

31 October 2013

Dear Fellow Shareholder,

IMPORTANT

Annual General Meeting (AGM) 9.00 AM, 14 November 2013
General Meeting (GM) 10.00 AM, 14 November 2013 to appoint 2 new directors

I am writing to you not only as the Chairman of Hastings Rare Metals Limited, but also as a fellow shareholder about the upcoming AGM and GM referred to above.

As previously advised by the Company, shareholders (primarily overseas investors) representing just over 5% of the capital of the Company have requested a General Meeting to consider appointing a further two directors to the Board, increasing the number of directors from 4 to 6 board members.

In the interests of ensuring that all shareholders are provided with all information relevant to their decision as to how to vote at the Company's upcoming AGM and GM, shareholders should be aware that these parties and their representatives have been contacting shareholders, to persuade them to vote in favour of the resolutions proposed for the GM.

They are also advocating that shareholders vote against the re-election of existing Board members at the AGM. If this strategy is successful, it will in effect allow them to gain control of the Company (including one of the largest Heavy Rare Earths projects in Australia) without paying a fair premium for control. In the opinion of the Board, this is not in the best interests of shareholders.

For the convenience of shareholders and to ensure that as many shareholders as possible get the opportunity to vote and voice their opinion, copies of proxies for both the AGM and GM, together with self-addressed and stamped envelopes are enclosed.

Although the Company believes that the information provided in this letter is information that shareholders should legitimately be aware of so they can make an informed judgement, nevertheless, the costs associated with this letter will be paid for by the Directors personally and not by the Company.

In respect to the meetings the Board recommends that you vote as follows:

AGM – Resolutions 1 to 13 - vote **IN FAVOUR** of each of the 13 resolutions

GM – Resolutions 1 and 2 vote **AGAINST** the appointment of two new directors

for the following reasons:

- The ownership of approximately 5.0% of a company rarely entitles a shareholder to even a single board position.
- Allowing the requisitioning shareholders to gain control of the Company/or of the Hastings' substantial rare earths projects with considerable upside potential, without paying a control premium is not in the best interest of shareholders.
- Hastings' cash at bank alone at 30 September 2013 was in excess of \$2.6 Million. The carrying value of Hastings' projects is in excess of \$15 million. The value of the requisitioning shareholders' 5.0% investment in the company as at the date of requisition was less than \$400,000.
- An additional two directors adds an additional layer of cost on the Company, at a time when the Company is striving to make significant reductions in overheads.
- The Board is not aware of the proposed directors having any significant ASX or mining/exploration experience and in the opinion of the Board, it is difficult to understand what positive contribution they would make or additional skills they would add to the existing Board and in particular, when one of them, Foon Keong Lew, resides overseas.
- The Company has not been advised of what plans the two additional board members have for the company, despite attempts by the Chairman to contact the requisitioner of the GM.
- The appointment of an additional two directors who have no established relationship with the existing Hastings Board and limited familiarity with the operations of the Company has the potential to impede the development of the projects and shift focus from the core activities of the Company with potential loss of value to Hastings shareholders.

Accordingly we recommend:

AGM – Resolutions 1 to 13 - vote **IN FAVOUR** of each of the 13 resolutions

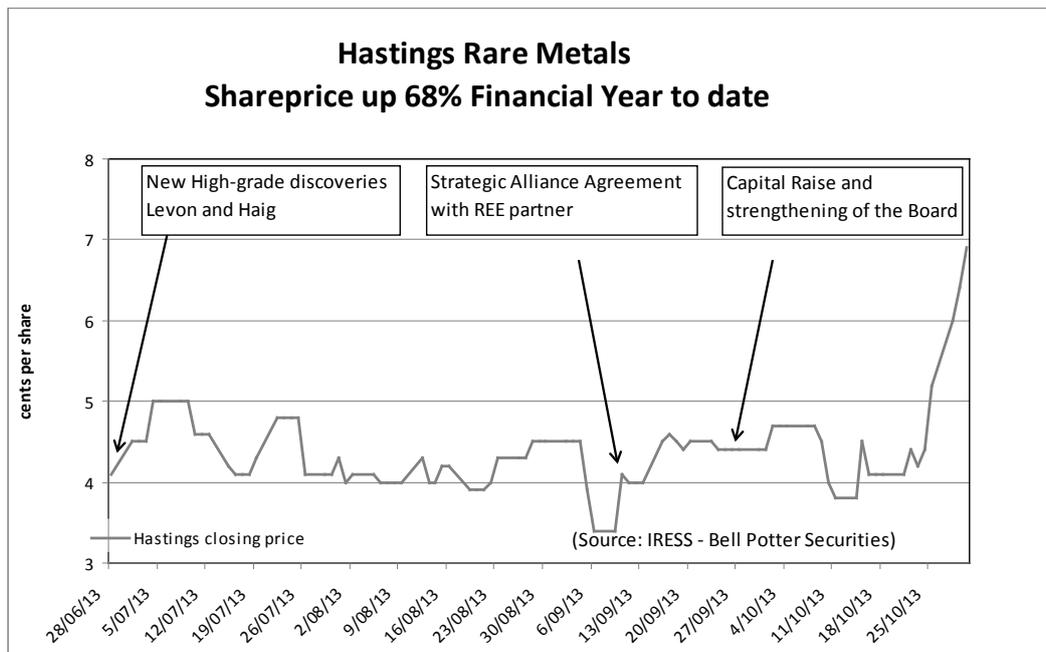
GM – Resolutions 1 and 2 vote **AGAINST** the appointment of two new directors

Should you have any queries in respect to the above, please contact Guy Robertson **Director and Company Secretary of Hastings on +61 2 9078 7674.**

On the positive side, despite the distraction caused by this group of small shareholders and the difficult Rare Earth market, management is working diligently to add value for shareholders.

Some of the achievements since the start of the current financial year are summarised below:

- (i) July 1: New High Grade discoveries of Rare Earths at the Hastings HREO Project
- (ii) Cost cutting measures implemented to reduce overheads by up to \$500,000 pa
- (iii) September 10: Hastings signs a Strategic Alliance with REE partner
- (iv) September 23: Successful capital raising to strengthen balance sheet
- (v) Appointment of experienced independent Director (Vaz Hovanessian) with expertise to help implement positive changes.
- (vi) Study work underway for a low cost mining alternative of Hastings project.
- (vii) Positive market sentiment reflected in share price with increase of 68% since start of financial year, from 4.1 cent to 6.9 cents at the time of writing this letter. This is a significant achievement relative to other Rare Earths companies, many of who have lost ground in the same period. See graph below.
- (viii) Cash at bank of \$2.6M at end of September quarter.
- (ix) 30 Sept. Annual Report to Shareholders. Recapping positive themes including completion of a Scoping Study, exploration success with the discovery of new high-grade (the highest grades to date) zones at Haig and Levon.



We look forward to your continued support and the receipt of your proxies or attendance in person at the upcoming AGM and GM.

Yours faithfully,



Anthony Ho
 Chairman & Fellow Shareholder
 Hastings Rare Metals Limited