



HASTINGS RARE METALS LIMITED

ACN 122 911 399

NOTICE OF ANNUAL GENERAL MEETING

TIME: 11am

DATE: 28 November 2012

PLACE: Mills Oakley Boardroom Level 12, 400 Margaret Street, Sydney NSW 2000

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 2) 9078 7671.

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IMPORTANT INFORMATION

TIME AND PLACE OF MEETING

Notice is given that the annual general meeting of the Shareholders to which this Notice of Meeting relates will be held at 11am on 28 November 2012 at:

Mills Oakley Boardroom, Level 12, 400 George Street, Sydney NSW 2000

YOUR VOTE IS IMPORTANT

The business of the Annual General Meeting affects your shareholding and your vote is important.

VOTING ELIGIBILITY

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders at 11am on 26 November 2012 .

VOTING IN PERSON

To vote in person, attend the Annual General Meeting at the time, date and place set out above.

VOTING BY PROXY

1. A Shareholder can attend and vote at the Meeting and is entitled to appoint not more than 2 proxies. The appointment of one or more proxies will not preclude a Shareholder from attending and voting at the Meeting.
2. A proxy need not be a shareholder of Hastings.
3. A proxy may be either an individual or a body corporate. If you wish to appoint a body corporate as your proxy, you must specify on the proxy form:
 - the full name of the body corporate appointed as proxy; and
 - the full name or title of the individual representative of the body corporate at the meeting.
4. Where 2 proxies are appointed, each proxy may be appointed to represent a specified proportion or number of the voting rights of the Shareholder and neither proxy is entitled to vote on a show of hands if more than one proxy attends. If you wish to appoint 2 proxies, ensure you complete the relevant section on the proxy form.



5. If your proxy chooses to vote, he/she must vote in accordance with your directions. If you have directed your proxy to vote, and they fail to attend the meeting or they choose not to vote on a poll, then the Chairman of the meeting will vote your proxies as directed by you.
6. If you do not mark a box, your proxy may vote as they choose on that item. However, if you intend to appoint a member of the Key Management Personnel as your proxy, please ensure that you direct them how to vote on resolutions 1 and 10.
7. If the Chairman of the meeting is your proxy (or he becomes your proxy by default), you will be taken to have expressly authorised him to exercise your proxy in relation to resolution 1 (Adoption of the Remuneration Report) and resolution 10 (Approval of Performance Rights Plan) even though the Chairman is, and those items are, connected directly or indirectly with the remuneration of a director or member of the key management personnel of the Hastings Group. Shareholders will be informed of the proxy position and the manner in which the Chairman intends to vote undirected proxies at the meeting.
8. Completed proxy forms (together with any authority under which the proxy was signed or a certified copy of the authority) must be returned before 11am on 26 November 2012 in one of the following 3 ways:
 - By mail to : Security Transfer Registrars
770 Canning Highway
Applecross WA 6953
 - By facsimile: Security Transfer Registrars
08 9315 2233
 - By email: info@hastingsraremetals.com

At the meeting, the Chairman will allow a reasonable opportunity for shareholders to ask questions about, or make comments on, the management of the Company and on the Remuneration Report. Shareholders will also be given a reasonable opportunity at the meeting to ask the Company's auditor, HLB Mann Judd, questions about the content of its report, and the conduct of its audit of the Company, for the year.

By order of the Board

Guy Robertson
Company Secretary
Hastings Rare Metals Limited
28 October 2012

BUSINESS OF THE MEETING

AGENDA

ORDINARY BUSINESS

Financial Statements and Reports

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2012 together with the declaration of the Directors, the Directors' report, the remuneration report and the auditor's report.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

“That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2012.”

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR ANTHONY HO

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of clause 13.2 of the Constitution and for all other purposes, Mr Anthony Ho, a Director, retires by rotation, and being eligible, is re-elected as a Director.”

4. RESOLUTION 3 – RE-ELECTION OF DIRECTOR – MR STEVE MACKOWSKI

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of clause 13.4 of the Constitution and for all other purposes, Mr Steve Mackowski, a Director who was appointed on 12 October 2011, retires, and being eligible, is re-elected as a Director.”

5. RESOLUTION 4 – RE-ELECTION OF DIRECTOR – MR GUY ROBERTSON

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of clause 13.4 of the Constitution and for all other purposes, Mr Guy Robertson, a Director who was appointed on 23 October 2012, retires, and being eligible, is re-elected as a Director.”

6. RESOLUTION 5 – RATIFICATION OF PRIOR ISSUE OF 19,419,518 SHARES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of ASX Listing Rules 7.1 and 7.4 and for all other purposes, Shareholders ratify the allotment and issue of 19,419,518 Shares to institutional and sophisticated investors on the terms and conditions set out in the Explanatory Statement."

7. RESOLUTION 6 – PLACEMENT – SHARES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of ASX Listing Rule 7.1 and for all other purposes, subject to and conditional on the passing of Resolution 8, Shareholders approve the allotment and issue of up to 8,600,000 Shares on the terms and conditions set out in the Explanatory Statement."

8. RESOLUTION 7 – APPROVAL FOR DIRECTORS TO PARTICIPATE IN THE SHARE ISSUE UP TO 1,000,000 SHARES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 10.11 and all other purposes, subject to and conditional on the passing of Resolutions 6, 8 and 9, Shareholders approve the allotment and issue of up to 1,000,000 Shares to Directors (or their nominees) on the terms and conditions set out in the Explanatory Statement."

9. RESOLUTION 8 – APPROVAL TO ISSUE 14,000,000 ATTACHING OPTIONS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of ASX Listing Rule 7.1 and for all other purposes, subject to and conditional on the passing of Resolution 6, Shareholders approve the allotment and issue of up to 14,000,000 free attaching Options to institutional and sophisticated investors on the terms and conditions set out in the Explanatory Statement."

10. RESOLUTION 9 – APPROVAL TO ISSUE 500,000 ATTACHING OPTIONS TO DIRECTORS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of ASX Listing Rule 10.11 and for all other purposes, subject to and conditional on the passing of Resolutions 6, 7 and 8, Shareholders approve the allotment and issue of up to 500,000 free attaching Options to Directors on the terms and conditions set out in the Explanatory Statement."

11. RESOLUTION 10 – APPROVAL OF PERFORMANCE RIGHTS PLAN

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of ASX Listing Rule 7 Exception 9 (as an exception to ASX Listing Rule 7.1) and for all other purposes, Shareholders approve the Performance Rights Plan as annexed to the Explanatory Memorandum, and the issue of performance rights under the Performance Rights Plan, on the terms and conditions set out in the Explanatory Statement."

12. RESOLUTION 11 – CANCELLATION OF OPTIONS AND ISSUE OF UP TO 7,233,333 SHARES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of ASX Listing Rules 6.23.2, 7.1 and 10.11 and for all other purposes, Shareholders approve the cancellation of:

- (a) the Tranche 1 Options and the allotment and issue of up to 3,000,000 Shares;*
- (b) the Tranche 2 Options and the allotment and issue of up to 895,555 Shares;*
- (c) the Tranche 3 Options and the allotment and issue of up to 3,200,000 Shares; and*
- (d) the Director Options and the allotment and issue of up to 137,778 Shares,*

on the terms and conditions set out in the Explanatory Statement."

SPECIAL BUSINESS

13. RESOLUTION 12 – APPROVAL OF ISSUE OF SHARES

To consider and, if thought fit, to pass the following resolution as a **Special Resolution**:

"That, for the purposes of ASX Listing Rule 7.1A and all other purposes, approval is given for the Company to allot and issue Equity Securities up to 10% of the Company's issued share capital (at the time of the issue) calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Statement."

DATED: 28 OCTOBER 2012

BY ORDER OF THE BOARD

**GUY ROBERTSON
COMPANY SECRETARY**

VOTING EXCLUSION STATEMENTS

Under ASX Listing Rule 14.11, the Company will disregard any votes cast on the Resolutions by the following persons:

| RESOLUTION | PERSONS EXCLUDED FROM VOTING |
|--|---|
| 1. Remuneration Report | <ul style="list-style-type: none"> • A member of the key management personnel (KMP), details of whose remuneration are included in the Remuneration Report for the year ended 30 June 2012; or • A closely related party of a KMP¹ |
| 2. Mr Anthony Ho – Re-election as a Director | <ul style="list-style-type: none"> • Mr Anthony Ho; • And his nominee(s); and • Any of their respective associates. |
| 3. Mr Steven Mackowski – Re-election as a Director | <ul style="list-style-type: none"> • Mr Steven Mackowski; • And his nominee(s); and • Any of their respective associates. |
| 4. Mr Guy Robertson – Re-election as a Director | <ul style="list-style-type: none"> • Mr Guy Robertson; • And his nominee(s); and • Any of their respective associates. |
| 5. Ratification of Issue of 19,419,518 shares | <ul style="list-style-type: none"> • Any person who participated in the issue; • Any person who might obtain a benefit (other than a benefit solely in the capacity of a holder of ordinary shares) if the resolution is passed; and • Any of their respective associates. |
| 6. Approval of Issue of Shares | <ul style="list-style-type: none"> • Any person who may participate in the proposed issue; • Any person who might obtain a benefit (other than a benefit solely in the capacity of a holder of ordinary shares) if the resolution is passed; and • Any of their respective associates. |
| 7. Approval for Directors to Participate in Placement up to 1,000,000 shares | <ul style="list-style-type: none"> • The Directors • And their nominee(s); and • Any of their respective associates. |
| 8. Approval of Issue of 14,000,000 Attaching Options | <ul style="list-style-type: none"> • Any person who may participate in the proposed issue; • Any person who might obtain a benefit (other than a benefit solely in the capacity of a holder of ordinary shares) if the resolution is passed; and • Any of their respective associates. |
| 9. Approval of Issue of 500,000 | <ul style="list-style-type: none"> • The Directors |

| RESOLUTION | PERSONS EXCLUDED FROM VOTING |
|--|--|
| Attaching Options to Directors | <ul style="list-style-type: none"> • And their nominee(s); and • Any of their respective associates. |
| 10. Approval of Performance Rights Plan | <ul style="list-style-type: none"> • The Directors, except a Director who is ineligible to participate in the Performance Rights Plan; • Their nominees; • Any person who is eligible to participate in the Performance Rights Plan; and • Any of their respective associates. |
| 11. Approval of cancellation of Options and of Issue of up to 7,233,333 Shares | <ul style="list-style-type: none"> • An person who holds an option the subject of the approval; • Their nominees; • Any person who may participate in the proposed issue; • Any person who might obtain a benefit (other than a benefit solely in the capacity of a holder of ordinary shares) if the resolution is passed; and • Any of their respective associates. |
| 12. Approval of Issue of Equity Securities | <ul style="list-style-type: none"> • Any person who may participate in the proposed issue; • Any person who might obtain a benefit (other than a benefit solely in the capacity of a holder of ordinary shares) if the resolution is passed; and • Any of their respective associates. |

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

¹A closely related party of a member of the key management personnel means any of the following:

- a spouse, child or dependent of the member;
- a child or dependent of the member's spouse;
- anyone else who is one of the member's family and may be expected to influence, or be influenced by, the member in the member's dealings with the Company;
- a company the member controls; or
- a person prescribed by regulations (as at the date of this notice of meeting, no additional persons have been prescribed by regulation).

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions which are the subject of the business of the Meeting.

1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2012 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at www.hastingsraremetals.com

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

2.1 General

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the Directors or the Company.

If at least 25% of the votes cast on Resolution 1 are voted against adoption of the Remuneration Report at the Annual General Meeting, and then again at the Company's 2013 annual general meeting, the Company will be required to put to Shareholders a resolution proposing the calling of an extraordinary general meeting to consider the appointment of directors of the Company (**Spill Resolution**).

If more than 50% of Shareholders vote in favour of the Spill Resolution, the Company must convene the extraordinary general meeting (**Spill Meeting**) within 90 days of the Company's 2013 annual general meeting. All of the Directors who were in office when the Company's 2013 Directors' report was approved, other than the managing director of the Company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting. Following the Spill Meeting those persons whose election or re-election as Directors is approved will be the Directors of the Company.

The remuneration report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The remuneration report is part of the Directors' report contained in the annual financial report of the Company for the financial year ending 30 June 2012.

A reasonable opportunity will be provided for discussion of the remuneration report at the Annual General Meeting.

2.2 Proxy Restrictions

Pursuant to the Corporations Act, if you elect to appoint the Chair, or another member of Key Management Personnel whose remuneration details are included in the Remuneration Report or any Closely Related Party of that member as your proxy to vote on this Resolution 1, *you must direct the proxy how they are to vote*. Where you do not direct the Chair, or another member of Key Management Personnel whose remuneration details are included in the Remuneration Report or Closely Related Party of that member on how to vote on this Resolution 1, the proxy is prevented by the Corporations Act from exercising your vote and your vote will not be counted in relation to this Resolution 1.

2.3 Directors' Recommendation

Noting that each Director has a personal interest in their own remuneration from the Company as set out in the Remuneration Report, the Board recommends that Shareholders vote in favour of this resolution.

3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR ANTHONY HO

3.1 General

Clause 13.2 of the Constitution requires that at the Company's annual general meeting in every year, one-third of the Directors for the time being, or, if their number is not a multiple of 3, then the number nearest one-third (rounded upwards in case of doubt), shall retire from office, provided always that no Director (except a Managing Director) shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election.

The Directors to retire at an annual general meeting are those who have been longest in office since their last election, but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots.

A Director who retires by rotation under clause 13.2 of the Constitution is eligible for re-election.

The Company currently has 3 Directors and accordingly 1 must retire.

Mr Anthony Ho, the Director longest in office since his last election, retires by rotation and seeks re-election.

3.2 Directors' Recommendation

The Board (other than Mr Anthony Ho) recommends that Shareholders vote in favour of this resolution.

4. RESOLUTION 3 – RE-ELECTION OF DIRECTOR – MR STEVEN MACKOWSKI

4.1 General

Clause 13.4 of the Constitution allows the Directors to appoint at any time a person to be a Director as an addition to the existing Directors, but only where

the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Any Director so appointed holds office only until the next following annual general meeting and is then eligible for re-election.

Mr Steven Mackowski will retire in accordance with clause 13.4 of the Constitution and being eligible seeks re-election.

4.2 Directors' Recommendation

The Board (other than Mr Steven Mackowski) recommends that Shareholders vote in favour of this resolution.

5. RESOLUTION 4 – RE-ELECTION OF DIRECTOR – MR GUY ROBERTSON

5.1 General

Clause 13.4 of the Constitution allows the Directors to appoint at any time a person to be a Director as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Any Director so appointed holds office only until the next following annual general meeting and is then eligible for re-election.

Mr Guy Robertson will retire in accordance with clause 13.4 of the Constitution and being eligible seeks re-election.

5.2 Directors' Recommendation

The Board (other than Mr Guy Robertson) recommends that Shareholders vote in favour of this resolution.

6. RESOLUTION 5 – RATIFICATION OF PRIOR ISSUE OF 19,419,518 SHARES

6.1 General

Resolution 5 seeks ratification of the allotment and issue by the Company of 19,419,518 Shares to institutional and sophisticated investors. These Shares were issued within the Company's existing capacity under ASX Listing Rule 7.1. Refer to the Company's 15 October 2012 announcement to the ASX.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 provides that an issue by a company of equity securities made without approval under ASX Listing Rule 7.1 is treated as having been made with approval for the purposes of ASX Listing Rule 7.1 if the issue did not breach ASX Listing Rule 7.1 and the company's members subsequently approve it.

While the outcome of Resolution 5 will have no effect on the issue of the Shares in question, Shareholder approval will restore the Company's ability to issue

further equity securities under ASX Listing Rule 7.1 in the next 12 months from the date of issue, to the extent of the 19,419,518 Shares.

6.2 Technical information required by ASX Listing Rule 7.5

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Placement:

- (a) The number of securities allotted

The number of Shares allotted and issued was 19,419,518.

- (b) Issue Price

The Shares were issued at a price of 11 cents per share.

- (c) Name of Allottees

The allotment was made to institutional and sophisticated investors.

- (d) Terms of the Securities

The Shares issued are fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares.

- (e) Intended use of Funds Raised

The Company intends to use the funds raised from the Placement towards further development of its projects and working capital.

- (f) Voting Exclusion

A voting exclusion statement forms part of this notice.

6.3 Directors' Recommendation

The Board recommends that Shareholders vote in favour of this resolution.

7. RESOLUTION 6 – PLACEMENT – SHARES

7.1 General

Resolution 6 seeks Shareholder approval for the allotment and issue of up to 8,600,000 Shares (**Placement**). This Placement includes 7,853,209 shares included in Tranche 2 of the Capital Raising, see ASX announcements on the 15th and 22nd October 2012.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 6 will be to allow the Directors to issue the Shares pursuant to the Placement during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

7.2 Technical information required by ASX Listing Rule 7.3

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Placement:

- (g) Maximum number of securities the entity is to issue

The maximum number of Shares to be issued is 8,600,000.

- (h) Date of Issue

The Shares will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on the same date.

- (i) Issue Price

The issue price will be at 11 cents per share.

- (j) Name of Allottees

The Shares will be issued to shareholders who participated in Tranche 1 of the capital raising, being institutional and sophisticated investors. These persons will not be related parties of the Company.

- (k) Terms of the Securities

The Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares.

- (l) Intended use of Funds Raised

The Company intends to use the funds raised from the Placement towards further development of its projects and working capital.

- (m) Allotment

The shares will be allotted progressively.

7.3 Directors' Recommendation

The Board recommends that Shareholders vote in favour of this resolution.

If Resolution 6 is approved, its implementation will be conditional upon the passing of Resolution 8.

8. RESOLUTION 7 – APPROVAL FOR DIRECTORS TO PARTICIPATE IN THE SHARE ISSUE UP TO 1,000,000 SHARES

8.1 Background

The Company is seeking to raise capital through the issue of up to 8,600,000 Shares at an issue price of 11 cents per share in accordance with Resolution 6 (**Placement**). Resolution 7 seeks Shareholder approval for the Directors to

participate in the Placement by subscribing for up to 1,000,000 Shares, on the same terms and conditions as investors under Resolution 7.

ASX Listing Rule 10.11 requires shareholder approval for the issue of securities by a Company to a related party or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be sought. If approval is given under ASX Listing Rule 10.11, approval is not required under ASX Listing Rule 7.1. As the Directors are related parties of the Company, Shareholder approval is required under Listing Rule 10.11 for the issue of the Shares as part of the Placement to Directors.

Mr Steven Mackowski will participate in the capital raising in the amount of 863,636 shares. Mr Mackowski currently holds 1,170,900 shares and 2,000,000 unlisted options with exercise price of 20c expiring on 31 October 2014.

Mr Anthony Ho will participate in the capital raising in the amount of 100,000 shares. Mr Ho currently holds 200,000 shares and 500,000 unlisted options with exercise price of 20 cents expiring 31 March 2015.

8.2 Technical information required by ASX Listing Rule 10.13

In accordance with ASX Listing Rule 10.13, the following information is provided in relation to the Director Issue:

(a) Name of the person

The Directors of the Company (following this Meeting) – Mr Anthony Ho, Mr Steven Mackowski and Mr Guy Robertson.

(b) Maximum number of securities the entity is to issue

The maximum number of Shares to be issued is 1,000,000.

(c) Date by which the entity will issue the securities

The Shares will be issued no later than 1 month after the date of the Meeting.

(d) Issue price of securities

The Shares will be issued at 11 cents per share.

(e) Terms of the securities

The Shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares.

(f) The use or intended use of the funds raised

The funds to be raised by the Company from the Placement are intended to be used for the further development of its projects and for working capital purposes.

(g) Voting Exclusion

A voting exclusion statement forms part of this Notice.

8.3 Directors' Recommendation

The Board makes no recommendation to Shareholders in respect of voting on this resolution.

If Resolution 7 is approved, its implementation will be conditional upon the passing of Resolutions 6, 8 and 9.

9. RESOLUTION 8 – ISSUE TO ISSUE 14,000,000 ATTACHING OPTIONS

9.1 General

Resolution 8 seeks Shareholder approval for the allotment and issue of up to 14,000,000 attaching Options to institutional and sophisticated investors who participate in the Placement (Resolutions 5 and 6). Attaching Options will be issued on the basis of 1 attaching Option for every 2 Shares issued under the Placement.

A summary of ASX Listing Rule 7.1 is set out in Section 7.2 above.

The effect of Resolution 8 will be to allow the Directors to issue the up to 14,000,000 attaching Options to institutional and sophisticated investors during the period of 3 months after the Meeting (or a longer period, if allowed by ASX) without using the Company's 15% annual placement capacity.

9.2 Technical information required by ASX Listing Rule 7.3

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of the Attaching Options:

(a) Maximum Number of Securities the Entity is to Issue

The maximum number of Options to be granted is 14,000,000.

(b) Date of Issue

The attaching Options will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on the same date.

(c) Issue Price

The attaching Options will be issued for nil cash consideration.

(d) Name of Allottees

The attaching Options will be allotted and issued to institutional and sophisticated investors to who shares have and will be issued under Resolutions 5 and 6 as determined by the Directors of the Company and will not be issued to related parties of the Company.

(e) Terms of the Securities

The attaching Options will be issued on the terms and conditions set out in Schedule 1.

- (f) Intended Use of Funds Raised

No funds will be raised from the issue as the attaching Options will be issued to institutional and sophisticated investors who participate in the Placement.

- (g) The dates of allotment

See paragraph 9.2b

- (h) Voting Exclusion

A voting exclusion statement forms part of this Notice.

9.3 Directors' Recommendation

The Board recommends that Shareholders vote in favour of this resolution.

If Resolution 8 is approved, its implementation will be conditional upon the passing of Resolution 6.

10. RESOLUTION 9 – APPROVAL TO ISSUE 500,000 ATTACHING OPTIONS TO DIRECTORS

10.1 General

Resolution 9 seeks Shareholder approval for the allotment and issue of up to 500,000 attaching Options to Directors who participate in the Placement. Attaching Options will be issued on the basis of 1 attaching Option for every 2 Shares issued under the Placement.

The effect of Resolution 9 will be to allow the Directors to issue the up to 500,000 attaching Options to directors during the period 1 month after the Meeting (or a longer period, if allowed by ASX) without using the Company's 15% annual placement capacity.

ASX Listing Rule 10.11 requires shareholder approval for the issue of securities by a Company to a related party or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be sought. If approval is given under ASX Listing Rule 10.11, approval is not required under ASX Listing Rule 7.1. As the Directors are related parties of the Company, Shareholder approval is required under Listing Rule 10.11 for the issue of the attaching Options to Directors.

Mr Steven Mackowski will receive 431,818 free attaching options.

Mr Anthony Ho will received 50,000 free attaching options.

10.2 Technical information required by ASX Listing Rule 10.13

In accordance with ASX Listing Rule 10.13, the following information is provided in relation to the issue of attaching Options to Directors:

- (a) Name of the person

The Directors of the Company (following this Meeting) – Mr Anthony Ho, Mr Steven Mackowski and Mr Guy Robertson.

(b) Maximum number of securities the entity is to issue

The maximum number of attaching Options which may be issued to Directors is 500,000.

(c) Date by which the entity will issue the securities

The attaching Options will be issued to Directors no later than 1 month after the date of the Meeting.

(d) Issue price of securities

The attaching Options will be issued for nil cash consideration.

(e) Terms of the securities

The attaching Options will be issued on the terms and conditions set out in Schedule 1.

(f) The use or intended use of the funds raised

No funds will be raised from the issue as the attaching Options will be issued to Directors who participate in the Placement.

(h) Voting Exclusion

A voting exclusion statement forms part of this Notice.

10.3 Directors' Recommendation

The Directors make no recommendation to Shareholders in respect of voting this resolution.

If Resolution 9 is approved, its implementation will be conditional upon the passing of Resolutions 6, 7 and 8.

11. RESOLUTION 10 – APPROVAL OF PERFORMANCE RIGHTS PLAN

11.1 General

Resolution 10 seeks Shareholder approval to adopt the executive performance rights plan (**EPRP**) annexed as Annexure A to this Explanatory Statement, and for the issue of securities under the EPRP. The EPRP will allow the Board to grant performance rights to eligible employees in accordance with the terms and conditions set out in the EPRP (**Performance Rights**). Performance Rights will be part of an eligible employee's remuneration by the Company.

The purpose of the EPRP is to provide performance incentives for eligible employees, with the aim being to drive long term performance for all Shareholders by fostering a culture of employee share ownership and retention of key employees. No Performance Rights have previously been issued under the EPRP. The first issue of Performance Rights proposed under the EPRP is to Mr Alastair Metcalf, the CEO of the Company as part of his remuneration package.

ASIC takes the view that performance rights may fall outside the definition of “eligible offer” in Class Order 03/184 Employee Share Schemes (which provides conditional relief from the disclosure and licensing provisions of the Corporations Act for certain offers involving shares made to employees under an employee share scheme). The Company has sought legal advice as to whether Class Order 03/184 will apply to the EPRP or whether it is required to apply to ASIC for relief from the disclosure and licensing provisions of the Corporations Act in respect of offers made under the EPRP. Until such time as the matter is clarified and any requisite relief is granted by ASIC, the Company will not offer any Performance Rights under the EPRP.

ASX Listing Rule 7.1 restricts the number of securities a listed entity can issue without shareholder approval. However, ASX Listing Rule 7.2 sets out a number of exceptions to ASX Listing Rule 7.1. ASX Listing Rule 7.2 Exception 9(b) provides that Listing Rule 7.1 does not apply to an issue of securities under an employee incentive scheme if within three years before the date of issue holders of ordinary securities have approved the issue of securities under the employee incentive scheme as an exception to ASX Listing Rule 7.1.

11.2 Summary of Terms of EPRP

A summary of the EPRP is provided below.

EPRP summary

Eligibility

The Board, or a delegation of the Board, being the Nominations & Remuneration Committee (**Plan Committee**) may make offers to eligible employees to be granted Performance Rights in accordance with the Plan. To be eligible to be issued Performance Rights, a person must be a full or part time employee of Hastings or any subsidiary of Hastings. On the issue of a Performance Right to an eligible employee, the eligible employee becomes a participant (**Participant**). Participants will be able to exercise Performance Rights to acquire Shares.

Offer

No Performance Rights may be issued to a person under the Plan unless the person remains an Employee as at the date of issue.

The Board, or Plan Committee, will determine:

- (a) the number of Performance Rights to be offered to an eligible executive;
- (b) the exercise price in respect of a Performance Right;
- (c) the performance conditions applicable to each Performance Right; and
- (d) any exercise conditions in respect of a Performance Right.

The Board, or Plan Committee, has the discretion to reduce or waive any exercise conditions attaching to Performance Rights.

Plan Limit

No grant of a Performance Right may be made under the Plan if the number of unissued Shares the subject of the Performance Right grant when aggregated with:

- (i) the number of Shares which would be issued were each outstanding offer with respect to Shares, and any other offer for units of Shares, Performance Rights and options to acquire unissued Shares, being an offer made or option or right acquired pursuant to the Plan or any other employee share or option or rights scheme extended only to employees or directors of the Company or an Associated Body Corporate, to be accepted or exercised; and
- (ii) the number of Shares issued during the previous five years pursuant to the Plan or any other employee share or option scheme extended only to employees or directors of the Company or an Associated Body Corporate;

but disregarding any offer made, or option or right acquired or Share issued by way of or as a result of:

- (iii) an offer to a person situated at the time of receipt of the offer outside Australia;
- (iv) an offer that did not need disclosure to investors because of section 708 of the Corporations Act;
- (v) an offer that did not require the giving of a Product Disclosure Statement because of section 1012D of the Corporations Act; or
- (vi) an offer made under a disclosure document or Product Disclosure Statement,

would exceed 5% of the total number of issued Shares as at the time of the grant of the Performance Right.

Vesting of Performance Rights

A Performance Right granted under the Plan (which has not otherwise lapsed) will vest if all Performance conditions (if any) applicable to that Performance Right have been satisfied or waived by the Board, or otherwise in the discretion of the Board.

Exercise of Performance Rights

Upon receiving notice from the Board, or Plan Committee, that a Performance Right held by the Participant has vested:

- (a) the Participant will be deemed to have immediately validly exercised all vested Performance Rights to the extent that such Performance Rights do not require payment of an Exercise Price; or
- (b) where an Exercise Price is payable, the Participant will be entitled to exercise the Performance Right so vested provided that the following conditions are satisfied:
 - (i) the Performance Right has not lapsed;
 - (ii) the Performance Right is exercised during the Exercise Period for that Performance Right; and
 - (iii) the relevant performance conditions (if any) for the Performance Right have been satisfied.

(iv) The Participant exercises a specified number of Performance Rights.

Lapse of Performance Rights

The Performance Right lapses on the earlier of:

- (a) the exercise of the Performance Right;
- (b) the end of the Performance Period in the event the Performance Conditions have not been met;
- (c) a determination of the Board, or Plan Committee, due to misconduct of the Participant (including fraudulent or dishonest behaviour, or behaviour which is in breach of the Participant's obligations to the Company);
- (d) subject to the Rule 9.3, when the Participant dies;
- (e) subject to Rule 11.2, on the termination of Participant's employment with the Company (in this case, the Performance Right will lapse at the end of the Exercise Period) or where the Participant purports to trade a Performance Right in breach of the terms of the EPRP.

Transfer of Performance Rights

A Performance Right granted under the Plan must not be traded unless;

- (i) the prior written consent of the Board is obtained;
- (ii) by force of law upon death to the Participant's legal personal representative or upon bankruptcy to the Participant's trustee in bankruptcy.

A Performance Right may, with the written approval of the Board, be exercised by the legal personal representative of the Participant in the event of the Participant's death.

Restrictions on the disposal of Shares

Performance Shares must not be disposed of or dealt with in any way by that Participant until the earlier of:

- (i) the date six months after the date on which a Participant ceases to be employed by a Group Company;
- (ii) the date on which a Change of Control Event occurs;
- (iii) the day immediately following the date on which the EPRP is suspended or terminated;
- (iv) a date otherwise determined by the Board, in its sole discretion, in respect of that Participant;
- (v) the date on which any withdrawal request is approved by the Board; and
- (vi) the seventh anniversary of the date of grant of the Performance Right pursuant to which the Participant acquired the relevant Share.

Amendment of Rules

Subject to the ASX Listing Rules, the Board may amend the Rules of the Performance Plan.

Inspection of the Plan

Please contact the Company Secretary if you would like to inspect a full copy of the Plan.

11.3 Directors' Recommendation

Executive Directors (at the time of this Meeting being Steven Mackowski) may participate in the EPRP (subject to Shareholder approval). Other than Steven Mackowski, who has an interest in this resolution, the Board recommends that Shareholders vote in favour of this resolution.

12. RESOLUTION 11 - CANCELLATION OF OPTIONS AND ISSUE OF UP TO 7,233,333 SHARES

12.1 Background

The Company has over the past few months been meeting with potential strategic investors, primarily substantial overseas companies that may have an upstream interest in the development of the project. Feedback from potential strategic partners has indicated that simplifying the capital structure would be constructive in facilitating an investment from such parties.

As a consequence the Company proposes to approach unlisted option holders in the following classes with a view to cancelling these options in return for an issue of shares.

| Number of options | Exercise Price | Expiry Date | Resolution | Valuation per option ¹ | Shares to be issued |
|--|----------------|-------------|------------|-----------------------------------|---------------------|
| 22,500,000 (Tranche 1 Options) | 25 cents | 31.12.13 | 11 | 1.60 cents | 3,000,000 |
| 13,000,000 (Tranche 2 Options) | 40 cents | 31.12.13 | 11 | 0.08 cents | 895,555 |
| 2,000,000 (Director Options) | 40 cents | 31.12.13 | 11 | 0.08 cents | 137,778 |
| 15,000,000 Tranche 3 Options) | 25 cents | 9.3.14 | 11 | 2.60 cents | 3,200,000 |

¹ The valuation was undertaken by BDO Corporate Finance (WA) Pty Ltd.

The capital structure pre and post the cancellation of these options as at the date of this Notice of Meeting would be as follows:

| | Capital Structure Pre Option Cancellation | Capital Structure Post Option Cancellation | % Increase/ (Decrease) |
|---|---|--|---------------------------|
| Shares on Issue | 148,882,980 | 156,116,313 | 4.9% |
| Listed Options on issue – 15 cents expiry 31.3.14 | 63,800,000 | 63,800,000 | 0.0% |
| Unlisted Options on issue | 57,500,000 | 5,000,000 | (100% +) |

Resolution 11 seeks Shareholder approval for the cancellation of the Tranche 1 Options, the Tranche 2 Options, the Tranche 3 Options and the Director Options (together the **Cancellation Options**) and the allotment and issue of up to 7,233,333 Shares (**Option Cancellation Shares**).

Shareholder approval is required under:

- (a) ASX Listing Rule 6.23.2 for the cancellation of the Cancellation Options. ASX Listing Rule 6.23.2 provides that options can be cancelled for consideration if shareholder approval is obtained. Accordingly, the Company seeks Shareholder approval to cancel the Cancellation Options for the purposes of 6.23.2 and to issue the Option Cancellation Shares as consideration for the cancellation of the Cancellation Options;
- (b) ASX Listing Rule 7.1 for the issue of up to 7,095,555 Option Cancellation Shares as consideration for the cancellation of the Tranche 1 Options, the Tranche 2 Options and the Tranche 3 Options as set out in further detail in Section 12.2 and 12.3 below; and
- (c) ASX Listing Rule 10.11 for the issue of up to 137,778 Option Cancellation Shares to Mr David Nolan, a Director of the Company, as consideration for the cancellation of the Director Options as set out in further detail in Sections 12.4 and 12.5 below.

12.2 Issue of Option Cancellation Shares as consideration for the cancellation of the Tranche 1 Options, the Tranche 2 Options and the Tranche 3 Options

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of approval under Listing Rule 7.1 will be to allow the Directors to issue the Option Cancellation Shares as consideration for the cancellation of the Tranche 1 Options, the Tranche 2 Options and the Tranche 3 Options during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

12.3 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of Option Cancellation Shares as consideration for the cancellation of the Tranche 1 Options, the Tranche 2 Options and the Tranche 3 Options:

- (a) Maximum number of securities the entity is to issue

The maximum number of Shares to be issued as consideration for the cancellation of the Tranche 1 Options, the Tranche 2 Options and the Tranche 3 Options is 7,095,555.

- (b) Date of Issue

The Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on the same date.

- (c) Issue Price

The issue price will be at a deemed price of 12 cents per Share. The Shares will be issued as consideration for the cancellation of the Tranche 1 Options, the Tranche 2 Options and the Tranche 3 Options.

- (d) Name of Allottees

The Shares will be issued to the holders of the Tranche 1 Options, the Tranche 2 Options and the Tranche 3 Options. These persons will not be related parties of the Company.

- (e) Terms of the Securities

The Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares.

- (f) Intended use of Funds Raised

No funds will be received from the issue of the Shares. The Shares will be issued as consideration for the cancellation of the Tranche 1 Options, the Tranche 2 Options and the Tranche 3 Options.

- (g) Allotment

The Shares will be allotted progressively.

12.4 Issue of Option Cancellation Shares as consideration for the cancellation of the Director Options

The Director Options are of the same class as the Tranche 2 Options, however, the issue of Option Cancellation Shares as consideration for the cancellation of the Director Options require separate approval under Listing Rule 10.11 as they were issued to Mr David Nolan, who is a Director of the Company and accordingly, is a related party to the Company.

ASX Listing Rule 10.11 requires shareholder approval for the issue of securities by a Company to a related party or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be sought. If approval is given under ASX Listing Rule 10.11, approval is not required under ASX Listing Rule 7.1. As Mr Nolan is a Director of the Company, Shareholder approval is required under Listing Rule 10.11 for the issue of Option Cancellation Shares as consideration for the cancellation of the Director Options.

12.5 Technical information required by ASX Listing Rule 10.13

In accordance with ASX Listing Rule 10.13, the following information is provided in relation to the issue of Option Cancellation Shares as consideration for the cancellation of the Director Options:

(a) Name of the person

Mr David Nolan.

(b) Maximum number of securities the entity is to issue

The maximum number of Shares to be issued as consideration for the cancellation of the Director Options is 137,778.

(c) Date by which the entity will issue the securities

The Shares will be issued no later than one month after the date of the Meeting.

(d) Issue price of securities

The issue price will be at a deemed price of 12 cents per share. The Shares will be issued as consideration for the cancellation of the Director Options.

(e) Terms of the securities

The Shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares.

(f) The use or intended use of the funds raised

No funds will be received from the issue of the Shares. The Shares will be issued as consideration for the cancellation of the Director Options.

(h) Voting Exclusion

A voting exclusion statement forms part of this Notice.

12.6 Directors' Recommendation

Other than Mr David Nolan, who has an interest in Resolution 11, the Board recommends that Shareholders vote in favour of this resolution.

13. RESOLUTION 12 – APPROVAL OF 10% PLACEMENT ISSUE

13.1 Background

The ASX has recently introduced new fund raising rules to provide more flexibility for smaller companies to raise additional capital in an easier and potentially less costly manner. ASX Listing Rule 7.1A enables eligible entities to issue Equity Securities (as that term is defined in the ASX Listing Rules) up to 10% of their issued capital through placements over a twelve month period after the Annual General Meeting (10% Placement Facility). The 10% Placement Facility is in addition to the Company's 15% placement capacity under ASX Listing Rule 7.1.

An eligible entity for the purposes of ASX Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity.

The effect of Resolution 12 will be to allow the Directors to issue the Equity Securities under ASX Listing Rule 7.1A during the 10% Placement Period separate to the Company's 15% placement capacity under ASX Listing Rule 7.1.

The Company is now seeking shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility. Resolution 12 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

The exact number of Equity Securities (if any) to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1.A.2 (refer to Section 12.2 (c) below). The Company may use funds raised from any 10% Placement Facility for funding specific projects and/or general working capital. It may also use the 10% Placement Facility for non cash consideration purposes such as joint venture or project acquisitions (although the Company presently has no intention to do so).

13.2 ASX Listing Rule 7.1.A

(a) Shareholder approval

The ability to issue Equity Securities under the 10% Placement Facility is subject to shareholder approval by way of a special resolution at an annual general meeting.

(b) Equity Securities

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

The Company, as at the date of the Notice, has one class of Equity Securities being Shares.

(c) Formula for calculating 10% Placement Facility

ASX Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue,

during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

(A x D) – E

A is the number of shares on issue 12 months before the date of the issue or agreement:

- (i) plus the number of fully paid shares issued in the 12 months under an exception in ASX Listing Rule 7.2;
- (ii) plus the number of partly paid shares that became fully paid in the 12 months;
- (iii) plus the number of fully paid shares issued in the 12 months with approval of holders of shares under ASX Listing Rules 7.1 and 7.4;
- (iv) less the number of fully paid shares cancelled in the 12 months.

Note: A has the same meaning in ASX Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D is 10%

E is the number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under ASX Listing Rules 7.1 or 7.4.

(d) ASX Listing Rule 7.1 and ASX Listing Rule 7.1A

The ability of an entity to issue Equity Securities under ASX Listing Rule 7.1A is in addition to the entity's 15% placement capacity under ASX Listing Rule 7.1.

The actual number of Equity Securities that the Company will have capacity to issue under ASX Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (refer to Section 2(c) above).

(e) Minimum Issue Price

The issue price of Equity Securities issued under ASX Listing Rule 7.1A must be not less than 75% of the volume weighted average price of Equity Securities in the same class calculated over the 15 Trading Days (as defined in the ASX Listing Rules) immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

(f) 10% Placement Period

Shareholder approval of the 10% Placement Facility under ASX Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

(i) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; or

(ii) the date of the approval by shareholders of a transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking).

(the 10% Placement Period).

13.3 ASX Listing Rule 7.1A

The effect of Resolution 12 will be to allow the Directors to issue the Equity Securities under ASX Listing Rule 7.1A during the 10% Placement Period separate to the Company's 15% placement capacity under ASX Listing Rule 7.1. Resolution 10 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

13.4 Specific Information required by ASX Listing Rule 7.3A

Pursuant to and in accordance with ASX Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

(a) Minimum Price

Any Equity Securities issued will be issued at an issue price of not less than 75% of the volume weighted average price for the Company's Equity Securities over the 15 Trading Days immediately before:

(i) the date on which the price at which the Equity Securities are to be issued is agreed; or

(ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

(b) Risk of Voting Dilution

If Resolution 12 is approved by the Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company would be diluted as shown in the below table (in the case of unlisted options, only if the unlisted options are exercised). There is a risk that:

(i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Annual General Meeting; and

(ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date, which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The table below shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in ASX Listing Rule 7.1A(2) as at the date of this Notice of Meeting.

The table also shows:

(i) two examples where variable "A" has increased by 50% and 100%. Variable "A" is based on the number of ordinary shares the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro - rata entitlements issue or scrip issued under a takeover offer) or future specific placements under ASX Listing Rule 7.1 that are approved at a future Shareholders' meeting; and

(ii) two examples of where the price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

| Variable "A" in ASX Listing Rule 7.1A.2 | | Dilution | | |
|---|---------------------|---|------------------------------|--|
| | | 50% decrease in Deemed Price \$0.06cents | Deemed Price \$0.12 cents | 100% Increase in Deemed Price \$0.24cents |
| Current Variable A 148,863,462 Shares | 10% Voting Dilution | 14,886,346 shares | 14,886,346 shares | 14,886,346 shares |
| | Funds Raised | \$893,181 | \$ 1,786,361 | \$3,572,723 |
| 50% increase in current Variable A 223,295,193 shares | 10% Voting Dilution | 22,329,519 shares | 22,329,519 shares | 22,329,519 shares |
| | Funds Raised | \$1,339,771 | \$2,679,542 | \$5,359,085 |
| 100% increase in current Variable A 297,726,924 Shares | 10% Voting Dilution | 29,772,692 shares | 29,772,692 shares | 29,772,692 shares |
| | Funds Raised | \$1,786,361 | \$3,572,723 | \$7,145,446 |

The table has been prepared on the following assumptions:

(i) The Company issues the maximum securities available under the ASX Listing Rule 7.1A being 10% of the Company's shares on issue at the date of the Meeting;

(ii) No listed or unlisted options are exercised into fully paid ordinary securities before the date of the issue of securities under ASX Listing Rule 7.1A. The Company has 63,800,000 listed options and 57,500,000 unlisted options on issue at the date of this Notice of Meeting;

(iii) The table does not demonstrate an example of dilution that may be caused to a particular shareholder by reason of placements under ASX Listing Rule 7.1A, based on that shareholder's holding at the date of the Meeting;

(iv) The table only demonstrates the effect of issues of securities under ASX Listing Rule 7.1A. It does not consider placements made under ASX Listing Rule 7.1, the "15% rule";

(v) The price of ordinary securities is deemed for the purposes of the table above to be \$0.12 cents, being the closing price of the Company's listed securities on ASX on 2 October 2012 (**Deemed Price**). The Deemed Price is indicative only and does not consider the 25% discount to market that the securities may be placed at;

(vi) The table does not demonstrate the effect of listed options being issued under ASX Listing Rule 7.1A. It only considers the issue of the fully paid ordinary securities;

(c) Date of Issue

The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 15 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under ASX Listing Rule 11.1.2 (a significant change to the nature or scale of activities or ASX Listing Rule 11.2 (disposal of main undertaking)).

(d) Purpose of Issue under the 10% Placement Capacity

The Company may seek to issue the Equity Securities for the following purposes:

(i) non - cash consideration including for joint venture, licensing or collaboration agreements or the acquisition of new projects (although the Company presently has no proposal to do so). In such circumstances the Company will provide a valuation of the non - cash consideration as required by ASX Listing Rule 7.1A.3; or

(ii) cash consideration. In such circumstances, the Company intends to use the funds raised towards advancing specific Company projects and/or general working capital.

The Company will comply with the disclosure obligations under ASX Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.

(e) Allocation Policy

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case by - case basis having regard to factors including but not limited to the following:

(i) the methods of raising funds that are available to the Company, including but not limited to, rights issues or other issues in which existing security holders can participate;

(ii) the effect of the issue of the Equity Securities on the control of the Company;

(iii) the financial situation and solvency of the Company; and

(iv) advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice of Meeting but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

Further, if the Company were to pursue an acquisition and were it to be successful in acquiring new resources assets or investments, it is possible that the allottees under the 10% Placement Facility will be the vendors of the new resources assets or investments.

The Company has not previously obtained Shareholder approval under ASX Listing Rule 7.1A.

(f) Previous Approval

The Company has not previously obtained Shareholder approval under ASX Listing Rule 7.1A.

(g) Voting Exclusion Statement

A voting exclusion statement is included in the Notice of Meeting to which this Explanatory Statement relates. At the date of that Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

13.5 Directors' Recommendation

The Board recommends that Shareholders vote in favour of this resolution.

GLOSSARY

\$ means Australian dollars.

AGM, Annual General Meeting or Meeting means the meeting convened by the Notice.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the *Corporations Regulations 2001 (Cth)*.

Company means Hastings Rare Metals Limited (ACN 122 911 399).

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001 (Cth)*.

Director Options has the meaning given to it in Section 12 of the Explanatory Statement.

Directors means the current directors of the Company.

Equity Securities has the same meaning as in the Listing Rules.

Explanatory Statement means the explanatory statement accompanying the Notice.

Key Management Personnel has the same meaning as in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

Notice or Notice of Meeting or Notice of Annual General Meeting means this notice of annual general meeting including the Explanatory Statement and the Proxy Form.

Option means an option to acquire a Share with the terms and conditions set out in Schedule 1.

Proxy Form means the proxy form accompanying the Notice.

Remuneration Report means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2012.

Resolutions means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Tranche 1 Options has the meaning given to it in Section 12 of the Explanatory Statement.

Tranche 2 Options has the meaning given to it in Section 12 of the Explanatory Statement.

Tranche 3 Options has the meaning given to it in Section 12 of the Explanatory Statement.

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1 – TERMS AND CONDITIONS OF OPTIONS

The Options entitle the holder (**Optionholder**) to subscribe for Shares on the following terms and conditions:

- (a) Subject to (i), each Option gives the Optionholder the right to subscribe for one Share.
- (b) The Options will expire at 5.00pm (EST) on 31 March 2014 (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The amount payable upon exercise of each Option will be \$0.15 (**Exercise Price**).
- (d) The Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (e) An Optionholder may exercise their Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Options specifying the number of Options being exercised (**Exercise Notice**); and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised.

An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.

- (f) Within 2 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- (d) The Annexure A Options will be freely transferable in whole or in part at any time prior to expiry.
- (g) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.
- (h) The Company will apply for quotation of the Options on ASX. The Options are of the same class as options currently listed – HASO. The Company will apply for quotation of all Shares allotted pursuant to the exercise of Options on ASX within 2 Business Days after the date of allotment of those Shares.
- (i) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (j) There are no participating rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- (k) Subject to (i), a Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.

PROXY FORM

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT YOUR STOCK BROKER OR LICENSED PROFESSIONAL ADVISOR.

HASTINGS RARE METALS LTD

REGISTERED OFFICE:
LEVEL 9
50 MARGARET STREET
SYDNEY NSW 2000

ABN: 43 122 911 399

SHARE REGISTRY:
Security Transfer Registrars Pty Ltd
All Correspondence to:
PO BOX 535,
APPLECROSS WA 6953 AUSTRALIA
770 Canning Highway,
APPLECROSS WA 6153 AUSTRALIA
T: +61 8 9315 2333 F: +61 8 9315 2233
E: registrar@securitytransfer.com.au
W: www.securitytransfer.com.au

Code:

Holder Number:

SECTION A: Appointment of Proxy

I/We, the above named, being registered holders of the Company and entitled to attend and vote hereby appoint:

OR

| | | | | | | | | | | | | | | | | | | | |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|

The meeting Chairperson
(mark with an "X")

The name of the person you are appointing
(if this person is someone other than the Chairperson of the meeting).

or failing the person named, or if no person is named, the Chairperson of the Meeting, as my/our Proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the Proxy sees fit) at the Annual General Meeting of the Company to be held at 11.00am on 28 November 2012 at Mills Oakley Boardroom, Level 12, 400 Margaret Street, Sydney NSW 2000 and at any adjournment of that meeting.

Important for Resolution 1: If the Chair of the Meeting or any member of the Key Management Personnel of the Company whose remuneration details are included in the Remuneration Report or a Closely Related Party of that member is your proxy and you have not directed the proxy to vote on Resolution 1, the proxy will be prevented from casting your votes on Resolution 1. If the Chair, another member of the Key Management Personnel of the Company whose remuneration details are included in the Remuneration Report or Closely Related Party of that member is your proxy, in order for your votes to be counted on Resolution 1, you must direct your proxy how to vote on Resolution 1.

If no directions are given, the Chair will vote in favour of all the Resolutions in which the Chair is entitled to vote undirected proxies.

SECTION B: Voting Directions to your Proxy

Please mark "X" in the box to indicate your voting directions to your Proxy.

| Resolution | For | Against | Abstain* | For | Against | Abstain* | |
|---|--------------------------|--------------------------|--------------------------|--|--------------------------|--------------------------|--------------------------|
| 1. ADOPTION OF REMUNERATION REPORT | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | | | | |
| 2. RE-ELECTION OF DIRECTOR - MR ANTHONY HO | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | | | | |
| 3. RE-ELECTION OF DIRECTOR - MR STEVE MACKOWSKI | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | | | | |
| 4. RE-ELECTION OF DIRECTOR - MR GUY ROBERTSON | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | | | | |
| 5. RATIFICATION OF PLACEMENT OF SHARES | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | | | | |
| 6. PLACEMENT - SHARES | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | | | | |
| 7. APPROVAL FOR DIRECTORS TO PARTICIPATE IN SHARE ISSUE | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | | | | |
| | | | | 8. ISSUE OF 14,000,000 ATTACHING OPTIONS | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | | | | 9. ISSUE OF 500,000 ATTACHING OPTIONS TO DIRECTORS | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | | | | 10. APPROVAL OF PERFORMANCE RIGHTS PLAN | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | | | | 11. CANCELLATION OF OPTIONS AND ISSUE OF UP TO 7,233,333 SHARES: | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | | | | 12. APPROVAL OF 10% PLACEMENT ISSUE | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

If no directions are given my proxy may vote as the proxy thinks fit or may abstain.

* If you mark the Abstain box for a particular item, you are directing your Proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If you wish to appoint the Chairperson as your proxy and you do not wish to direct the Chairperson how to vote, please mark "X" in the box.

By marking this box, you acknowledge that the Chairperson may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him/her other than as a proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on the resolution and your votes will not be counted in calculating the required majority if a poll is called on the resolution. The Chairperson of the Meeting intends to vote undirected proxies in favour of the resolution.

SECTION C: Please Sign Below

This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Security Holder

Security Holder 2

Security Holder 3

Sole Director and Sole Company Secretary

Director

Director / Company Secretary

9796064506

Reference Number:

1

HAS

1

