH WA 6005

Share register

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153

Solicitors

Steinepreis Paganin
Level 4, Next Building
16 Milligan Street
PERTH WA 6000

Bankers

National Australia Bank
Level 1, 1238 Hay Street
WEST PERTH WA 6005

Auditors

HLB Mann Judd
Level 4, 130 Stirling Street
PERTH WA 6000

Website

www.hastingsraremetals.com

DIRECTORS' REPORT

Your directors submit the annual financial report of the consolidated entity consisting of Hastings Rare Metals Limited (formerly Augustus Minerals Limited) and the entities it controlled during the period for the financial year ended 30 June 2011. In order to comply with the provisions of the Corporations Act, the directors report as follows:

Directors

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

Mr David Nolan	(appointed 8 March 2011)
Mr Mathew Walker	
Mr Anthony Ho	(appointed 8 March 2011)
Mr James Robinson	(appointed 8 March 2011)
Mr Garry Ralston	(resigned 8 March 2011)
Mr Jon Wild	(resigned 8 March 2011)

Names, qualifications, experience and special responsibilities

Mr David Nolan
Non-Executive Chairman
Age: 36

Qualifications: Bachelor of Laws (Hons) and Bachelor of Arts from Bond University in Queensland

Mr Nolan is a corporate lawyer with over 13 years experience advising on corporate acquisitions, capital raisings and financing for mining companies. Mr Nolan is a partner in the Sydney corporate advisory practice of Mills Oakley Lawyers and was previously a senior adviser at the London Stock Exchange. Mr Nolan is a non-executive director of Apollo Minerals Limited (ASX:AON). Mr Nolan holds a Bachelor of Laws (Hons) and Bachelor of Arts from Bond University in Queensland.

Mr Mathew Walker
Executive Director
Age: 41
Qualifications: Bachelor of Business from the University of Technology Sydney

Mr Walker has extensive experience in private and public company management and in the provision of corporate advice. Specialising in the natural resources sector, Mr Walker has served as executive Chairman or Managing Director for public companies with resource interests in North America, South America, Africa, Eastern Europe, Australia and Asia. Currently he serves as Executive Chairman of Tango Petroleum Limited (ASX: TNP) and Chairman of Blue River Mining Limited (a company incorporated in England & Wales). He is also a Director of boutique investment banking firm Alto Capital and Chairman of corporate advisory firm Cicero Corporate Services Pty Ltd.

Mr Walker serves as Managing Director of his family livestock business, which was sold in part to Australian Agricultural Company Limited (ASX: AAC) in 2006, which was described by AAC at the time as "the world's largest and most credentialed full blood herd outside of Japan and is viewed as Australia's premier Wagyu Business".

Mr Walker is a member of the Australian Institute of Company Directors and holds a Bachelor of Business from the University of Technology, Sydney.

During the last three years, Mr Walker has served as a director of the following listed companies:

- Pilbara Minerals Limited (resigned 26 August 2010)
- Pacific Ore Limited (resigned 20 November 2009)
- Aspire Mining Limited (resigned 12 February 2010)

DIRECTORS' REPORT (continued)

Mr Anthony Ho
Non-Executive Director
Age: 64
Qualifications: Bachelor of Commerce from the University of New South Wales, Sydney

Mr Ho is an experienced company director having held executive directorships and chief financial officer roles with a number of publicly listed companies. Mr Ho was Executive Director of Arthur Yates & Co Limited, retiring from that position in April 2002.

His corporate and governance experience include being Chief Financial Officer/Finance Director of M.S. McLeod Holdings Limited, Galore Group Limited, the Edward H O'Brien group of companies and Volante Group Limited.

Mr Ho is currently a non-executive Director of Dolomatrix International Limited (ASX: DMX) where he chairs the Audit and Compliance Committee and a non-executive Director of Greenland Minerals and Energy Limited (ASX: GGG) where he also chairs the Audit and Risk Committee. He is also the non-executive Chairman of Apollo Minerals Limited (ASX: AON).

Mr Ho holds a Bachelor of Commerce degree from the University of New South Wales and is a member of the Institute of Chartered Accountants in Australia and a fellow of both the Chartered Institute of Company Secretaries and the Institute of Company Directors.

During the last three years, Mr Ho has served as the Chairman of the following listed company:

- Esperance Minerals Limited (ASX: ESM) (resigned 12 March 2010)

Company Secretary

Mr James Robinson

Non-Executive Director and Company Secretary
Age: 33
Qualifications: Bachelor of Economics from The University of Western Australia

Mr Robinson gained extensive capital markets experience during 10 years with one of Western Australia's leading corporate advisory and stockbroking firms. He currently serves as a Director of Blue River Mining Limited (a company incorporated in England & Wales), Cohiba Minerals Limited and Company Secretary of Tango Petroleum Limited (ASX: TNP). He is also a director of corporate advisory firm Cicero Corporate Services Pty Ltd. He is a member of the Australian Institute of Company Directors and holds a Bachelor of Economics from the University of Western Australia.

During the last three years, Mr Robinson has served as a director of the following listed companies:

- Tango Petroleum Limited (resigned 1 November 2010)
- Pilbara Minerals Limited (resigned 30 June 2010)
- Aspire Mining Limited (resigned 12 February 2010)
- Mongolian Resource Corporation Limited (resigned 16 September 2010)

Interests in the shares and options of the Company

The following relevant interests in shares and options of the Company or a related body corporate were held by the directors as at the date of this report.

Director	Number of fully paid ordinary shares	Number options
Mr David Nolan	170,000	2,000,000
Mr Mathew Walker	4,500,000	6,000,000
Mr Anthony Ho	Nil	Nil
Mr James Robinson	850,000	2,000,000

There are no unpaid amounts on the shares issued.

At the date of this report there were 52,500,000 unissued ordinary shares of the Company under option.

DIRECTORS' REPORT (continued)

Dividends

No dividends have been paid or declared since the start of the financial year and the directors do not recommend the payment of a dividend in respect of the financial year.

Principal Activities

The principal activity of the entities within the consolidated entity during the year was the exploration for natural resources.

Review of operations

HASTINGS PROJECT, WESTERN AUSTRALIA (100% OWNED)

On 7 December 2010, the Company advised it had entered into a binding Share Sale Agreement to purchase all the issued share capital of Hastings Project Holdings Pty Limited (since renamed Hastings Rare Metals Pty Limited) ("Hastings"). Hastings is the owner of the Hastings Rare Metals and Heavy Rare Earths Project (the "Hastings Project"), comprising of ten wholly owned prospecting licenses in the East Kimberley region of Western Australia covering approximately 1990 hectares. This acquisition was completed on 8 March 2011 following the receipt of shareholder approval.

Location

The Hastings Project is located 18km south-east of the Great Northern Highway at Halls Creek and 180km south of the Argyle Diamond Mine in the East Kimberley Region of Western Australia. The Project site is accessed from the Great Northern Highway, which links Broome and Derby (450km from site) to Wyndham (380km from site), at Halls Creek.

Exploration

Since settlement of the acquisition the Company has undertaken a major drilling program comprising a total of 51 reverse circulation holes for 7,443 metres and a total of 8 (HQ3) diamond tails for 739 metres drilled targeting and testing the deposit to a vertical depth of 290 metres. The deposit remains open along strike and at depth – in particular, an additional 750 metres of strike extension has been confirmed beyond Hastings' most southern drill section (9075N). The surface expression of the mineralisation appears to be significantly larger than previously mapped and this area is a prime target for future drilling.

Revised JORC Resource

Following the completion of the drilling program an upgraded resource estimate was conducted by independent consultants CoxRocks Pty Limited ("CoxRocks"). CoxRocks managed the preparations for and operation of the drilling program and has established a close understanding of the deposit. Interpretation was undertaken by the Company and CoxRocks and resulted in a JORC-compliant resource estimate of 36.2 million tonnes containing significant rare metals and heavy rare earths.

	Category		Tonnage	ppm ZrO_2	ppm Nb_2O_5	ppm Ta_2O_5	ppm Ga_2O_5	ppm HfO_2	ppm Dy_2O_5	ppm Y_2O_3	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
Total	**Indicated**		**27,100,000**	**8,913**	**3,545**	**182**	**110**	**318**	**186**	**1,120**	**2,103**	**1,803**
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
Total	**Inferred**		**9,100,000**	**8,914**	**3,547**	**182**	**110**	**318**	**186**	**1,120**	**2,100**	**1,802**
TOTAL			**36,200,000**	**8,913**	**3,546**	**182**	**110**	**318**	**186**	**1,120**	**2,102**	**1,802**

These resources represent a major upgrade on the last resource estimation completed by CoxRocks in 2010 based on historical drilling data that Indicated Resources of 8,834,000 tonnes at 7,600ppm ZrO_2, 3,070ppm Nb_2O_5, 215ppm Ta_2O_5, and 920ppm Y_2O_3; plus Inferred Resources of 13,250,000 tonnes at 8,100ppm ZrO_2, 3,200ppm Nb_2O_5, 239ppm Ta_2O_5, and 1,000ppm Y_2O_3; giving a Total Resource of 22,084,000 tonnes at 7,900ppm ZrO_2, 3,100ppm Nb_2O_5, 230ppm Ta_2O_5, and 1,000ppm Y_2O_3.

The new figures represent a 12.8% increase in ZrO_2 grade; a 14.4% increase in Nb_2O_5 grade; a 20.4% decrease in Ta_2O_5 grade; and a 12.0% increase in Y_2O_3 grade. They represent an 84.9% increase in contained ZrO_2; an 87.5% increase in contained Nb_2O_5; a 29.7% increase in contained Ta_2O_5; and an 83.6% increase in contained Y_2O_3.

DIRECTORS' REPORT (continued)

Review of operations

HASTINGS PROJECT, WESTERN AUSTRALIA (100% OWNED) (continued)

For the first time material was assayed for the full suite of rare earths as well as rare metals of interest including gallium and hafnium. Gallium is used in electrical components and hafnium is predominantly used in filaments and electrodes. Both are highly sought after and their presence and potential recovery and economic exploitation will form part of forthcoming metallurgical and feasibility studies.

A breakdown of the rare metal and Total Rare Earth Oxides ("TREO") content provides the following:

		Price (kg)*	Hastings Grade (ppm)	Contained Metal (t)
Rare Metal	**Rare Metal Oxide**			
Zirconium	ZrO_2	4.60	8,913	322,651
Niobium	Nb_2O_5	30	3,546	128,365
Tantalum	Ta_2O_5	284	182	6,588
Gallium	Ga_2O_5	800	110	3,982
Hafnium	HfO_2	472	318	11,512
				473,098
Rare Earth Metal	**Rare Earth Oxide**			
Lanthanum	La_2O_5	45	34	1,231
Cerium	Ce_2O_5	43	127	4,597
Praseodymium	Pr_2O_5	142	19	688
Neodymium	Nd_2O_5	571	73	2,643
Samarium	Sm_2O_5	211	46	1,665
Europium	Eu_2O_5	2,445	3	109
Gadolinium	Gd_2O_5	292	75	2,715
Terbium	Tb_2O_5	2,651	24	869
Dysprosium	Dy_2O_5	1,744	186	6,733
Holmium	Ho_2O_5	381	43	1,557
Erbium	Er_2O_5	392	173	6,263
Thulium	Tm_2O_5	3,182	22	796
Ytterbium	Yb_2O_5	126	139	5,032
Lutetium	Lu_2O_5	1,151	18	652
Yttrium	Y_2O_3	209	1,120	40,544
			2,103	**76,092**
TOTAL				**549,190**

* 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.

The deposit has an unusually high proportion of the highly valuable heavy rare earth oxides ("HREO") to TREO. Of particular interest is the presence of the heavy rare earth oxides of Dysprosium and Yttrium. Both metals were identified in December 2010 by the US Department of Energy as being in critical short supply in both the short term (0-5

DIRECTORS' REPORT (continued)

Review of operations

HASTINGS PROJECT, WESTERN AUSTRALIA (100% OWNED) (continued)

years) and medium term (5-15 years). The price of Dysprosium oxide has averaged US$1,744 per kilogram over the first six months of the year. Yttrium oxide has averaged US$209 per kilogram in the same period.

The drilling program has:

(a) increased the size of the resource;
(b) increased the confidence level of the resource, such that the majority of the resource is now in the indicated category;
(c) significantly increased the grade of zirconium, niobium and yttrium oxides;
(d) allowed the first accurate estimate to be made of the full range of rare earth oxide;s and
(e) increased the exploration potential with additional strike length identified, particularly in the south.

A representative sample of fresh material combining material from across the deposit has been delivered to ALS Ammtec Laboratories and testwork is now under way. Sample preparation has been completed and a head assay sample submitted. Sub-samples are being prepared at various grind sizes and size fractions will be analysed. Selected samples will be sent for mineralogical examination. At that point Hastings and its consultants will review the program of work for future metallurgical assessment.

YANGIBANA PROJECT, WESTERN AUSTRALIA (60% OWNED)

On 17 June 2011 the Company announced it had entered into an agreement with Artemis Resources Limited to acquire a 60% interest in the Yangibana Rare Earth Project in the Gascoyne region of Western Australia through the purchase of all the issued share capital of Gascoyne Metals Pty Ltd. The Yangibana Rare Earth Project (the "Project") comprises six (6) granted Exploration Licences covering 68 sub-blocks and approximately 203 square kilometres.

Nine individual occurrences of rare earth elements ("REE") are known to occur within the Project area including Yangibana, Yangibana North, Yangibana South, Lions Ear, Gossan, Hook, Hook South, Kanes Gossan and Tongue.

The tenements cover the majority of the known REE occurrences in the region characterised as belonging to the carbonatite dyke intrusive style of rare earth occurrences.

The dykes occur as strong linear iron rich features generally striking in an east west orientation and semi concordant to regional magnetic trends. They are late stage intrusive bodies which have been emplaced late in the geological history of the area along zones of structural weakness and sub outcrop as irregular linear zones and are readily traceable as outcrop and anomalous geochemical trends. The REE mineralisation is hosted by a long sinuous ironstone gossan.

Past exploration of the Project has included the drilling of 80 RC holes for 3,500 metres which was conducted by Challenger Mining Corporation in 1988. The drilling showed that the individual anomalous REE zones extend for several hundred metres in strike and extend down to at least 50 metres vertical depth. They are variably dipping form shallow to moderately dipping (10-70 degrees) and have an average true thickness of 2-6 metres. These activities relate to only 2.2km of the potential strike length of over 7 km within the Project area.

Better intersections returned from this drilling were:

4.5m at 2.22%TREO from Yangibana North,

3.5m of 3.21%TREO from Hook,

4.6m at 1.83%TREO from Lion's Ear,

7.1m at 1.43%TREO from Kane's Gossan, and

6.0m at 1.81%TREO from Bald Hill.

More recently, in 2007-2008 fifty six (56) rock chip samples were collected over only 2 km of the 7 km strike length and returned average results of 2.84% TREO ("Total Rare Earth Oxides") including one sample of 19.44% TREO, which provides an excellent guide for further exploration.

The mineralisation composition is strongly biased towards the LREO's (Light Rare Earth Oxides) lanthanum, cerium and in particular neodymium. The unusually high neodymium oxide values as a proportion of TREO are as high as nearly 40% of TREO in some samples, or up to 6,223 ppm.

Neodymium is predominantly used in magnets and neodymium magnets are the strongest known permanent magnets – a neodymium magnet of only a few grams can lift one thousand times its own weight.

Hastings plans to evaluate the Project to determine the potential size of the prospect and to establish JORC-compliant resources, whilst undertaking metallurgical test work to identify the optimum processing route for the Yangibana Project material.

DIRECTORS' REPORT (continued)

Review of operations

YANGIBANA PROJECT, WESTERN AUSTRALIA (60% OWNED) (continued)

Consideration for the Project acquisition was an Initial payment of A$1,000,000 on settlement followed by a Further Payment of A$1,000,000 on or before 31 December 2011. These payments are expected to be made from existing cash reserves.

A Milestone Payment of A$2,000,000 is also payable if and when the Company completes a Feasibility Study on the Project and obtains a formal offer for Project financing.

SILVERWOOD PROSPECT, LOUISIANA USA, (40% WI)

The Richardson #1 Well at Silverwood spudded on 19 July 2010 and reached total depth on 1 September 2010. The well was then completed and tested in the primary objective. It commenced commercial production on 24 September 2010. Subsequently, production continued to decline and the Company has made a decision to dispose of its interest in this project. Following agreement with the project operator the Company will have no ongoing obligations or liabilities in respect of this project.

MT PALMER PROJECT, WESTERN AUSTRALIA, (100% OWNED)

The Mt Palmer project, located approximately 40km east south east of Southern Cross in Western Australia, surrounds the historic Mt Palmer Gold Mine (excluded), which produced 157,933oz from 305,799 tonnes @ 15.9g/t Au between 1934 and 1944.

RC drilling undertaken in August 2009 to evaluate this anomaly consisted of 12 holes for 850m on 4 lines approximately 120m apart. Composite spear samples were collected on 4m intervals and assayed for gold by fire assay. Elevated gold results were received for the southern two drill lines, defining a weak to moderately mineralised zone to the immediate north of the historic Mt Palmer workings, with a best intersection of 4m at 1.1g/t from 8m. The northern two drill lines failed to intercept anomalous gold zones.

The drilling appears to have downgraded the near surface potential of the area to the north of the historic Mt Palmer workings.

During the period the Company received an offer to purchase E77/987 which was accepted and the Board has subsequently decided to surrender E77/1290.

Competent Person's Statement
The information in this presentation that relates to exploration results and resource estimation 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.

Operating results for the year

The comprehensive loss of the consolidated entity for the financial period, after providing for income tax amounted to $5,329,259 (2010: $899,348).

Review of financial conditions

As at 30 June 2011 the consolidated entity had $3,446,823 in cash assets which the Directors believe puts the Company in a sound financial position to meet its current costs and objectives.

Risk management

Details of the consolidated entity's Risk Management policies are contained within the Corporate Governance Statement in Directors' Report.

Corporate Governance

Details of the consolidated entity's Corporate Governance policies are contained within the Corporate Governance Statement in Directors' Report.

DIRECTORS' REPORT (continued)

Significant changes in the state of affairs

On 7 December 2010 the Company announced it had entered into a binding share sale agreement to purchase all the issued share capital of Hastings Project Holdongs Pty Limited. Hastings is the owner of the Hastings Rare Metals and Heavy Rare Earths Project, comprising of ten (10) wholly owned prospecting licenses in the East Kimberley region of Western Australia covering approximately 1990 hectares. This acquisition was completed on 8 March 2011 following the receipt of shareholder approval. Concurrent with this, Mr David Nolan, Mr Anthony Ho and Mr James Robinson joined the Board of the Company with Mr Garry Ralston and Mr Jon Wild resigning.

On 17 June 2011 the Company announced it had entered into an agreement with Artemis Resources Limited to acquire a 60% interest in the Yangibana Rare Earth Project in the Gascoyne region of Western Australia through the purchase of all the issued share capital of Gascoyne Metals Pty Ltd. The Yangibana Rare Earth Project comprises six (6) granted Exploration Licences covering 68 sub-blocks and approximately 203 square kilometres.

Significant events after balance date

On 8 September 2011 the Company reported a major upgarde in the JORC compliant resources at its Hastings rare metal-rare earth deposit to 36.2 million tonnes. This resulted in the satisfaction of milestones 1 and 2 under the acquisition agreement and the payment on $750,000 and the conversion of all (12,500,000 shares and 15,000,000 options) performance securities in to ordinary securities.

On 27 September 2011 the Company announced the appointment of Mr Steve Mackowski to the non-Board position of Technical Director of Projects. 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 joins 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.

Likely developments and expected results

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Therefore, this information has not been presented in this report.

Environmental legislation

The consolidated entity is subject to significant environmental and monitoring requirements in respect of its natural resources exploration activities.

The directors are not aware of any significant breaches of these requirements during the period.

Indemnification and insurance of Directors and Officers

The consolidated entity has agreed to indemnify all the directors of the consolidated entity for any liabilities to another person (other than the consolidated entity or related body corporate) that may arise from their position as directors of the consolidated entity, except where the liability arises out of conduct involving a lack of good faith.

During the financial year the consolidated entity paid a premium in respect of a contract insuring the directors and officers of the consolidated entity against any liability incurred in the course of their duties to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

DIRECTORS' REPORT (continued)

Remuneration report (Audited)

This report outlines the remuneration arrangements in place for directors and senior management of Hastings Rare Metals Limited for the financial year ended 30 June 2011.

The following persons acted as directors during or since the end of the financial year:

Mr David Nolan (Non- Executive Chairman)

Mr Mathew Walker (Executive Director)

Mr Anthony Ho (Non- Executive Director)

Mr James Robinson (Non-Executive Director)

Mr Garry Ralston (Non-Executive Chairman)

Mr Jon Wild (Non-Executive Director)

The term 'senior management' is used in this remuneration report to refer to the following persons. Except as noted the named persons held their current position for the whole of the financial year and since the end of the financial year:

Mr David Nolan (Non- Executive Chairman)	(Appointed 8 March 2011)
Mr Mathew Walker (Executive Director)	
Mr Anthony Ho (Non- Executive Director)	(Appointed 8 March 2011)
Mr James Robinson (Non-Executive Director)	(Appointed 8 March 2011)
Mr James Robinson (Company Secretary)	
Mr Garry Ralston (Non-Executive Chairman)	(Resigned 8 March 2011)
Mr Jon Wild (Non-Executive Director)	(Resigned 8 March 2011)

Remuneration philosophy

The performance of the company depends upon the quality of the directors and executives. The philosophy of the company in determining remuneration levels is to:

- set competitive remuneration packages to attract and retain high calibre employees;
- link executive rewards to shareholder value creation; and
- establish appropriate, demanding performance hurdles for variable executive remuneration

Non-executive directors committee

The Non-Executive Directors Committee of the Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the directors and the senior management team.

The Non-Executive Directors Committee assesses the appropriateness of the nature and amount of remuneration of directors and senior executives on a periodic basis by reference to relevant employment market conditions with an overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

Remuneration structure

In accordance with best practice Corporate Governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-executive director remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The latest determination was at the Annual General Meeting held on 30 November 2010 when shareholders approved an aggregate remuneration of up to $250,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external shareholders as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each director receives a fee for being a director of the Company.

DIRECTORS' REPORT (continued)

Remuneration report (Audited) (continued)

The remuneration of non-executive directors for the period ended 30 June 2011 is detailed in the Remuneration of directors and named executives section of this report on page 11 of this report.

Senior manager and executive director remuneration

Remuneration consists of fixed remuneration and Company options (as determined from time to time). In addition the Company employees and directors, the Company has contracted key consultants on contractual basis. These contracts stipulate the remuneration to be paid to the consultants.

Fixed Remuneration

Fixed remuneration is reviewed annually by the independent directors committee (which assumes the role of the Remuneration Committee). The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Committee has access to external, independent advice where necessary.

Fixed remuneration is paid in the form of cash payments.

The fixed remuneration component of the 6 most highly remunerated Company executives is detailed in Table 1.

Employment Contracts

The Company currently employs Mr Mathew Walker in the capacity of Executive Director under the terms of an Executive Services Agreement entered into on 1 July 2011. Mr Walker is to be paid an annual remuneration of $240,000 plus statutory superannuation. He will also be reimbursed for reasonable expenses incurred in carrying out his duties.

Options

During the period ended 30 June 2011, there were 10,000,000 Options (exercisable at $0.40 on or before 31 December 2013) issued as part of director remuneration.

DIRECTORS' REPORT (continued)

Remuneration of directors and named executives

Table 1: Directors' and named executives remuneration for the year ended 30 June 2011

	Short-term employee benefits			Post-employment benefits		Equity	Other	Total	%
	Salary & Fees	Bonuses	Non- Monetary Benefits	Superannuation	Prescribed Benefits	Options			Performance Related
Mr David Nolan	19,842	-	-	-	-	229,959	-	249,801	-
Mr Mathew Walker	171,408	-	-	10,800	-	689,878	-	872,086	-
Mr Anthony Ho	12,409	-	-	-	-	-	-	12,409	-
Mr James Robinson	63,556	-	-	2,025	-	229,959	-	295,540	-
Mr Garry Ralston	30,875	-	-	-	-	-	-	30,875	-
Mr Jon Wild	20,583	-	-	-	-	-	-	20,583	-
Total	**318,673**	**-**	**-**	**12,825**	**-**	**1,149,796**	**-**	**1,481,294**	**-**

Table 2: Directors' and named executives remuneration for the year ended 30 June 2010

	Short-term employee benefits			Post-employment benefits		Equity	Other	Total	%
	Salary & Fees	Bonuses	Non- Monetary Benefits	Superannuation	Prescribed Benefits	Options			Performance Related
Mr Garry Ralston	45,000	-	-	-	-	-	-	45,000	-
Mr Mathew Walker	120,000	-	-	-	-	-	-	120,000	-
Mr Jon Wild	30,000	-	-	-	-	-	-	30,000	-
Mr James Robinson	40,000	-	-	-	-	12,500	-	52,500	-
Total	**235,000**	**-**	**-**	**-**	**-**	**12,500**	**-**	**247,500**	**-**

DIRECTORS' REPORT (continued)

Directors' Meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director was as follows:

	Director Meetings		Independent Director Meetings	
Director	Attended	Eligible to Attend	Attended	Eligible to Attend
Mr Garry Ralston	6	6	1	1
Mr Mathew Walker	8	8	-	-
Mr Jon Wild	5	6	1	1
Mr David Nolan	2	2	1	1
Mr Anthony Ho	2	2	1	1
Mr James Robinson	2	2	1	1

In addition, 12 circular resolutions were signed by the board during the period.

Auditor's Independence and Non-Audit Services

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 audit of the annual report. This Independence Declaration is set out on page 21 and forms part of this directors' report for the year ended 30 June 2011.

Non-Audit Services

Details of amounts paid or payable to the auditors for non-audit services provided during the year by the auditor are outlined in Note 18 to the financial statements. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the integrity and objectivity of the auditor and non of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board.

Signed in accordance with a resolution of the directors.

MATHEW WALKER
Executive Director
Dated this 30th day of September 2011

CORPORATE GOVERNANCE STATEMENT

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

Hastings Rare Metals Limited's Corporate Governance Statement is structured with reference to the Corporate Governance Council's principles and recommendations, which are as follows:

Principle 1. **Lay solid foundations for management and oversight**

Principle 2. **Structure the board to add value**

Principle 3. **Promote ethical and responsible decision making**

Principle 4. **Safeguard integrity in financial reporting**

Principle 5. **Make timely and balanced disclosure**

Principle 6. **Respect the rights of shareholders**

Principle 7. **Recognise and manage risk**

Principle 8. **Remunerate fairly and responsibly**

Hastings Rare Metals Limited's corporate governance practices were in place throughout the year ended 30 June 2011.

LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Role and Responsibilities of the Board

The principal responsibilities or functions of the Board are as follows:

- appointment of the Chief Executive Officer and other senior executives and the determination of their terms and conditions including remuneration and termination;
- driving the strategic direction of the Company, ensuring appropriate resources are available to meet objectives and monitoring management's performance;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- approving and monitoring the progress of major capital expenditure, capital management and significant acquisitions and divestitures;
- approving and monitoring the budget and the adequacy and integrity of financial and other reporting; and
- ensuring a high standard of corporate governance practice and regulatory compliance and promoting ethical and responsible decision making.

STRUCTURE THE BOARD TO ADD VALUE

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report. Directors of Hastings Rare Metals Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgment.

In the context of director independence, 'materiality' is considered from both the Group and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors that point to the actual ability of the director in question to shape the direction of the Group's loyalty.

CORPORATE GOVERNANCE STATEMENT (continued)

The directors that are considered independent are:

Mr Anthony Ho	Non-executive Director
Mr James Robinson	Non-executive Director

Notification of Departure: ASX Best Practice Recommendation 2.1 states that the majority of the Board should be independent, however Mr David Nolan and Mr Mathew Walker, are not considered independent.

Explanation for Departure: The Board considers that the Company is not currently of a size to justify the expense of the appointment of additional independent directors. The Board believes that the individuals on the Board can make, and do make, quality and independent judgements in the best interests of the Company on all relevant issues. Directors having a conflict of interest in relation to a particular item of business must absent themselves from the Board meeting before commencement of discussion on the topic.

Notification of Departure: ASX Best Practice Recommendation 2.2 states that the Chairman should be independent, however the Chairman, Mr David Nolan, is not at this time considered independent.

Explanation for Departure: The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the expense of the appointment of an independent Chairman. The Company's Chairman, Mr David Nolan, is considered by the Board not to be independent in terms of the ASX Corporate Governance Council's definition of independent director. However the Board believes that the Chairman is able to and does bring quality and independent judgment to all relevant issues falling within the scope of the role of a Chairman.

There are procedures in place, agreed by the Board, to enable directors in the furtherance of their duties to seek independent professional advice at the Company's expense.

The term in office held by each director in office at the date of this report is as follows:

Name	Term in Office
Mr David Nolan	7 months
Mr Mathew Walker	5 years
Mr Anthony Ho	7 months
Mr James Robinson	7 months

Performance

The performance of the Board and key executives is reviewed regularly. The performance criteria against which directors and executives are assessed are aligned with the financial and non-financial objectives of Hastings Rare Metals Limited. Directors whose performance is consistently unsatisfactory may be asked to retire.

Nomination Committee

Notification of Departure: The Board has not established a separate Nomination Committee as per ASX Best Practice Recommendation 2.4.

Explanation for Departure: The Board considers that the Group is not of a size nor are its affairs of such complexity to justify formation of a nomination committee. The board has formed a Non-executive Directors Committee which among other tasks has assumed the role and responsibly of the Nomination Committee. The Board as a whole also undertakes the process of reviewing the skill base and experience of existing Directors to enable identification or attributes required in new Directors.

CORPORATE GOVERNANCE STATEMENT (continued)

Non-executive Directors Committee

The Non-executive Directors Committee of the Board of Directors of the Group assumes the responsibility of the following committees:

- Nomination Committee
- Audit Committee
- Remuneration Committee, including performance review of key executives

A Non-executive Directors committee has been formed which consists of:

- Mr Anthony Ho
- Mr David Nolan

Mr Anthony Ho has been appointed the Chair of the Non-executive Directors Committee; he is not the Chairman of the Company.

PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Code of Conduct

The Board has adopted a written Board Code of Conduct which applies to the Directors of the Company. The Board has also adopted a written Code of Conduct which applies to employees and key consultants of the Company and supplements the Board Code of Conduct.

The Company is dedicated to delivering outstanding performance for investors and employees. In achieving this objective, Directors, officers and employees are expected to act with honesty, integrity and responsibility and maintain a strong sense of corporate and social responsibility. In maintaining its corporate and social responsibility the Company will conduct its business ethically and according to its values, consider the environment and ensure a safe, non-discriminatory and supportive workplace.

Trading Policy

The Board has adopted a policy in relation to dealings in the securities of the Company which applies to all Directors and employees. Under the policy, Directors are prohibited from short term trading in the Company's securities and Directors and employees are prohibited from dealing in the Company's securities whilst in possession of price sensitive information. The Chairman, or in his absence, the Company Secretary, must be notified of any proposed transaction and must give clearance for the transaction to proceed.

SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Audit Committee

Notification of Departure: The Board has not established a separate Audit Committee as per ASX Best Practice Recommendation 4.1.

Explanation for Departure: The Board has not established an Audit Committee, however it has established a Non-executive Directors Committee that assumes the role of the audit committee, which meets at least annually to deal with the Audit Committee's responsibilities, and operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non financial considerations such as the benchmarking of operational key performance indicators. The Board has assumed responsibility for establishing and maintaining a framework of internal control and ethical standards during the year.

CORPORATE GOVERNANCE STATEMENT (continued)

The primary purpose of the Non-executive Directors Committee that fulfils the role of the Audit Committee is to assist the Board in fulfilling its statutory and fiduciary responsibilities relating to:

(a) the quality and integrity of the Company's financial statements, accounting policies and financial reporting and disclosure practices;

(b) compliance with all applicable laws, regulations and company policy;

(c) the effectiveness and adequacy of internal control processes;

(d) the performance of the Company's external auditors and their appointment and removal;

(e) the independence of the external auditor and the rotation of the lead engagement partner; and

(f) the identification and management of business risks.

A secondary function of the Committee is to perform such special reviews or investigations as the Board may consider necessary.

MAKE TIMELY AND BALANCED DISCLOSURE

The Board is committed to the promotion of investor confidence by ensuring that trading in the Company's securities takes place in an efficient, competitive and informed market. In accordance with the continuous disclosure requirements under the ASX Listing Rules, the Company has procedures in place to ensure that any price sensitive information is identified, reviewed by Directors and management and disclosed to ASX in a timely manner and that all information provided to ASX is immediately available to shareholders and the market on the Company's website.

RESPECT THE RIGHTS OF SHAREHOLDERS

The Board aims to ensure that shareholders are kept informed of all major developments affecting the Company. Information is communicated to shareholders as follows:

- as the Company is a disclosing entity, regular announcements are made to Australian Securities Exchange and to include half-year accounts and year end financial report;
- the Board ensures the annual report includes relevant information about the operations of the Company during the year, changes in the state of affairs and details of future developments; and
- the Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification of the Company's strategies and goals.

RECOGNISE AND MANAGE RISK

The identification, prioritization and effective management of risk, including calculated risk-taking, is viewed as an essential part of the Group's approach to creating long-term shareholder value. Strategic and operational risks are reviewed at least annually as part of the annual strategic planning, business planning, forecasting and budgeting process.

The Group has developed a series of operational risks which the Group believes to be reflective of the industry and geographical locations in which the Group operates. These risk areas are provided here to assist investors to have an understanding of risks faced by the Group and the industry in which we operate. The key risks are, and not limited to:

- fluctuations in commodity prices and exchange rates;
- success or otherwise of exploration activities;
- reliance on licenses, permits and approvals from governmental and land owners authorities;
- loss of key management;
- ability to obtain additional financing; and
- changed operating, market or regulatory environments.

CORPORATE GOVERNANCE STATEMENT (continued)

Risk Management Roles and Responsibilities

The Board is responsible for identifying the risks facing the company, assessing the risks and ensuring that there are controls for these risks, which are to be designed to ensure that any identified risk is mitigated to an acceptable level. The Board will review and discuss strategic risks and opportunities as they arise and arising from changes in the company's business environment regularly and on an as need basis. The board may delegate some of the abovementioned responsibility to management and committees of the board but maintain the overall responsibility for the process.

Management is responsible for designing, implementing and reporting on the adequacy of the Group's risk management and internal control system. Management reports to the Board at least annually, or more frequently as required, on the Group's key risks and the extent to which it believes these risks are being managed.

In 2011 the Board reviewed the overall risk profile for the Group and received reports from management on the effectiveness of the Group's management of its material business risks.

Integrity of Financial Reporting

The Board receives regular reports about the financial condition, operating results and budgets of the group. The Executive Director provides a formal statement to the Board annually that in all material respects and to the best of his knowledge and belief:

- the Company's financial reports present a true and fair view of the Company's financial condition and operational results are in accordance with relevant accounting standards; and
- the Company's risk management and internal control systems are sound, appropriate and operating efficiently and effectively.

REMUNERATE FAIRLY AND RESPONSIBLY

Notification of Departure: The Board has not established a separate Remuneration Committee as per ASX Best Practice Recommendation 8.1.

Explanation for Departure: The Board has not established a Remuneration Committee, however it has established an Non-executive Directors Committee that assumes the role of the Remuneration committee, which meets at least annually to deal with the Remuneration Committee responsibilities, and operates under a charter approved by the Board.

It is the Group's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Non-executive Directors/ Remuneration Committee reviews the nature and amount of executive directors' and officers' emoluments to the Group's financial and operational performance, however no performance pay is provided. Key Executives are issued with Company Options.

The expected outcomes of the remuneration structure are:

- retention and motivation of key executives;
- attraction of high quality management to the Group; and
- Company options allow executives to share the success of Hastings Rare Metals Limited.

For a full discussion of the Group's remuneration philosophy and framework and the remuneration received by directors and executives in the current period please refer to the remuneration report, which is contained within the Directors' Report.

There is no scheme to provide retirement benefits, other than statutory superannuation to directors.

HLB Mann Judd
Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Hastings Rare Metals Limited (formerly Augustus Minerals Limited) for the year ended 30 June 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 audit; and

b) any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Hastings Rare Metals Limited.

Perth, Western Australia
30 September 2011

N G NEILL
Partner, HLB Mann Judd

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4 130 Stirling Street Perth 6000 PO Box 8124 Perth BC 6849 Western Australia. Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

	Notes	Consolidated 2011 $	Company 2010 $
Continuing operations			
Other income	2	500,021	525,945
Administration expenses		(546,051)	(542,712)
Director's fees		(284,643)	(195,000)
Occupancy expenses		(62,012)	(54,000)
Foreign exchange loss		(182)	(135,984)
Exploration expenditure written off		(297,502)	-
Other expenses	2	(2,306,384)	(497,597)
Loss before income tax expense		(2,996,753)	(899,348)
Income tax expense	3	-	-
Loss after tax from continuing operations		(2,996,753)	(899,348)
Loss after tax from discontinued operation	6	(2,332,506)	-
Net loss for the period		(5,329,259)	(899,348)
Other comprehensive income		-	-
Total comprehensive loss for the period		(5,329,259)	(899,348)
Basic loss per share from continuing operations (cents per share)	4	(6.31)	(2.15)
Basic loss per share from discontinued operations (cents per share)	4	(4.91)	-

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	Notes	Consolidated 2011 $	Company 2010 $
Assets			
Current Assets			
Cash and cash equivalents	8	3,446,823	3,960,171
Trade and other receivables	9	102,847	65,859
Other financial assets	10	-	2,034,532
Total Current Assets		3,549,670	6,060,562
Non-Current Assets			
Deferred exploration expenditure	11	7,732,281	1,848,360
Total Non-Current Assets		7,732,281	1,848,360
Total Assets		11,281,951	7,908,922
Liabilities			
Current Liabilities			
Trade and other payables	12	2,363,236	16,749
Total Current Liabilities		2,363,236	16,749
Non-Current Liabilities		-	-
Total Liabilities		2,363,236	16,749
Net Assets		8,918,715	7,892,173
Equity			
Issued capital	7	12,574,990	7,866,570
Reserves		1,647,381	1,047,752
Accumulated losses		(5,303,656)	(1,022,149)
Total Equity		8,918,715	7,892,173

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

Consolidated	Issued Capital $	Accumulated Losses $	Option Reserve $	Total $
Balance at 1 July 2009	8,649,427	(122,801)	672,752	9,199,378
Loss for the year	-	(899,348)	-	(899,348)
Total comprehensive loss for the period	-	(899,348)	-	(899,348)
Shares issued during the year	7,500	-	-	7,500
Transaction costs on share issue / share buy-back	(12,150)	-	-	(12,500)
Recognition of share-based payments	-	-	375,000	375,000
Share buy-back	(778,207)	-	-	(778,207)
Balance at 30 June 2010	7,866,570	(1,022,149)	1,047,752	7,892,173

Company	Issued Capital $	Accumulated Losses $	Option Reserve $	Total $
Balance at 1 July 2010	7,866,570	(1,022,149)	1,047,752	7,892,173
Loss for the year	-	(5,329,259)	-	(5,329,259)
Total comprehensive loss for the period	-	(5,329,259)	-	(5,329,259)
Shares issued during the period	4,742,500	-	-	4,742,500
Transaction costs on share issue	(34,080)	-	-	(34,080)
Expired options during the period	-	1,047,752	(1,047,752)	-
Options issued during the period	-	-	22,500	22,500
Recognition of share-based payments	-	-	1,624,881	1,624,881
Balance at 30 June 2011	12,574,990	(5,303,656)	1,647,381	8,918,715

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated 2011 $	Company 2010 $
		Inflows/(Outflows)	
Cash flows from operating activities			
Payments to suppliers and employees		(837,233)	(802,969)
Interest received		351,029	469,186
Net cash used in operating activities	8	(486,204)	(333,783)
Cash flows from investing activities			
Payment for financial assets		-	(2,487,130)
Proceeds from financial assets and available for sale investments		1,530,945	376,160
Proceeds from disposal of exploration prospects		-	1,096,416
Payments for exploration and evaluation expenditure		(3,039,009)	(1,685,389)
Net cash used in investing activities		(1,508,064)	(2,699,943)
Cash flows from financing activities			
Proceeds from issue of shares		1,492,500	7,500
Proceeds from issue of options		22,500	-
Payments for share issue costs		(34,080)	-
Payments for share buy back		-	(790,357)
Net cash provided by /(used in) financing activities		1,480,920	(782,857)
Net decrease in cash held		(513,348)	(3,816,583)
Cash and cash equivalents at the beginning of the period		3,960,171	7,776,754
Cash and cash equivalents at the end of the period	8	3,446,823	3,960,171

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated. The financial statements are for the consolidated entity consisting of Hastings Rare Metals Limited and its subsidiaries.

The financial report has also been prepared on a historical cost basis, except for available-for-sale investments, which have been measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report is presented in Australian dollars.

The Group is a listed public company, incorporated operating in Australia. The entity's principal activity is exploration for natural resources.

(b) Adoption of new and revised standards

Changes in accounting policies on initial application of Accounting Standards

In the year ended 30 June 2011, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

It has been determined by the Group 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 Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 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.

(c) Statement of Compliance

The financial report was authorised for issue on 30 September 2011.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of subsidiaries of Hastings Rare Metals Limited ('company' or 'parent entity') as at 30 June 2011 and the results of subsidiaries for the year then ended. Hastings Rare Metals Limited and its subsidiaries are referred to in this financial report as the Group or the Consolidated Entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated.

Subsidiaries are fully 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. Control exists where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

Unrealised gains or transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the statement of comprehensive income and within equity in the consolidated statement of financial position. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised within equity attributable to owners of Hastings Rare Metals Limited.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(e) Critical accounting judgements and key sources of estimation uncertainty

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Critical accounting judgements and key sources of estimation uncertainty (continued)

Share-based payment transactions:

The Group measures the cost of equity-settled transactions by reference to the fair value of the services provided. Where the services provided cannot be reliably estimated fair value is measure 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.

(f) Revenue Recognition

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

(i) Interest income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(g) Cash and cash equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(h) Trade and other receivables

Trade receivables are measured on initial recognition at fair value. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

(i) Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either:
  - (a) has transferred substantially all the risks and rewards of the asset, or

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Derecognition of financial assets and financial liabilities (continued)

(b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(j) Foreign currency translation

Both the functional and presentation currency of Hastings Rare Metals Limited and its subsidiaries is Australian dollars. Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date. All exchange differences in the consolidated financial report are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(k) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance 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:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Income tax (continued)

- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference 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 unused tax credits and unused tax losses can be utilised, except:

- when 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; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance 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 utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(l) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

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. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset’s revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(n) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the reporting period that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(o) Provisions

Provisions are recognised when the Group 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.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Share-based payment transactions

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Hastings Rare Metals Limited (market conditions) if applicable.

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

Cash settled transactions:

The Group also provides benefits to employees in the form of cash-settled share-based payments, whereby employees render services in exchange for cash, the amounts of which are determined by reference to movements in the price of the shares of Hastings Rare Metals Limited.

The cost of cash-settled transactions is measured initially at fair value at the grant date using the Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted. This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is re-measured to fair value at each balance date up to and including the settlement date with changes in fair value recognised in profit or loss.

(q) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(s) Exploration and evaluation

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

(i) the rights to tenure of the area of interest are current; and

(ii) at least one of the following conditions is also met:

(a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or

(b) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortised of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Interest in a jointly controlled operation

The Group has an interest in a joint venture that is a jointly controlled operation. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves use of assets and other resources of the venturers rather than establishment of a separate entity. The Group recognises its interest in the jointly controlled operation by recognising the assets that it controls and the liabilities that it incurs. The Group also recognises the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the jointly controlled operation.

(u) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Hastings Rare Metals Limited.

NOTE 2: REVENUES AND EXPENSES

	Consolidated 2011 $	Company 2010 $
(a) Other income		
Net gains on disposal of available-for-sale investments	128,895	46,159
Loan forgiveness	60,615	-
Interest income	310,511	479,786
	500,021	525,945
(b) Expenses		
Change in fair value of investments	632,482	122,597
Share based payments expense	1,624,881	375,000
General exploration expenditure	49,021	-
	2,306,384	497,597

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 3: INCOME TAX	Consolidated 2011 $	Company 2010 $
Current tax expense		
(a) Income tax benefit		
Current Tax	-	-
Deferred tax	(4,219)	-
	(4,219)	-
(b) Numerical reconciliation between tax-expense and pre-tax net loss		
Loss from ordinary activities	(2,996,753)	(899,348)
Loss from discontinued operations	(2,332,506)	-
	(5,329,259)	(899,348)
Income tax using the Company's domestic tax rate of 30% (2010: 30%)	(1,598,778)	(269,804)
Exploration expenditure	(6,266)	(505,617)
Accrued income	-	(353)
Capital raising costs	(2,063)	(729)
Impairment of available for sale securities	-	36,779
Non-deductible expenses/(deductible tax adjustments)	886,756	2,460
Movement in accruals and provisions	1,800	(1,500)
Share based payments	487,464	112,500
Utilisation of prior period losses	-	-
Current year losses for which no deferred tax asset was recognised	231,087	626,264
Income tax (benefit)/expense attributable to entity	-	-

(c) Tax losses

The tax benefit (at 30%) of estimated unused tax losses of $5,223,852 (2010: $2,703,102) have not been recognised as a deferred tax asset as the future recovery of these losses is subject to the Company satisfying the requirements imposed by the relevant regulatory authorities in each of the jurisdictions in which the Company operates.

The benefit of deferred tax assets not brought to account will only be brought to account if:

- Future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised; and
- The conditions for deductibility imposed by the relevant tax legislation continue to be complied with and no changes in tax legislation adversely affect the Company in realising the benefit.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 3: INCOME TAX (CONTINUED)

	Consolidated 2011 $	Company 2010 $
(d) Unrecognised temporary differences		
Net deferred tax assets (calculated at 30%) have not been recognised in respect of the following items:		
Tax losses	1,033,580	810,931
Capital raising costs recognised directly in equity	8,251	2,916
Accrued expenses	6,300	4,500
Available for sale investments	-	36,779
Unrecognised deferred tax assets relating to the above temporary differences	1,048,131	855,126
Net deferred tax liabilities (calculated at 30%) have not been recognised in respect of the following items:		
Accrued interest	-	12,155
Deferred exploration and evaluation expenditure	279,684	554,508
Income tax benefit/(expense) attributable to entity	279,684	566,663

(e) Recognised deferred tax balances

	Consolidated 2011 $	Company 2010 $
Deferred tax assets		
Tax losses	445,647	-
Recognised deferred tax assets	445,647	-
Deferred tax liabilities		
Exploration expenditure	(2,313,418)	-
Net deferred tax liability	(1,867,771)	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 4: EARNINGS PER SHARE

	Consolidated 2011	Company 2010
	Cents per share	Cents per share
Basic loss per share:		
Continuing operations	(6.31)	(2.15)
Discontinued operations	(4.91)	-
Total basic loss per share	(11.22)	(2.15)

(i) Loss used in the calculation of total basic loss per share reconciles to net loss in the statement of comprehensive income as follows:

Loss used in the calculation of basic loss per share	(5,329,259)	(899,348)
Loss for the period from discontinued operation	(2,332,506)	-
Loss used in the calculation of basic loss per share from continuing operations	(2,996,753)	(899,348)

Basic loss per share

The earnings and weighted average number of ordinary shares used in the calculation of basic loss per share is as follows:	47,475,020	41,738,277

There are no potential ordinary shares that are considered dilutive, as a result no dilutive loss per share has been disclosed.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 5: 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

Oil and gas exploration projects

Silverwood Oil and Gas Prospect

The Richardson #1 Well at Silverwood spudded on 19 July 2010 and reached total depth on 1 September 2010. The well was then completed and tested in the primary objective. It commenced commercial production on 24 September 2010. Production during the quarter has continued to decline and the Group made a decision to dispose of its interest in this project.

Mining exploration projects

Hastings Rare Metals and Heavy Rare Earths Project

On 7 December 2010 the Group entered into a share sale agreement to purchase all the issued share capital of Hastings Rare Metals Pty Ltd (“Hastings”). Hastings is the owner of the Hastings Rare Metals and Heavy Rare Earths Project, comprising 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 earth yttrium.

Yangibana Project

On 17 June 2011 the Group announced it had entered into an agreement with Artemis Resources Limited to acquire a 60% interest in the Yangibana Rare Earth Project (the “Project”) in the Gascoyne region of Western Australia through the purchase of all the issued share capital of Gascoyne Metals Pty Ltd. The Project comprises six (6) granted Exploration Licences covering 68 sub-blocks and approximately 203 square kilometres.

Mt Palmer Tenements

The Mt Palmer Tenements are located in the Yellowdine Greenstone belt which forms part of the Parker Range terrain in the Southern Cross Province of Western Australia. The Province is host to a number of significant gold and base metal deposits.

During the period the Group received an offer to purchase E77/987 which was accepted and the Board has subsequently decided to surrender the remaining E77/1290.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 5: SEGMENT REPORTING (continued)

Accounting policies and inter-segment transactions

The accounting policies used by the Group in reporting segments internally are the same as those contained in Note1 to the accounts and in the prior period.

Geographical segments

	Investing Activities Australia $	Exploration Activities Australia $	Exploration Activities USA $	Unallocated $	Total $
30 June 2011					
Revenue					
Interest income	-	-	-	310,511	310,511
Unrealised gain on investments	119,000	-	-	-	119,000
Debt forgiveness	-	60,615	-	-	60,615
Other	9,895	-	-	-	9,895
Total segment revenue	128,895	60,615	-	310,511	500,021
Expenses					
Unrecognised loss on shares	(245,000)	-	-	-	(245,000)
Loss on shares	(387,483)	-	-	-	(387,483)
Exploration expenditure written off	-	(367,552)	(2,088,654)	-	(2,456,206)
Directors fees and administration	-	-	-	(2,738,859)	(2,738,859)
Other	(1,732)	-	-	-	(1,732)
Total segment expenses	(634,215)	(367,552)	(2,088,654)	(2,738,859)	(5,829,280)
Segment result	(505,320)	(306,937)	(2,088,654)	(2,428,348)	(5,329,259)
Unallocated revenues and expenses					2,428,348
Results from operating activities					(2,900,911)
Segment assets	-	7,738,477	-	3,543,474	11,281,951
Segment liabilities	-	(2,313,228)	-	(50,008)	(2,363,236)

30 June 2010

	Investing Activities Australia $	Exploration Activities Australia $	Exploration Activities USA $	Unallocated $	Total $
Segment revenue	183,323	-	-	342,622	525,945
Segment expenses	(122,597)	-	(326,563)	(976,133)	(1,425,293)
Segment result	60,726	-	(326,563)	(633,511)	(899,348)
Unallocated revenues and expenses					633,511
Results from operating activities					(265,837)
Segment assets	2,034,532	256,103	1,592,257	4,026,030	7,908,922
Segment liabilities	-	-	-	(16,749)	(16,749)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 6: DISCONTINUED OPERATIONS – SILVERWOOD PROSPECT & MT PALMER TENEMENTS

The Richardson #1 Well at Silverwood spudded on 19 July 2010 and reached total depth on 1 September 2010. The well was then completed and tested in the primary objective. It commenced commercial production on 24 September 2010.

Subsequently, production continued to decline and the Company has made a decision to dispose of its interest in this project. Following agreement with the project operator Hastings will have no ongoing obligations or liabilities in respect of this project.

The principal activity of the Silverwood Prospect during the period was exploration for natural resources.

The Mt Palmer Tenements are located in the Yellowdine Greenstone belt which forms part of the Parker Range terrain in the Southern Cross Province of Western Australia. The Province is host to a number of significant gold and base metal deposits.

During the period the Group received an offer to purchase E77/987 which was accepted and the Board has subsequently decided to surrender the remainder of the Mt Palmer Tenements.

The loss for the period from discontinued operations is as follows:

	Consolidated 2011 $	Company 2010 $
Loss of Silverwood Prospect for the period	(2,088,654)	-
Loss of Mt Palmer Tenements for the period	(243,852)	-
Loss for the period	(2,332,506)	-

The components of the loss for the period from the discontinued operations are as follows:

	Consolidated 2011 $	Company 2010 $
Operating expenses	(2,332,506)	-
Loss before income tax	(2,332,506)	-
Income tax benefit	-	-
Loss after income tax	(2,332,506)	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 7: ISSUED CAPITAL

	Consolidated 2011 $	Company 2010 $
Ordinary shares		
At 1 July	7,866,570	8,649,427
Shares issued during the year	4,462,273	-
Share buy-back	-	(778,207)
Options converted at 25 cents during the year	280,227	7,500
Less share issue and share buy-back costs	(34,080)	(12,150)
At 30 June	12,574,990	7,866,570

Movements in ordinary shares on issue	No.	No.
At 1 July	40,030,000	44,000,001
Movements during the period		
Shares issued during the year	17,349,093	-
Share buy-back from 9 September 2009 to 18 December 2009	-	(4,000,001)
Options converted at 25 cents during the year	1,120,907	30,000
At 30 June	58,500,000	40,030,000

Company options

Company options carry no voting rights and carry no right to dividends

Share option Reserves

Movements in option reserve were as follows:	$	$
Balance 1 July	1,047,752	672,752
Expiration of options	(1,047,752)	-
Value of options issued during the year	1,647,381	375,000
Balance 30 June	1,647,381	1,047,752

	No.	$
Movements in share options		
At 1 July 2010	39,970,000	1,047,752
Company options expired	(38,849,093)	(767,525)
Company options issued during the year (i)	37,500,000	1,647,381
Company options exercised during the year	(1,120,907)	(280,227)
At 30 June 2011	37,500,000	1,647,381

(i) The value of Options has been determined by reference to the fair value of the services provided. There are 22,500,000 exercisable at $0.25, expiring 31 December 2013 and 15,000,000 exercisable at $0.40, expiring 31 December 2013.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 7: ISSUED CAPITAL (continued)

	No.
Movements in performance shares	
At 1 July 2010	-
A class performance shares issued	6,250,000
B class performance shares issued	6,250,000
At 30 June 2011	12,500,000

Note – the performance shares were converted to ordinary shares on 14 September 2011, refer Note 17.

	No.
Movements in performance options	
At 1 July 2010	-
A class performance options issued	7,500,000
B class performance options issued	7,500,000
At 30 June 2011	15,000,000

Note – the performance options were converted to options on 14 September 2011, refer Note 17.

NOTE 8: CASH AND CASH EQUIVALENTS

	Consolidated 2011 $	Company 2010 $
Cash at bank and on hand	446,823	960,171
Short-term deposits	3,000,000	3,000,000
	3,446,823	3,960,171

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The Group did not engage in any non-cash financing activities for the period ending 30 June 2011 was not party to any borrowing facilities for the same period.

All cash was available for use, and no restrictions were placed on the use of it at any time during the period.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 8: CASH AND CASH EQUIVALENTS (continued)

Reconciliation of loss for the year to net cash flows from operating activities	Consolidated 2011 $	Company 2010 $
(Loss) for the year	(5,329,259)	(899,348)
Net fair value change in investments	632,482	122,597
Foreign exchange loss	-	135,984
(Gain) on sale of shares	(128,895)	(46,159)
Share based payments expense	1,624,881	375,000
Exploration expenditure written off	2,630,008	-
Change in net assets and liabilities:		
(Increase)/decrease in trade and other receivables	(77,506)	(18,643)
Increase/(Decrease) in trade and other payables	162,085	(3,394)
Net cash used in operating activities	(486,204)	(333,783)

NOTE 9: TRADE AND OTHER RECEIVABLES

	Consolidated 2011 $	Company 2010 $
Other assets	102,847	25,341
Interest receivable	-	40,518
Trade and other receivables	102,847	65,859

NOTE 10: OTHER FINANCIAL ASSETS

Current	Consolidated 2011 $	Company 2010 $
Available for sale investments carried at fair value:		
Listed shares	-	34,532
Convertible notes	-	2,000,000
	-	2,034,532

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 11: DEFFERRED EXPLORATION EXPENDITURE

	Consolidated 2011 $	Company 2010 $
Costs carried forward in respect of areas of interest in the following phases:		
Exploration and evaluation phase – at cost		
Balance at beginning of year	1,848,360	162,971
Exploration expenditure	2,273,964	93,132
Acquisition costs	6,239,965	1,592,257
Less: Exploration expenditure written off	(2,630,008)	-
Total deferred exploration and evaluation expenditure	7,732,281	1,848,360

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

As described in Note 6, the Company made the decision to dispose of its interest in the Silverwood prospect and Mt Palmer tenements during the year. As a result all capitalised expenditure in relation to these projects was written off.

NOTE 12: TRADE AND OTHER PAYABLES

	Consolidated 2011 $	Company 2010 $
Trade payables *	613,236	16,749
Amounts under contract	1,750,000	-
	2,363,236	16,749

* Trade payables are non-interest bearing and are normally settled on 60-day terms.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 13: FINANCIAL INSTRUMENTS

	Consolidated 2011 $	Company 2010 $
Financial assets		
Receivables	102,847	65,859
Cash and cash equivalents	3,446,823	3,960,171

The following table details the expected maturity for the Group's non-derivative financial assets. These have been drawn up based on undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period.

	Weighted average effective interest rate %	Less than 1 month $	1 – 3 Months $	3 months – 1 year $	1 – 5 years $	5+ years $
2011						
Non-interest bearing	-	102,847	-	-	-	-
Variable interest rate instruments	3.91	446,823	-	-	-	-
Fixed interest rate instruments	5.61	-	3,000,000	-	-	-
		549,670	3,000,000	-	-	-
2010						
Non-interest bearing	-	65,859	-	-	-	-
Variable interest rate instruments	2.92	960,171	-	-	-	-
Fixed interest rate instruments	5.1	-	3,000,000	-	-	-
		1,026,030	3,000,000	-	-	-

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. These are based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Less than 1 month $	1 – 3 Months $	3 months – 1 year $	1 – 5 years $	5+ years $
2011						
Non-interest bearing	-	2,363,236	-	-	-	-
Variable interest rate instruments	-	-	-	-	-	-
Fixed interest rate instruments	-	-	-	-	-	-
		2,363,236	-	-	-	-
2010						
Non-interest bearing	-	16,749	-	-	-	-
Variable interest rate instruments	-	-	-	-	-	-
Fixed interest rate instruments	-	-	-	-	-	-
		16,749	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 13: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has exposure to the following risks from their use of financial instruments

- Credit risk
- Liquidity risk
- Market risk

This note presents the information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.
The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board reviews and agrees policies for managing each of these risks as summarised below.
The Group's principal financial instruments comprise cash and short term deposits. The main purpose of the financial instruments is to earn the maximum amount of interest at a low risk to the Group. The Group also has other financial instruments such as trade debtors and creditors which arise directly from its operations. For the year ended 30 June 2011, it has been the Group's policy to trade certain financial instruments.

(a) Credit risk management

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses publicly available financial information and its own trading record to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

(b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. 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. The Group did not have any undrawn facilities at its disposal as at balance date.

(c) Interest rate risk management

The Group is exposed to interest rate risk as the Group deposits the bulk of the Group's cash reserves in Term Deposits with the NAB. The risk is managed by the Group by maintaining an appropriate mix between short term and medium-term Deposits. The Group's exposures to interest rate on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

(i) Interest rate sensitivity

At 30 June 2011, the effect on loss and equity as a result of changes in the interest rate, with all other variable remaining constant would be as follows:

	2011 $
Change in Loss Change	
Increase in interest rate by 1%	(3,105)
Decrease in interest rate by 1%	3,105
Change in Equity Change	
Increase in interest rate by 1%	(3,105)
Decrease in interest rate by 1%	3,105

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 13: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the Group's income or value of the holdings of financial instruments. The Group is exposed to movements in market interest rates on short term deposit. The policy is to monitor the interest rate yield curve out to 120 days to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The Group does not have short or long term debt, and therefore this risk is minimal. The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have acceptable credit ratings.

NOTE 14: COMMITMENTS AND CONTINGENCIES

Remuneration Commitments

The Group entered into remuneration commitments with the Executive director of the Group on 1 July 2011, for services rendered from this date forward. The Group also employs consultants who are contracted under standard consultancy rates. There were no other remuneration commitments made.

Guarantees

Hastings Rare Metals Limited has no outstanding guarantees of any form as at 30 June 2011.

Western Australian Projects

The Group has minimum expenditure commitments on its beneficially owned Western Australian granted tenements. These commitments include expenditure on annual rental fees and minimum annual exploration expenditure which are both detailed in the below table.

HASTINGS RARE METALS LTD - FULL TENEMENT "GRANTS" SCHEDULE					
TID	PROJECT	BENEFICIAL INTEREST (%)	GRANT DATE	RENT	EXPCOM
P80/1626	Hastings	100	20/03/2009	$ 462	$ 8,000
P80/1627	Hastings	100	20/03/2009	$ 462	$ 8,000
P80/1628	Hastings	100	20/03/2009	$ 462	$ 8,000
P80/1629	Hastings	100	20/03/2009	$ 462	$ 8,000
P80/1630	Hastings	100	20/03/2009	$ 462	$ 8,000
P80/1631	Hastings	100	20/03/2009	$ 438	$ 7,600
P80/1632	Hastings	100	20/03/2009	$ 462	$ 8,000
P80/1633	Hastings	100	20/03/2009	$ 462	$ 8,000
P80/1634	Hastings	100	20/03/2009	$ 462	$ 8,000
P80/1635	Hastings	100	20/03/2009	$ 462	$ 8,000
E09/1043	Yangibana	60	1/12/2004	$ 1,814	$ 30,000
E09/1049	Yangibana	60	8/05/2007	$ 479	$ 20,000
E09/1703	Yangibana	60	1/04/2011	$ 2,383	$ 21,000
E09/1704	Yangibana	60	1/04/2011	$ 273	$ 10,000
E09/1705	Yangibana	60	1/04/2011	$ 2,383	$ 21,000
E09/1706	Yangibana	60	1/04/2011	$ 1,475	$ 20,000
E77/1290*	Mt Palmer	100	17/11/2008	$ 363	$ 15,000
				$13,769	**$216,600**

* The Group has made a decision to surrender the remaining Mt Palmer tenement

NOTE 15: DIVIDENDS

The directors of the Group have not declared any dividend for the year ended 30 June 2011.

NOTE 16: CONTINGENT LIABILITIES

The Group is likely to have a stamp duty liability associated with the acquisitions of the Hastings and Yangibana projects however it is yet to receive an assessment from the Western Australian Office of State Revenue and is unable to reliably estimate the amount payable.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 17: EVENTS SUBSEQUENT TO REPORTING DATE

On 8 September 2011 the Group reported a major upgrade in the JORC compliant resources at its Hastings rare metal-rare earth deposit to 36.2 million tonnes. This resulted in the satisfaction of milestones 1 and 2 under the acquisition agreement and the payment of $750,000 and the conversion of all (12,500,000 shares and 15,000,000 options) performance securities in to ordinary securities. This amount is included in amounts due under contracts in Note 12.

NOTE 18: AUDITOR'S REMUNERATION

The auditor of Hastings Rare Metals Limited is HLB Mann Judd.

	2011 $	2010 $
Amounts received or due and receivable by HLB Mann Judd for:		
Independent expert's report	11,500	-
An audit or review of the financial reports	22,350	20,000
	33,850	20,000

NOTE 19: DIRECTORS AND EXECUTIVES DISCLOSURES

(a) Details of Key Management Personnel

Mr David Nolan	Non- Executive Chairman (appointed 8 March 2011)
Mr Mathew Walker	Executive Director
Mr Anthony Ho	Non- Executive Director (appointed 8 March 2011)
Mr James Robinson	Non- Executive Director (appointed 8 March 2011)/ Company Secretary
Mr Garry Ralston	Non- Executive Chairman (resigned 8 March 2011)
Mr Jon Wild	Non- Executive Director (resigned 8 March 2011)

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

(b) Option holdings of Key Management Personnel

30 June 2011	Balance at beginning of period	Expired During Period	Granted as remuneration	Options exercised	Net change Other	Balance at end of period
Mr David Nolan	-	-	2,000,000	-	-	2,000,000
Mr Mathew Walker	7,500,000	7,500,000	6,000,000	-	-	6,000,000
Mr Anthony Ho	-	-	-	-	-	-
Mr James Robinson	1,500,000	1,500,000	2,000,000	-	-	2,000,000
Mr Garry Ralston	1,000,000	1,000,000	-	-	-	-
Mr Jon Wild	500,000	500,000	-	-	-	-
Total	**10,500,000**	**10,500,000**	**10,000,000**	**-**	**-**	**10,000,000**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 19: DIRECTORS AND EXECUTIVES DISCLOSURES (continued)

30 June 2010	Balance at beginning of period	Expired During Period	Granted as remuneration	Options exercised	Net change Other	Balance at end of period
Mr Garry Ralston	1,000,000	-	-	-	-	1,000,000
Mr Mathew Walker	4,000,000	-	-	-	3,500,000	7,500,000
Mr Jon Wild	500,000	-	-	-	-	500,000
Mr James Robinson	-	-	-	-	1,500,000*	1,500,000
Total	**5,500,000**	**-**	**-**	**-**	**5,000,000**	**10,500,000**

***** *1,000,000 of these options were issued in connection with the allocation to Equatorial Partners Limited.*

(c) Shareholdings of Key Management Personnel

Shares held in Hastings Rare Metals Limited

30 June 2011	Balance at beginning of period	Granted as remuneration	On Exercise of Options	Net Change Other	Balance at end of period
	Ord	Ord	Ord	Ord	Ord
Mr David Nolan	-	-	-	170,000	170,000
Mr Mathew Walker	4,000,000	-	-	500,000	4,500,000
Mr Anthony Ho	-	-	-	-	-
Mr James Robinson	600,000	-	-	250,000	850,000
Mr Garry Ralston	850,000	-	-	(850,000)[+]	-
Mr Jon Wild	500,000	-	-	(500,000)[++]	-
	5,950,000	**-**	**-**	**(430,000)**	**5,520,000**

+ Mr Ralston purchased 200,000 shares on market during his tenure this period. Includes balance on resignation (1,050,000).
++ Includes balance on resignation.

30 June 2010	Balance at beginning of period	Granted as remuneration	On Exercise of Options	Net Change Other	Balance at end of period
	Ord	Ord	Ord	Ord	Ord
Mr Garry Ralston	850,000	-	-	-	850,000
Mr Mathew Walker	3,500,000	-	-	500,000	4,000,000
Mr Jon Wild	500,000	-	-	-	500,000
Mr James Robinson	100,000	-	-	500,000	600,000
	4,950,000	**-**	**-**	**1,000,000**	**5,950,000**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 20: RELATED PARTY DISCLOSURES

The consolidated financial statements include the financial statements of Hastings Rare Metals Limited and the subsidiaries listed in the following table.

	Country of	% Equity Interest		Investment ($)	
Name	***Incorporation***	***2011***	***2010***	***2011***	***2010***
Hastings Project Holdings Pty Ltd	Australia	100%	-	4,000,000	-
Gascoyne Metals Pty Ltd	Australia	100%	-	2,050,000	-

Hastings Rare Metals Limited is the ultimate Australian parent entity and ultimate parent of the Group.

Disclosure of interest of Administration Agreement with Cicero Corporate Services Pty Ltd:

- Mathew Walker and James Robinson are shareholders and directors of Cicero Corporate Services Pty Ltd.
- Services provided include company secretarial, accounting, bookkeeping, reception, office of the Group's principal place of business and boardroom facilities (the "Services").
- Cicero Corporate Services Pty Ltd is contracted to provide the Services on an ongoing basis, of approximately $12,000 (excluding GST) plus reimbursements per month.
- Cicero Corporate Services Pty Ltd provided the Services to the Group on commercial terms during the year. The Group made payments during the year of $80,114 ($63,112.87 – 2010) to Cicero Corporate Services Pty Ltd.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 21: ACQUISITION OF SUBSIDIARIES

On 8 March 2011, Hastings Rare Metals Limited acquired 100% of the voting shares of Hastings Project Holdings Pty Ltd. The total cost of the combination was $4,000,000 and comprised an issue of equity instruments and cash and contingent consideration. The Group issued 12,500,000 ordinary shares with a fair value of $3,250,000, based on the quoted price of the shares of Hastings Rare Metals Limited at the date of exchange.

On 17 June 2011, Hastings Rare Metals Limited acquired 100% of the voting shares of Gascoyne Metals Pty Ltd. The total cost of the combination was $2,050,000 and comprised cash and contingent consideration.

The Group has provisionally recognised the fair values of the identifiable assets and liabilities of Hastings Project Holdings Pty Ltd based upon the best information available as of the reporting date. Provisional business combination accounting is as follows:

	Hastings Project Holdings Pty Ltd *Fair value at acquisition date* **$**	**Gascoyne Metals Pty Ltd** *Fair value at acquisition date* **$**
Cash and cash equivalents	100	100
Trade receivables	5,997	-
Exploration expenditure	130,236	635,497
Trade payables	(212,196)	-
Provisional fair value of identifiable net assets	4,075,863	1,414,403
	4,000,000	2,050,000

	2011 $	**2011 $**
Acquisition date fair value of consideration transferred:		
Shares issued, at fair value	3,250,000	-
Deferred consideration liability (i)	-	1,000,000
Consideration transferred	750,000	1,050,000
Direct costs relating to the acquisition	-	-
	4,000,000	2,050,000

(i) Consideration also included contingent consideration of $750,000, refer Note 17.

Under the terms of the acquisition agreement, the Group was required pay the former owners of Hastings Project Holdings Pty Ltd an additional cash payment based upon the achievement of specified milestones, as defined in the purchase agreement. This payment of $750,000 was made on 26 September 2011.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 22: INTEREST IN JOINTLY CONTROLLED OPERATION

The Group has a 60% interest in the Yangibana joint venture, which is involved in exploration, development and exploitation rare metal resources in the Gascoyne region of Western Australia.

The share of the assets, liabilities, revenue and expenses of the jointly controlled operation, which are included in the consolidated financial statements, are as follows:

	Consolidated 2011 $	Company 2010 $
Current assets		
Cash and cash equivalents	100	-
Total current assets	100	-
Non-current assets		
Deferred exploration expenditure	2,049,900	-
Total Non-current assets	2,049,900	-
Current liabilities		
Trade and other payables	-	-
Total current liabilities	-	-
Non-current liabilities		
Borrowings	-	-
Total Non-current liabilities	-	-
Revenue	60,615	-
Administrative expenses	(218)	-
Profit before income tax	60,397	-
Income tax expense	-	-
Net Profit	60,397	-

Refer to Note 14 for details on capital commitments and guarantees. There were no impairment losses in the jointly controlled operation.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 23: PARENT ENTITY DISCLOSURES

	Company 2011 $	Company 2010 $
Assets		
Current assets	5,153,280	6,060,562
Non-current assets	6,070,888	1,848,360
Total assets	11,224,168	7,908,922
Liabilities		
Current liabilities	2,363,236	16,749
Non-current liabilities	-	-
Total liabilities	2,363,236	16,479
Net Assets	8,860,932	7,892,173
Equity		
Issued capital	12,574,990	7,866,570
Option reserve	1,647,381	1,047,752
Accumulated Losses	(5,361,439)	(1,022,149)
Total Equity	8,860,932	7,892,173
Financial performance		
Loss for the year	5,315,194	899,348
Other comprehensive income	-	-
Total comprehensive income	5,315,194	899,348

Contingent liabilities of the parent entity

For details on commitments, see Note 14.

DIRECTORS' DECLARATION

1. In the opinion of the directors of Hastings Rare Metals Limited ('the Company or the Group''):

   a. The financial statements and notes thereto, as set out on pages 19 to 49, are in accordance with the Corporations Act 2001 including:

      i. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2011 and of the performance of the Group for the year then ended; and

      ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations), the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.

   b. There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

   c. The financial statements and note thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

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 2011.

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.

Mathew Walker
Executive Director
30 SEPTEMBER 2011

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of Hastings Rare Metals Limited

Report on the Financial Report

We have audited the accompanying financial report of Hastings Rare Metals Limited (formerly Augustus Minerals Limited) ("the company"), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the consolidated financial report complies with International Financial Reporting Standards.

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. Those 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial 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 company'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.

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.

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4 130 Stirling Street Perth 6000 PO Box 8124 Perth BC 6849 Western Australia. Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au

HLB Mann Judd

Accountants | Business and Financial Advisers

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report and remuneration report of Hastings Rare Metals Limited for the financial year ended 30 June 2011 included on Hastings Rare Metals Limited's website. The company's directors are responsible for the integrity of the Hastings Rare Metals Limited website. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of the 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 audited financial report and remuneration report to confirm the information contained in this website version of the financial report.

Independence

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

Auditor's Opinion

In our opinion:

(a) the financial report of Hastings Rare Metals Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Hastings Rare Metals Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

Norman Glase

Perth, Western Australia
30 September 2011

N G NEILL
Partner

ADDITIONAL SHAREHOLDER INFORMATION

A. Corporate Governance

A statement disclosing the extent to which the Company has followed the best practice recommendations set by the ASX Corporate Governance Council during the period is contained within the Director's Report.

B. Shareholding

1. Substantial Shareholders

There are two substantial holders listed on the Company's register as at 30 September 2011:

Kongoni Nominees Pty Ltd holding 23,050,000 shares or 32.46% of the Company's issued capital.
Mr Mathew Donald Walker holding 4,500,000 shares or 6.34% of the Company's issued capital.

2. Number of holders in each class of equity securities and the voting rights attached (as at 30 September 2011)

Ordinary Shares

There are 585 holders of ordinary shares. Each shareholder is entitled to one vote per share held.

In accordance with the Company's Constitution, on a show of hands every number present in person or by proxy or attorney or duly authorized representative has one vote. On a poll every member present in person or by proxy or attorney or duly authorized representative has one vote for every fully paid ordinary share held.

3. Distribution schedule of the number of holders in each class of equity security as at 30 September 2011.

a) Fully Paid Ordinary Shares

SPREAD OF HOLDINGS	HOLDERS	UNITS	% OF ISSUED CAPITAL
NIL HOLDING			
1 - 1,000	7	462	0.00 %
1,001 - 5,000	102	376,377	0.53 %
5,001 - 10,000	130	1,086,115	1.53 %
10,001 - 100,000	287	11,300,107	15.92 %
100,001 -	59	58,236,939	82.02 %
TOTAL ON REGISTER	585	41,150,907	100.00 %

4. Marketable Parcel

There are 39 shareholders with less than a marketable parcel.

ADDITIONAL SHAREHOLDER INFORMATION (Continued)

5. Twenty largest holders of each class of quoted equity security

The names of the twenty largest holders of each class of quoted security, the number of equity security each holds and the percentage of capital each holds (as at 30 September 2011) is as follows:

Ordinary Shares Top 20 holders and percentage held

	HOLDER NAME		UNITS	% OF ISSUED
1	KONGONI NOM PL	SHEMESIAN FAM A/C	23,000,000	32.39%
2 *	WALKER MATHEW DONALD		4,500,000	6.34%
3 *	CITICORP NOM PL		3,330,000	4.69%
4	DONGRAY RICHARD S + J	S/F A/C	2,300,000	3.24%
5	AGONIC HLDGS PL		2,000,000	2.82%
6	VERIGREEN PL		1,614,200	2.27%
7	ABN AMRO CLEARING SYDNEY	CUST A/C	1,387,705	1.95%
8 *	VIENNA HLDGS PL	RONJEN S/F A/C	1,250,000	1.76%
9	JP MORGAN NOM AUST LTD	CASH INCOME A/C	1,136,101	1.60%
10 *	VITICULTURAL PROP MGNT PL		1,000,000	1.41%
11	JOHN SINGLETON PROMOTIONS		1,000,000	1.41%
12 *	LUNDY S/F NO 2 PL	LUNDY NO2 S/F A/C	1,000,000	1.41%
13	RALSTON GARRY		851,771	1.20%
14	SABRELINE PL	JPR INV A/C	850,000	1.20%
15 *	RALSTON GARRY B + T M	RALSTON S/F A/C	750,000	1.06%
16	BATIO PL	WILD S/F A/C	675,000	0.95%
17	VITICULTURAL PROP MGNT PL		600,000	0.85%
18	ASHSKY PL	WOODBROOK A/C	600,000	0.85%
19	MALONE FREDERICK BRUCE		552,700	0 .78%
20 *	WILD JONATHAN MARK + J	WILD FAM A/C	500,000	0.70%
*** Top 20 total ***			_48,897,477	68.88%

** ALL HOLDERS INCLUDED * - DENOTES MERGED HOLDER

ADDITIONAL SHAREHOLDER INFORMATION (Continued)

1. Company Secretary

The name of the Company secretary is James Robinson.

2. Address and contact details of the Company's registered office and principle place of business:

Suite 9, 1200 Hay Street
WEST PERTH WA 6005
Telephone: (08) 6460 4960

3. Address and telephone details of the office at which a registry of securities is kept:

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153

4. Stock exchange on which the Company's securities are quoted:

The Company's listed equity securities are quoted on the Australian Stock Exchange.

5. Restricted Securities

The Company does not have any restricted securities on issue.

6. Review of Operations

A review of operations is contained in the Directors' Report.

7. Consistency with business objectives - ASX Listing Rule 4.10.19

In accordance with Listing Rule 4.10.19, the Company states that it has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. The business objective is primarily exploration for natural resources and acquisition of resource based projects. The Company believes it has used its cash in a consistent manner to which was disclosed under the prospectus dated 29 November 2007.

8. Schedule of Tenements

HASTINGS RARE METALS LTD - FULL TENEMENT "GRANTS" SCHEDULE					
TID	PROJECT	BENEFICIAL INTEREST (%)	GRANT DATE	RENT	EXPCOM
P80/1626	Hastings	100	20/03/2009	$ 462.00	$ 8,000.00
P80/1627	Hastings	100	20/03/2009	$ 462.00	$ 8,000.00
P80/1628	Hastings	100	20/03/2009	$ 462.00	$ 8,000.00
P80/1629	Hastings	100	20/03/2009	$ 462.00	$ 8,000.00
P80/1630	Hastings	100	20/03/2009	$ 462.00	$ 8,000.00
P80/1631	Hastings	100	20/03/2009	$ 438.90	$ 7,600.00
P80/1632	Hastings	100	20/03/2009	$ 462.00	$ 8,000.00
P80/1633	Hastings	100	20/03/2009	$ 462.00	$ 8,000.00
P80/1634	Hastings	100	20/03/2009	$ 462.00	$ 8,000.00
P80/1635	Hastings	100	20/03/2009	$ 462.00	$ 8,000.00
E09/1043	Yangibana	60	1/12/2004	$ 1,814.00	$ 30,000.00
E09/1049	Yangibana	60	8/05/2007	$ 479.00	$ 20,000.00
E09/1703	Yangibana	60	1/04/2011	$ 2,383.50	$ 21,000.00
E09/1704	Yangibana	60	1/04/2011	$ 273.00	$ 10,000.00
E09/1705	Yangibana	60	1/04/2011	$ 2,383.50	$ 21,000.00
E09/1706	Yangibana	60	1/04/2011	$ 1,475.50	$ 20,000.00
E77/1290*	Mt Palmer	100	17/11/2008	$ 363.33	$ 15,000.00
				$13,768.73	**$216,600.00**

* The Company has made a decision to surrender the remaining Mt Palmer tenement