Hastings
Rare Metals

ANNUAL REPORT
2013

CORPORATE DIRECTORY

ABN 43 122 911 399

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Mr Anthony Ho - Chairman
Mr Malcolm Mason - Non-executive Director
Mr Vazrick Hovanessian - Non-executive Director
Mr Guy Robertson - Executive Director and Company Secretary

REGISTERED OFFICE

Level 9, 50 Margaret Street
Sydney NSW 2000 Australia
Telephone: (02) 9078 7674
Fax: (02) 9078 7661

PRINCIPAL PLACE OF BUSINESS

Level 9, 50 Margaret Street
Sydney NSW 2000 Australia

SHARE REGISTER

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153
Telephone: (08) 9315 2333
Fax: (08) 9315 2233

BANKERS

Westpac
Sydney NSW 2000 Australia

AUDITORS

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

WEBSITE

www.hastingsraremetals.com

Hastings Rare Metals Limited

ABN 43 122 911 399

Annual Financial Report
for the Year Ended 30 June 2013

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The Hastings project in Western Australia is one of Australia's largest heavy rare earth deposits containing a significant significant proportion (85%) of heavy rare earth oxides to total rare earth oxides.

Letter from the Chairman

Dear Shareholder,

On behalf of the Directors of Hastings Rare Metals Limited (Hastings or the Company), I am pleased to report on the activities of the Company for the year ended 30 June 2013.

Early in the financial year the Company completed a Scoping Study on the Hastings heavy rare earths project, which was undertaken by Jacobs Engineering. The Scoping Study which incorporated extensive test work completed by the Australian Nuclear Science and Technology Organisation (ANSTO), confirmed a strong business case for the development of the project.

However, with the softening in rare earth prices during the year, the Company undertook further exploration and analysis with a view to improving the economics of the project. I am pleased to advise that this additional work has produced excellent results.

Reconnaissance mapping and sampling at the southern extension to the resource zone at the Hastings Project has indicated the potential to add to our current JORC resource, while radiometric analysis has identified two additional target areas of high anomalies, Levon and Haig. Further exploration is being undertaken in preparation for drilling to obtain the depth and extent of these targets.

The resource sector, especially for junior exploration companies, has had a challenging and volatile year. The Company has been pro-actively managing and reducing our cost base and cash burn. Discretionary expenditures were reduced significantly. Directors' fees were paid 50% in shares. These payments are subject to shareholders' approval at the forthcoming annual general meeting.

More recently Hastings advised that it has signed a Strategic Alliance Agreement with a Rare Earth Elements partner, to provide for the staged funding of the Hastings Project with the aim of establishing commercial production. The partner has access to low cost capital and has a deep technical understanding of the separation and refining process required for heavy rare earths.

The finalisation of the Strategic Alliance has resulted from significant work over a period of time by the Hastings team and validates the work done to date.

As part of the alliance, we have commenced work to reduce the capital costs to de-risk and to maximise the net present value of the Hastings project.

Following a recent capital raising the Company is in a sound financial position for the year ahead to move its existing projects forward and to take advantage of resource opportunities available in a depressed market.

On the corporate front, Hastings was pleased to welcome Mr Malcolm Mason to the Board during the year and Mr Vazrick Hovanessian after year end. Malcolm's rare earths, exploration and business experience adds significant technical experience to the Board, while Vazrick's mining, strategic advisory and capital raising experience adds further depth. Early in the year, Mr David Nolan stepped down as a director of the company, while post year end Steven Mackowski stepped down as a Director but continues with the company as Technical Director.

On behalf of the Board of Directors I would like to thank shareholders for their ongoing support.

Yours faithfully,

Tony Ho
Non-executive Chairman

Directors' Report

Your directors submit the annual financial report of the consolidated entity consisting of Hastings Rare Metals Limited and the entities it controlled during the period for the financial year ended 30 June 2013. 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 year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Name	Particulars
Mr Anthony Ho	
Mr Malcolm Mason	Appointed 30 May 2013
Mr Guy Robertson	Appointed 24 October 2012
Mr Vazrick Hovanessian	Appointed 23 September 2013
Mr Steve Mackowski	Resigned 23 September 2013 (Continues in management role as technical director)
Mr David Nolan	Retired 28 November 2012

Names, qualifications, experience and special responsibilities

Mr Anthony Ho

Chairman

Qualifications: Bachelor of Commerce CA FCIS FAICD

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 previously 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 was previously a Director of Dolomatrix International Limited, Brazin Limited and Metal Bank Limited.

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

Mr Ho 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. Mr Ho is a member of the audit committee and nomination and remuneration committee.

Mr Malcolm Mason

Non-Executive Director

Qualifications: B.Sc. (Hons), FAus IMM

Malcolm has more than 45 years' experience in Australian and international exploration and mining. As Executive Technical Director of Greenland Minerals and Energy Limited from 2007 to 2010, Mr Mason had a significant role in further developing Kvanefjeld, the world's largest multi-element REO resource by either JORC or Canadian NI 43-101 standards.

Directors' Report

Mr Mason's experience covers rare earths, uranium, gold and base metals. Mr Mason was previously the Managing Director of Acclaim Uranium NL and Technical Director of Redport Ltd, which was taken over by Mega Uranium for $125m in 2007. Mr Mason is a member of the audit committee and nomination and remuneration committee.

Mr Guy Robertson

Executive Director and Company Secretary

Qualifications: Bachelor of Commerce (Hons.) CA

Guy has over 25 years' experience as a Director and in executive management roles of both public (ASX- listed) and private companies in both Australia and Hong Kong. He has had significant experience in due diligence, acquisitions, IPOs and corporate management.

Mr Vazrick Hovanessian

Non-executive Director

Qualifications B.Bus (Acctng), M. App Fin, ASCPA, FCSA

Vaz is the Managing Director of Fern Street Partners, a corporate advisory firm which provides Strategic Corporate Advice specialising in SMEs and ASX Listed resource companies.

Vaz has over 20 years experience in mining and exploration management and has held senior positions including CFO, Company Secretary, Director and Chairman in several ASX Listed junior and emerging resource (Mining & Oil and Gas) companies. Vaz is currently the Chairman of Broad Investments Limited and Strathfield Group Limited and the CFO and Company Secretary at Ochre Group Holdings Limited.

Former Directors

David Nolan – retired 28 November 2012

Steve Mackowski – resigned 23 September 2013 (continues in a management role as technical director)

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	Exercise Price	Expiry date
Mr Anthony Ho	570,000	500,000 Unlisted 50,000 Listed	20 cents 15 cents	31 March 2015 31 March 2014
Mr Malcolm Mason	180,000	-	-	-
Mr Guy Robertson	-	-	-	-
Mr Vazrick Hovanessian	-	-	-	-

There are no unpaid amounts on the shares issued.

Directors' Report

At the date of this report the Company had the following options on issue.

Grant/Issue Date	Expiry Date	Exercise Price	Number	Listed/Unlisted
16 February 2012	31 December 2013	40 cents	500,000	Unlisted
13 April 2012	31 March 2014	15 cents	84,436,355	Listed
10 May 2012	31 March 2015	20 cents	2,500,000	Unlisted
10 May 2012	31 October 2014	20 cents	2,000,000	Unlisted

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.

Directors' Report

Review of Operations

Figure 1: Location map Hastings Project

HASTINGS PROJECT (100% OWNED)

Location

The Hastings Project is located 18km to the south-east of the township of Halls Creek in the East Kimberley region of Western Australia (Figure 1).

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 via the Duncan Highway leading southeast to Palm Springs on the Black Elvire River.

The mineralisation was located in the early 1980s and was the focus of considerable exploration and evaluation over the following ten years. Fine grained rare earths and rare metal mineralisation occurs in a tuffaceous unit that crops out over some 3.5km and locally shows distinctive fluorite content.

Activities

During the year the Company:

- completed a Scoping Study on the Hastings project
- achieved with ANSTO significant milestones in the primary solvent extraction test work
- identified two new zones of near surface high grade mineralisation
- improved the definition of the target to the south west of the current resource – the Southern Extension, and
- progressed discussions with potential strategic partners

Project Feasibility

The Company has completed a Scoping Study on its Hastings rare earths Project. The Scoping Study incorporated the results of extensive test work completed by ANSTO and detailed engineering by Jacobs Engineering.

The Scoping Study confirmed a strong business case for development of the Hastings heavy rare earths project. The Company is now able to confirm:

- The resource at the Hastings Project can be mined by conventional open-cut methods;
- The mine life would be 25 years based on the existing resources of 36.2 million tonnes. With further drilling, the resource could be significantly increased;
- The study assumed that ore would be processed through a plant built on-site in Western Australia, without the need to transport intermediate products interstate or overseas;
- The flow sheet has been confirmed, with metallurgical recoveries of 75% for rare earths and 70% to 75% for rare metals;

Directors' Report

- The project has the potential to produce over 10,000 tonnes of rare earths oxides and rare metal oxides annually for 25 years. The saleable products will be high purity oxides that are significantly more valuable than rare earth carbonates or concentrates;
- The strong demand and supply shortage projected for heavy rare earths are highly opportune for the Project. Heavy rare earths, such as Dysprosium and Yttrium that are both on the US Department of Energy's 'critical' list, represent the majority of the projected revenue; and
- The Scoping Study has successfully reduced the risks and identified options to further optimise the project.

While the results of the Scoping Study demonstrated attractive economics, further potential exists to improve the project. Examples include:

- Drilling of the Southern Extension would increase the mine life and improve the economics;
- The opportunity to increase production to 1.5mtpa, which was one of the scenarios reviewed by Jacobs Engineering;
- Process optimisation work currently being undertaken by ANSTO may increase the recoveries or optimise the flow sheet. The piloting test work may also identify process improvements or cost reduction opportunities;
- There may be the opportunity to contract-out additional components of the operation rather than incur the capital expenditure; and
- Synergies and optimisation of the process with strategic partners.

Metallurgy Development

During the year, the Company announced that ANSTO (Australian Nuclear Science and Technology Organisation) had achieved three significant metallurgy milestones.

Firstly, extraction efficiencies for the recovery of rare earths, niobium and zirconium by sulphation and water leaching had matched those of the 1989 pilot plant at Warren Spring, UK. These efficiencies were 75% for REO and Nb, and 70% for Zr. The other milestones were in the primary solvent extraction (SX) circuit.

Using liquors generated from the sulphation bake and water leach, ANSTO achieved primary separation of Zr, Nb and Hf from the bake-leach liquor using a modified SX circuit with excellent recoveries of the valuable components and excellent rejection of the major impurities. The modified SX circuit also successfully separated Zr, Nb and Hf from the Y+REE and from the major impurities in the bake-leach liquor.

Following on from the previous successful test work at ANSTO, Hastings is now looking to tailor the product suite to meet specific customer quality and form characteristics.

The work will meet the following objectives:

- Mini-piloting of the sulphation, water leach and primary solvent extraction circuits on a continuous basis to give design data for the pilot plant and pre-feasibility study;
- Provide sample material for the test work on product suite optimisation; and
- Produce specification rare earth product.

Directors’ Report

Analysis Verification

As a precursor to developing strategic relations with other parties, Hastings engaged a leading Chinese Research Institute of Rare Earths, to validate the assay results presented in the Hastings Project Resource Report. This validation is in addition to those quality assurance and quality control processes required for the Resource Statement to be acknowledged as JORC compliant. Sub-samples of quarter core were analysed for the common suite of elements. Excellent agreement was obtained and supports similar validation at ANSTO.

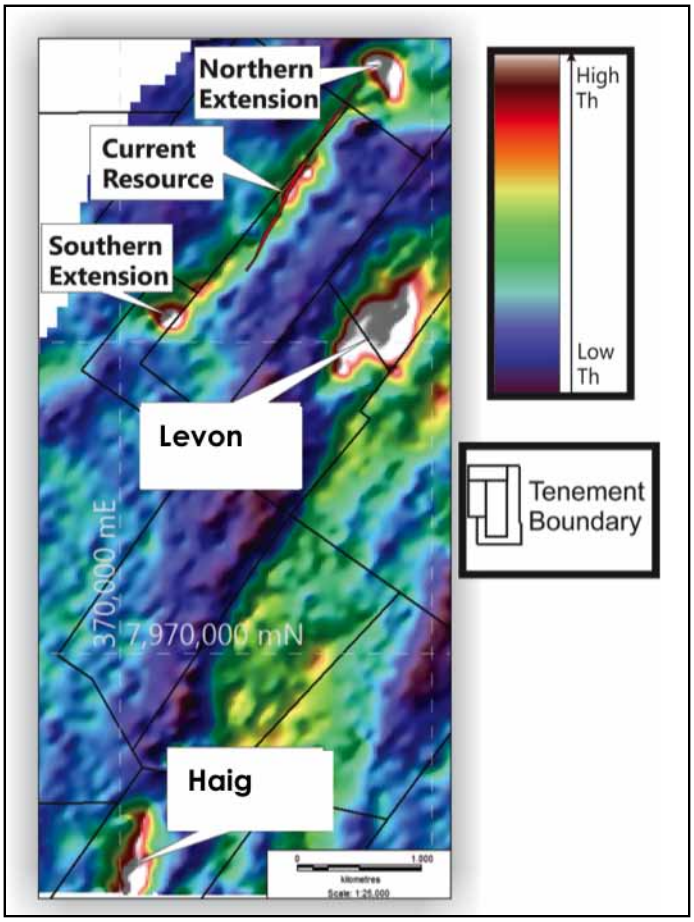
New Targets

Potential exists to further improve the project economics given new target areas, highlighted by recently acquired radiometric data, within the Hastings project tenements.

A strong correlation between thorium (radiometric footprint) and Niobium (Nb) mineralisation in the vicinity of the Hastings deposit was identified by the earliest explorers in the area in the early 1970’s.

The thorium (Th) radiometric data (Figure 2) clearly shows the trend of the current JORC resource area that **contains 36.2 million tonnes at 0.21% total rare earths (TREO) including 0.18% heavy rare earths (HREO), plus 0.89% ZrO_2 and 0.35% Nb_2O_5*** (comprising 27.1 mt indicated and 9.1 mt inferred). It also highlights the Southern Extension, the Northern Extension and the two new targets, Levon and Haig.

Exploration of the radiometric anomalies, as shown in Figure 2 has returned highly encouraging results at both sites, being the “Northern Target” (Levon) and the “Southern Target” (Haig). These are located some 1.3Km and 4.5km respectively, to the south of the existing JORC Resource which comprises 36.2Mt at 0.21% TREO and 0.18% HREO (Main Resource).



Levon

The Levon target was investigated briefly by previous explorers with soil sampling and rock chip sampling programmes, at 20m spacing, returning grades exceeding 0.7% Nb_2O_5 (to a maximum 0.16% Nb_2O_5) and up to 0.06% Y_2O_3 over a continuous 240m wide zone. Based on the new radiometric data, this sampling did not appear to have tested the most prospective portion.

All 19 rock chip samples collected from the eastern side of Levon, centred approximately 1.3km to the southeast of the Main Resource, exceeded 1,000ppm TREO, with six exceeding 2,100ppm TREO and two high assays of **4,281ppm and 5,237ppm TREO exceeding any previous samples from the Hastings Project area.** The rock chip assay results and surface dimensions of the mineralised zone indicate the potential for an attractive mining operation.

Figure 2. Location of two radiometric targets in relation to the Main Resource and the Southern Extension

Directors' Report

Haig

The Haig target had received less detailed exploration. The geology coincident with the radiometric anomaly had been mapped as a lithophile-enriched volcanic centre, with strong fluorite mineralisation. A historic rock chip sample returned 0.18% Nb_2O_5.

All 13 rock chip samples collected from Haig, centred approximately 4.5km to the south-southwest of the Main Resource, exceeded 1,000ppm TREO with all but two exceeding 2,100ppm TREO which is the average grade of the current resource. Again, the rock chip assay results and surface dimensions of the mineralised zone indicate that Haig also has potential for an attractive mining operation.

Southern Extension

Reconnaissance mapping and rock chip sampling has improved the definition of the target to the southwest of the current resource at Hastings (Figure 2). Four surface samples were collected from areas with high scintillometer readings. A further six samples were taken from adjacent areas to provide background values. The four selected samples returned encouraging grades in line with near surface mineralisation in the resource zone, as follows:

	ppm	ppm	ppm	ppm	ppm	ppm
	TREO	HREO	Dy_2O_3	Y_2O_3	ZrO_2	Nb_2O_5
STH 2	1947	1696	187	993	9168	3243
STH 3	1872	1688	159	1088	8885	3094
STH 4	1751	1607	165	989	8111	3223
STH 8	2309	2051	206	1272	10201	3432

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). TREO is the sum of the oxides of the heavy rare earth elements (HREO) and the light rare earth elements (LREO) where LREO is the sum of the oxides of the light rare earth elements lanthanum (La), cerium (Ce), praseodymium (Pr), neodymium (Nd), and samarium (Sm). ZrO_2 is zirconium oxide and Nb_2O_5 is niobium oxide,

Full results were provided in the Company ASX release dated January 2013.

These results confirm that this southern extension area hosts potentially economic rare earth and rare metal grades. Further mapping and sampling will be undertaken to define targets for drilling.

Tenement Acquisition

During the year the Company acquired an additional mineral tenement (E80/4555) adjacent to its existing PLs at Hastings. The terms of the acquisition provide Hastings with the rights to all minerals other than precious and base metals. The new tenement (Figure 1) provides the Company with increased flexibility regarding the location of the various infrastructure site locations for the project.

Directors' Report

Renewal of Licences

The Company's application for renewal of the ten Prospecting Licences (P80/1626-1635 inclusive) was approved and the licences have been extended up to 19 March 2017.

Advancing the Project

The Scoping Study demonstrated the strong economics of the Hastings heavy rare earths project. Significant previous metallurgical and pilot plant test work has allowed the Project to advance more quickly than some other projects. The matching of recoveries of niobium and zirconium to the historical work is significant. The Company is now in a position to proceed to the next major stages of development, which are:

1. Process optimisation work at ANSTO
2. Pilot design work, construction and operation
3. Pre-feasibility work
4. Securing a strategic partner for development of the project.

A strategic partner and investors are being considered to fund the major components of the feasibility work. Preliminary discussions have confirmed that the product suite is very attractive to a number of parties in the major manufacturing countries and the Company is confident of being able to secure a suitable partner.

Evaluation of Production Options

Hastings is currently working with consultants who have been engaged to review a potential low capital expenditure production opportunity. These options have become viable following the evaluation of higher grade components of the JORC resource, which provide scope for starter pits with attractive low cost economics.

Strategic Partner Discussions

The Company continued discussions throughout the year with a number of parties who are potentially interested in assisting in funding the development of the Hastings Rare Earths Project.

The Hastings Project is at an advanced stage of development, with a completed scoping study delivering sound economics, a JORC compliant resource giving in excess of +20 years of mine life and is fast tracking towards production, subject to satisfactory funding.

Post year end the Company announced a Strategic Alliance Agreement ("SAA") with a partner that would provide for the staged funding of the Hastings Project with the aim of establishing commercial production. The SAA is in the form of a non-binding memorandum of understanding, pending due diligence and progress studies required to move to definitive agreements.

Directors' Report

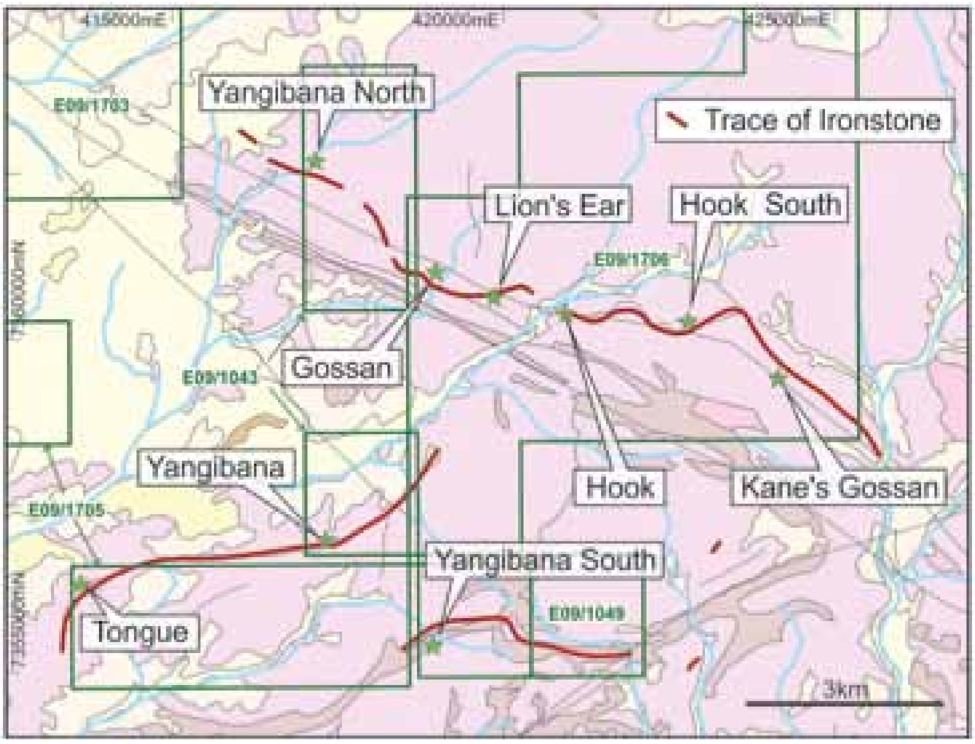


Figure 3 – Yangibana - Locations of the various prospects showing historical, non JORC resources

YANGIBANA PROJECT (60% owned)

At Yangibana, results from a limited programme of sampling of the known ironstone deposits within Hastings tenements were received and all such deposits have now been sampled. Grab samples collected during the visit were analysed by Genalysis in Perth. Results were as follows:

- One sample of fenitised host rock was taken from the west end of Yangibana prospect, within E09/1043, returning 6246ppm TREO including 2788ppm Nd_2O_3
- At the Hook prospect, within E09/1706, seven samples were collected with best results being 6266ppm TREO including 1080ppm Nd_2O_3, 35,038ppm (3.50%) TREO including 6434ppm Nd_2O_3, and 21,201ppm (2.12%) TREO including 3789ppm Nd_2O_3
- At Kane's Gossan, also within E09/1706, a total of five samples were taken with best results being 2971ppm TREO, 6792ppm TREO including 1194ppm Nd_2O_3, 19,166ppm (1.92%) TREO including 3758ppm Nd_2O_3, and 15,315ppm (1.53%) TREO including 3093ppm Nd_2O_3

These results are in line with expectations for this project, where drilling by earlier explorers has indicated an average grade for the ironstone lenses of around 1.6%TREO including 4000ppm Nd_2O_3. Based on the historical drilling, previous explorers estimated the non JORC resources as indicated in Figure 3.

In addition, a reconnaissance visit was made to the northwest corner of the tenement package adjacent to the Edmund River, east of Edmund homestead. Widespread calcrete was located, but scintillometer readings were consistently low and no samples were collected.

Competent Person Statement

The information in this announcement that relates to Exploration Results and 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.

Directors' Report

Operating results for the year

The comprehensive loss of the consolidated entity for the financial period, after providing for income tax amounted to $1,602,341 (2012: $2,057,572).

The Group's operating income increased to $125,550 (2012:$92,481) primarily the result of increased interest income from increased funds on hand during the year.

Expenses increased to $2,321,683 (2012:$2,150,053). This increase reflected the Group's focus on project development and in addition costs incurred in securing a strategic partner. Both years were adversely affected by legal fees as outlined in note 2(c).

Exploration costs increased to $16,727,765 (2012: $15,011,167) reflecting ongoing exploration work across the Group's projects.

Net assets increased to $18,849,427 (2012:$17,271,909) reflecting a capital raising during the year of $2,925,949 (net of costs) and the trading result for the year.

Review of financial conditions

As at 30 June 2013 the consolidated entity had $2,764,469 (2012: $3,218,520) in cash assets which the Directors believe allow the Company 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.

Significant changes in the state of affairs

The following summary of events marks significant milestones in the state of affairs of the Company during the year:

- Completion of Scoping Study which confirms strong business case for HREO project
- Significant milestones achieved by ANSTO in the primary solvent extraction testwork
- New high-grade discoveries and extension of mineralisation on the Hastings project
- $3.0 million capital raising completed

Significant events after balance date

On 13 August 2013 the Company announced that it had entered into a Strategic Alliance Agreement with a REE producer. The parties are currently working together collaboratively to complete further due diligence and progress studies required to bring the project into production.

On 23 September 2013 the Company raised $601,200 (before costs) through the placement of 16,700,000 shares to institutional and professional investors. The funds are to further work and studies on the Hastings rare earth project and for working capital including the review of new project opportunities.

Other than as outlined above, there are no matters or circumstances that have arisen since the end of the financial period that have significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or state of affairs of the consolidated entity in future financial years.

Likely developments and expected results

During the coming year the Group plans to focus on the development of both the Hastings and Yangibana projects.

The material business risks faced by the Company that are likely to have an effect on the financial prospects of the Company, and how the Company manages these risks, are:

- Future Capital Needs – the Company does not currently generate cash from its operations. The Company will require further funding in order to meet its corporate expenses, continue its exploration activities and complete studies necessary to assess the economic viability of its projects.

Directors' Report

- Exploration and Developments Risks – whilst the Company has already discovered a resource on the Hastings project, the Company may fail to discover additional mineral deposits and there is a risk that the Company's mineral deposits may not be economically viable. The Company employs geologists and other technical specialists, and engages external consultants where appropriate to address this risk.
- Commodity Price Risk – as a Company which is focused on the exploration of rare earths, it is exposed to movements in the price of these commodities. The Company monitors historical and forecast price information from a range of sources in order to inform its planning and decision making.

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 of $16,478 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*.

Remuneration report (Audited)

This report outlines the remuneration arrangements in place for key management personnel of Hastings Rare Metals Limited for the financial year ended 30 June 2013.

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

Mr Anthony Ho (Chairman)

Mr Steve Mackowski (Technical Director) (resigned 23 September 2013)

Mr Guy Robertson (Executive Director)

Mr Malcolm Mason (Non- Executive Director) (appointed 30 May 2013)

Mr Vazrick Hovanessian (Non-Executive Director) (appointed 23 September 2013)

Mr David Nolan (Non- Executive Chairman) (resigned 28 November 2012)

Mr Alastair Metcalf (Chief Executive Officer) (Resigned 30 June 2013)

Mr Andy Border (Exploration Manager) (Resigned 30 June 2013)

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

Remuneration committee

The Remuneration 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 Remuneration 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.

Directors' Report

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.

The remuneration of non-executive directors for the period ended 30 June 2013 is detailed in the Remuneration of directors and named executives section of this report on page 15 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 to Company employees and directors, the Company has contracted key consultants on a contractual basis. These contracts stipulate the remuneration to be paid to the consultants.

Fixed Remuneration

Fixed remuneration is reviewed annually by 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 key management personnel is detailed in Table 1.

Employment Contracts

The Company has no current employment contracts or director service agreements.

Options

No options were issued as part of director remuneration during the year ended 30 June 2013.

Directors' Options

The following options were issued to Directors of the Company during the previous year:

Remuneration of key management personnel

Table 1: Key management personnel remuneration for the year ended 30 June 2013

	Short-term employee benefits		Post-employment benefits	Equity		%
	Salary & Fees	Shares	Superannuation	Options	Total	Performance Related
Mr Anthony Ho	28,752	28,752*	-	9,720	67,224	14
Mr Guy Robertson	71,667	11,667*	-	-	83,334	-
Mr Steve Mackowski	190,000	-	-	35,760	225,760	16
Mr Malcolm Mason	1,666	1,667*	-	-	3,333	-
Mr David Nolan	23,333	-	-	38,880	62,213	62
Mr Alastair Metcalf	258,500	-	16,500	-	275,000	-
Mr Andy Border	243,973	-	20,229	-	264,202	-
Total	817,891	42,086	36,729	84,360	981,066	9

*Accrued and to be issued subject to shareholders approval.

Directors' Report

With effect from 1 July 2013 the Company has taken steps to substantially reduce its costs with the departure of Messrs Metcalf and Border and key consultants now being engaged on a time charge basis.

Table 2: Key management personnel remuneration for the year ended 30 June 2012

	Short-term employee benefits		Post-employment benefits	Equity		%
	Salary & Fees	Shares	Superannuation	Options	Total	Performance Related
Mr David Nolan	118,839	-	-	38,880	157,719	25
Mr Anthony Ho	33,600	20,000	-	9,720	63,320	15
Mr Steven Mackowski	175,500	100,000	-	35,760	311,260	12
Mr Alastair Metcalf	31,092	-	1,985	-	33,077	-
Mr Andy Border	154,990	-	13,949	3,827	172,766	2
Mr Guy Robertson	60,000	-	-	-	60,000	-
Mr Mathew Walker	120,000	-	-	-	120,000	-
Mr James Robinson	14,533	-	-	-	14,533	-
Total	708,554	120,000	15,934	88,187	932,675	9

Director	Number	Grant Date	Expiry date	Price	Fair Value	Number Vested 30/6/2013
Mr Anthony Ho	500,000	10/5/2012	31/3/2015	$0.20	$9,720	500,000
Mr Steven Mackowski (i)	2,000,000	10/5/2012	31/10/2014	$0.20	$35,760	2,000,000
Mr David Nolan (ii)	2,000,000	10/5/2012	31/3/2015	$0.20	$38,880	2,000,000

(i) Mr Steven Mackowski resigned on 23 September 2013.

(ii) Mr David Nolan retired as director on 28 November 2012.

Other options held by Directors are as follows:

Director	Number		Expiry date	Price	
Mr Anthony Ho	50,000	Listed	31 March 2014	15 cents	Purchased
Mr Steven Mackowski (i)	431,818	Listed	31 March 2014	15 cents	Purchased

(i) Mr Steven Mackowski resigned on 23 September 2013.

Directors' Report

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	Director Meetings		Independent Director Meetings	
	Attended	Eligible to Attend	Attended	Eligible to Attend
Mr Anthony Ho	9	9	2	2
Mr Steve Mackowski	8	9	1	1
Mr Malcolm Mason	1	1	-	-
Mr Guy Robertson	6	6	-	-
Mr David Nolan	3	4	1	1

In addition, three 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 24 and forms part of this Directors' Report for the year ended 30 June 2013.

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.

ANTHONY HO
Chairman
Dated this 30 September 2013

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 2013.

LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

1.1 Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.

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.

1.2 Companies should disclose the process for evaluating the performance of senior executives and appointees.

The performance of all senior executives and appointees is reviewed at least once a year. The performance of the Chief Executive Officer is reviewed by the Chairman on an annual basis, and the performance of other senior executives is reviewed by the Chief Executive Officer, in conjunction with the Board. They are assessed against personal and Company Key Performance Indicators established from time to time as appropriate for the Company.

Corporate Governance Statement

1.3 Companies should provide the information indicated in the Guide to reporting on Principle 1.

A performance evaluation for each senior executive has taken place in the reporting period in line with the process disclosed.

A Statement covering the primary responsibilities of the Board is set out in 1.1 above.

A Statement covering the primary responsibilities of the senior executives is set out in 1.1 above.

The Hastings Corporate Governance Charter is available on the Hastings web site, and includes sections that provide a Board charter. The Hastings Board reviews its charter when it considers changes are required.

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.

2.1 A majority of the Board should be independent directors.

The directors that considered independent are:

- **Mr Anthony Ho** Non-executive Chairman
- **Mr Malcolm Mason** Non-executive Director
- **Mr Vazrick Hovanessian** Non-executive Director

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.

2.2 The Chairperson should be independent.

The Non-Executive Chairman is Mr Anthony Ho who is considered to be independent.

2.3 Chief Executive Officer should not be the same as Chairman.

The Chief Executive Officer during the year was Mr Alastair Metcalf who resigned on 30 June 2013. The Company has no Chief Executive Office at present. The role is currently being performed by an executive director who is not the Chairman.

2.4 A nomination committee should be established.

A nomination committee has been formed which consists of:

- Mr Anthony Ho
- Mr Malcolm Mason

2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.

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.

Mr Malcolm Mason has been appointed the Chair of the Nomination Committee; he is not the Chairman of the Company.

Corporate Governance Statement

2.6 Companies should provide the information indicated in the Guide to reporting on Principle 2

A description of the skills and experience of each director is contained in the 2013 Directors Report.

Mr Mason, Mr Ho and Mr Hovanessian are considered to be independent directors. Mr Robertson is not considered to be independent, being an executive director. Directors are able to take independent professional advice at the expense of the Company, with the prior agreement of the Chairman.

An evaluation of the Board of directors took place during the reporting period and was in accordance with the process described in 2.5 above.

New directors are selected with consultation of all Board members and their appointment voted by the Board. Each year, in addition to any Board members appointed to fill casual vacancies during the year, one third of directors retires by rotation and is subject to re-election by shareholders at the Annual General Meeting.

There is no Board charter for nominations.

PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to:

- the practices necessary to maintain confidence in the company's integrity;
- the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and
- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

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.

3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.

As a company with a small market capitalisation, the company has a small board. The company has no established policy at present but is aware of the principle and will be alert for opportunities when board changes are contemplated.

3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

The company has, as yet, no established policy in relation to gender diversity. The company has a small number of employees and as a consequence the opportunity for creating a meaningful gender diversity policy are limited.

3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

Given the small size of the company and the limited number of employees this is not a meaningful statistic at this time.

SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

4.1 Establish an audit committee.

The Company has established an audit committee.

Corporate Governance Statement

4.2 Audit Committee composition.

The audit committee is comprised of the two non-executive directors Mr Mason, and Mr Ho. The audit committee is chaired by Mr Mason who is not the Chairman of the company.

4.3 A formal charter should be established for the Audit Committee.

The Company has established an audit committee charter, which is publicly available on the Hastings website.

4.4 Companies should provide the information indicated in the Guide to reporting on Principle 4.

Audit Committee

The audit committee meets at least twice 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.

The primary purpose 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

5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

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.

5.2 Companies should provide the information indicated in the Guide to reporting on Principle 5.

Hastings disclosure policy to shareholders is set out as part of the Hastings Corporate Governance charter, which is publicly available on the Hastings web site, as are Hastings' recent announcements.

Corporate Governance Statement

RESPECT THE RIGHTS OF SHAREHOLDERS

6.1 Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

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.

6.2 Companies should provide the information indicated in the Guide to reporting on Principle 6.

The Company's communications policy is described in 6.1 above.

RECOGNISE AND MANAGE RISK

7.1 Companies should establish a sound system for the oversight and management of material business risks.

The company has established policies for the oversight and management of material business risks.

The board monitors the risks and internal controls of Hastings through the Risk Management Committee.

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.

7.2 The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

The Risk Management Committee looks to the executive management to ensure that an adequate system is in place to identify and, where possible, on a cost effective basis appropriate for a small cap company, to manage risks inherent in the business, and to have appropriate internal controls.

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.

As part of the process, Hastings' management formally identifies and assesses the risks to the business, and these assessments are noted by the Risk Management Committee and the Board.

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:

Corporate Governance Statement

- 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.

7.3 The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The board has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided in accordance with section 295A of the *Corporations Act 2001* is founded on a sound system of risk management and internal control appropriate for a small cap company of the size of Hastings, and that the system is operating effectively in all material respects in relation to financial reporting risks.

7.4 Companies should provide information in the Guide to reporting on Principle 7.

The Board has received the report from Management under Recommendation 7.2 and the Board has received the assurances referred to under Recommendation 7.3. The Company's policies on risk oversight and management of material business risks are not publicly available.

REMUNERATE FAIRLY AND RESPONSIBLY

8.1 Establish a remuneration committee.

The Company has established a Remuneration committee comprised of Non Executive Directors Mr Anthony Ho and Mr Malcolm Mason.

8.2 The remuneration committee should be structured so that it:

- consists of a majority of independent directors
- is chaired by an independent chair
- has at least three members

While the committee is comprised of non executive directors and chaired by an independent non-executive director, the small size of the company currently restricts the committee to two members.

8.3 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

The remuneration details of non executive directors, executive directors and senior management are set out in the Remuneration Report that forms part of the Directors' report.

Senior executives' remuneration packages are reviewed by reference to Hastings' performance, the executive director's or senior executive's performance, comparable information from industry sectors and other listed companies in similar industries, which guidance from external remuneration sources. This provides a basis to ensure that base remuneration is set to reflect the market for a comparable role.

The performance of the executive director and senior executives is measured against criteria agreed annually and bonuses and incentives are linked to predetermined performance criteria and may, with shareholder approval, include the issue of shares and / or options.

There are no schemes for retirement benefits, other than statutory superannuation for non-executive directors.

8.4 Companies should provide the information indicated in the Guide to reporting on Principle 8.

The information is as outlined above.

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Hastings Rare Metals Limited for the year ended 30 June 2013, 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 and the entities it controlled during the year.

Perth, Western Australia
30 September 2013

M R W Ohm
Partner

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4, 130 Stirling Street Perth WA 6000. PO Box 8124 Perth BC 6849 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 2013

	Note	Consolidated 30 June 2013 $	Consolidated 30 June 2012 $
Continuing operations			
Other income	2(a)	125,550	92,481
Administration expenses		(189,516)	(229,160)
Director's fees		(110,419)	(296,973)
Occupancy expenses		(27,207)	(61,118)
Employee benefits expense		(276,953)	(97,972)
Marketing costs		(118,565)	(112,543)
Legal fees	2(c)	(271,152)	(353,295)
Technical, consulting and professional fees		(819,164)	(502,320)
Borrowing expenses		-	(78,470)
Travel expenses		(373,762)	(224,873)
Exploration expenditure written off		(849)	(101,314)
Other expenses	2(b)	(134,096)	(92,015)
Loss before income tax expense		(2,196,133)	(2,057,572)
Income tax benefit	3	593,792	-
Loss after tax from continuing operations		(1,602,341)	(2,057,572)
Loss after tax from discontinued operation		-	-
Net loss for the period		(1,602,341)	(2,057,572)
Other comprehensive income		-	-
Total comprehensive loss for the period		(1,602,341)	(2,057,572)
Basic loss per share from continuing operations (cents per share)	4	(1.06)	(2.39)

The accompanying notes form part of these financial statements

Statement of Financial Position
for the year ended 30 June 2013

	Note	Consolidated 30 June 2013 $	Consolidated 30 June 2012 $
Assets			
Current Assets			
Cash and cash equivalents	6	2,764,469	3,218,520
Trade and other receivables	8	63,751	169,164
Total Current Assets	12	2,828,220	3,387,684
Non-Current Assets			
Deferred exploration expenditure	9	16,727,765	15,011,167
Total Non-Current Assets		16,727,765	15,011,167
Total Assets		19,555,985	18,398,851
Liabilities			
Current Liabilities			
Trade and other payables	10	706,558	1,126,942
Total Current Liabilities		706,558	1,126,942
Non-Current Liabilities		-	-
Total Liabilities		706,558	1,126,942
Net Assets		18,849,427	17,271,909
Equity			
Issued capital	11	23,889,889	20,963,940
Reserves	11	548,925	3,669,197
Accumulated losses		(5,589,387)	(7,361,228)
Total Equity		18,849,427	17,271,909

The accompanying notes form part of these financial statements

Statement of Changes in Equity
for the year ended 30 June 2013

Attributable to equity holders of parent

CONSOLIDATED 2013	Issued Capital $	Accumulated Losses $	Option Reserve $	Total $
Balance at 1 July 2012	20,963,940	(7,361,228)	3,669,197	17,271,909
Loss for the period	-	(1,602,341)	-	(1,602,341)
Total comprehensive loss for the period	-	(1,602,341)	-	(1,602,341)
Shares issued during the period	3,280,000	-	-	3,280,000
Transaction costs on share issue	(354,051)	-	-	(354,051)
Transfer within equity on option cancellation	-	3,374,182	(3,374,182)	-
Options issued during the period	-	-	169,550	169,550
Recognition of share-based payments	-	-	84,360	84,360
Balance at 30 June 2013	23,389,889	(5,589,387)	548,925	18,849,427
Balance at 1 July 2011	12,574,990	(5,303,656)	1,647,381	8,918,715
Loss for the period	-	(2,057,572)	-	(2,057,572)
Total comprehensive loss for the period	-	(2,057,572)	-	(2,057,572)
Shares issued during the period	9,058,750	-	-	9,058,750
Transaction costs on share issue	(669,800)	-	-	(669,800)
Expired options during the period	-	-	-	-
Options issued during the period	-	-	-	-
Recognition of share-based payments	-	-	2,021,816	2,021,816
Balance at 30 June 2012	20,963,940	(7,361,228)	3,669,197	17,271,909

The accompanying notes form part of these financial statements

Statement of Cash Flows
for the year ended 30 June 2013

	Note	Consolidated 30 June 2013 $	Consolidated 30 June 2012 $
		Inflows/(Outflows)	
Cash flows from operating activities			
Payments to suppliers and employees		(2,035,732)	(1,581,830)
Research & Development rebate received		593,792	-
Interest received		148,443	64,832
Interest paid		(48,247)	-
Net cash used in operating activities	7	(1,341,744)	(1,516,998)
Cash flows from investing activities			
Payments for acquisition of tenements and prospects		-	(1,166,585)
Proceeds from financial assets and available for sale investments		-	-
Payments for exploration and evaluation expenditure		(1,730,934)	(2,212,920)
Net cash used in investing activities		(1,730,934)	(3,379,505)
Cash flows from financing activities			
Proceeds from issue of shares		3,000,000	5,385,000
Payments for share issue costs		(131,373)	(466,800)
Repayment of loan		(250,000)	(250,000)
Net cash provided by financing activities		2,618,627	4,668,200
Net decrease in cash held		(454,051)	(228,303)
Cash and cash equivalents at the beginning of the period		3,218,520	3,446,823
Cash and cash equivalents at the end of the period	6	2,764,469	3,218,520

The accompanying notes form part of these financial statements

Notes to the Financial Statements
for the year ended 30 June 2013

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. 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 and 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 2013, the Directors have 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 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 year ended 30 June 2013. 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 2013.

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).

(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 2013 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.

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 using a Black and Scholes model using the assumptions detailed in Note 11.

Deferred exploration expenditure:
The Directors have considered the existence of any indicators of impairment across the Group's mineral asset portfolio. Based upon this review, the Directors are satisfied that no such indicators exist and that no impairment of deferred exploration is necessary at 30 June 2013.

(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 Directors 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.

Notes to the Financial Statements
for the year ended 30 June 2013

(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
  - (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

- 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.

Notes to the Financial Statements
for the year ended 30 June 2013

(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.

(m) Impairment of assets

The Directors assess 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 Directors make 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 asset 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.

(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.

(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.

(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.

(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.

(v) Parent entity financial information

The financial information for the parent entity, Hastings Rare Metals Limited, disclosed in Note 21 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investment in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Hastings Rare Metals Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) Share-based payments

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

Notes to the Financial Statements
for the year ended 30 June 2013

NOTE 2: REVENUES AND EXPENSES

	Consolidated 2013 $	Consolidated 2012 $
(a) Other income		
Interest income	125,550	92,481
	125,550	92,481
(b) Expenses		
Share based payments expense	84,360	92,015
Other costs	49,736	-
	134,096	92,015
(c) Legal fees		
Defending legal action[1]	155,216	273,027
Other	115,936	80,268
	271,152	353,295

[1] Substantial legal fees were incurred in defending an action taken by the previous employer of Mr Steve Mackowski (Technical Director). The matter was settled during the year and there are no further costs.

Notes to the Financial Statements
for the year ended 30 June 2013

NOTE 3: INCOME TAX

	Consolidated 2013 $	Consolidated 2012 $
(a) Income tax recognized in the statement of comprehensive income		
Loss from ordinary activities	(1,602,341)	(2,057,572)
Income tax using the Company's domestic tax rate of 30% (2012:30%)	(480,702)	(617,272)
Non-deductible expenses	-	105,988
Share based payments	40,229	27,605
Refundable R&D tax offset	593,792	-
Other current year movement in deferred tax assets and deferred tax liabilities not recognised	440,473	483,679
Income tax benefit reported in the consolidated statement of comprehensive income	593,792	-

During the year the Group benefited from the Australian Government's Research and Development Tax Incentive Scheme in the amount of $593,792 (2012:$nil). There are no unfulfilled conditions or other contingencies attached to these grants.

	Consolidated 2013 $	Consolidated 2012 $
(b) Unrecognised deferred tax balances		
Deferred tax assets comprise		
Tax losses carried forward	2,579,031	1,718,808
Accrued expenses	32,069	10,105
Share issue costs	173,815	166,886
	2,784,915	1,895,799
Deferred tax liabilities comprise		
Accrued income	(3,400)	(10,267)
Capitalised exploration costs	(1,583,446)	(1,068,466)
	(1,586,846)	(1,078,733)
(c) Income tax expense not brought to account in equity during the year		
Share issue costs	(106,215)	(200,940)
	(106,215)	(200,940)

(d) Tax losses

The tax benefit (at 30%) of estimated unused tax losses of $2,579,031 (2012: $1,718,808) 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 2013

NOTE 4: EARNINGS PER SHARE

	2013 Cents per share	2012 Cents per share
Basic loss per share:		
Continuing operations	(1.06)	(2.39)
Total basic loss per share	(1.06)	(2.39)
(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	(1,602,341)	(2,057,572)
Loss used in the calculation of basic loss per share from continuing operations	(1,602,341)	(2,057,572)
Basic loss per share	Number of shares	
The earnings and weighted average number of ordinary shares used in the calculation of basic loss per share is as follows:	151,482,549	85,984,679
There are no potential ordinary shares that are considered dilutive, as a result no dilutive loss per share has been disclosed.		

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

Hastings Project
Hastings is the owner of the Hastings heavy rare earths project, comprising of ten (10) wholly owned prospecting licenses, and one (1) wholly owned exploration licence, 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.

Notes to the Financial Statements
for the year ended 30 June 2013

Yangibana Project

Hastings has a 60% interest in the Yangibana rare earths project in the Gascoyne region of Western Australia through the ownership 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, and two (2) exploration licence applications.

Accounting policies and inter-segment transactions

The accounting policies used by the Group in reporting segments internally are the same as those contained in Note 1 to the accounts and in the prior period.

Project segments	Hastings Project $	Yangibana Project $	Administration Costs $	Unallocated $	Total $
30 June 2013					
Revenue					
Interest income	-	-	-	125,550	125,550
Total segment revenue	-	-	-	125,550	125,550
Expenses					
Exploration expenditure written off	-	-	-		
Administration	-	-	(2,321,683)	-	(2,321,683)
Total segment expenses	-	-	(2,321,683)	-	(2,321,683)
Income tax benefit			-	593,792	593,792
Segment result	-	-	(2,321,683)	719,342	(1,602,341)
Exploration costs incurred for the year	1,625,558	91,889	-	-	1,717,447
Segment assets	14,159,158	2,568,607	-	2,828,220	19,555,985
Segment liabilities	-	-	-	706,558	706,558

Interest income of $125,550 was solely derived within Australia

Notes to the Financial Statements
for the year ended 30 June 2013

Project segments	Hastings Project $	Yangibana Project $	Administration Costs $	Unallocated $	Total $
30 June 2012					
Revenue					
Interest income	-	-	92,481	-	92,481
Total segment revenue	-	-	92,481	-	92,481
Expenses					
Exploration expenditure written off	-	-	-	(101,314)	(101,314)
Administration	-	-	(2,048,739)	-	(2,048,739)
Total segment expenses	-	-	(2,048,739)	(101,314)	(2,150,053)
Segment result	-	-	(1,956,258)	(101,314)	(2,057,572)
Exploration costs incurred for the year	1,925,268	426,818	-	-	2,352,086
Segment assets	12,534,449	2,476,718	-	3,387,684	18,398,851
Segment liabilities	-	578,247	-	548,696	1,126,943

Interest income of $92,481 was solely derived within Australia

NOTE 6: CASH AND CASH EQUIVALENTS

	2013 $	2012 $
Cash at bank and on hand	664,469	418,520
Short-term deposits	2,100,000	2,800,000
	2,764,469	3,218,520

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 2013 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 2013

NOTE 7: RECONCILIATION OF LOSS FOR THE YEAR TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	2013 $	2012 $
Loss for the year	(1,602,341)	(2,057,572)
Other non cash items:		
Share based payments expense	134,096	92,015
Directors remuneration	-	120,000
Consulting fee settlement for shares	-	53,750
Change in net assets and liabilities:		
Increase in trade and other receivables	105,412	(66,317)
Increase in trade and other payables	21,089	341,126
Net cash used in operating activities	(1,341,744)	(1,516,998)

NOTE 8: TRADE AND OTHER RECEIVABLES

	2013 $	2012 $
	52,419	134,939
Interest receivable	11,332	34,225
Trade and other receivables	63,751	169,164

No receivables are impaired or past due but not impaired.

NOTE 9: DEFERRED EXPLORATION EXPENDITURE

	2013 $	2012 $
Costs carried forward in respect of areas of interest in the following phases:		
Exploration and evaluation phase – at cost		
Balance at beginning of year	15,011,167	7,732,281
Exploration expenditure	1,717,447	1,980,587
Acquisition costs	-	5,399,613
Less: Exploration expenditure written off	(849)	(101,314)
Total deferred exploration and evaluation expenditure	16,727,765	15,011,167

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

Notes to the Financial Statements
for the year ended 30 June 2013

NOTE 10: TRADE AND OTHER PAYABLES

	Consolidated 2013 $	Consolidated 2012 $
Trade payables *	706,558	548,695
Payable to Artemis Resources Limited	-	578,247
	706,558	1,126,942

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

NOTE 11: ISSUED CAPITAL

	2013 $	2012 $
Ordinary shares		
At 1 July	20,963,940	12,574,990
Shares issued during the year	3,000,000	5,858,750
Shares issued on conversion of performance shares	-	3,200,000
Shares issued in lieu of debt repayment	280,000	-
Less share issue and share buy-back costs	(354,051)	(669,800)
At 30 June	23,889,889	20,963,940

	No.	No.
Movements in ordinary shares on issue		
At 1 July	129,463,462	58,500,000
Movements during the period		
Shares issued on conversion of performance shares	-	12,500,000
Shares issued on cancellation of options (i)	7,233,333	-
Shares issued in lieu of debt repayment	2,800,000	-
Shares issued during the year	27,272,735	58,463,462
At 30 June	166,769,530	129,463,462

(i) During the year, the Company cancelled 52,500,000 options which were fully vested and had been issued to shareholders, investors and a director, Mr David Nolan. These were replaced with the issue of 7,233,333 ordinary shares. There was no incremental fair value granted.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

Notes to the Financial Statements
for the year ended 30 June 2013

On 23 September 2013 the Company raised $601,200 (before costs) through the placement of 16,700,000 shares to institutional and professional investors. The funds are to further work and studies on the Hastings rare earth project and for working capital including the review of new project opportunities.

Company options

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

	2013 $	2012 $
Share option reserve		
Movements in option reserve were as follows:		
Balance 1 July	3,669,197	1,647,381
Options issued on conversion of performance options	-	1,726,801
Options cancelled on issue of shares	(3,374,182)	-
Vesting of options	84,360	-
Options issued to settle share issue costs	169,550	295,015
Balance 30 June	548,925	3,669,197

	No.	No.
Movements in share options		
At 1 July	118,350,000	37,500,000
Company options expired	-	-
Company options issued during the year - unlisted	-	5,000,000
Company options issued during the year - listed	23,586,355	60,850,000
Converted from performance options	-	15,000,000
Options cancelled in return for share issue	(52,500,000)	-
At 30 June	89,436,355	118,350,000

The Company has the following options outstanding as at 30 June 2013

Grant/Issue Date	Expiry Date	Exercise Price	Number	Listed/Unlisted
16 February 2012	31 December 2013	40 cents	500,000	Unlisted
13 April 2012	31 March 2014	15 cents	84,436,355	Listed
10 May 2012	31 March 2015	20 cents	2,500,000	Unlisted
10 May 2012	31 October 2014	20 cents	2,000,000	Unlisted

Notes to the Financial Statements
for the year ended 30 June 2013

The following table illustrates the number (No.) and weighted average exercise prices of and movements in share options issued during the year:

	No. 2013	Weighted average exercise price 2013 $	No. 2012	Weighted average exercise price 2012 $
Outstanding at the beginning of the year	118,350,000	$0.21	37,500,000	$0.31
Granted during the year	23,586,355		80,850,000	$0.17
Exercised during the year	-	-	-	-
Expired/Cancelled during the year	(52,500,000)	$0.29	-	-
Outstanding at the end of the year	89,436,355		118,350,000	$0.21
Exercisable at the end of the year	89,436,355		116,100,000	$0.21

The share options outstanding at the end of the year had a weighted average exercise price of $0.15 (2012: $0.21) and weighted average remaining contractual life of 0.79 years (2012: 1.69 years).

The weighted average fair value of options granted during the year was $169,550 (2012: $295,015).

The following options were cancelled during the year in return for the issue of 7,233,333 ordinary shares.

	Number	Grant/Issue Date	Expiry Date	Exercise Price $	Fair value at grant date $	Listed/ Unlisted
Series 1	22,500,000	9 March 2011	31 December 2013	$0.25	1,100,737	Unlisted
Series 2	15,000,000	9 March 2011	9 March 2014	$0.25	1,726,801	Unlisted
Series 3	15,000,000	9 March 2011	31 December 2013	$0.40	546,644	Unlisted

The following share-based payment arrangements are in place during the current and prior periods:

	Number	Grant/Issue Date	Expiry Date	Exercise Price $	Fair value at grant date $	Listed/ Unlisted
Series 4	500,000	16 February 2012	31 December 2013	$0.40	7,655	Unlisted
Series 5	6,000,000	13 April 2012	31 March 2014	$0.15	174,000	Listed
Series 6	1,000,000	31 April 2012	31 March 2014	$0.15	29,000	Listed
Series 7	2,500,000	10 May 2012	31 October 2014	$0.20	35,760	Unlisted
Series 8	2,000,000	10 May 2012	31 March 2015	$0.20	48,600	Unlisted
Series 9	2,950,000	5 July 2012	31 March 2014	$0.15	85,550	Listed
Series 10	3,500,000	7 December 2012	31 March 2014	$0.15	52,500	Listed
Series 11	3,500,000	25 January 2013	31 March 2014	$0.15	31,500	Listed

Notes to the Financial Statements
for the year ended 30 June 2013

The fair value of the equity-settled unlisted share options granted is estimated as at the date of grant using the Black and Scholes model taking into account the terms and conditions upon which the options were granted.

The expected life of the options is a based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

NOTE 12: FINANCIAL INSTRUMENTS

	Consolidated 2013 $	Consolidated 2012 $
Financial assets		
Receivables	63,751	169,164
Cash and cash equivalents	2,764,469	3,218,520
	2,828,220	3,387,684
Financial Liabilities		
Trade and other payables	706,558	1,126,842
	706,558	1,126,842

Notes to the Financial Statements
for the year ended 30 June 2013

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 $
2013						
Non-interest bearing		726,220				
Variable interest rate instruments		-	-	-	-	-
Fixed interest rate instruments	4.1-4.3%	900,000	1,200,000	-	-	-
		1,626,220	1,200,000	-	-	-
2012						
Non-interest bearing	-	169,164	-	-	-	-
Variable interest rate instruments	Up to 3.25%	-	-	-	-	-
Fixed interest rate instruments	5.67-5.7%	418,520	-	-	-	-
		-	1,000,000	1,800,000	-	-
		587,684	1,000,000	1,800,000	-	-

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.

Notes to the Financial Statements
for the year ended 30 June 2013

NOTE 13: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

	Weighted average effective interest rate %	Less than 1 month $	1 – 3 Months $	3 months – 1 year $	1 – 5 years $	5+ years $
2013						
Non-interest bearing		706,558	-	-	-	-
Variable interest rate instruments		-	-	-	-	-
Fixed interest rate instruments		-	-	-	-	-
		706,558	-	-	-	-
2012						
Non-interest bearing	-	626,942	-	-	-	-
Variable interest rate instruments	-	-	-	-	-	-
Fixed interest rate instruments	10%	-	250,000	250,000	-	-
		626,942	250,000	250,000	-	-

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 2013, 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 Westpac. 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 2013, there would not be any material effect on loss and equity as a result of changes in the interest rate, with all other variables remaining constant.

(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.

Notes to the Financial Statements
for the year ended 30 June 2013

NOTE 14: COMMITMENTS AND CONTINGENCIES

Remuneration Commitments
The Group has no current employment contracts. The Group 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 2013.

Western Australian Projects
The Group has minimum expenditure commitments on its beneficially owned Western Australian granted tenements. A list of tenements is outlined below.

The consolidated group currently has commitments for expenditure at 30 June 2013 on its Australian exploration tenements as follows:

	Consolidated 2013 $	Consolidated 2012 $
Not later than 12 months	218,120	179,137
Between 12 months and 5 years	407,185	227,863
Greater than 5 years	-	-
	625,305	407,000

The Company evaluates its tenements and exploration programme on an annual basis and may elect not to renew tenement licences if it deems appropriate.

Other Commitments
The company has a commitment to third parties for the provision of financial, accounting and secretarial support, corporate office support and corporate advisory services.

	Consolidated 2013 $	Consolidated 2012 $
Not later than 12 months	200,000	36,000
Between 12 months and 5 years	-	-
Greater than 5 years	-	-
	200,000	36,000

Notes to the Financial Statements
for the year ended 30 June 2013

NOTE 15: DIVIDENDS

The Directors of the Group have not declared any dividend for the year ended 30 June 2013.

NOTE 16: CONTINGENT LIABILITIES

Under the terms of the Yangibana acquisition agreement the Group has a deferred consideration of $2 million to be settled in shares to the vendor of the Yangibana project, payable upon the project achieving bankable feasibility and decision to mine. These conditions have not been met as at 30 June 2013 or subsequently.

NOTE 17: EVENTS SUBSEQUENT TO REPORTING DATE

On 13 August 2013 the Company announced that it had entered into a Strategic Alliance Agreement with a REE producer. The parties are currently working together collaboratively to complete further due diligence and progress studies required to bring the project into production.

On 23 September 2013 the Company raised $601,200 (before costs) through the placement of 16,700,000 shares to institutional and professional investors. The funds are to further work and studies on the Hastings rare earth project and for working capital including the review of new project opportunities.

Other than as outlined above, there are no matters or circumstances that have arisen since the end of the financial period that have significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or state of affairs of the consolidated entity in future financial years.

NOTE 18: AUDITOR'S REMUNERATION

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

	2013 $	2012 $
Amounts received or due and receivable by HLB Mann Judd for:		
An audit or review of the financial reports	32,000	30,470
	32,000	30,470

Notes to the Financial Statements
for the year ended 30 June 2013

NOTE 19: DIRECTORS AND EXECUTIVES DISCLOSURES

(a) Details of Key Management Personnel

Mr Anthony Ho	Non-Executive Director
Mr Steve Mackowski	Executive Director (resigned 23 September 2013)
Mr Guy Robertson	Executive Director (appointed 24 October 2012)
Mr Malcolm Mason	Non-Executive Director (appointed 30 May 2013)
Mr Alastair Metcalf	Chief Executive Officer (resigned 30 June 2013)
Mr David Nolan	Non-Executive Chairman (retired 28 November 2012)
Mr Vazrick Hovanessian	Non-Executive Director (appointed 23 September 2013)

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

Total remuneration paid is as follows:

	2013 $	2012 $
Short-term benefits	859,977	828,554
Post-employment benefits	36,729	15,934
Equity	84,360	88,187
	981,066	932,675

(b) Option holdings of Key Management Personnel

30 June 2013	Balance at beginning of period	Expired During Period	Granted as remuneration	Options exercised	Net change Other	Balance at end of period
Mr Anthony Ho	500,000	-	-	-	50,000	550,000
Mr Malcolm Mason	-	-	-	-	-	-
Mr Steve Mackowski	2,000,000	-	-	-	431,818	2,431,818
Mr Guy Robertson	-	-	-	-	-	-
Mr Alastair Metcalf*	-	-	-	-	-	-
Mr Andy Border*	250,000	-	-	-	(250,000)*	-
Mr David Nolan*	4,000,000	-	-	-	(4,000,000)*	-
Total	**6,750,000**	**-**	**-**	**-**	**(3,768,182)**	**2,981,818**

* Includes balance on resignation

Notes to the Financial Statements
for the year ended 30 June 2013

30 June 2012	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	-	-	4,000,000
Mr Anthony Ho	-	-	500,000	-	-	500,000
Mr Steve Mackowski	-	-	2,000,000	-	-	2,000,000
Mr Alastair Metcalf	-	-	-	-	-	-
Mr Andy Border	-	-	250,000	-	-	250,000
Mr Guy Robertson	-	-	-	-	-	-
Mr Mathew Walker	6,000,000	-	-	-	(6,000,000)*	-
Mr James Robinson	2,000,000	-	-	-	(2,000,000)*	-
Total	**10,000,000**	**-**	**4,750,000**	**-**	**(8,000,000)**	**6,750,000**

(c) Shareholdings of Key Management Personnel

30 June 2013	Balance at beginning of period Ord	Granted as remuneration Ord	On Exercise of Options Ord	Net Change Other Ord	Balance at end of period Ord
Mr David Nolan	170,000	-	-	(170,000)*	-
Mr Anthony Ho	200,000	370,000	-	-	570,000
Mr Steve Mackowski	1,000,000	1,034,536	-	-	2,034,536
Mr Andy Border	-	-	-	-	-
Mr Guy Robertson	-	-	-	-	-
Mr Malcolm Mason	-	180,000	-	-	180,000
	1,370,000	**1,584,536**	**-**	**(170,000)**	**2,784,536**

Shares held in Hastings Rare Metals Limited

30 June 2012	Balance at beginning of period Ord	Granted as remuneration Ord	On Exercise of Options Ord	Net Change Other Ord	Balance at end of period Ord
Mr David Nolan	170,000	-	-	-	170,000
Mr Anthony Ho	-	200,000	-	-	200,000
Mr Steve Mackowski	-	1,000,000	-	-	1,000,000
Mr Alastair Metcalf	-	-	-	-	-
Mr Guy Robertson	-	-	-	-	-
Mr Mathew Walker	4,500,000	-	-	(4,500,000)*	-
Mr James Robinson	850,000	-	-	(850,000)*	-
	5,520,000	**1,200,000**	**-**	**(5,350,000)**	**1,370,000**

*Includes balance on resignation.

Notes to the Financial Statements
for the year ended 30 June 2013

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.

Name	Country of Incorporation	% Equity Interest		Investment ($)	
		2013	2012	2013	2012
Hastings Project Holdings Pty Ltd	Australia	100%	100%	4,000,000	4,000,000
Gascoyne Metals Pty Ltd	Australia	100%	100%	2,050,000	2,050,000

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

	2013 $	2012 $
Legal fees	169,819	258,375

Legal fees paid to Mills Oakley Lawyers in the normal course of business. Mr David Nolan, a former director of the company is a partner in Mills Oakley Lawyers.

Notes to the Financial Statements
for the year ended 30 June 2013

NOTE 21: PARENT ENTITY DISCLOSURES

	Company	
	2013 $	2012 $
Assets		
Current assets	2,828,020	6,891,526
Non-current assets	16,669,611	11,449,611
Total assets	19,497,631	18,341,137
Liabilities		
Current liabilities	699,922	1,126,942
Non-current liabilities	-	-
Total liabilities	699,922	1,126,942
Net Assets	18,797,709	17,214,195
Equity		
Issued capital	23,889,889	20,963,940
Option reserve	548,925	3,669,197
Accumulated Losses	(5,641,105)	(7,418,942)
Total Equity	18,797,709	17,214,195
Financial performance		
Loss for the year	1,596,345	2,260,503
Other comprehensive income	-	-
Total comprehensive income	1,596,345	2,260,503

Contingent liabilities of the parent entity

For details on commitments, see Note 16.

Notes to the Financial Statements
for the year ended 30 June 2013

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 of 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:

	2013 $	2012 $
Current assets		
Cash and cash equivalents	100	100
Total current assets	100	100
Non-current assets		
Deferred exploration expenditure	2,312,998	2,221,110
Total Non-current assets	2,312,998	2,221,110
Current liabilities		
Trade and other payables	-	171,210
Total current liabilities	-	171,210
Non-current liabilities		
Borrowings	-	-
Total Non-current liabilities	-	-
Revenue	-	-
Administrative expenses	-	-
Profit before income tax	-	-
Income tax expense	-	-
Net Profit	-	-

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

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 25 to 57, 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 2013 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 2013.

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*.

Anthony Ho
Chairman
30 September 2013

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 ("the company"), which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated 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(c), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the 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 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.

Independence

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

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4, 130 Stirling Street Perth WA 6000. PO Box 8124 Perth BC 6849 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

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 2013 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(c).

Report on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2013. 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 2013 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

M R W Ohm
Partner

Perth, Western Australia
30 September 2013

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 is one substantial shareholder listed on the Company's register as at 24 September 2013:
Kongoni Nominees Pty Ltd holding 23,610,000 shares or 12.87% of the Company's issued capital.

2. Number of holders in each class of equity securities and the voting rights attached (as at 24 September 2013)

Ordinary Shares

There are 956 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 24 September 2013.

a) Fully Paid Ordinary Shares

SPREAD OF HOLDINGS	HOLDERS	UNITS	% OF ISSUED CAPITAL
NIL HOLDING			
1 - 1,000	27	1,374	0.00 %
1,001 - 5,000	104	403,705	0.22%
5,001 - 10,000	157	1,301,543	0.71%
10,001 - 100,000	488	21,880,278	11.93%
100,001 -	180	159,882,630	87.14%
TOTAL ON REGISTER	956	183,469,530	100.00 %

b) Options Expiring 31/03/14 exercisable @ $0.15

SPREAD OF HOLDINGS	HOLDERS	UNITS	% OF ISSUED CAPITAL
NIL HOLDING			
1 - 1,000	0	0	0.00%
1,001 - 5,000	0	0	0.00%
5,001 - 10,000	4	40,000	0.05%
10,001 - 100,000	60	3,477,704	4.12%
100,001 -	95	80,918,678	95.83%
TOTAL ON REGISTER	159	84,436,382	100.00 %

4. Marketable Parcel

There are 305 shareholders with less than a marketable parcel.

Additional Shareholder Information

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 24 September 2013) is as follows:

Ordinary Shares Top 20 holders and percentage held

	SPREAD OF HOLDINGS	DESIGNATION	SECURITIES	% OF ISSUED
1	KONGONI NOM PL		23,610,000	12.87%
2	MAIR HLDGS LTD		8,350,000	4.55%
3	ARMANGAEL INV MALTA LTD		8,350,000	4.55%
4	A1 INV & RES LTD		8,000,000	4.36%
5*	CITICORP NOM PL		7,533,114	4.11%
6*	LEW FOON KEONG		7,334,631	4.00%
7*	FRANKS NEIL BARRY		6,050,000	3.30%
8	LEE CHOON HUAT		5,089,451	2.77%
9	JP MORGAN NOM AUST LTD	CASH INCOME A/C	3,472,561	1.89%
10*	HSBC CUSTODY NOM AUST LTD		3,235,000	1.76%
11	ARTEMIS RES LTD		2,800,000	1.53%
12*	DONGRAY RICHARD S + J	S/F A/C	2,750,000	1.50%
13	KIPHART RICHARD		2,500,000	1.36%
14	MERRILL LYNCH AUST NOM PL		2,476,000	1.35%
15	MACKOWSKI STEVEN JOHN	MACKOWSKI FAM S/F	2,034,536	1.11%
16	BAITA HLDGS PL	BAITA FAM ACCOUNT	2,028,881	1.11%
17	AGONIC HLDGS PL		2,000,000	1.09%
18	ABN AMRO CLEARING SYDNEY	CUST A/C	1,730,782	0.94%
19	RECO HLDGS PL	RECO S/F A/C	1,666,667	0.91%
20*	KING FAME GRP LTD		1,663,041	0.91%
	**Top 20 total ** **		**102,674,664**	**55.97%**

** All holders included * Denotes merged holders

Additional Shareholder Information

Hastings Rare Metals Ltd – Options Expiring 31/03/14 exercisable @ $0.15

	SPREAD OF HOLDINGS	DESIGNATION	SECURITIES	% OF ISSUED
1	A1 INV & RES LTD		5,418,306	6.42%
2*	CITICORP NOM PL		4,700,000	5.57%
3*	UOB KAY HIAN PRIVATE LTD	CLIENTS A/C	4,692,582	5.56%
4	TAN CONSTANCE		3,600,000	4.26%
5	BEACHFIELD CAP LTD		3,500,000	4.15%
6	SEARCH POINT PL		3,250,000	3.85%
7	MASALKOVSKI SILVANA		3,037,722	3.60%
8*	LEW FOON KEONG		2,750,000	3.26%
9*	FRANKS NEIL BARRY		2,550,000	3.02%
10	PLANMOOR INV PL	B & A LEE SUPER A/	2,188,372	2.59%
11*	LURNEA INV HLDGS PL	LURNEA S/F A/C	2,152,001	2.55%
12	O'SULLIVAN DONAL FRANCIS		2,000,000	2.37%
13	THORNBUSH CORP LTD		1,950,000	2.31%
14	KING ILTER		1,500,000	1.78%
15	SWIFT VENTURE HLDGS CORP		1,403,000	1.66%
16*	HSBC CUSTODY NOM AUST LTD		1,350,000	1.60%
17*	PROE ROBERT WILLIAM		1,302,670	1.54%
18*	CHIFLEY PORTFOLIOS PL	DAVID HANNON RETMN	1,300,000	1.54%
19*	LIABILITY AURALANDIA NO		1,250,000	1.48%
20*	MATUSIK ERYK + DZANET M	MATUSIK S/F A/C	1,218,000	1.44%
	Top 20 total **		**51,112,653**	**60.55%**

** All holders included   * Denotes merged holders

Additional Shareholder Information

1. **Company Secretary**
   The name of the Company secretary is Guy Robertson.

2. **Address and contact details of the Company's registered office and principle place of business:**
   Level 9, 50 Margaret Street
   Sydney NSW 2000 Australia
   Telephone: (02) 9078 7674

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 Securities 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.

Additional Shareholder Information

7. 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	$ 450	$ 8,000
P80/1627	Hastings	100	20/03/2009	$ 450	$ 8,000
P80/1628	Hastings	100	20/03/2009	$ 450	$ 8,000
P80/1629	Hastings	100	20/03/2009	$ 450	$ 8,000
P80/1630	Hastings	100	20/03/2009	$ 450	$ 8,000
P80/1631	Hastings	100	20/03/2009	$ 428	$ 7,600
P80/1632	Hastings	100	20/03/2009	$ 450	$ 8,000
P80/1633	Hastings	100	20/03/2009	$ 450	$ 8,000
P80/1634	Hastings	100	20/03/2009	$ 450	$ 8,000
P80/1635	Hastings	100	20/03/2009	$ 450	$ 8,000
E80/4555	Hastings	100	18/09/2012	$ 1,872	$ 20,000
E09/1043	Yangibana	60	1/12/2004	$ 1,864	$ 50,000
E09/1049	Yangibana	60	8/05/2007	$ 492	$ 30,000
E09/1703	Yangibana	60	1/04/2011	$ 2,451	$ 21,000
E09/1704	Yangibana	60	1/04/2011	$ 281	$ 10,000
E09/1705	Yangibana	60	1/04/2011	$ 2,451	$ 21,000
E09/1706	Yangibana	60	1/04/2011	$ 1,517	$ 20,000
E09/1989	Yangibana	100	Application	-	-
E09/2013	Yangibana	100	Application	-	-
				$15,406	**$251,600**