

MARCH 2013 QUARTERLY ACTIVITIES REPORT

HIGHLIGHTS

- **Strategic partner discussions underway**
- **New targets identified within existing tenements**
- **Potential to increase rare earth and rare metals mineralisation beyond current resources**
- **Mineral Licences renewed for a further four years**
- **Ongoing development of the flow sheet underway**
- **Cash \$3 million plus**

HASTINGS PROJECT

Strategic Partner Discussions

The Company entered into preliminary discussions with a number of parties during the quarter who are interested in assisting in funding the development of the Hastings Rare Earths Project.

The medium term market from 2016 onwards remains positive for heavy rare earths. The supply side is constrained and the demand side is growing rapidly, especially for the Hastings heavy rare earth product suite (see Figure 1).

The Hastings Project is a strategic development providing surety to the hi-tech magnets users reliant on such products for wind turbines and hybrid vehicles.

The Hastings Project is at an advanced stage of development, with a completed scoping study delivering sound economics, a JORC compliant resource giving in excess of +20 years of mine life and is fast tracking towards production, subject to satisfactory funding. The Company is investigating a number of options including a strategic alliance, off-take agreements and joint venture proposals.

The project has the potential to produce significant quantities of in-demand heavy rare earths and rare metals including:

- Dysprosium** – key metals for wind turbines and hybrid / electric vehicles
- Yttrium** – key material for monitors, smartphones and tablets
- Niobium** – key elements for steel, auto industry and electronics
- Zirconium** – key elements in nuclear reactors, space and aeronautical industries

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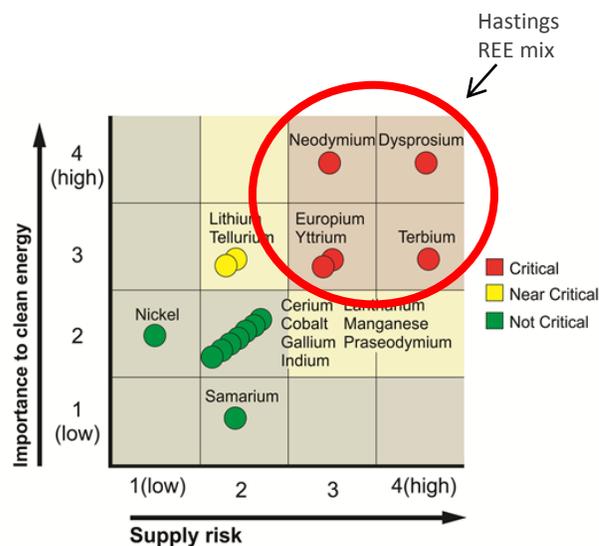
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Critical supply matrix (5-15yr)



US Department of Energy (Dec 2011)

Figure 1: Critical supply matrix

Rare Earths Prices (US\$/kg)

Rare Earths Oxide	FOBChina Average Price Over Quarter	
	Q4 2012	Q1 2013
Purity 99% min		
Lanthanum Oxide	13.92	11.00
Cerium Oxide	15.31	11.85
Neodymium Oxide	87.46	79.15
Praseodymium Oxide	88.46	85.00
Samarium Oxide	34.85	25.00
Dysprosium Oxide	716.15	630.00
Europium Oxide	1853.08	1600.00
Terbium Oxide	1446.15	1300.00

Source: Metal Pages

While rare earth prices have softened in the last quarter, supply shortages, particularly in the heavy rare earths, such as dysprosium, are predicted to result in price increases in the medium term. Dysprosium prices are still significantly higher than the average over the decade.

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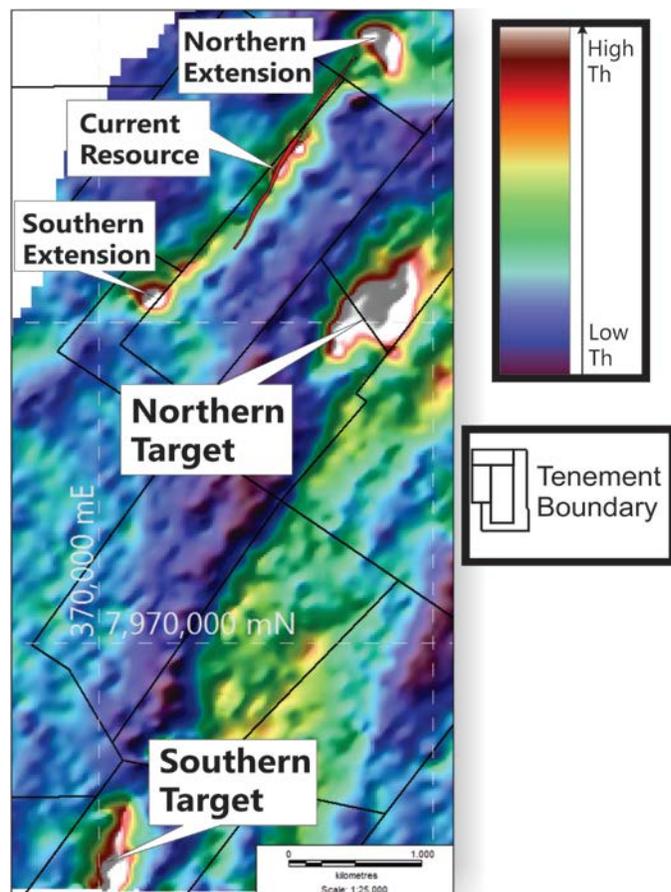
Potential to Increase Resources with New Targets Identified

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

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

The thorium (Th) radiometric data (Figure 2) clearly shows the trend of the current JORC resource area that contains **36.2 million tonnes at 0.21% total rare earths (TREO) including 0.18% heavy rare earths (HREO), plus 0.89%ZrO₂ and 0.35%Nb₂O₅*** (comprising 27.1mt indicated and 9.1mt inferred). It also highlights the southern extension, see ASX Announcement dated 22nd January, the northern extension, and two new targets.

The Northern Target (the Northern Target shown in Figure 2) was investigated briefly by previous explorers with soil sampling and rock chip sampling programmes, at 20m spacing, returning grades exceeding 0.07% Nb₂O₅ (to a maximum 0.16% Nb₂O₅) and up to 0.06% Y₂O₃ over a continuous 240m wide zone. Based on the new radiometric data, this sampling did not appear to have tested the most prospective portion of the Northern Target.



* HREO is the sum of the oxides of the heavy rare earth elements europium (Eu), gadolinium (Gd), terbium (Tb), dysprosium (Dy), holmium (Ho), erbium (Er), thulium (Tm), ytterbium (Yb), lutetium (Lu), and yttrium (Y). TREO is the sum of the oxides of the heavy rare earth elements (HREO) and the light rare earth elements (LREO) where LREO is the sum of the oxides of the light rare earth elements lanthanum (La), cerium (Ce), praseodymium (Pr), neodymium (Nd), and samarium (Sm). ZrO₂ is zirconium oxide and Nb₂O₅ is niobium oxide.

Figure 2 – Current Resource and Thorium Radiometric Anomalies

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Detailed regional mapping identified the area of the Northern Target as being one of a number of trachytic alkaline flows or subvolcanic intrusives, all of which are lithophile elements (REE, Nb, Zr, Ta) enriched. These alkaline volcanic units are now termed the Upper Brockman Volcanics. The more lithophile enriched portions of the volcanics were typically erupted during the first phase of dome development, with the highest grades associated with fluorite enrichment in ash flow tuff deposits, as occurs at the current resource zone.

Despite the encouraging initial results, this area was largely ignored subsequently once the main target was identified. One further rock chip sample returned 0.20% Nb₂O₅, 0.69%ZrO₂, and elevated rare earth values for Y₂O₃ (570ppm), La₂O₃ (525ppm) and Ce₂O₃ (1040ppm).

The Southern Target (Figure 2) has received less detailed exploration. The geology coincident with the radiometric anomaly has been mapped as a lithophile-enriched volcanic centre, with strong fluorite mineralisation. A rock chip sample returned 0.18% Nb₂O₅.

The Company considers that both targets offer the potential to host rare earth and rare metal mineralisation. The limited previous exploration has confirmed anomalous values are present at both sites and these warrant thorough investigation.

Renewal of Licences

During the quarter the Company's application for renewal of the ten Prospecting Licences (P80/1626-1635 inclusive) was approved and the licences have been extended up to 19/3/2017.

Flow sheet development

Following on from the previous successful test work at ANSTO (Australian National Science and Technology Organisation), Hastings is now looking to tailor the product suite to meet specific customer quality and form characteristics.

This work will meet the following objectives:

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

Analysis verification

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

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YANGIBANA PROJECT (Hastings 60% Interest)

Limited work was carried out on the Yangibana Project in which Hastings holds a 60% interest during the quarter. There were no substantial matters to be reported.

Corporate

The Board has undertaken a cost reduction initiative, which includes an undertaking by Directors and key consultants to take a portion of their remuneration in share based payments. The share based payments for Directors will be put to Shareholders for approval at the next general meeting.

About Hastings Rare Metals

- Hastings Rare Metals is a leading Australian rare earths company, with two rare earths projects in Western Australia.
- The Hastings project is at an advanced stage of development and contains JORC Indicated and Inferred Resources totaling 36.2 million tonnes at 0.21% TREO, including 0.18% HREO, plus 0.89% ZrO₂ and 0.35% Nb₂O₅.
- Rare earths are critical to a wide variety of current and new technologies, including smart phones, hybrid cars, wind turbines and energy efficient light bulbs.
- The Hastings deposit contains predominantly heavy rare earths (HREO) (85%), such as dysprosium and yttrium which are substantially more valuable than the more common light rare earths (LREO).
- The company aims to capitalise on the strong demand for heavy rare earths created by expanding new technologies. It is currently validating the extensive historical work and undertaking further scoping study to confirm economics.

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Competent Persons' Statement

The information in this report that relates to Resources is based on information compiled by Simon Coxhell. Simon Coxhell is a consultant to the Company and a member of the Australasian Institute of Mining and Metallurgy. The information in this report that relates to Exploration Results is based on information compiled by Andy Border, an employee of the Company and a member of the Australasian Institute of Mining and Metallurgy. The information in this presentation that relates to metallurgy is based on information compiled by Steve Mackowski, an employee of the Company and a fellow of the Australasian Institute of Mining and Metallurgy.

Each has sufficient experience relevant to the styles of mineralisation and types of deposits which are covered in this report and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2004 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ("JORC Code"). Each consents to the inclusion in this presentation of the matters based on his information in the form and context in which it appears.

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