ANNUAL REPORT
2014

Hastings
Rare Metals

Corporate Directory

ABN 43 122 911 399

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Mr Charles Lew - Chairman
Malcolm Mason - Non Executive Director
Mr Anthony Ho - Non-Executive Director
Mr Simon Wallace – Non-Executive Director

REGISTERED OFFICE

Level 25, 31 Market Street
Sydney NSW 2000 Australia
Telephone: (02) 8268 8689
Fax: (02) 8268 8699

PRINCIPAL PLACE OF BUSINESS

Level 25, 31 Market Street
Sydney NSW 2000 Australia

SHARE REGISTER

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153

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 2014

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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 2014.

Hastings has made significant progress during the period following my acquisition of a substantial shareholding in the Company in December last year and appointment to the board as director and Chairman. I am pleased to outline below this progress.

In January 2014 the Company made a strategic decision to resume exploration activities and to do so, we re-engaged Mr Andy Border as General Manager Exploration who has previously led the exploration effort on the Company's main Hastings project.

Yangibana

A drilling programme was initiated in May 2014 in Yangibana North where a total of 44 Reverse Circulation holes were drilled. All holes drilled intersected the target ironstone/quartz unit that hosts the known Total Rare Earths Oxide ("TREO") mineralization at shallow depth. The assay results, announced to shareholders in July 2014, met or exceeded our expectations for TREOs and primarily contained neodymium oxide (Nd2O3).

An independent JORC resource estimate was immediately carried out and the report published in August 2014 delineated a resource estimate for the Yangibana North prospect of 3.36 million tonnes (Indicated 1.86 million tonnes at 1.38% TREO and an Inferred Resource of 1.5 million tonnes at 1.29% TREO) at a 0.5% TREO cut off.

Notably the resource stretches over 825 metres of the area which forms part of a discontinuous 12 kilometre trend of ironstone-quartz bodies that are known to carry significant rare earth elements.

In March this year, the Company expanded its footprint in the Yangibana project area moving its joint venture interest from 60% to 70% and acquiring a 95% interest in an additional two tenements in the area. In total the Company has multiple interests in a contiguous parcel of tenements covering approximately 550 square kilometres of a highly prospective area known as the Gifford Creek Carbonatite Complex. The Company is currently undertaking an extensive RC and diamond drilling programme (totalling approximately 6500m) in seven other prospects in this region.

Hastings Project

Following further sampling and survey work on the new Hastings Project targets, namely Southern Extension, Levon and Haig, the Company undertook limited RC drilling in these areas in June 2014.

Results from this recent drilling have provided indications that improved grades for rare earths are present in this region, in particular the Southern Extension. The potential to increase the defined JORC resource will further enhance the economics of the Hastings Project.

As part of the ongoing project development drill samples from the drilled out areas are currently undergoing minerology testing.

Corporate

At the start of this year, the Company engaged a China focussed business consultant to assist in identifying a suitable long term strategic partner for the Company's projects. I am pleased to say that in-roads have been made with major rare earth producers or interested parties in China, Japan and Korea. We are currently at an early stage in these discussions. In October 2013, the Company raised $600,000 in a private placement. In June 2014, a further $2.8 million was raised in an underwritten rights issue in which shareholders subscribed for 86.3% of the shares offered. This was an encouraging result and indicative of the recognition and shareholder support that we are now receiving.

On behalf of your Directors, I would like to thank all shareholders for their support and confidence in the future prospects of Hastings. There is much work ahead of us to be done to bring the Company to the next stages of exploration and development. Upon completion of the current extended drilling programme in Yangibana which is likely to be early November, a metallurgy examination and scoping study will be commissioned to determine its economic viability prior to pre-feasibility studies being undertaken.

Your directors are committed to developing the Company's two projects in Hastings and Yangibana. The strategic decisions taken in furthering our exploration activities and ongoing business development in north Asia will lead us to our objectives of increasing shareholder value over time.

I look forward to an opportunity to meet with you at the forthcoming Annual General Meeting.

Yours faithfully,

Charles Lew
Chairman
30 September 2014

Directors

Charles Lew
Non-Executive Chairman

Anthony Ho
Non-Executive Director

Malcolm Mason
Non-Executive Director

Simon Wallace
Non-Executive Director

Hastings boasts an experienced Board and management focused on developing the Hastings and Yangibana Projects.

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 2014. In order to comply with the provisions of the Corporations Act, the directors report as follows:

Directors

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

Name	Particulars
Mr Charles Lew	Appointed 9 December 2013
Mr Anthony Ho	Appointed 8 March 2011
Mr Malcolm Mason	Appointed 30 May 2013
Mr Simon Wallace	Appointed 9 December 2013
Mr Steve Mackowski	Appointed 12 October 2011, resigned 23 September 2013
Guy Robertson	Appointed 24 October 2012, resigned 9 December 2013
Vazrick Hovanessian	Appointed 23 September 2013, resigned 9 December 2013

Names, qualifications, experience and special responsibilities

Mr Charles Lew

Non-Executive Chairman

Qualifications: BA Hons Finance and Accounting, MSc Management Science

Mr Lew has more than 30 years of investment banking experience, having served as Managing Director of ABN Amro's investment banking business in Singapore from 1997 to 2000. He has been involved in a diverse range of investment banking activities, including global IPOs, equities' placements, corporate mergers and acquisition, debt/equity restructuring, private equity investments and venture capital financing.

After leaving ABN Amro in year 2000, Mr Lew started his own investment management company, Equator Capital, which manages a hedge fund that is primarily involved in trading global managed futures, US equities and options. In addition, the company has participated as a pre-IPO investor in a number of China based companies that listed on the Singapore Exchange between 2004 and 2008.

Mr Lew is an Independent Non-Executive Director of RHB Investment Bank (since 2004), RHB Islamic Bank (since 2008) and has also served on the board of RHB Capital Berhad between 2005 and 2007. He was an Independent Director on the board of Singapore Medical Group between 2007 and 2013. He is also Founder and Chairman of Muddy Murphy Holdings, an established operator of traditional and concept pubs in Singapore.

He holds a BA (Hons) in Finance and Accounting from the University of East London and a MSc in Management Science from Imperial College, University of London.

Mr Anthony Ho

Non-Executive Director

Qualifications: Bachelor of Commerce from the University of New South Wales, Sydney

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

Directors' Report

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 and Metal Bank Limited.

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

Mr Ho is a member of the Institute of Chartered Accountants in Australia and New Zealand and a fellow of the Chartered Institute of Company Secretaries, Governance Institute of Australia and the Australian Institute of Company Directors.

Mr Malcolm Mason

Non-Executive Director

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

Mr Mason 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.
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 Simon Wallace

Non-Executive Director

Qualifications Bachelor of Commerce LLB

Mr Wallace is a practising commercial and corporate lawyer, with a particular expertise in the areas of project finance and fund raising. He is a founder/partner of boutique Melbourne law firm Nick Stretch Legal, having previously worked at Gadens Lawyers for many years.

Mr Wallace holds considerable professional experience in investment banking, direct equity investment, structured product formulation and execution and has been involved in the establishment and operation of domestic and offshore managed investment funds.

Mr Wallace is admitted as a barrister and solicitor of the Supreme Court of Australia, the Federal Court of Australia and the High Court of Australia, and he holds a Bachelor of Laws degree and a Bachelor of Commerce degree from the Australian National University.

Mr Guy Robertson

Company Secretary

Qualifications: Bachelor of Commerce (Hons.) CA

Mr Robertson has over 25 years' experience as a Director, CFO and Company Secretary 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. Guy has a Bachelor of Commerce (Hons) and is a Chartered Accountant.

Directors' Report

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 Charles Lew	60,511,060	-	-	-
Mr Anthony Ho	2,020,000	500,000	20 cents	31 March 2015
Mr Malcolm Mason	1,560,666	-	-	-
Mr Simon Wallace	-	-	-	-

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

Grant/Issue Date	Expiry Date	Exercise Price	Number	Listed/Unlisted
10 May 2012	31 October 2014	20 cents	2,000,000	Unlisted
10 May 2012	31 March 2015	20 cents	2,500,000	Unlisted
12 February 2014	30 November 2016	6 cents	20,000,000	Unlisted

Since the end of the financial year a total of 2,000,000 shares were issued upon the exercise of options for consideration of $120,000. There were no unpaid amounts on the shares issued.

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

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.

Hastings Resource

The current JORC resource area 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).

In mid 2013 the Company completed the work which identified two new targets, Levon and Haig (Figure 2). These are in addition to the Southern Extension to the resource identified in early 2013.

Directors' Report

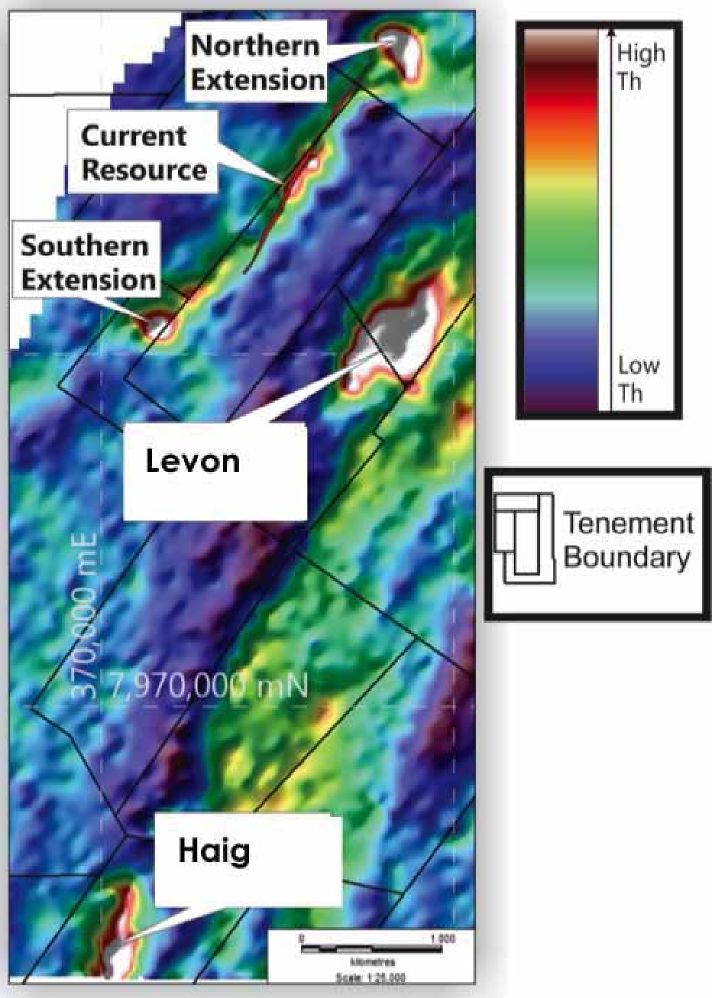

Figure 2: Location of two radiometric targets in relation to the Main Resource and the Southern Extension

Levon

The Levon target was investigated briefly by previous explorers with soil sampling and rock chip sampling programmes, at 20m spacing, returning grades exceeding 0.07% 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 radiometric data, this sampling did not appear to have tested the most prospective portion. Levon is centred approximately 1.3km to the southeast of the Main Resource.

Hastings undertook preliminary rock chip sampling with 19 samples collected from the eastern side of Levon. All samples exceeded 1,000ppm TREO, with six exceeding 2,100 TREO which is the average grade of the current resource, and two high assays of 4,281ppm and 5,237ppm TREO exceeded 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.

Haig

The Haig target, centred approximately 4.5km to the south-southwest of the Main Resource, has received less previous 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 by Hastings from Haig 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.

Following the successful rock chip sampling programmes at these three targets, Hastings undertook a nine-hole (1,011m) drilling programme within its Hastings Prospecting Licences in June 2014. Six holes were drilled into the Southern Extension prospect, two holes into the Levon prospect and one into the Haig prospect.

Directors’ Report

Southern Extension Prospect

Systematic scintillometer-based mapping and rock chip sampling programmes carried out since 2012 have indicated potential for a wide (+/-20m), continuous zone of mineralisation at the Southern Extension to the current JORC resources at Hastings.

In June 2014 the Company drilled six holes testing some 400m of strike (Figure 1). Each hole intersected significant mineralisation in the Niobium Tuff unit that hosts the mineralisation within the defined JORC resource to the north, and also in the overlying trachytic lava unit. Best intersections achieved from the drilling, from north to south, are shown in Table 1.

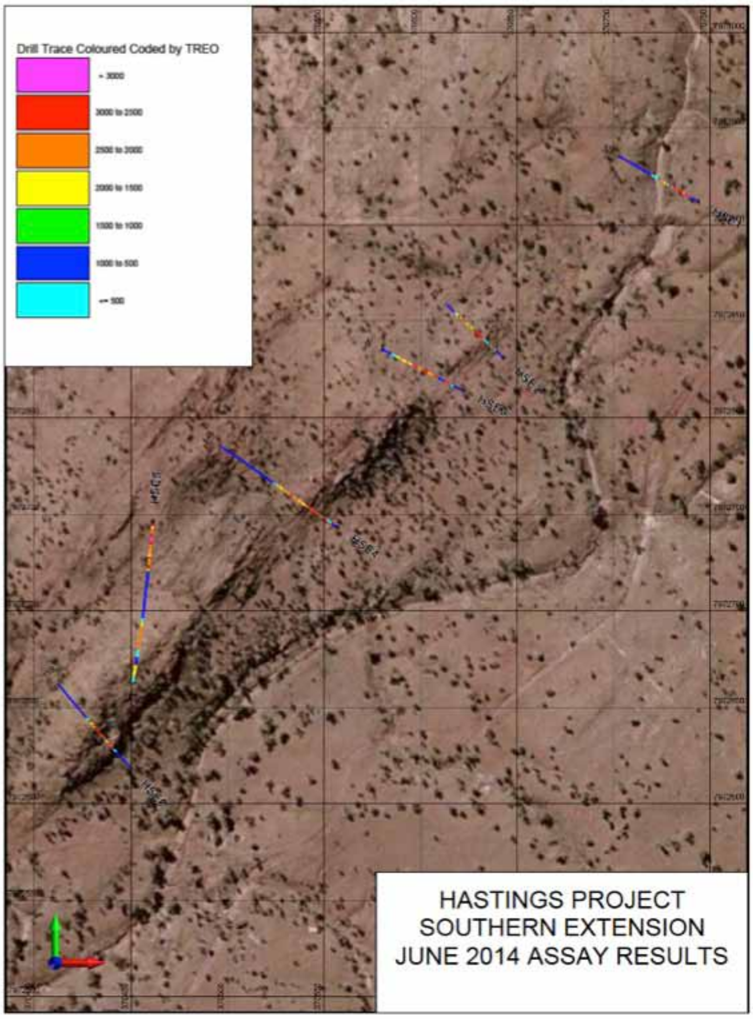

Figure 3: Hastings RC Drilling Programme June 2014 – Southern Extension prospect Drillhole Locations

Systematic scintillometer-based mapping and rock chip sampling programmes carried out since 2012 have indicated potential for a wide (+/-20m), continuous zone of mineralisation at the Southern Extension to the current JORC resources at Hastings.

In June 2014 the Company drilled six holes testing some 400m of strike (Figure 1). Each hole intersected significant mineralisation in the Niobium Tuff unit that hosts the mineralisation within the defined JORC resource to the north, and also in the overlying trachytic lava unit. Best intersections achieved from the drilling, from north to south, are shown in Table 1.

	From (m)	To (m)	Interval (m)	TREO ppm	HREO ppm	Dy_2O_3 ppm	Nb_2O_5 ppm	Ta_2O_5 Ppm	ZrO_2 ppm
SE1	10	33	23	2,670	2,300	250	5,000	250	12,025
And	41	46	5	2,090	1,800	190	3,800	180	8,800
SE2	14	18	4	2,750	2,320	260	5,025	280	12,910
And	29	65	36	2,325	1,980	215	4,470	225	10,675
SE3	15	22	7	2,680	2,290	250	5,025	270	12,910
And	30	59	29	2,475	2,120	230	4,725	240	11,425
(plus)	59	77	18	1,890	1,615	180	3,440	175	8,565
SE4	11	74	63	2,270	1,935	215	4,000	210	10,140
SE5	1	50	49	2,405	2,040	230	4,400	235	10,745
And	109	133	24	2,185	1,855	200	3,890	200	9,660
SE6	29	63	34	2,360	2,005	215	4,165	220	10,090

Table 1: Hastings RC Drilling Programme June 2014 – Southern Extension prospect Assay Intersections

The majority of the intersections shown in Table 1 exceed the average grade of the defined resources further north that average 2,100ppm TREO including 1,800ppm HREO, including 186ppm Dy_2O_3 with 3,550ppm Nb_2O_5, 182ppm Ta_2O_5 and 8,900ppm ZrO_2.

The increased grades for both the rare earths and the rare metals and the potential to increase the defined JORC resource further enhance the economics of the Hastings Project.

Samples have been sent for preliminary metallurgical test work.

Levon Prospect

The Company drilled two holes in the Levon prospect where recent scintillometer-based mapping and rock chip sampling has identified a potentially large rare earths target. The two holes were designed to provide a first look at the mineralisation and to provide samples for preliminary metallurgical tests.

Both holes passed through trachytic lava and tuff with only minor variations in scintillometer readings. Both were terminated at the target depth of 95m and in both cases the holes commenced and terminated within the mineralisation, with the intersections achieved as shown in Table 2.

	From (m)	To (m)	Interval (m)	TREO ppm	HREO ppm	Dy_2O_3
Levon						
L1	0	95	95	2,770	800	78
L2	0	95	95	2,785	760	76

Table 2: Hastings RC Drilling Programme June 2014 – Levon Prospect Assay Intersections

The average intersection TREO grade exceeds the arithmetic average of surface rock chip samples (2,050ppm TREO) that was reported previously.

Directors' Report

Haig Prospect

At Haig prospect the one hole drilled intersected homogenous trachytic lava from 24m downhole to end of hole with only minor variation in scintillometer readings. The hole was terminated in mineralisation. The intersection from 24m to the end of hole at 125m is provided in Table 3.

	From (m)	To (m)	Interval (m)	TREO ppm	HREO ppm	Dy_2O_3
Haig						
HI	24	125	101	3,065	845	84

Table 3: Hastings RC Drilling Programme June 2014 – Haig Prospect Assay Intersections

This intersection TREO grade exceeds the arithmetic average of surface rock chip samples (2,485ppm TREO including 766ppm HREO) that were reported previously.

Composite samples from Levon and Haig were collected pending preliminary test work. A review of results will then be made to determine whether further work is warranted.

YANGIBANA PROJECT

Hastings Rare Metals Limited increased its interest in the Yangibana Rare Earths Project comprising six granted Exploration Licences in the Gascoyne region of Western Australia during the year to 70% (previously 60%). In addition the Company, through wholly-owned subsidiary Gascoyne Metals Pty Limited, has acquired a 100% interest in five additional Exploration Licences, one Prospecting Licence and a 95% interest in two tenements (incorporating the Frasers and Bald Hill targets – Figure 4), and has made application for 100% interest in two additional Exploration Licences and three Prospecting Licences. This activity provides Hastings with an interest in tenements covering approximately 550 sq km (Figure 4) enclosing almost all of the Gifford Creek Carbonatite Complex.

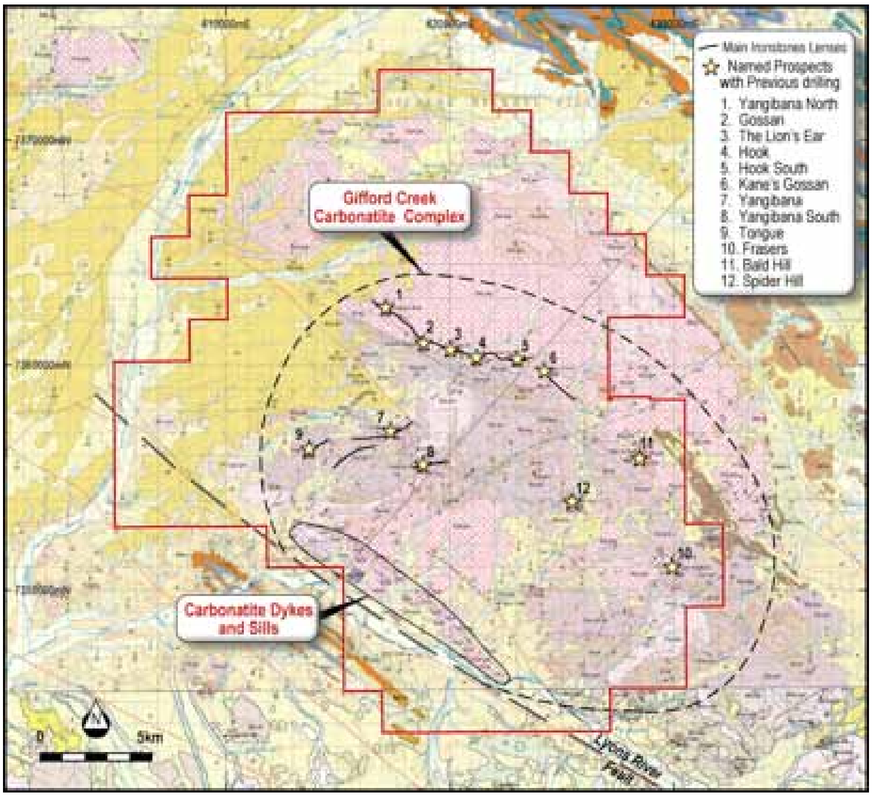

Figure 4: Yangibana Project. Hastings tenements outlined in red. Drill rare earths targets (1-11)

Previous exploration at Yangibana has included reverse circulation drilling at a number of prominent targets, both within and beyond Hastings' current tenements, and on the basis of this drilling a non-JORC resource of 3.5 million tonnes at 1.63%TREO has been estimated by a previous explorer. The vast majority of this resource lies in the near surface oxidised zone. Of this resource, approximately 2.5 million tonnes at 1.66%TREO lies within Hastings' current tenement package. The TREO contains an unusually high neodymium value with its oxide, Nd_2O_3, averaging 4000ppm or 25% of TREO. This is the highest proportion of Nd_2O_3 to TREO of all the major rare earths projects excluding China.

Directors' Report

Following the acquisition of new tenements, Hastings commenced an aggressive exploration effort on the Yangibana project during the year.

A large-scale rock chip sampling programme was completed in order to test all of the known ironstone lenses, a number of smaller ironstone lenses and numerous carbonatite lenses. While a number of encouraging results were returned from this programme, none of these targets is deemed to be superior to the targets drilled in the 1980s.

Drilling was carried out at Yangibana North prospect (within E09/1043 – Hastings 70%) during the year with a 44-hole RC drilling programme was completed in June. Hole collar locations and traces are shown in Figure 5.

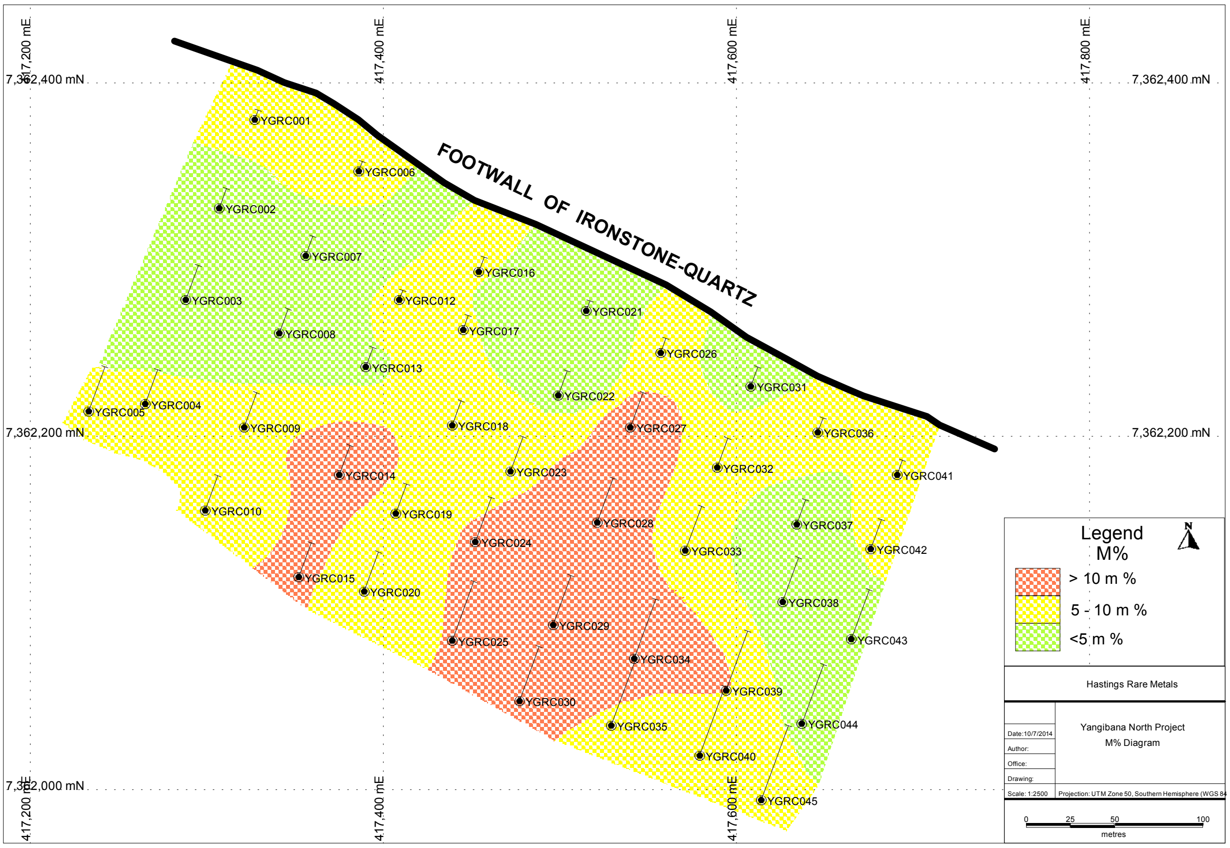

Figure 5: Yangibana North prospect – April 2014 RC drilling programme, showing m% contours

Based on a 5000ppm (0.5%) Total Rare Earths Oxides (TREO) down-hole cut-off, the best intersections achieved are outlined in the table 4.

All holes intersected the target ironstone/quartz unit that hosts the known TREO mineralisation. As predicted this unit is surrounded by a variable width of fenitic-altered granite that in many cases is mineralised and either enhances the width of the mineralised zone at the cut-off used in the above tabulation or provides a halo of +1000ppm TREO material.

All intersections were made in oxidised material with no intersection of primary mineralisation. Indications are that the mineralisation remains open in all directions, is improving down dip (see Figure 5) and deeper drilling is warranted to test this potential.

Directors' Report

On the basis of these results, a maiden JORC resource estimation for the Yangibana Project was carried out by independent consultants CoxRocks Pty Limited.

The mineralisation intersected in Hastings' drilling conforms to a shallow, southwards dipping, well mineralised body of ironstone-quartz with a variable thickness of less mineralised fenitically-altered granite halo.

Note hole HYNRC11 was not drilled:-

Hole No (HYNRC)	From (m)	To (m)	Interval (m)	ppm TREO	ppm Nd_2O_3
1	2	6	4	15333	3013
4	38	42	4	15742	3334
5	44	50	6	13803	2689
6	0	6	6	12898	2504
9	25	33	8	11259	2208
10	28	33	5	11267	2430
12	1	6	5	18010	3425
15	24	28	4	25752	5061
17	3	7	4	13013	2630
18	12	17	5	15142	2826
19	21	24	3	27934	5354
20	35	38	3	26259	4925
22	18	21	3	14261	2722
23	26	30	4	17283	3291
24	35	41	6	17682	3669
25	44	53	9	11844	2329
26	7	9	2	30624	6154
27	27	32	5	34449	6541
28	38	45	7	33898	6389
29	47	55	8	31445	6106
30	58	62	4	32788	6275
31	7	8	1	11532	2470
32	27	30	3	26410	5097
33	43	46	3	20217	4087
34	60	64	4	35886	7068
35	65	72	7	13975	3186
36	5	12	7	14429	3130
39	63	66	3	34793	6945
40	76	80	4	16975	3203
41	5	10	5	11302	2507
42	25	31	6	14001	2777
43	40	42	2	14618	2665
44	63	67	4	10876	2163
45	79	84	5	15666	3337

Table 4: Best mineralised intersections Yangibana North at a 0.5% TREO cut-off.

Directors' Report

Note that true widths are estimated to be 97% of intersected widths.

The deposit was modelled based on the ironstone-quartz lens plus any portions of the halo that carried immediately adjacent mineralisation exceeding 5000ppm total rare earths oxides (TREO). This model was then wire-framed to produce the 3-D model within which the block-modelling was carried out. Resource grades were calculated for each of the rare earths and the relevant figures were summed to provide TREO and critical rare earths oxides (CREO) figures. An estimate of specific gravity/bulk density of 2.8 was used in the estimation of tonnes, and this provided the following resources:-

Cut-off grade ppm (%) TREO	Resource Category	Tonnes	Average Grade ppm (%) TREO	Including ppm (%) CREO
5000 (0.5)	Indicated	1,860,000	13800 (1.38)	3000 (0.30)
	Inferred	1,500,000	12900 (1.29)	2800 (0.28)
	TOTAL	3,360,000	13400 (1.34)	2900 (0.29)

The location of the resources is shown in plan view in Figure 6.

The new resource covers some 825m of strike of the outcropping Yangibana North prospect that is part of a discontinuous 12km trend of ironstone-quartz bodies that are known to carry significant rare earths. The May 2014 drilling tested the target to only 200m down dip and all mineralisation intersected to date is within 75m of surface.

Composite bulk samples have been collected from all 44 holes for preliminary metallurgical test work.

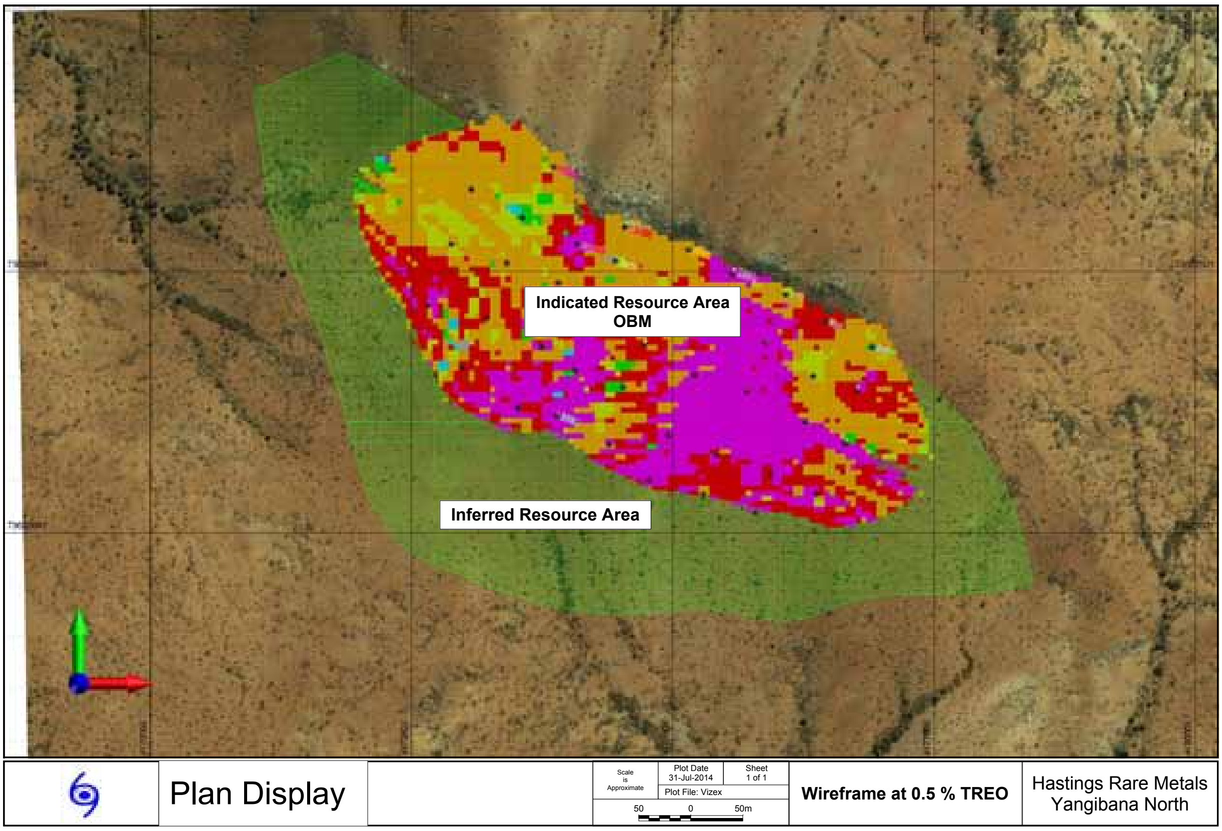

Figure 6: Yangibana North – Plan showing Indicated Resources (purple to yellow) and Inferred Resources (green) based on May 2014 RC drilling programme

Directors' Report

In Q3 2014 a major drilling programme commenced to expand the Yangibana North resource and to test portions of the numerous other targets within Hastings' extensive tenement package at Yangibana totalling some 550 square kilometres. Among these targets, Bald Hill and Frasers prospects (in which Hastings owns 100%) in particular appear to have potential to host mineralisation with a significantly higher in-ground value than the Yangibana North mineralisation at current commodity prices.

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

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).

CREO is the sum of the oxides of neodymium (Nd), europium (Eu), terbium (Tb), dysprosium (Dy), and yttrium (Y) that were classified by the US Department of Energy in 2011 to be in critical short supply in the foreseeable future.

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

Corporate

Board Changes
During the year Mr Charles Lew increased his shareholding to become the largest shareholder in the Company and was appointed a director and Chairman of Hastings Rare Metals Limited on 9 December 2013.

Mr Lew's considerable experience will assist the Company in taking the Hastings projects through the next phases of development. Mr Lew has more than 30 years of investment banking experience, and was the Managing Director of ABN Amro's investment banking operations in Singapore from 1997 to 2000.

Mr Lew has been an Independent Non-Executive Director of RHB Investment Bank Berhad (in Malaysia) since 2004 and is also on the board of RHB Islamic Bank. He was on the board of RHB Capital Berhad between 2005 and 2007. He previously served as an Independent Director of Singapore Medical Group between 22 June 2007 and 2 December 2013.

Mr Simon Wallace, a corporate lawyer also joined the board during the quarter. Mr Wallace has particular expertise and experience in corporate fundraising, debt issues and acquisitions. Mr Vaz Hovanessian and Mr Guy Robertson resigned from the board on 9 December 2013.

Strategic Partners
In early 2014 the Company engaged a China focussed business consultant to assist in identifying a suitable long term strategic partner for the Company's projects. The Company also established representation in Japan and Korea. Over the period to date we have established good relationships and are in ongoing discussions with a number of the key players in the rare earths industry in these countries.

Rights Issue
In June 2014 the Company completed a fully underwritten non-renounceable rights issue which closed with 86.3% of the rights shares being subscribed for by shareholders, with the balance being taken up by the underwriter.

Accordingly the Company issued 74,079,878 ordinary shares to shareholders raising $2,815,035 (before costs). Mr Charles Lew's interest in the Company increased to 23.33%

Directors' Report

Operating results for the year and financial review

The loss of the consolidated entity for the financial period, after providing for income tax amounted to $1,570,369 (2013: $1,602,341).

The Group's operating income decreased to $63,425 (2013-$125,550) primarily the result of a reduction in interest income given lower funds on hand and lower deposit interest rates.

Expenses decreased to $2,076,699 (2013-$2,321,683). Expenses have reduced in most areas given the focus on reducing costs, but offset by share based payments in 2014 of $604,987. Both years were adversely affected by legal fees as outlined in note 2.

Capitalised exploration increased to $17,841,676 (2012- $16,727,765) reflecting ongoing exploration work across the Group's projects and in particular Yangibana where the Company also acquired an additional 10% interest in the joint venture at Yangibana North and additional tenements for $250,000.

Net assets increased to $21,109,573 (2013-$18,849,427) reflecting a capital raising during the year of $3,307,719 (net of costs) and the loss for the year of $1,570,369.

Review of financial conditions

As at 30 June 2014 the consolidated entity had $3,616,118 in cash assets which the Directors believe will allow the Company to meet its current costs and objectives.

Risk management and Corporate Governance

Details of the consolidated entity's Risk Management and Corporate Governance policies are contained within the Corporate Governance Statement which follows this 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:

- Identification of new high grade zones and extension of mineralisation at the Hastings HREO project
- Yangibana results equal to or exceeding expectations achieving maiden JORC resource at project
- Restructure of Board and management
- $3.3 million capital raising completed

Significant events after balance date

On 5 August 2014 following a drilling campaign during the year the Company announced a maiden JORC resource on the Yangibana project.

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.

Directors' Report

Likely developments and expected results

During the coming year the Group will continue 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.
- 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 and rare metals, 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 $14,281 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 2014.

The following persons acted as key management personnel during or since the end of the financial year:

Mr Charles Lew (Chairman) (Appointed 9 December 2013)
Mr Anthony Ho (Non-Executive Director)
Mr Malcolm Mason (Non-Executive Director)
Mr Simon Wallace (Non-Executive Director) (Appointed 9 December 2013)
Mr Guy Robertson (Finance Director) (Resigned 9 December 2013)
Mr Vazrick Hovanessian (Appointed 23 September 2013, resigned 9 December 2013)
Mr Steve Mackowski (Technical Director) (Resigned 23 September 2013)
Mr Andy Border (Exploration Manager) (Appointed 27 January 2014)

Directors' Report

Remuneration philosophy

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

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

Non-executive directors committee

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

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

Remuneration structure

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

Non-executive director remuneration

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

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

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

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

The remuneration of non-executive directors for the period ended 30 June 2014 is detailed in the Remuneration of directors and named executives section of this report on page 20 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.

Directors' Report

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.

All Directors have a letter of appointment. Remuneration of non-executive directors is set at $40,000 per annum and the Chairman at $70,000 per annum. The Exploration Manager, Andy Border, has an employment contract which can be terminated by either party giving three months' notice, and with gross remuneration of $250,000 per annum. The contract has no fixed term and no termination payments are provided for.

Remuneration of key management and personnel

Table 1: Key management personnel remuneration for the year ended 30 June 2014

	Short-term employee benefits		Post-employment benefits	Equity		%
	Salary & Fees	Shares	Superannuation	Options	Total	Performance Related
Mr Charles Lew	19,570	19,570	-	-	39,140	-
Mr Anthony Ho	41,546	13,454	-	-	55,000	-
Mr Malcolm Mason	20,000	20,000	-	-	40,000	-
Mr Simon Wallace	22,411	-	-	-	22,411	-
Mr Andy Border	82,247	-	3,681	-	85,928	-
Mr Guy Robertson	68,333	8,333	-	-	76,666	-
Mr Steve Mackowski	96,870	-	-	-	96,870	-
Mr Vazrick Hovanessian	8,666	-	-	-	8,666	-
Total	**359,643**	**61,357**	**3,681**	**-**	**424,681**	**-**

Remuneration of key management and personnel

Table 2: 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 Malcolm Mason	1,666	1,667	-	-	3,333	-
Mr Andy Border	243,973	-	20,229	-	264,202	-
Mr Guy Robertson	71,667	11,667	-	-	83,334	-
Mr Steve Mackowski	190,000	-	-	35,760	225,760	16
Mr David Nolan	23,333	-	-	38,880	62,213	62
Mr Alastair Metcalf	258,500	-	16,500	-	275,000	-
Total	**817,891**	**42,086**	**36,729**	**84,360**	**981,066**	**9**

Directors' Report

Options held by Directors and senior management

Options held by Directors and senior management are as follows:

Director	Number		Expiry date	Price
Mr Anthony Ho	500,000	Listed	31 March 2015	20 cents

Shareholdings of Key Management Personnel

30 June 2014	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 Charles Lew	-	-	-	60,511,060	60,511,060
Mr Anthony Ho	570,000	550,000	-	849,911	1,969,911
Mr Malcolm Mason	180,000	238,000	-	1,142,666	1,560,666
Mr Simon Wallace	-	-	-	-	-
Mr Andy Border	-	-	-	-	-
Mr Guy Robertson*	-	312,000	-	(312,000)	-
Mr Steve Mackowski*	2,034,536	-	-	(2,034,536)	-
Total	**2,784,536**	**1,100,000**	**-**	**60,157,101**	**64,041,637**

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
Total	**1,370,000**	**1,584,536**	**-**	**(170,000)**	**2,784,536**

**Includes balance on resignation as director.*

Directors' Report

Option holdings of Key Management Personnel

30 June 2014	Balance at beginning of period	Expired During Period	Granted as remuneration	Options exercised	Net change Other	Balance at end of period
Mr Charles Lew	-					
Mr Anthony Ho	550,000	(50,000)	-	-	-	500,000
Mr Malcolm Mason	-	-	-	-	-	-
Mr Simon Wallace	-	-	-	-	-	-
Mr Andy Border	-	-	-	-	-	-
Mr Guy Robertson	-	-	-	-	-	-
Mr Steve Mackowski*	2,431,818	(431,818)	-	-	(2,000,000)	-
Total	**2,981,818**	**(481,818)**	**-**	**-**	**(2,000,000)**	**500,000**

Includes balance on resignation

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

Directors' Report

Related Party Transactions

	2014 $	2013 $
Legal fees	24,543	169,819
Underwriting fees	168,902	-

Legal fees in 2014 were paid to Nick Stretch Legal in the normal course of business. Mr Simon Wallace, a director of the Company is a partner in Nick Stretch Legal. In 2013 legal fees were paid to Mills Oakley Lawyers in the normal course of business. Mr David Nolan, a former director of the company was a partner in Mills Oakley Lawyers.

The underwriting fee of $168,902 was paid to Equator Star Holdings Limited, a company controlled by the Chairman, Charles Lew. The fees are commensurate with underwriting agreements of this nature.

Included in receivables is an amount of $14,046 owing by a Director at year end which has been subsequently repaid.

Directors' Meetings

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

	Director Meetings		Audit Commmittee	
Director	Attended	Eligible to Attend	Attended	Eligible to Attend
Mr Charles Lew	7	7	-	-
Mr Anthony Ho	10	10	1	1
Mr Malcolm Mason	9	10	1	1
Mr Simon Wallace	7	7	1	1
Mr Guy Robertson	3	3	-	-
Mr Steve Mackowski	1	2	1	1
Mr Vazrick Hovanessian	1	1	1	1

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

Directors' Report

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 35 and forms part of this directors' report for the year ended 30 June 2014.

Non-Audit Services

No non-audit services were provided by the Company's auditor during the year.

Signed in accordance with a resolution of the directors.

Charles Lew
Chairman
30 September 2014

2014 Mineral Resources and Ore Reserves (MROR) Statement

SUMMARY

This statement represents the Mineral Resources and Ore Reserves (MROR) for Hastings Rare Metals Limited (Hastings or the Company) as at 30 June 2014. This MROR statement has been compiled and reported in accordance with the guidelines of the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (2012 JORC Code) and also represents the first MROR statement for the Company.

In August 2014 a maiden 2012 JORC compliant resource for the Yangibana North Project was reported and for completeness is documented in this MROR statement.

This statement is to be reviewed and updated annually in accordance with Section 15 of the 2012 JORC Code. The nominated annual review date for this MROR statement is 30 June.

The Company's Mineral Resources remained unchanged at Hastings (Halls Creek) and Yangibana North (Yangibana). The information in this statement has been extracted from the relevant reports as indicated below in each Mineral Resource table. The Hastings-Brockman mineral resource estimate was first reported in September 2011 in accordance with the guidelines of the 2004 Edition of the JORC Code and has not been updated to comply with the 2012 JORC Code. The Company is not aware of any new information or data that materially affects the information included in the relevant market releases for this estimate. The Company confirms that all material assumptions and technical parameters underpinning the estimate in the relevant market releases continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented here have not been materially modified.

The Yangibana North Resource estimate was first reported in August 2014 in accordance with the 2012 JORC Code. The Company is not aware of any new information or data that materially affects the information included in the relevant market releases for this estimate. The Company confirms that all material assumptions and technical parameters underpinning the estimate in the relevant market releases continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented here have not been materially modified.

2014 Mineral Resources and Ore Reserves (MROR) Statement

MINERAL RESOURCES

As at 30 June 2014 the Company's Mineral Resources are:

	Category		Tonnage	Ppm ZrO_2	ppm Nb_2O_5	ppm Ta_2O_5	ppm Ga_2O_5	ppm HfO_2	ppm Dy_2O_5	ppm Y_2O_3	ppm TREO	ppm HREO
Main	Indicated	Oxide	1,400,000	8860	3507	183	113	322	190	1132	2151	1828
	Indicated	Fresh	25,400,000	8914	3547	182	110	318	186	1120	2100	1802
HW Zone	Indicated	Fresh	300,000	9080	3625	183	104	311	185	1096	2130	1772
Total	Indicated		27,100,000	8913	3545	182	110	318	186	1120	2103	1803
North Extension	Inferred	Oxide	250,000	8860	3507	183	113	322	190	1132	2151	1828
	Inferred	Fresh	2,100,000	8914	3547	182	110	318	186	1120	2100	1802
Main Deep	Inferred	Fresh	6,750,000	8914	3547	182	110	318	186	1120	2100	1082
Total	Inferred		9,100,000	8914	3547	182	110	318	186	1120	2100	1082
TOTAL			36,200,000	8913	3546	182	110	318	186	1120	2102	1802

Table 1: Hastings Rare Earth (Metal) Resource at a 1,500ppm Nb2O5 cut-off. September 2011

The Hastings Rare Metals Mineral Resource was first reported on 8 September 2011 in accordance with the 2004 JORC Code (refer to ASX Release dated 8 September 2011 titled Significant Upgrade in JORC Resources at Hastings Rare Metals – Heavy Rare Earth Deposit", available to view at www.hastingsraremetals.com).

Yangibana North : Yangibana Project

Cut-off grade ppm (%) TREO	Resource Category	Tonnes	Average Grade ppm (%) TREO	Including ppm (%) CREO
5,000 (0.5)	Indicated	1,860,000	13,800 (1.38)	3,000 (0.30)
	Inferred	1,500,000	12,900 (1.29)	2,800 (0.28)
	TOTAL	3,360,000	13,400 (1.34)	2,900 (0.29)

Table 2: Mineral Resource Inventory detailed by Mineral Resource Category and Project.

The Yangibana North Mineral Resource was first reported August 2014 in accordance with the 2012 JORC Code (refer to ASX Release dated 5 August 2014 titled 'Maiden JORC Resource for Yangibana Project ', available to view at www.hastingsraremetals.com).

ORE RESERVES

As at 30 June 2014 the Company had no reportable Ore Reserves in accordance with the 2012 JORC Code.

2014 Mineral Resources and Ore Reserves (MROR) Statement

GOVERNANCE SUMMARY

The Mineral Resource estimates listed in this report are subject to Hastings Rare Metal's governance arrangements and internal controls.

Hastings Rare Metals Mineral Resource estimates are derived by Competent Person's (CP) with the relevant experience in the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking. Geology models in all instances are prepared in conjunction with Hastings Rare Metals staff. The CP carries out reviews of the quality and suitability of the data underlying the Mineral Resource estimate, including a site visit. Hastings Rare Metals management conducts its own internal review of the estimate to ensure that it honours the data correctly and has been classified and reported in accordance with the JORC Code.

COMPETENT PERSONS STATEMENT

The information in this report that relates to Mineral Resources at the Hastings (Brockman) and Yangibana Deposits is based on information compiled by Mr Simon Coxhell of CoxsRocks Pty Ltd, who is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM) and is a consultant to Hastings Rare Metals Limited. Mr Coxhell has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 and 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Coxhell consents to the inclusion in this report of the matters based on his information in the form and context in which it appears[1].

The information in this report that relates to Exploration Results is based on information compiled by Andy Border. Andy Border is a consultant to the Company and a member of the Australian Institute of Mining and Metallurgy. Andy Border has sufficient experience relevant to the styles of mineralisation and types of deposits which are covered in this presentation and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2012 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ("JORC Code"). Andy Border consents to the inclusion in this presentation of the matters based on his information in the form and context in which it appears.

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 2014.

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 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 General Manager Exploration is reviewed by the Chairman on an annual basis, in conjunction with the Board.

Corporate Governance Statement

They are assessed against personal and Company Key Performance Indicators established from time to time as appropriate for the Company.

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 Director
Mr Malcolm Mason	Non-executive Director
Mr Simon Wallace	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 Charles Lew. As Mr Lew beneficially controls 23.33% of the Company, he is considered not to be independent. In the junior resources sector it is not unusual for a major shareholder to act as Chairman of the Company.

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

The functions normally undertaken by a chief executive are delegated to various members of the Board and the Exploration Manager.

2.4 A nomination committee should be established.

A nomination committee has been formed which consists of:

- Mr Charles Lew
- Mr Simon Wallace

Corporate Governance Statement

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 Charles Lew has been appointed the Chair of the Nomination Committee.

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 2014 Directors Report.

Mr Mason, Mr Ho and Mr Wallace are considered to be independent directors. Mr Lew is not considered to be independent as he is a significant shareholder in the Company.

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.

Corporate Governance Statement

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 an established audit committee.

4.2 Audit Committee composition.

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

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

The Company has an established 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.

Corporate Governance Statement

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 website, as are Hastings' recent announcements.

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.

Corporate Governance Statement

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:

- 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 Chairman 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.

Corporate Governance Statement

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.

Auditor's Independence Declaration

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 2014, 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.

Perth, Western Australia	**M R W Ohm**
30 September 2014	**Partner**

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
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Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au

Statement of Comprehensive Income
for the year ended 30 June 2014

	Notes	Consolidated 30 June 2014 $	Consolidated 30 June 2013 $
Continuing operations			
Other income	2	63,425	125,550
Administration expenses		(121,306)	(189,516)
Director's fees		(194,893)	(110,419)
Occupancy expenses		(28,504)	(27,207)
Employee benefits expense		(1,641)	(276,953)
Marketing costs		(10,415)	(118,565)
Legal fees	2	(233,806)	(271,152)
Consulting and professional fees		(617,904)	(819,164)
Travel expenses		(145,646)	(373,762)
Exploration expenditure written off		(1,495)	(849)
Share based payments		(543,629)	(134,096)
Loss before income tax expense		(1,835,814)	(2,196,133)
Income tax benefit	3	265,445	593,792
Net loss for the period		(1,570,369)	(1,602,341)
Other comprehensive income		-	-
Total comprehensive loss for the period		(1,570,369)	(1,602,341)
Basic loss per share (cents per share)	4	(0.87)	(1.06)

The accompanying notes form part of these financial statements

Statement of Financial Position
for the year ended 30 June 2014

	Notes	Consolidated 30 June 2014 $	Consolidated 30 June 2013 $
Assets			
Current Assets			
Cash and cash equivalents	6	3,616,118	2,764,469
Trade and other receivables	8	73,979	63,751
Total Current Assets		3,690,097	2,828,220
Non-Current Assets			
Plant and equipment	9	8,943	-
Deferred exploration expenditure	10	17,841,676	16,727,765
Total Non-Current Assets		17,850,619	16,727,765
Total Assets		21,540,716	19,555,985
Liabilities			
Current Liabilities			
Trade and other payables	11	431,143	706,558
Total Current Liabilities		431,143	706,558
Total Liabilities		431,143	706,558
Net Assets		21,109,573	18,849,427
Equity			
Issued capital	12	27,197,608	23,889,889
Reserves	12	691,516	548,925
Accumulated losses		(6,779,551)	(5,589,387)
Total Equity		21,109,573	18,849,427

The accompanying notes form part of these financial statements

Statement of Changes in Equity
for the year ended 30 June 2014

CONSOLIDATED

	Issued Capital $	Accumulated Losses $	Option Reserve $	Total $
Balance at 1 July 2013	23,889,889	(5,589,387)	548,925	18,849,427
Loss for the year	-	(1,570,369)	-	(1,570,369)
Total comprehensive loss for the period		(1,570,369)	-	(1,570,369)
Shares issued during the period	3,528,541	-	-	3,528,541
Transaction costs on share issue	(220,822)	-	-	(220,822)
Issue of options	-	-	522,796	522,796
Expiry of options	-	380,205	(380,205)	-
Balance at 30 June 2014	27,197,608	(6,779,551)	691,516	21,109,573
Balance at 1 July 2012	20,963,940	(7,361,228)	3,669,197	17,271,909
Loss for the year	-	(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)
Shares issued on cancellation of options	-	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	23,889,889	(5,589,387)	548,925	18,849,427

The accompanying notes form part of these financial statements

Statement of Cash Flows
for the year ended 30 June 2014

	Notes	Consolidated 30 June 2014 $	Consolidated 30 June 2013 $
		Inflows/(Outflows)	
Cash flows from operating activities			
Payments to suppliers and employees		(1,503,647)	(2,035,732)
Research & development rebate received		265,445	593,792
Interest received		70,261	148,443
Interest paid		-	(48,247)
Net cash used in operating activities	7	(1,167,941)	(1,341,744)
Cash flows from investing activities			
Payments for acquisition of tenements and prospects		(250,000)	-
Payments for exploration and evaluation expenditure		(916,348)	(1,730,934)
Payments for fixed assets		(9,475)	-
Net cash used in investing activities		(1,175,823)	(1,730,934)
Cash flows from financing activities			
Proceeds from issue of shares		3,416,235	3,000,000
Payments for share issue costs		(220,822)	(131,373)
Repayment of loan		-	(250,000)
Net cash provided by financing activities		3,195,413	2,618,627
Net increase/(decrease) in cash held		851,649	(454,051)
Cash and cash equivalents at the beginning of the period		2,764,469	3,218,520
Cash and cash equivalents at the end of the period	6	3,616,118	2,764,469

The accompanying notes form part of these financial statements

Notes to the Financial Statements
for the year ended 30 June 2014

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 2014, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operations and effective for the current annual reporting period. It has been determined by the Directors of the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2014. 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 2014.

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 2014 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.

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.

Exploration expenditure:

The Directors continually assess the Group's exploration projects to determine the existence of any indications of impairment on an area or interest basis. Where any such indications are present, an impairment assessment is conducted under AASB 136 and any resulting impairment is expensed to profit and loss. During the current financial year, an impairment expense of $1,495 (2013-$849) was recognised.

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 12.

(f) Revenue Recognition

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

(i) Interest income

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

(g) Cash and cash equivalents

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

(h) Trade and other receivables

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

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

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

(i) Derecognition of financial assets and financial liabilities

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

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

(k) 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.

(l) Impairment of assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

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

After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(m) Trade and other payables

Trade payables and other payables are carried at amortised cost 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.

(n) 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 profit or loss 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.

(o) 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 profit or loss 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.

(p) 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.

(q) 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.

(r) 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.

A decision to proceed with development in respect of a particular area of interest is determined with reference to when the commercial viability and technical feasibility are demonstrated. Once a decision to proceed has occurred, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

Notes to the Financial Statements
for the year ended 30 June 2014

(s) Parent entity financial information

The financial information for the parent entity, Hastings Rare Metals Limited, disclosed in Note 22 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 are accounted for at cost in the financial statements of Hastings Rare Metals Limited.

(ii) Share-based payments

Where relevant 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.

(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.

Notes to the Financial Statements
for the year ended 30 June 2014

NOTE 2: REVENUES AND EXPENSES

	Notes	Consolidated 30 June 2014 $	Consolidated 30 June 2013 $
(a) Other income		63,175	125,550
Interest income		250	
Other income		63,425	125,550
(b) Legal fees			
Defending legal action[1]		205,750	115,216
Other		28,056	115,936
		233,806	231,152

[1]Substantial legal fees were incurred in 2014 in defending an action to appoint additional directors, and in 2013 to defend an action taken by the previous employer of Mr Steve Mackowski (Technical Director).

Notes to the Financial Statements
for the year ended 30 June 2014

NOTE 3: INCOME TAX

	Consolidated 30 June 2014 $	Consolidated 30 June 2013 $
(a) Income tax recognised in the statement of comprehensive income		
Loss from ordinary activities	(1,835,814)	(2,196,133)
Income tax using the Company's domestic tax rate of 30% (2013:30%)	(550,744)	(658,840)
Share based payments	181,496	40,229
Refundable R&D tax offset	265,445	593,792
Other current year movement in deferred tax assets and deferred tax liabilities not recognised	369,248	618,611
Income tax benefit reported in the consolidated statement of comprehensive income	265,445	593,792
(b) Unrecognised deferred tax balances		
Tax losses carried forward	3,136,794	2,579,031
Accrued expenses	12,527	32,069
Share issue costs	171,200	173,815
	3,320,521	2,784,915
Deferred tax liabilities comprise		
Accrued income	(12,617)	(3,400)
Capitalised exploration costs	(1,864,381)	(1,583,446)
	(1,876,998)	(1,586,846)
(c) Income tax expense not brought to account in equity during the year		
Share issue costs	(61,763)	(106,215)
	(61,763)	(106,215)

(d) Tax losses

The tax benefit (at 30%) of estimated unused tax losses of $3,136,794 (2013: $2,579,031) has 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 2014

NOTE 4: EARNINGS PER SHARE

	2014 Cents per share	2013 Cents per share
Basic loss per share:		
Continuing operations	(0.87)	(1.06)
Discontinued operations	-	-
Total basic loss per share	(0.87)	(1.06)
	$	**$**
(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	(1,570,369)	(1,602,341)
Loss for the period from discontinued operation	-	-
Loss used in the calculation of basic loss per share from continuing operations	(1,570,369)	(1,602,341)
Basic loss per share		
The earnings and weighted average number of ordinary shares used in the calculation of basic loss per share is as follows:	180,539,648	151,482,549
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.

Notes to the Financial Statements
for the year ended 30 June 2014

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 wholly owned exploration licence, in the East Kimberley region of Western Australia. The project hosts significant JORC compliant resources of the heavy rare earths yttrium and dysprosium and the rare metals zircon, niobium and tantalum.

Yangibana Project

Hastings has a 70% 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 2014					
Revenue					
Interest and other income	-	-	-	63,425	63,425
Total segment revenue	-	-	-	63,425	63,425
Expenses					
Exploration expenditure written off	-	(1,495)	-	-	(1,495)
Administration	-	-	(1,897,744)	-	(1,897,744)
Total segment expenses	-	(1,495)	(1,897,744)	-	(1,899,239)
Income tax benefit	-	-	-	265,445	265,445
Segment result	-	(1,495)	(1,897,744)	328,870	(1,570,369)
Acquisition cost of tenements	-	250,000	-	-	250,000
Exploration costs incurred for the year	517,696	347,710	-	-	865,406
Segment assets	14,676,854	3,164,822	-	3,699,040	21,540,716
Segment liabilities	-	-	-	431,143	431,143

Interest income of $63,175 was solely derived within Australia, and non-current assets are all located in Australia.

Notes to the Financial Statements
for the year ended 30 June 2014

Project segments	Hastings Project $	Yangibana Project $	Administration Costs $	Unallocated $	Total $
30 June 2013					
Revenue					
Interest income	-	-	-	125,550	125,550
Research and development rebate	-	-	-	593,792	593,792
Total segment revenue	-	-	-	719,342	719,342
Expenses					
Exploration expenditure written off	-	-	-	-	-
Administration	-	-	(2,321,683)	-	(2,321,683)
Total segment expenses	-	-	(2,321,683)	-	(2,321,683)
Income tax benefit			-	-	-
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, and non-current assets are all located in Australia.

NOTE 6: CASH AND CASH EQUIVALENTS

	Notes	Consolidated 2014 $	2013 $
Cash at bank and on hand		294,893	664,469
Short-term deposits		3,321,225	2,100,000
		3,616,118	2,764,469

Notes to the Financial Statements
for the year ended 30 June 2014

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 2014 and was not party to any borrowing facilities during 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.

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

	Consolidated	
	2014 $	2013 $
(Loss) for the year	(1,570,369)	(1,602,341)
Other non cash items:		
Share based payments expense	604,987	134,096
Depreciation	532	-
Changes in working capital		
Increase in trade and other receivables	3,819	105,412
Increase in trade and other payables	(206,910)	21,089
Net cash used in operating activities	(1,167,941)	(1,341,744)

NOTE 8: TRADE AND OTHER RECEIVABLES

	Consolidated	
	2014 $	2013 $
Other receivables	71,211	52,419
Interest receivable	2,768	11,332
Trade and other receivables	73,979	63,751

No receivables are impaired or past due but not impaired.

Included in receivables is an amount of $14,046 receivable from a Director which has been received subsequent to year end.

Notes to the Financial Statements
for the year ended 30 June 2014

NOTE 9: PLANT AND EQUIPMENT

	Consolidated 2014 $	Consolidated 2013 $
Plant and equipment		
At cost		
Opening balance	-	-
Additions	9,475	-
Disposals	-	-
Closing balance	9,475	-
Depreciation		
Opening balance	-	-
Charge for the year	(532)	-
Disposals	-	-
Closing balance	(532)	-
	8,943	-

NOTE 10: DEFFERRED EXPLORATION EXPENDITURE

	Consolidated 2014 $	Consolidated 2013 $
Costs carried forward in respect of areas of interest in the following phases:		
Exploration and evaluation phase – at cost		
Balance at beginning of year	16,727,765	15,011,167
Exploration expenditure	865,406	1,717,447
Purchase of prospects - Yangibana	250,000	-
Less: Exploration expenditure written off	(1,495)	(849)
Total deferred exploration and evaluation expenditure	17,841,676	16,727,765

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

Notes to the Financial Statements
for the year ended 30 June 2014

NOTE 11: TRADE AND OTHER PAYABLES

	Consolidated	
	2014 $	2013 $
Trade payables *	431,143	706,558
	431,143	706,558

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

NOTE 12: ISSUED CAPITAL

	Consolidated	
	2014 $	2013 $
Ordinary shares		
At 1 July	23,889,889	20,963,940
Shares issued during the year	3,416,237	3,000,000
Shares issued in lieu of debt repayment	112,304	280,000
Less share issue costs	(220,822)	(354,051)
At 30 June	27,197,608	23,889,889
Movements in ordinary shares on issue	No.	No.
At 1 July	166,769,530	129,463,462
Movements during the period		
Shares issued on cancellation of options	-	7,233,333
Shares issued in lieu of debt repayment	1,730,156	2,800,000
Shares issued during the year	90,779,886	27,272,735
At 30 June	259,279,572	166,769,530

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 2014

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

	Consolidated	
Share option reserve Movements in option reserve were as follows:	2014 $	2013 $
Balance 1 July	548,925	3,669,197
Options issued during the year	522,796	-
Options expired during the year - unlisted	(372,550)	-
Options expired during the year - listed	(7,655)	
Options cancelled on issue of shares	-	(3,374,182)
Vesting of options	-	84,360
Value of options issued during the year	-	169,550
Balance 30 June	691,516	548,925
Movements in share options	No.	No.
At 1 July	89,436,355	118,350,000
Company options expired during the year - listed	(84,436,347)	-
Company options expired during the year - unlisted	(500,000)	-
Company options issued during the year - unlisted	20,000,000	-
Company options issued during the year - listed	-	23,586,355
Options exercised	(8)	-
Options cancelled in return for share issue	-	(52,500,000)
At 30 June	24,500,000	89,436,355

The Company has the following options outstanding as at 30 June 2014

Grant/Issue Date	Expiry Date	Exercise Price	Number	Listed/Unlisted
10 May 2012	31 March 2015	20 cents	2,500,000	Unlisted
10 May 2012	31 October 2014	20 cents	2,000,000	Unlisted
12 February 2014	30 November 2016	6 cents	20,000,000	Unlisted

Notes to the Financial Statements
for the year ended 30 June 2014

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

	No. 2014	Weighted average exercise price 2014 $	No. 2013	Weighted average exercise price 2013 $
Outstanding at the beginning of the year	89,436,355	$0.15	118,350,000	$0.21
Granted during the year	20,000,000	$0.06	23,586,355	-
Exercised during the year	(8)	-	-	-
Expired/Cancelled during the year	(84,936,347)	$0.15	(52,500,000)	$0.29
Outstanding at the end of the year	24,500,000	$0.086	89,436,355	$0.15
Exercisable at the end of the year	24,500,000		89,436,355	

The share options outstanding at the end of the year had a weighted average exercise price of $0.086 (2013: $0.15) and weighted average remaining contractual life of 1.43 years (2013:0.79 years).

The weighted average fair value of options granted during the year was $522,796 (2013: $169,550).

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 1	2,500,000	10 May 2012	31 October 2014	$0.20	119,200	Unlisted
Series 2	2,000,000	10 May 2012	31 March 2015	$0.20	162,000	Unlisted
Series 3	20,000,000	12 February 2014	30 November 2016	$0.06	522,796	Unlisted

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

	Series 1	Series 2	Series 3
Expected volatility (%)	80%	80%	80%
Risk-free interest free (%)	3.3%	3.3%	4.0%
Expected life of option (years)	2.56	2.97	2.79
Exercise price ($)	$0.20	$0.20	$0.06
Grant date share price	$0.135	$0.135	$0.053

Notes to the Financial Statements
for the year ended 30 June 2014

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 13: FINANCIAL INSTRUMENTS

	Consolidated	
	2014 $	2013 $
Financial assets		
Receivables	73,979	63,751
Cash and cash equivalents	3,616,118	2,764,469
	3,690,097	2,828,220
Financial Liabilities		
Trade and other payables	431,143	706,558
	431,143	706,558

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.

Notes to the Financial Statements
for the year ended 30 June 2014

	Weighted average effective interest rate %	Less than 1 month $	1 – 3 Months $	3 months – 1 year $	1 – 5 years $	5+ years $
2014						
Non-interest bearing		354,816	-	-	-	-
Variable interest rate instruments	-	-	-	-	-	
Fixed interest rate instruments	3.7-3.85%	300,000	621,225	2,400,000	-	-
		654,816	621,225	2,400,000	-	-
2013						
Non-interest bearing		728,220				
Variable interest rate instruments		-	-	-	-	-
Fixed interest rate instruments	4.1-4.3%	900,000	1,200,000	-	-	-
		1,628,220	1,200,000	-	-	-

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 2014

NOTE 14: 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 $
2014						
Non-interest bearing		431,143	-	-	-	-
Variable interest rate instruments		-	-	-	-	
Fixed interest rate instruments		-	-	-	-	-
		431,143	-	-	-	-
2013						
Non-interest bearing		706,558	-	-	-	-
Variable interest rate instruments		-	-	-	-	-
Fixed interest rate instruments		-	-	-	-	-
		706,558	-	-	-	-

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.

The Directors consider that the carrying value of the financial assets and financial liabilities recognised in the financial statements approximate their fair values.

(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.

At 30 June 2014, 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 2014

NOTE 15: COMMITMENTS AND CONTINGENCIES

Remuneration Commitments

The Group entered into an employment contract for services with the exploration manager in January 2014. The contract is subject to three months' notice. The Group also employs consultants who are contracted under standard consultancy rates. There were no other remuneration commitments made.

Guarantees

Hastings Rare Metals Limited has no outstanding guarantees of any form as at 30 June 2014.

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 as at 30 June 2014 on its Australian exploration tenements as follows:

	Consolidated	
	2014 $	2013 $
Not later than 12 months	390,100	218,120
Between 12 months and 5 years	603,967	407,185
Greater than 5 years	-	-
	994,067	625,305

NOTE 16: DIVIDENDS

The directors of the Group have not declared any dividend for the year ended 30 June 2014.

NOTE 17: 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.

Attached to the additional 10% interest in Yangibana acquired during the year was an assumed liability of $166,667 payable upon the project achieving bankable feasibility. Hastings is entitled to deduct this amount from the $2 million contingent liability referred to above.

Notes to the Financial Statements
for the year ended 30 June 2014

NOTE 18: EVENTS SUBSEQUENT TO REPORTING DATE

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 19: AUDITOR'S REMUNERATION

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

	Consolidated	
Amounts received or due and receivable by HLB Mann Judd for:	2014 $	2013 $
An audit or review of the financial reports	30,815	32,000
	30,815	32,000

NOTE 20: DIRECTORS AND EXECUTIVES DISCLOSURES

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

	Consolidated	
	2014 $	2013 $
Short term benefits	421,000	859,977
Post-employment benefits	3,681	36,729
Equity	-	84,360
	424,681	981,066

An amount of $14,046 was receivable from a Director at year end and has been received subsequent to year end.

Notes to the Financial Statements
for the year ended 30 June 2014

NOTE 21: 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 ($)	
		2014	2014	2014	2013
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
Karramindie Resources Pty Ltd	Australia	95%	-	50,000	-

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

	Consolidated	
	2014 $	2013 $
Legal fees	24,543	169,819
Underwriting fees	168,902	-

Legal fees in 2014 were paid to Nick Stretch Legal in the normal course of business. Mr Simon Wallace, a director of the Company is a partner in Nick Stretch Legal. In 2013 legal fees were paid to Mills Oakley Lawyers in the normal course of business. Mr David Nolan, a former director of the company was a partner in Mills Oakley Lawyers.

The underwriting fee of $168,902 was paid to Equator Star Holdings Limited, a company controlled by the Chairman, Mr Charles Lew. The fees are commensurate with underwriting agreements of this nature.

Notes to the Financial Statements
for the year ended 30 June 2014

NOTE 22: PARENT ENTITY DISCLOSURES

	Company	
	2014 $	2013 $
Assets		
Current assets	3,689,894	2,828,020
Non-current assets	17,799,104	16,669,611
Total assets	21,488,998	19,497,631
Liabilities		
Current liabilities	431,143	699,922
Non-current liabilities	-	-
Total liabilities	431,143	699,922
Net Assets	21,057,855	18,797,709
Equity		
Issued capital	27,197,608	23,889,889
Option reserve	691,516	548,925
Accumulated losses	(6,831,269)	(5,641,105)
Total Equity	21,057,855	18,797,709
Financial performance		
Loss for the year	(1,570,367)	(1,596,345)
Other comprehensive income	-	-
Total comprehensive loss	(1,570,367)	(1,596,345)

Contingent liabilities of the parent entity

For details on contingent liabilities, see Note 17.

Notes to the Financial Statements
for the year ended 30 June 2014

NOTE 23: INTEREST IN JOINTLY CONTROLLED OPERATION

The Group has a 70% interest in the Yangibana joint venture (2013-60%), which is involved in exploration, development and exploitation rare metal resources in the Gascoyne region of Western Australia.

Refer to Note 15 for details on capital commitments and guarantees. There were no impairment losses in the jointly controlled operation.

NOTE 24: ACQUISITION OF SUBSIDIARY

During the period the Company acquired 95% of Karramindie Resources Pty Limited for $50,000. The acquisition was accounted for on an asset acquisition basis and the consideration is considered fair value for a tenement acquired. The amount has been included in exploration expenditure capitalised on the Yangibana project.

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 36 to 67, are in accordance with the *Corporations Act 2001* including:

      i. giving a true and fair view of the Group's financial position as at 30 June 2014 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 Company 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 2014.

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*.

Charles Lew
Chairman
30 September 2014

Independent Auditor's Report

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 2014, 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*.

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Independent Auditor's Report

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 2014 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 2014. 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 2014 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 2014

Additional Shareholder Information

A. Corporate Governance

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

B. Shareholding

1. Substantial Shareholders

There are five substantial holders listed on the Company's register as at 12 September 2014:

1	LEW FOON KEONG	41,923,323	16.05%
2	HSBC CUSTODY NOM AUST LTD	20,009,235	7.66%
3	CITICORP NOM PL	17,559,526	6.72%
4	FRANKS NEIL BARRY	15,120,000	5.79%
5	J P MORGAN NOM AUST LTD	14,265,329	5.46%

2. Number of holders in each class of equity securities and the voting rights attached (as at 12 September 2014)

Ordinary Shares

There are 880 holders of ordinary shares. Each shareholder is entitled to one vote per share held.

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

3. Distribution schedule of the number of holders in each class of equity security as at 30 September 2013.

a) Fully Paid Ordinary Shares

SPREAD OF HOLDINGS	HOLDERS	UNITS	% OF ISSUED CAPITAL
NIL HOLDING			
1 - 1,000	30	3,216	0.00 %
1,001 - 5,000	88	348,555	0.34 %
5,001 - 10,000	142	1,161,597	1.03 %
10,001 - 100,000	453	19,235,810	14.77 %
100,001 -	167	240,530,394	83.86 %
TOTAL ON REGISTER	880	261,279,572	100.00 %

4. Marketable Parcel

There are 137 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 12 September 2014) is as follows:

Ordinary Shares Top 20 holders and percentage held

	RANK	SPREAD OF HOLDINGS	DESIGNATION	SECURITIES	% OF ISSUED
*	1	LEW FOON KEONG		41,923,323	16.05%
*	2	HSBC CUSTODY NOM AUST LTD		20,009,235	7.66%
*	3	CITICORP NOM PL		17,559,526	6.72%
	4	FRANKS NEIL BARRY		15,120,000	5.79%
	5	J P MORGAN NOM AUST LTD		14,265,329	5.46%
*	6	NATIONAL NOM LTD		12,617,997	4.83%
	7	BNP PARIBAS NOMS PL	DRP	9,231,871	3.53%
	8	BEGGARS CANYON INV PL	SYKWALKER FAM A/C	9,012,012	3.45%
	9	TEH CHONG SIAN JOHNSON		7,600,859	2.91%
	10	AMFRASER SEC PTE LTD	CLIENT ACCOUNT	5,887,000	2.25%
*	11	BACTENCE PL	PYNFITE BACTENCE S	5,650,000	2.16%
*	12	UOB KAY HIAN PRIVATE LTD	CLIENTS A/C	5,223,402	2.00%
	13	ABN AMRO CLEARING SYDNEY	CUST A/C	3,375,695	1.29%
	14	LEE CHOON HUAT		3,275,781	1.25%
	15	A1 INV & RES LTD		2,800,000	1.07%
*	16	DONGRAY RICHARD S + J	S/F A/C	2,750,000	1.05%
	17	KIPHART RICHARD		2,500,000	0.96%
	18	GUEST JAMES VINCENT C		2,417,631	0.93%
	19	BAITA HLDGS PL	BAITA FAM ACCOUNT	2,028,881	0.78%
	20	TAN JEFFERY YAN KIM		1,990,000	0.76%
				185,238,542	**70.90%**

* 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 25, 31 Market Street

   Sydney NSW 2000 Australia

   Telephone: (02) 9078 7664

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

   Telephone: (08) 9315 2333

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	20/03/2017	$460	$8,000
P80/1627	Hastings	100	20/03/2017	$460	$8,000
P80/1628	Hastings	100	20/03/2017	$460	$8,000
P80/1629	Hastings	100	20/03/2017	$460	$8,000
P80/1630	Hastings	100	20/03/2017	$460	$8,000
P80/1631	Hastings	100	20/03/2017	$437	$7,600
P80/1632	Hastings	100	20/03/2017	$460	$8,000
P80/1633	Hastings	100	20/03/2017	$460	$8,000
P80/1634	Hastings	100	20/03/2017	$460	$8,000
P80/1635	Hastings	100	20/03/2017	$460	$8,000
E80/4555	Hastings	100	18/09/2017	$2,023	$20,000
E09/1043	Yangibana	70	1/12/2015	$1,864	$50,000
E09/1049	Yangibana	70	8/05/2016	$951	$30,000
E09/1703	Yangibana	70	1/04/2016	$3,887	$21,000
E09/1704	Yangibana	70	1/04/2016	$286	$10,000
E09/1705	Yangibana	70	1/04/2016	$3,887	$21,000
E09/1706	Yangibana	70	1/04/2016	$2,406	$20,000
E09/1943	Yangibana	95	30/12/17	$366	$15,000
E09/1944	Yangibana	95	30/12/17	$244	$15,000
E09/2018	Yangibana	95	27/6/18	$610	$15,000
E09/1700	Yangibana	95	19/5/16	$3,418	$20,000
E09/2007	Yangibana	95	26/11/18	$5,983	$49,000
P09/467	Yangibana	95	10/3/15	$235	$4,000
				$30,737	$369,600