



Hastings Rare Metals Limited

ABN 43 122 911 399

Interim Financial Report

31 December 2011

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DIRECTORS' REPORT

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

Directors

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

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

Company Secretary

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

Operating results

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

Review of Operations

Summary

Hastings made significant advances during the half year.

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

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

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

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



Figure 1. Location of the Hastings and Yangibana Projects

Hastings Project

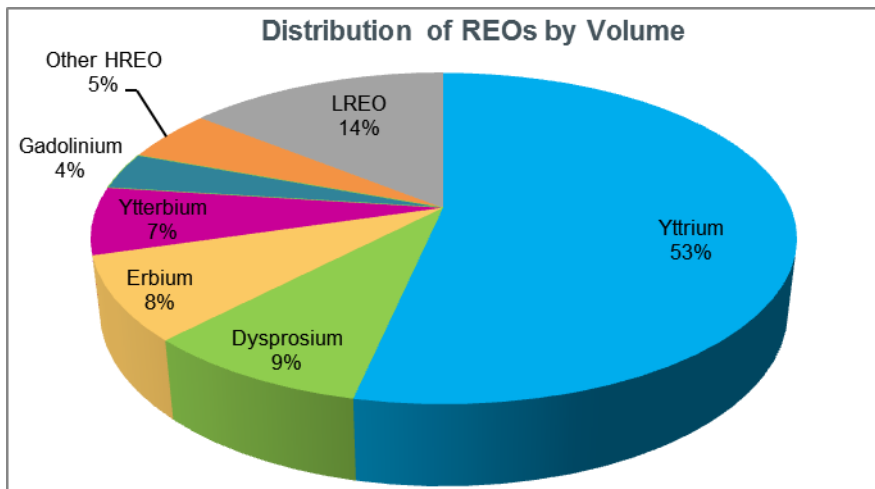
During the period the Company completed its initial drilling programme at the Hastings Project near Halls Creek in the East Kimberley Region of Western Australia.

The drilling resulted in a major increase in the JORC-compliant resources for the project. The upgraded resource estimate was conducted by independent consultants at a 1500ppm Nb₂O₅ cut-off and comprises:-

	Category		Tonnage	ppm ZrO ₂	ppm Nb ₂ O ₅	ppm Ta ₂ O ₅	ppm Ga ₂ O ₅	ppm HfO ₂	ppm Dy ₂ O ₅	ppm Y ₂ O 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

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

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



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

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

The diamond drill tails at a 1500 ppm Nb₂O₅ cut-off provided the following intersections:-

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

Where:-

TW is true width, ZrO₂ is zirconium oxide, Nb₂O₅ is niobium oxide, Ta₂O₅ is tantalum oxide, Ga₂O₃ is gallium oxide, HfO₂ is hafnium oxide.

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

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

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

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

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

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

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

The highlights of the scoping study were as follows:

- Mine Life: 15 years
- Production of 150 tonnes of Dy₂O₃ and 1,000 tonnes of Y₂O₃ per annum
- Annual net cash flow (EBITDA) exceeding \$150m per annum
- Short Capital payback period of <5 years
- Heavy Rare Earths (Yttrium/Dysprosium) primary product
 - >8% demand growth in last 3 years
 - Both products on critical supply list of US Department of Energy in short to medium term (5-10 years)
- Financial returns have potential to improve significantly with further work

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

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

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

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

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

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

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

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

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

The Study contemplates the annual sale of:

150 tonnes of Dy₂O₃

1,000 tonnes of Y₂O₃

2,500 tonnes of Nb₂O₅

6,500 tonnes of ZrO₂

The project has additional potential in that:

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

Yangibana Project

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

The highest grade returned from 38 samples was 12.6% total rare earth oxides (TREO) which included 2.29% of the so-called critical rare earth oxides defined as being the oxides of neodymium, europium, terbium, dysprosium and yttrium by the US Department of Energy in December 2010. Of these, the neodymium oxide (Nd₂O₅) content of this sample was 2.19%.

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

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

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

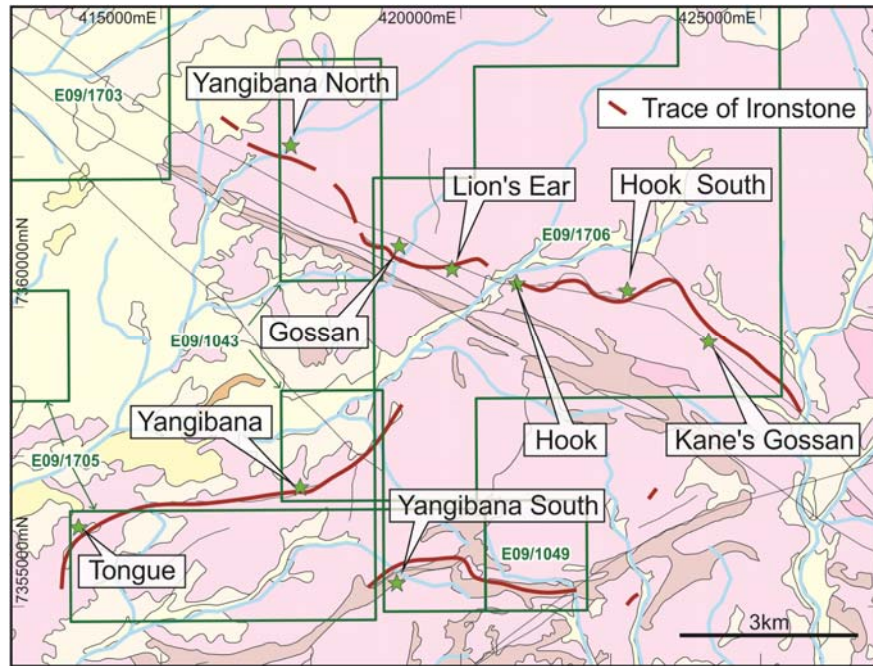


Figure 2: Location of Main Ironstone Prospects at Yangibana

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

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

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

Light rare earths

Heavy rare earths

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

Corporate

Appointment of Technical Director

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

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

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

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

Capital Raising

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

Deferral of Payment for Yangibana Acquisition

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

Competent Person's Statement

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

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

Auditor's Independence Declaration

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

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



David Nolan

Non-Executive Chairman

14 March 2012



Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

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

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

Perth, Western Australia
14 March 2012

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

M R W OHM
Partner, HLB Mann Judd

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

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

The accompanying notes form part of these financial statements

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

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

The accompanying notes form part of these financial statements.

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

Consolidated

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

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 period	-	(2,337,087)	-	(2,337,087)
Total comprehensive loss for the period	-	(2,337,087)	-	(2,337,087)
Shares issued during the half year	1,492,500	-	-	1,492,500
Transaction costs on share issue	(4,980)	-	-	(4,980)
Expired options during the half year	-	1,047,752	(1,047,752)	-
Balance at 31 December 2010	9,354,090	(2,311,484)	-	7,042,606

The accompanying notes form part of these financial statements.

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

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

The accompanying notes form part of these financial statements

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement of compliance

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

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

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

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

Basis of preparation

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

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

Significant accounting judgements and key estimates

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

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

Impairment

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

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

Going concern

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

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

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

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

Adoption of new and revised Accounting Standards

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

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

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

NOTE 2: LOSS BEFORE INCOME TAX EXPENSE

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

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

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

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

NOTE 3: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

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

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

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

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

NOTE 4: ISSUED CAPITAL

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

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

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

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

NOTE 6: SEGMENT REPORTING

Identification of reportable segments

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

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

Location of interests and nature of projects

Hastings Rare Metals and Heavy Rare Earths Project

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

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

NOTE 6: SEGMENT REPORTING (Continued)

Yangibana Project

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

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

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

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

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

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

NOTE 6: DIVIDENDS

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

NOTE 7: CONTINGENT LIABILITIES

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

NOTE 8: EVENTS SUBSEQUENT TO REPORTING DATE

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

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

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

DIRECTORS' DECLARATION

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

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

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



David Nolan

Director

14 March 2012



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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Hastings Rare Metals Limited

Report on the Condensed Interim Financial Report

We have reviewed the accompanying interim financial report of Hastings Rare Metals Limited ("the company") which comprises the condensed statement of financial position as at 31 December 2011, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the interim financial report

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

Auditor's responsibility

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

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

Independence

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



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

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

Conclusion

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

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

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

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

M R W OHM
Partner

Perth, Western Australia
14 March 2012