



18 April 2012

Dear Shareholder,

We would like to take this opportunity to summarise the Company's achievements during our first year as Hastings Rare Metals Limited and outline the program ahead for the Company in 2012.

### ***The World Rare Earths Stage***

The European Union, Japan and United States have recently filed a trade dispute with the World Trade Organisation (WTO) over China's export restrictions on rare earth metals that are essential for clean energy and a range of other technologies (US President Obama Statement, 13 March 2012). China, which has repeatedly clamped down on rare earth exports, currently produces about 95% of the global supply of the group of 17 metals.

Rare earths occur in two sub groups 1) Light rare earth elements, which include lanthanum, cerium, neodymium and samarium and 2) Heavy rare earth elements, which are less common and more valuable and include dysprosium, yttrium and europium. The Hastings project, which is primarily heavy rare earths, is in the top ten heavy rare earths deposits in the world.

The world has a shortage of heavy rare earth elements, used in the manufacture of many household items such as smart phones, electronics and hybrid cars ranging up to safer nuclear technology, wind turbines and solar panels. This is particularly the case for dysprosium, yttrium, and neodymium, critical rare earths contained at our two projects, Hastings in the Kimberley and Yangibana in the Gascoyne, Western Australia.

The recently announced takeover of Neo Materials by Molycorp possibly heralds the start of more deals – profitable ones – for the right rare earth investments. Many analysts believe the vertical integration achieved by a Molycorp-Neo Material tie-up is an industry game changer that will kick start demand after a period in which rare earth consumers in the automotive, high tech and green energy industries scrambled to find alternative, more reliable suppliers.

### ***Hastings' Achievements***

In September 2011, after a successful drilling campaign we announced a new JORC-compliant resource estimate of 36.2 million tonnes<sup>1</sup>. This proved a JORC resource for more than 20 years of operation and was a significant milestone for the Company.

The drilling program also significantly increased the grade of zirconium, niobium and yttrium oxides, allowed a first accurate estimate of the full range of rare earth oxides and increased the exploration potential with additional strike length identified, particularly in the south.

The Hastings heavy rare earths project has now moved from the exploration to the development phase. An internal study completed in November 2011 confirmed that the historical test work and substantial work to the pilot plant was highly valuable and has positioned Hastings years ahead of other heavy rare earth projects.

<sup>1</sup> See page 3 for composition of JORC Resource

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Hastings has built on the work done (at substantial cost of circa \$10 million) by West Coast Holdings in 1990. This solid base has allowed Hastings to move quickly to define a path and plan to build on the metallurgy development work already undertaken. We have reached a stage that would normally take a junior explorer years to achieve.

### *The Plan Ahead*

Hastings now has to build on the excellent work done to date. This includes to:

- Validate and verify the previous work done.
- Optimise the flow sheet to better focus on the HREO opportunities for dysprosium and yttrium.
- Work through the scoping studies to verify the business case.
- Verify chemistry changes at pilot plant level.
- Complete a Pre Feasibility Study.

While the challenge is significant, we are confident that the team we have brought together is well qualified to take this project forward. ANSTO (the Australian Nuclear Science and Technology Organisation) is the research and development group that has successfully developed projects for Lynas and Arafura and – critically - Alkane's Dubbo project. The ANSTO development engineers who worked on these projects are now working on the Hastings heavy rare earths project to fast track development so that we can capitalise on the extensive historical work on the project and the associated timing benefits.

Jacobs is a pre-eminent global project and process management group which will manage all aspects of the engineering necessary for the Hastings heavy rare earths project. The Jacobs team recently completed a large scale demonstration facility design and construction for fellow rare earth developers.

A capital raise of \$5.4 million was announced in February 2012 and closed oversubscribed, with two significant strategic Asian investors joining the register. The Company is attracting increasing international interest from investors and now has funding in place to undertake the next stage of development.

In summary, given the market economics, the advanced development of the Hastings heavy rare earths project and the outstanding team that we have commissioned to advance this project, we are confident of rewarding shareholder commitment with value, which we believe is currently not recognised when compared to our peers, as can be seen from the market capitalisation table below.

We look forward to updating you as Hastings achieves further milestones in the year ahead.

Yours faithfully,

A handwritten signature in black ink that reads "Steve Mackowski".

Steve Mackowski  
Technical Director

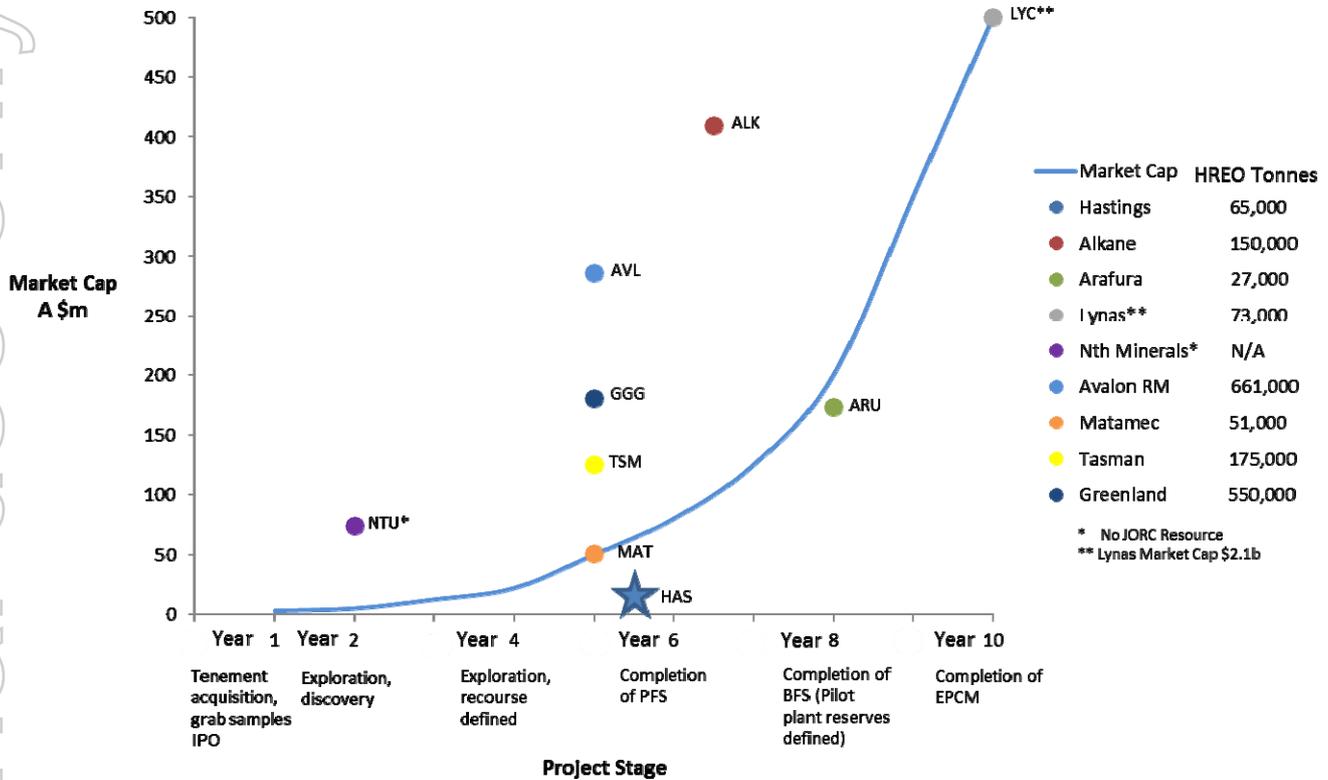
A handwritten signature in blue ink that reads "David Nolan".

David Nolan  
Chairman

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## Market Cap v Project Stage



### Hastings Composition of JORC Resource

Lens/zone	Category	Oxide/ Primary	Tonnes	ppm									
				ZrO <sub>2</sub>	Nb <sub>2</sub> O <sub>5</sub>	Ta <sub>2</sub> O <sub>5</sub>	Ga <sub>2</sub> O <sub>5</sub>	HfO <sub>2</sub>	TREO	HREO	Dy <sub>2</sub> O <sub>5</sub>	Y <sub>2</sub> O <sub>3</sub>	
Main	Indicated	Oxide	1,400,000	8860	3507	183	113	322	2151	1828	190	1132	
		Primary	25,400,000	8914	3547	182	110	318	2100	1802	186	1120	
H/Wall	Indicated	Primary	300,000	9080	3625	183	104	311	2130	1772	185	1096	
Total	Indicated		27,100,000	8913	3545	183	110	318	2103	1803	186	1120	
Nth Extension	Inferred	Oxide	250,000	8860	3507	182	113	322	2151	1828	190	1132	
		Primary	2,100,000	8914	3547	183	110	318	2100	1802	186	1120	
Main Deep	Inferred	Primary	6,750,000	8914	3547	183	110	318	2100	1802	186	1120	
Total	Inferred		9,100,000	8914	3547	183	110	318	2100	1802	186	1120	
<b>TOTAL</b>			<b>36,200,000</b>	<b>8913</b>	<b>3546</b>	<b>182</b>	<b>110</b>	<b>318</b>	<b>2102</b>	<b>1802</b>	<b>186</b>	<b>1120</b>	

The information in this letter 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 letter 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.