

Annual Report 2015

CORPORATE INFORMATION

ABN 43 122 911 399

Board of Directors and Senior Management

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

Registered office

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Sydney NSW 2000 Australia
Telephone: +61 (2) 8268 8689
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Principal place of business

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Sydney NSW 2000 Australia

Share register

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153
Telephone: +61 (8) 9315 2333

Bankers

Westpac
Sydney NSW 2000 Australia

Auditors

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

Website

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Contents	Page
Chairman's letter	3
Directors	5
Directors' Report	6
Corporate Governance Statement	25
Auditor's Independence Declaration	26
Statement of Comprehensive Income	27
Statement of Financial Position	28
Statement of Changes in Equity	29
Statement of Cash Flows	30
Notes to the Financial Statements	31
Directors' Declaration	53
Independent Auditor's Report	54
Additional Shareholder Information	56

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 and major progress for the year ended 30 June 2015.

It has been a defining year for your Company with meaningful advances in our flagship rare earths project at Yangibana, leading to a Pre-Feasibility Study which is currently underway and is scheduled to be completed in the first quarter of 2016.

The financial year commenced with Hastings announcing in July 2015 its maiden JORC resource at Yangibana of 3.36 million tonnes comprising Indicated Resource of 1.86 million tonnes at 1.38% Total Rare Earth Oxides (TREO) and Inferred Resource of 1.50 million tonnes at 1.29% TREO at a 0.5% TREO cut-off. Following further (Stage 2) drilling this resource was upgraded by 230% to 6.79 million tonnes at 1.52% TREO in late 2014.

Importantly the Stage 2 drilling at Bald Hill South (100% owned by Hastings) led to the discovery of mineralisation containing a significantly higher proportion of the Company's designated target rare earths of neodymium, praseodymium, dysprosium and europium oxides. These oxides account for 43% of the rare earths mineralisation at Bald Hill South and 88% of the in-ground value, compared to equivalent figures of 27% and 84% at Yangibana North. A number of other economically viable prospects have been identified including Frasers which hosts the highest value mineralisation in terms of US\$/tonne in ground for the Company's targeted rare earths.

Given the success your Company acquired the remaining minority interests in the Frasers and Bald Hill South tenements, and subsequently increased its footprint in the Yangibana area with the addition of further licences bringing the total area to 623 sq km. In summary the Company holds a 100% interest in 10 Exploration Licences (EL) amounting to 421.6 sq km, 4 Prospecting Licences for 2.60 sq km, 2 Mining Leases totalling 8.24 sq km within the ELs and covering the Bald Hill South and Fraser's deposits, and 1 Mining Lease Application of 2.34 sq km within the ELs covering the Yangibana West deposit. It holds a 70% interest in the Yangibana – REM Joint Venture that holds 6 Exploration Licences covering an area of 199.52 sq km and 1 Mining Lease of 14.70 sq km within the ELs that covers the Yangibana North, Gossan, Lion's Ear, Hook, and Kane's Gossan deposits. The Company has defined JORC resources of rare earths at each of the named deposits.

Metallurgical test work commenced in late 2014 and that has continued throughout 2015 has shown that using a moderate grind size, readily available reagents and a simple flotation flowsheet, a 90% recovery of the TREO to a >20% TREO concentrate can be achieved into 7% of the initial mass at both deposits. This indicates that only 10% of the original contained rare earths are lost whilst reducing the waste material by 93%. Optimised beneficiation results have indicated that the downstream hydrometallurgical plant would only need to treat around 70,000 tonnes per annum (tpa) of concentrate based on a 1.0 million tpa mining operation, reducing capex significantly and thereby enhancing the economics of the Project.

Following the successes outlined above, the Company commissioned a Scoping Study for the project in late 2014 which confirmed a compelling economic case for the project. As a consequence your Board authorised the commencement of a Pre-Feasibility Study (PFS) in early 2015 after it completed a successful capital raising in December last year through a share placement of \$6.5 million combined with a fully underwritten share purchase plan in January 2015 raising a further \$2.0 million. Of the total amount raised approximately \$7 million is committed to the PFS.

To undertake the PFS the Company appointed Tetra Tech Proteus, a major international engineering group as lead manager, supported by:

Snowden Mining Consultants – mining studies and resource review
Core Process Engineering – process design, hydrometallurgical and separation test work
ATC Williams – water management, waste rock and tailings
Ecoscape – environmental approvals and permitting
Kyspymet Laboratories - metallurgy

Ongoing work on the PFS, including additional drilling, metallurgical work and tenement management have continued to expand and enhance the value of the project. Notable successes include the discovery of sufficient groundwater of potable quality to satisfy the requirements of a proposed mining operation of 1 million tonne per annum over 15 years.

Going forward our plan for the Yangibana project upon completion of the PFS, expected early next year, is to transition to a Bankable Feasibility Study (BFS) which is the final study prior to mine development, construction and ultimately production.

Given the significant potential of the Yangibana project identified this year, limited work has been undertaken on the Brockman heavy rare earths project. However it remains an important asset in our assets portfolio.

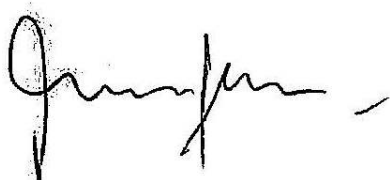
During the year the Company has initiated discussions with potential long term strategic partners and offtake contractors as it continues to advance the Yangibana project towards production.

Our objective at Yangibana is to primarily produce the three rare earths of neodymium, praseodymium and dysprosium which is used in the manufacture of permanent magnets. Recent market research and industry forecasts indicate a substantial rise in demand for permanent magnets for use in wind turbines and electric cars. This is due to the adoption of clean renewable energy and enforcement of strict vehicle emission standards globally. In the technology age we live in, there will be a greater adoption of digital devices in both the consumer and industrial markets worldwide. Demand for these technology metals are in limited supply globally and future demand is expected to outstrip supply. Your company is well positioned to cater to this increase in demand.

In view of such technological advancement, it was deemed appropriate to adopt the word “technology” in your Company’s name. Accordingly, we propose to change the company’s name to Hastings Technology Metals, subject to shareholder approval at a meeting to be held in October.

On behalf of your Directors, I would like to thank the Hastings team and our consultants working with us on this exciting opportunity, and would like to thank our shareholders for their ongoing support.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Charles Lew', with a horizontal line extending to the right.

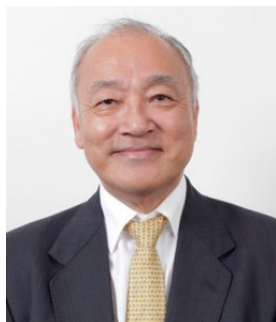
Charles Lew
Chairman
23 September 2015

Directors

Charles Lew, Executive Chairman



Anthony Ho, Non-Executive Director



Malcolm Mason, Non-Executive Director



Hastings has an experienced Board and management, committed to developing the Hastings' Yangibana Project in the Gascoyne region of Western Australia.

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 2015. 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	
Mr Anthony Ho	
Mr Malcolm Mason	
Mr Simon Wallace	Resigned 18 November 2014

Names, qualifications, experience and special responsibilities

Mr Charles Lew Executive Chairman

Qualifications: BA Hons Finance and Accounting, MSc Management Science

Mr Lew has more than 30 years of investment banking experience, including serving 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 fund 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 Berhad (since 2004) and is also 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: B. Com (UNSW) CA, FCIS, FGIA, FAICD

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

His corporate and governance experience include being Chief Financial Officer/Finance Director of M.S. McLeod Holdings Limited, Galore Group Limited, the Edward H O'Brien group of companies and Volante Group Limited.

Mr Ho is currently a non-executive Chairman of Greenland Minerals and Energy Limited (ASX: GGG) non-executive Chairman of Bioxyne Limited (ASX: BXN) and 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 Australia and New Zealand and a fellow of the Institute of Company Secretaries, the 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 Mason has held no other directorships in the last three years.

Former Director

Mr Simon Wallace – appointed 9 December 2013, resigned 18 November 2014

Mr Guy Robertson
Company Secretary

Qualifications: B. Com (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. Mr Robertson has a Bachelor of Commerce (Hons) and is a Chartered Accountant.

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	Performance Rights
Mr Charles Lew	88,849,438	-	5,000,000
Mr Anthony Ho	2,970,000	-	2,000,000
Mr Malcolm Mason	5,154,123	-	2,000,000

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

Grant/Issue Date	Expiry Date	Exercise Price	Number	Listed/Unlisted
12 February 2014	30 November 2016	6 cents	18,000,000	Unlisted

Dividends

No dividends have been paid or declared since the start of the financial year and the directors do not recommend the payment of a dividend in respect of the financial year.

Principal Activities

The principal activity of the entities within the consolidated entity during the year was the exploration for natural resources.

Review of Operations

YANGIBANA PROJECT

Introduction

During the year Hastings made significant progress at the Yangibana Rare Earths Project in the Gascoyne Region of Western Australia. Further consolidation of interests, and applications for additional Exploration Licences now see the Company control all areas that have potential for rare earths mineralisation within the Gifford Creek Ferro-Carbonatite Complex. It holds a 70% interest in, and is manager of, the Yangibana – REM Joint Venture, and holds 100% interest in all tenements outside this joint venture as shown in Figure 1.

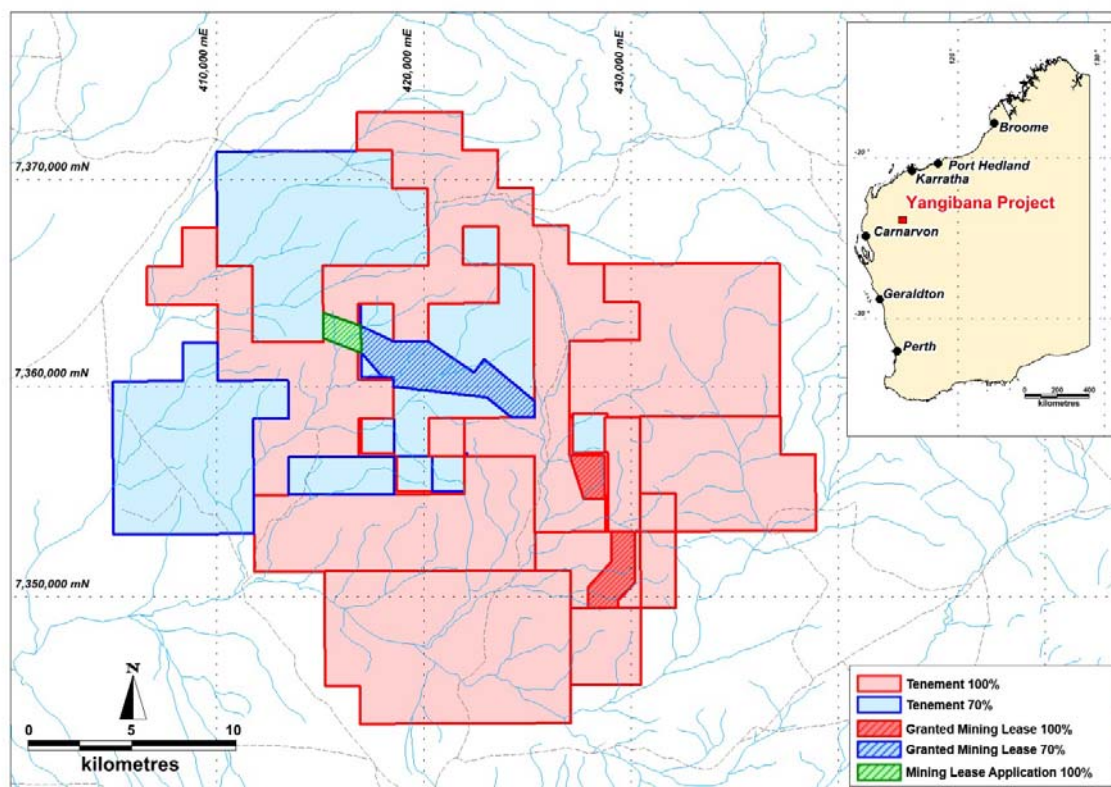


Figure 1 – Yangibana Project – tenements as at August 2015

Following the success of its 2014 drilling programme and subsequent JORC resource estimation at Yangibana North, as highlighted in the 2014 Annual Report, the Company has undertaken a systematic and significant exploration and test work programme that has progressed the Project through a Stage 2 major drilling programme, an expanded resource estimation, a positive Scoping Study, and on to further infill drilling, metallurgical test work, geotechnical and hydrogeological studies and environmental baseline studies that are leading to the completion of a Pre-Feasibility Study expected to be completed in early 2016.

Potential Markets and the Neodymium Oxide-Equivalent Factor

The Company has identified the rare earths magnets sector as being the most important sector in the current rare earths market and also the sector with the greatest potential for growth. As a consequence Hastings has concentrated its metallurgical efforts on the recovery of four key rare earths, being neodymium, praseodymium, dysprosium and europium, with neodymium being the main driver of project economics. To allow easy comparison between figures (grades, in-ground values) Hastings has established a Neodymium Oxide -Equivalent (Nd₂O₃-Eq) factor that allows the potential economic value of each of the four target oxides, to be displayed and to allow simple comparisons. The basis of the current Nd₂O₃-Eq value used by Hastings in its ongoing evaluations is a forecast of commodity prices derived from parameters determined by independent rare earths commentator Adamas Intelligence.

The commodity prices for Hastings' four target oxides predicted by Adamas for end of year 2018 are:

- Nd₂O₃ - US\$85/kg
- Pr₂O₃ – US\$95/kg
- Dy₂O₃ - US\$550/kg and
- Eu₂O₃ - US\$635/kg

The Neodymium Oxide Equivalent is then calculated by

$$\text{Nd}_2\text{O}_3\text{-Eq} = ((\text{Nd}_2\text{O}_3\text{grade} + ((\text{Pr}_2\text{O}_3\text{grade} * (\text{Pr}_2\text{O}_3\text{price} / \text{Nd}_2\text{O}_3\text{price})) + (\text{Dy}_2\text{O}_3\text{grade} * (\text{Dy}_2\text{O}_3\text{price} / \text{Nd}_2\text{O}_3\text{price})) + (\text{Eu}_2\text{O}_3\text{grade} * (\text{Eu}_2\text{O}_3\text{price} / \text{Nd}_2\text{O}_3\text{price}))))$$

$$\text{such that } \text{Nd}_2\text{O}_3\text{-Eq} = \text{Nd}_2\text{O}_3 + (1.1176 \times \text{Pr}_2\text{O}_3) + (6.4706 \times \text{Dy}_2\text{O}_3) + (7.4706 \times \text{Eu}_2\text{O}_3).$$

This Nd₂O₃-Eq figure is used in all recent ASX releases, along with the Total Rare Earths Oxides (TREO) value, and will be used to completion of the Pre-Feasibility Study. Figures quoted below have been amended to meet the new Nd₂O₃-Eq parameters so may differ from figures released by the Company during the early part of the financial year.

Yangibana Stage 2 Drilling Programme

Stage 2 drilling was successfully completed at seven new targets with additional infill and extension drilling undertaken at Yangibana North (Figure 2). 122 RC holes (6,624m) and 9 diamond holes (170.1m) were drilled.

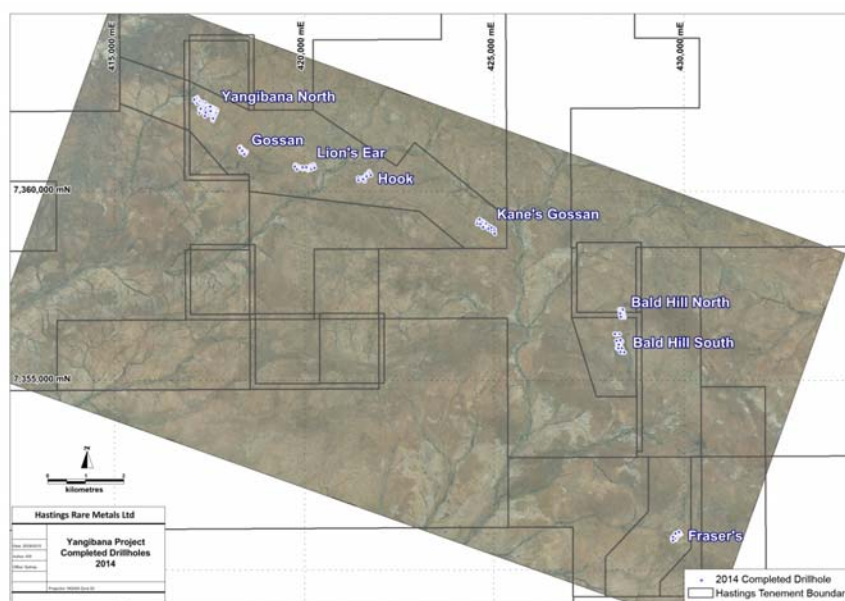


Figure 2 – Yangibana Project – Prospects drilled during Stage 2 Programme

Significant intersections were made at each prospect with selected major intersections as shown in Table 1.

Prospect Hole No	From (m)	To (m)	Interval (m)	% TREO	% Nd₂O₃-Eq	m% Nd₂O₃-Eq
Bald Hill South						
BHRC07	8	23	15	1.73	0.99	14.85
BHRC10	30	36	6	1.26	0.70	4.20
BHRC14	28	35	7	1.37	0.66	4.62
BHRC15	34	46	12	1.67	0.77	9.24
BHRC25	5	8	3	2.50	1.58	4.74
Bald Hill North						
BHRC19	11	13	2	1.22	0.67	1.34
BHRC24	11	12	1	1.75	1.05	1.05
Yangibana North – Western Extension						
YN57	11	16	5	2.38	0.82	4.10
YN63	2	7	5	2.21	0.64	3.20
YN64	5	16	11	2.28	0.76	8.36
Yangibana North – Depth Extension						
YN46	94	98	4	1.85	0.69	2.76
YN51	63	67	4	2.00	0.61	2.44
YN54	45	50	5	1.77	0.60	3.00
Frasers						
FR9	101	108	7	3.27	1.74	12.18
FR10	16	18	2	1.94	1.19	2.38
FR11	56	64	8	1.42	0.70	5.60
Kane's Gossan						
KG4	24	31	7	1.13	0.45	3.15
KG5	65	73	8	1.79	0.55	4.40
KG7	23	31	8	1.57	0.52	4.16
Hook						
HK2	73	75	2	2.79	0.71	1.42
HK5	11	13	2	3.77	0.99	1.98
HK7	4	7	3	3.68	0.95	2.85
HK11A	43	46	3	2.71	0.71	2.13
Lion's Ear						
LE1	25	27	2	2.28	0.64	1.28
LE7	8	14	6	2.76	0.91	5.46
LE10	20	27	7	1.49	0.64	4.48
LE16	50	61	11	1.96	0.50	5.50
LE17	88	89	1	5.26	1.39	1.39
Gossan						
GS1	24	29	5	2.00	0.61	3.05
GS8	40	44	4	2.32	0.68	2.72
GS9	72	76	4	1.82	0.54	2.16

Table 1 - Yangibana Project – Selected major intersections achieved in Stage 2 Drilling Programme

New JORC Resource Estimate

On the basis of these drilling results, the Company commissioned independent geological consultants CoxRocks Pty Limited to undertake resource estimates on each of the drilled prospects.

All resources were estimated using a 0.5% (5,000ppm) Total Rare Earths Oxides (TREO) cut-off, which correlates with the geological structure hosting the majority of the rare earths at each prospect. Total resources are shown in Table 2.

Resource Category	Tonnes (mt)	%TREO	%Nd ₂ O ₃ -Eq
Indicated	3.96	1.59	0.60
Inferred	2.83	1.43	0.51
TOTAL	6.79	1.52	0.56

Table 2 – Yangibana Project, JORC Resource Summary Total

The total resource contains 103,000 tonnes of TREO including approximately 23,500 tonnes of Nd₂O₃, 6,600 tonnes of Pr₂O₃, 360 tonnes of Dy₂O₃ and 625 tonnes of Eu₂O₃

Resources in individual deposits are shown in Table 3.

Deposit	Resource Category	Tonnes (mt)	%TREO	%Nd ₂ O ₃ -Eq
Yangibana North	Indicated	2.73	1.75	0.58
	Inferred	0.73	1.65	0.55
Bald Hill South	Indicated	1.23	1.22	0.65
Bald Hill North	Inferred	0.14	0.87	0.49
Fraser's	Inferred	0.35	1.31	0.71
Gossan	Inferred	0.23	1.39	0.43
Lion's Ear	Inferred	0.67	1.55	0.50
Hook	Inferred	0.10	1.93	0.52
Kane's Gossan	Inferred	0.61	1.18	0.41
Total Tonnes		6.79		

Table 3 – Yangibana Project, JORC Resource Summary Individual Deposits

Each of the prospects hosts mineralisation that is economically viable.

Results were subsequently received for four infill diamond holes drilled within the Indicated Resources at Yangibana North that confirmed the tenor of the earlier reverse circulation results. YGDD049 provided the highest individual drill sample assay to date from Hastings' drilling at Yangibana, with an interval of 0.63m at 10.9% TREO with 3.00% Nd₂O₃-Eq.

Results were also received from three deeper diamond holes at Yangibana North, confirming the down dip extension of the mineralisation with a best intersection of 5.51m (48.74-54.25m) at 4.31% TREO with 1.25% Nd₂O₃-Eq (6.89m% Nd₂O₃-Eq) in YGDD050, collared 250m south of the outcropping ironstone. This hole returned the best intersection achieved by Hastings at the Yangibana Project to date. Of particular interest, the interval 48.74-49.90m (1.16m) averaged 8.00% TREO with 2.20% Nd₂O₃-Eq from a zone hosted by magnetite-rich carbonatite rather than the usual massive ironstone host to the mineralisation.

Metallurgical Test Work

Beneficiation test work on samples from Yangibana North and Bald Hill South has been progressing at Kyspymet laboratory in Adelaide under the management of Dr Kwan Wong.

Mineral Liberation Analysis (MLA) has confirmed that the main rare earths-bearing mineral is monazite, a mineral known to be amenable to commercial processing. MLA showed that more than 80% of the monazite is liberated at a grind size of 80% passing 75 microns.

Results of float tests indicated that a relatively low cost and significant uplift of rare earths grade can be achieved early in the processing route resulting in a relatively smaller hydrometallurgical plant then first envisaged in the Scoping Study.

The Company is proposing a standard processing route for its Yangibana material which, based on similar rare earth projects worldwide, will comprise the processes as indicated in schematic diagram, Figure 3.

Yangibana Rare Earths Project Conceptual Processing Route

Operating Section	Operation	Function
Open Pit	Mining	Extract ore from ground
Crusher/Mill	Size Reduction	Liberate target minerals
Beneficiation Plant	Flotation/Gravity/Magnetics	Reduce Waste Content
Hydrometallurgical Plant	Leaching/Precipitation	Release and the collect target rare earths
Refinery/Separation Plant	Refining	Upgrade and separate target rare earths
End User	Transport	Sale of target rare earths

Figure 3 – Schematic Processing Route for Yangibana Rare Earths Products

The simple process involves the mining, crushing and milling of the mineralisation with the aim of achieving the optimum liberation of the target minerals (predominantly monazite) from the waste (gangue) materials being predominantly silicates and iron oxides and hydroxides.

The finely ground material is fed into the beneficiation plant where target minerals are upgraded into a higher grade concentrate by the removal of maximum waste while retaining as much target mineral as possible.

The beneficiated concentrate passes to the hydrometallurgical plant where the target minerals are dissolved into acid and subsequently precipitated, as mixed rare earths oxides, oxalates or carbonates.

These products pass to a refinery/separation plant where the rare earths are separated and refined/prepared for sale in the form as required by the end user.

Yangibana Scoping Study

Following the completion of Stage 2 drilling, the subsequent Resource Estimation, and the ongoing positive metallurgical test results, the Company commissioned an independent Scoping Study by Snowden Mining Industry Consultants (Snowden). The Study was based on a conceptual 1.0 million tonnes per annum operation and the then current commodity prices for the four target oxides.

Results indicated potential for strong economic returns from both the base-case option, based largely on then current Indicated Resources, and an expanded version based on the assumption that resources of the same tenor as the current resources will continue to be defined by exploration.

Capital costs were estimated at \$390 million and operating costs \$117 million per annum.

The conceptual Yangibana operation would produce approximately:-

- 2,700 tonnes per annum of neodymium oxide;
- 750 tonnes per annum of praseodymium oxide;
- 40 tonnes per annum of dysprosium oxide;
- 70 tonnes per annum of europium oxide;

Yangibana Pre-Feasibility Study

General

From the positive Scoping Study, the decision was taken to move the Project forward to Pre-Feasibility Study (PFS) status. A group of highly credentialed professional consultancy companies was selected to assist with the work programme and reporting requirements of the PFS.

Metallurgy

Metallurgical tests have continued at Kyspymet Laboratory. Mineralogical characterisation test results of samples from Yangibana North and Bald Hill South confirmed the main rare earths-bearing mineral to be monazite, with minor florencite and rhabdophane identified in the Bald Hill South sample.

These samples are considered to represent all styles likely to occur within the top 50m of the various deposits and represent mineralisation likely to be extracted during the first few years of operation.

Ongoing test work has identified optimal flotation conditions for the mineralisation. Results have shown that using a moderate grind size, common flotation reagents and a simple flotation flowsheet, a 90% recovery of the total rare earths oxides (TREO) to a >20% TREO concentrate can be achieved into 7% of the initial mass at both deposits. This indicates that only 10% of the original contained rare earths are lost whilst reducing the waste material by 93%.

The optimised beneficiated concentrates contain approximately 32% monazite plus 3% other rare earths oxides from Yangibana North and approximately 41% monazite plus 9% other rare earths oxides from Bald Hill South.

These beneficiation results will significantly enhance the economics of the Yangibana Project. The downstream hydrometallurgical plant would only need to treat around 70,000 tonnes per annum (tpa) of concentrate based on a 1.0 million tpa operation, thereby significantly decreasing capital requirements for this section of the processing plant compared to the figure envisaged in the Project's Scoping Study of 200,000 tonnes.

Target Generation

To identify additional ironstone targets within the Yangibana Project area, the Company completed further interpretation of airborne HyMap hyperspectral data. This review resulted in the identification of additional potential ironstone targets warranting follow-up exploration.

Drilling

A major programme of reverse circulation (RC) drilling has been undertaken on three main target areas, each held 100% by Hastings. Results have significantly expanded the deposit at Bald Hill South. Infill holes have confirmed the tenor of mineralisation in this area with best results as shown in Table 4.

Hole No (BHRC)	From (m)	To (m)	Interval (m)	% TREO	% Nd ₂ O ₃ -Eq	m% Nd ₂ O ₃ -Eq
70	26	42	16	1.24	0.61	9.76
72	0	3	3	2.05	1.12	3.36
75	0	14	14	3.11	1.78	24.92
79	22	29	7	1.23	0.72	5.04
125	16	19	3	1.92	1.15	4.45

Table 4 - Yangibana Project, Bald Hill South, 2015 Drilling results within 2014 JORC Resources

Drilling to the north of the resources defined in 2014 has delineated a continuous, flat-lying sheet of mineralisation at shallow depth over an area of approximately 350m by up to 300m. Best intersections from this drilling are shown in Table 5.

Hole No (BHRC)	From (m)	To (m)	Interval (m)	% TREO	% Nd ₂ O ₃ -Eq	m% Nd ₂ O ₃ -Eq
37	12	17	5	1.21	0.82	4.10
51	17	21	4	2.11	1.30	5.20
53	9	14	5	1.98	0.91	4.55
59	7	12	5	1.91	0.90	4.50
60	15	22	7	0.90	0.69	4.83
87	6	16	10	0.82	0.52	5.20
142	52	62	10	1.62	0.59	5.90
143	45	52	7	1.37	0.62	4.34
144	26	31	5	2.04	1.08	10.40
145	35	38	3	1.45	0.69	2.07

Table 5 - Yangibana Project, Bald Hill South, 2015 Drilling results from area to north of 2014 JORC Resources

A new deposit some 700m to the south of Bald Hill South was discovered and drilled with best results as shown in Table 6.

Hole No (BHRC)	From (m)	To (m)	Interval (m)	% TREO	% Nd ₂ O ₃ -Eq	m% Nd ₂ O ₃ -Eq
83	10	14	4	1.36	0.80	3.20
84	10	14	4	0.78	0.53	2.12
87	6	16	10	0.82	0.52	5.20
89	54	61	7	0.86	0.47	3.29
90	43	46	3	1.08	0.58	1.74
92	42	47	5	1.15	0.56	2.80
124	80	83	3	1.01	0.61	1.83
139	50	55	5	0.71	0.53	2.65

Table 6 - Yangibana Project, Bald Hill South, 2015 Drilling results from new southern extension

Diamond drilling in the vicinity of the 2014 JORC resources at Bald Hill South and the area to the north has confirmed the interpretation of mineralisation. The hanging wall units intersected in the northern area are weathered saprolite and clay, softer material that will assist in mining operations and potentially provide a ready source of clay material to line the tailings storage facility.

RC drilling was also undertaken at Fraser's (Hastings 100%) deposit (Figure 2) with best results as shown in Table 7.

Hole No (FRRC)	From (m)	To (m)	Interval (m)	% TREO	% Nd ₂ O ₃ -Eq	m% Nd ₂ O ₃ -Eq
12	83	92	9	3.37	1.80	25.20
16	66	70	4	1.52	0.79	3.16
17	8	17	9	0.96	0.50	4.50
18	60	66	6	1.55	0.88	5.28
19	11	15	4	1.55	0.74	2.96
21	5	11	6	1.49	0.89	5.34
22	25	36	11	0.91	0.60	6.60
23	13	19	6	1.48	0.68	4.08
50	51	58	7	0.77	0.49	3.43
57	26	32	6	1.25	0.65	3.90
59	51	53	2	3.10	1.73	3.46
61	70	74	4	1.56	0.83	3.32

Table 7 - Yangibana Project, Fraser's 2015 Drilling results

These results confirm the higher in-ground value of the Fraser's deposit compared to the other deposits within the Yangibana Project.

Hastings also completed RC drilling at the Yangibana West prospect, immediately to the west of the 2014 Yangibana North JORC resources. This confirmed continuous rare-earths bearing mineralisation over a strike length of 1.9km at the Yangibana West (within MLA 09/160, Hastings 100%) and Yangibana North (within ML09/159, Hastings 70%) deposits. The mineralisation remains open along strike in both directions and at depth. Best intersections within the Yangibana West area are shown in Table 8.

Hole No (YWRC)	From (m)	To (m)	Int (m)	% TREO	% Nd ₂ O ₃ -Eq	m% Nd ₂ O ₃ -Eq
3	37	42	5	2.00	0.61	3.05
22	21	25	4	1.70	0.63	2.52
23	24	26	2	1.80	1.03	2.06
37	9	19	10	1.81	0.70	7.00
45	18	24	6	1.84	0.81	4.86
50	42	45	3	2.20	0.95	2.85
58	7	13	6	2.73	1.04	6.24
41	12	15	3	1.87	0.72	2.16
43	33	39	6	1.53	0.62	3.78

Table 8 - Yangibana Project, Yangibana West 2015 Drilling results

Best intersections within the Yangibana North area are shown in Table 9.

Hole No	From (m)	To (m)	Int (m)	% TREO	% Nd ₂ O ₃ -Eq	m% Nd ₂ O ₃ -Eq
YWRC001	4	9	5	1.59	0.54	2.70
YWRC005	3	6	3	3.22	0.98	2.94
YBRC065	0	6	6	1.63	0.56	3.36
YBRC069	1	5	4	1.81	0.59	2.36

Table 9 - Yangibana Project, Yangibana North 2015 Drilling results

Figure 4 shows the drill coverage following the major stage 2 drilling programme.

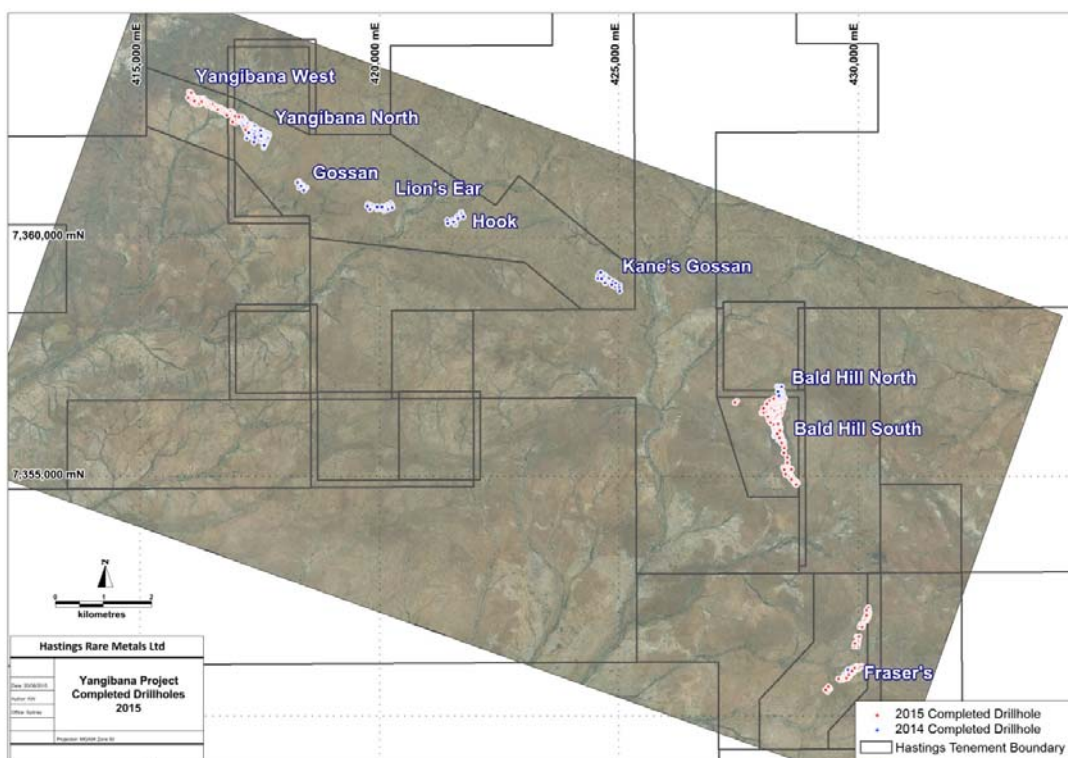


Figure 4 – Yangibana Project, Drill coverage following 2015 PFS Drilling Programme

Three diamond holes were drilled at each of Fraser's and Yangibana West. These holes were drilled to allow comparison with RC results but also, along with the diamond holes at Bald Hill South, to provide samples for geotechnical logging and comminution test work.

Water

During the drilling programme, groundwater consultant ATC Williams conducted a regional investigation of existing water bores, analysis of water samples from Hastings bore holes YGBW1 at Yangibana North and BHRC081 at Bald Hill South, and preliminary pump testing and collection of data to determine permeability and porosity of host rocks at the two sites.

Calculations based on reasonable assumptions indicate that either of the discovered aquifers could supply the water requirements of the proposed processing plant, probably for in excess of 15 years. Similar aquifers are likely to be found elsewhere within the Yangibana Project over a 15 km strike length.

Water resources are considered assured and are not a significant risk factor for the proposed mining operation.

Environmental Studies

The Phase 1 Flora, Vegetation and Fauna Field Survey was completed by consultants Ecoscape Australia in May. No flora or fauna issues of significance were encountered.

Infrastructure

With our consultants, Hastings has identified sites for the major infrastructure components of the proposed operation. Sites for access roads, accommodation site, processing plant and office site and tailings storage facility have been identified. All major components are to be built in areas of outcropping competent granite.

Mining Leases

Based on resources defined by its Stage 2 drilling programme the Company made application for three Mining Leases during the year, two being on 100%-held ground and one being on ground held under the Yangibana – REM joint venture (Hastings 70%). These three Mining Leases were granted on 1 July 2015.

Hastings has subsequently made application for an additional Mining Lease covering the Yangibana West mineralisation (Hastings 100%).

BROCKMAN PROJECT*

With the emphasis on the Yangibana project, limited work was undertaken on the Brockman Project during the year. Following the drilling of the Southern Extension of this project the Company will produce an updated JORC resource by the end of 2015.

* **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

Capital Raising

The Company raised \$8.5 million during the year comprised of a placement of \$6.5 million and a fully underwritten share purchase plan of \$2 million. The funds are substantially committed to completing the Yangibana Pre-Feasibility Study.

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

The information in this report that relates to Exploration Results is based on information compiled by Andy Border. Andy Border is an employee of 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.

DIRECTORS' REPORT (continued)

Operating results for the year and financial review

The comprehensive loss of the consolidated entity for the financial period, after providing for income tax amounted to \$815,961 (2014: \$1,570,369).

The Group's operating income increased to \$194,084 (2014-\$63,425) primarily an increase in interest income given increased funds on deposit for the year.

Expenses decreased to \$1,010,045 (2014-\$1,899,238). Expenses have reduced in most areas from a vigilant cost management programme, and a reduction in share based payments.

Capitalised exploration increased to \$21,765,046 (2014- \$17,841,676) reflecting ongoing exploration work across the Group's projects and in particular Yangibana which is in Pre-Feasibility Study.

Net assets increased to \$28,738,145 (2014-\$21,109,573) reflecting a capital raising during the year of \$8.2 million (net of costs) and the result for the year.

Review of financial conditions

As at 30 June 2015 the consolidated entity had \$7,639,653 in cash assets which the Directors believe allows the Company to meet its current costs, complete the Yangibana Pre-Feasibility Study and move Yangibana towards a Bankable Feasibility Study.

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:

- Yangibana achieving maiden JORC Resource, followed by a significant increase in resources.
- Completion of Yangibana Scoping Study followed by the decision to commence a Pre-Feasibility Study currently underway.
- Completion of \$8.5 million capital raise before costs, comprising share placement and share purchase plan

Significant events after balance 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.

Shares under option

At the date of this report, there were 18,000,000 options on issue exercisable at 6 cents on or before 30 November 2016. No options were granted to any member of the Company's key management personnel during the year.

DIRECTORS' REPORT (continued)

Likely developments and expected results

During the coming year the Group plans to focus on the ongoing development of both the Yangibana and Brockman 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 continuing exploration activities and complete studies necessary to assess the economic viability of its projects, and corporate costs.
- Exploration and developments risks – whilst the Company has already discovered a number of resources on the Yangibana and Brockman projects, 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 earth oxides, notably neodymium, praseodymium, dysprosium and europium, 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 \$12,955 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 2015.

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

Mr Charles Lew (Chairman)
Mr Anthony Ho (Non-Executive Director)
Mr Malcolm Mason (Non-Executive Director)
Mr Simon Wallace (Non-Executive Director) (appointed 9 December 2013, resigned 18 November 2014)
Mr Andy Border (General Manager Exploration)

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

DIRECTORS' REPORT (continued)

Non-executive directors committee

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

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

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 2015 is detailed in the Remuneration of directors and named executives section of this report on page 21.

Senior manager and executive director remuneration

Remuneration consists of fixed remuneration and Company Options or Performance Rights to shares (as determined from time to time). In addition to Company employees and directors, the Company may contract key consultants on a contractual basis. These contracts stipulate the remuneration to be paid to the consultants.

Fixed Remuneration

Fixed remuneration is reviewed annually by the independent directors committee (which assumes the role of 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 Executive Chairman at \$148,000 per annum. The General Manager Exploration, 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.

Remuneration of key management and personnel

Table 1: Key management personnel remuneration for the year ended 30 June 2015

	Short-term employee benefits		Post-employment benefits	Equity	Total	% Performance Related
	Salary & Fees \$	Shares ² \$	Superannuation \$	Performance Rights ¹ \$		
Mr Charles Lew	91,498	17,500	-	107,813	216,811	49.7
Mr Anthony Ho	40,000	-	-	43,125	83,125	51.9
Mr Malcolm Mason	31,667	8,333	-	43,125	83,125	51.9
Mr Simon Wallace ³	15,333	-	-	-	15,333	-
Mr Andy Border	224,520	-	21,331	20,000	265,851	7.5
Total	403,018	25,833	21,331	214,063	664,245	32.2

¹Performance rights have been granted and valued, however vesting is subject to performance hurdles which are still to be met.

²Issue of shares is subject to shareholder approval.

³Resigned 18 November 2014

Table 2: Key management personnel remuneration for the year ended 30 June 2014

	Short-term employee benefits		Post-employment benefits	Equity	Total	% Performance Related
	Salary & Fees \$	Shares \$	Superannuation \$	Options \$		
Mr Charles Lew	19,570	19,570	-	-	39,140	-
Mr Anthony Ho	41,546	13,454	-	-	55,000	-
Mr Malcolm Mason	31,667	8,333	-	-	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 ¹	96,870	-	-	-	96,870	-
Mr Vazrick Hovanesian ²	8,666	-	-	-	8,666	-
Total	371,310	49,690	3,681	-	424,681	-

¹Resigned 23 September 2013

²Resigned 9 December 2013

Options held by Directors and senior management

There are no options held by Directors and senior management. The following performance rights are on issue and are subject to the Company achieving certain milestones.

Director	Number	Performance period
Mr Charles Lew	5,000,000	30 June 2016
Mr Anthony Ho	2,000,000	30 June 2016
Mr Malcolm Mason	2,000,000	30 June 2016
Mr Andy Border ¹	250,000	31 December 2015

¹250,000 performance rights have been vested subsequent to year end and shares issued.

DIRECTORS' REPORT (continued)

Shareholdings of Key Management Personnel

	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
30 June 2015					
Mr Charles Lew	60,511,060	301,080	-	25,987,398	86,799,538
Mr Anthony Ho	1,969,911	-	-	1,000,089	2,970,000
Mr Malcolm Mason	1,560,666	307,692	-	3,285,765	5,154,123
Mr Simon Wallace	-	-	-	-	-
Mr Andy Border	-	-	-	-	-
Total	64,041,637	608,772	-	30,273,252	94,923,661

	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
30 June 2014					
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

*Includes balance on resignation as director.

Option holdings of Key Management Personnel

	Balance at beginning of period	Expired During Period	Granted as remuneration	Options exercised	Net change Other	Balance at end of period
30 June 2015						
Mr Charles Lew	-	-	-	-	-	-
Mr Anthony Ho	500,000	(500,000)	-	-	-	-
Mr Malcolm Mason	-	-	-	-	-	-
Mr Simon Wallace	-	-	-	-	-	-
Mr Andy Border	-	-	-	-	-	-
Total	500,000	(500,000)	-	-	-	-

	Balance at beginning of period	Expired During Period	Granted as remuneration	Options exercised	Net change Other	Balance at end of period
30 June 2014						
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

Performance Rights

	Balance at beginning of period	Expired During Period	Granted as remuneration	Net change Other	Balance at end of period
30 June 2015					
Mr Charles Lew	-	-	5,000,000	-	5,000,000
Mr Anthony Ho	-	-	2,000,000	-	2,000,000
Mr Malcolm Mason	-	-	2,000,000	-	2,000,000
Mr Andy Border	-	-	500,000	-	500,000
Total	-	-	9,500,000	-	9,500,000

Related Party Transactions

	2015 \$	2014 \$
Legal fees	5,149	24,543
Underwriting and placement fees ¹	308,820	168,902
Consulting Fees	65,050	-

¹Equator Star Holdings Limited, a company controlled by the Chairman, Mr Charles Lew, received an underwriting fee of 6% on \$1.5 million (\$90,000) underwritten on the share placement plan, and a placement fee of 6% on capital raise of \$3.6 million (\$218,820). These fees are commensurate with those charged on an arm's length basis.

Consulting fees were paid to Missoni Investments Pty Limited a company controlled by Mr Malcolm Mason, for geological services.

Legal fees were paid to Nick Stretch Legal in the normal course of business. Mr Simon Wallace was a director of the Company and is a partner of Nick Stretch Legal.

Directors' Meetings

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

Director	Director Meetings		Audit Committee	
	Attended	Eligible to Attend	Attended	Eligible to Attend
Mr Charles Lew	9	9	2	2
Mr Anthony Ho	9	9	2	2
Mr Malcolm Mason	9	9	-	-
Mr Simon Wallace	4	4	-	-

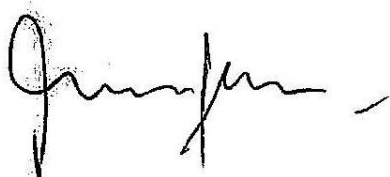
In addition, 3 circular resolutions were signed by the board during the period.

Auditor's Independence and Non-Audit Services

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page 26 and forms part of this directors' report for the year ended 30 June 2015.

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

23 September 2015

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Hastings Rare Metals Limited is responsible for the corporate governance of the Group.

Hastings Rare Metals Limited (“**Hastings**”), through its board and executives, recognizes the need to establish and maintain corporate governance policies and practices that reflect the requirements of the market regulators and participants, and the expectations of members and others who deal with Hastings. These policies and practices remain under constant review as the corporate governance environment and good practices evolve.

ASX Corporate Governance Principles and Recommendations

The third edition of ASX Corporate Governance Council Principles and Recommendations (the “Principles”) sets out recommended corporate governance practices for entities listed on the ASX.

The Company has issued a Corporate Governance Statement which discloses the Company’s corporate governance practices and the extent to which the Company has followed the recommendations set out in the Principles. The Corporate Governance Statement was approved by the Board on 21 September 2015 and is available on the Company’s website: <http://hastingsraremetals.com.au/corporate-governance>

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 2015, 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
23 September 2015



M R W Ohm
Partner

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015**

	Notes	Consolidated	
		2015 \$	2014 \$
Continuing operations			
Other income	2	194,084	63,425
Administration expenses		(249,944)	(121,306)
Directors fees		(214,332)	(194,893)
Occupancy expenses		(35,843)	(28,504)
Employee benefits expense		(8,687)	(1,641)
Marketing costs		(24,206)	(10,415)
Legal fees	2	(22,799)	(233,806)
Consulting and professional fees		(164,520)	(617,904)
Travel expenses		(64,095)	(145,646)
Exploration expenditure written off		(875)	(1,495)
Share based payments		(224,744)	(543,629)
Loss before income tax expense		(815,961)	(1,835,814)
Income tax benefit	3	-	265,445
Net loss for the period		(815,961)	(1,570,369)
Other comprehensive income		-	-
Total comprehensive loss for the period		(815,961)	(1,570,369)
Basic loss per share (cents per share)	4	(0.25)	(0.87)

The accompanying notes form part of these financial statements

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015**

	Notes	Consolidated	
		2015	2014
		\$	\$
Assets			
Current Assets			
Cash and cash equivalents	6	7,639,653	3,616,118
Trade and other receivables	8	207,346	73,979
Total Current Assets		<u>7,846,999</u>	<u>3,690,097</u>
Non-Current Assets			
Plant and equipment	9	11,450	8,943
Deferred exploration expenditure	10	21,765,046	17,841,676
Total Non-Current Assets		<u>21,776,496</u>	<u>17,850,619</u>
Total Assets		<u>29,623,495</u>	<u>21,540,716</u>
Liabilities			
Current Liabilities			
Trade and other payables	11	885,350	431,143
Total Current Liabilities		<u>885,350</u>	<u>431,143</u>
Total Liabilities		<u>885,350</u>	<u>431,143</u>
Net Assets		<u>28,738,145</u>	<u>21,109,573</u>
Equity			
Issued capital	12	35,417,397	27,197,608
Reserves	12	695,261	691,516
Accumulated losses		(7,374,513)	(6,779,551)
Total Equity		<u>28,738,145</u>	<u>21,109,573</u>

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2015

Consolidated

	Issued Capital \$	Accumulated Losses \$	Share Based Payment Reserve \$	Total \$
Balance at 1 July 2014	27,197,608	(6,779,551)	691,516	21,109,573
Loss for the year	-	(815,961)	-	(815,961)
Total comprehensive loss for the period	-	(815,961)	-	(815,961)
Shares issued during the period	8,704,567	-	-	8,704,567
Transaction costs on share issue	(484,778)	-	-	(484,778)
Expiry/exercise of options	-	220,999	(220,999)	-
Share based payments	-	-	224,744	224,744
Balance at 30 June 2015	35,417,397	(7,374,513)	695,261	28,738,145
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

The accompanying notes form part of these financial statements

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2015**

	Consolidated		
	Note	2015 \$	2014 \$
		Inflows/(Outflows)	
Cash flows from operating activities			
Payments to suppliers and employees		(874,836)	(1,503,647)
Research and development rebate received		-	265,445
Interest received		132,898	70,261
Net cash used in operating activities	7	(741,938)	(1,167,941)
Cash flows from investing activities			
Payments for acquisition of tenements and prospects		(202,500)	(250,000)
Payments for exploration and evaluation expenditure		(3,207,330)	(916,348)
Payments for fixed assets		(4,916)	(9,475)
Net cash used in investing activities		(3,414,746)	(1,175,823)
Cash flows from financing activities			
Proceeds from issue of shares		8,664,997	3,416,235
Payments for share issue costs		(484,778)	(220,822)
Net cash provided by financing activities		8,180,219	3,195,413
Net increase in cash held		4,023,535	851,649
Cash and cash equivalents at the beginning of the period		3,616,118	2,764,469
Cash and cash equivalents at the end of the period	6	7,639,653	3,616,118

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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 2015, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

It has been determined by the Directors 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 2015. 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 23 September 2015.

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).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 2015 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 \$875 (2014-\$1,495) was recognised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Critical accounting judgements and key sources of estimation uncertainty (continued)

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:

(g) Interest income

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

(h) 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.

(i) 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.

(j) 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:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets and financial liabilities (continued)

- (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.

(k) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Income tax (continued)

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).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets (continued)

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share based payments (continued)

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/loss 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/loss 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation (continued)

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.

(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 joint operation

The Group has an interest in a joint venture that is a joint operation. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A joint 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 joint 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 joint 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 2015

NOTE 2: REVENUES AND EXPENSES

(a) Other income

	Consolidated	
	2015	2014
	\$	\$
Interest income	194,084	63,175
Other income	-	250
	194,084	63,425

(b) Legal fees

Defending legal action ¹	-	205,750
Other	22,799	28,056
	22,779	233,806

¹Substantial legal fees were incurred in 2014 in defending an action to appoint additional directors

NOTE 3: INCOME TAX

(a) Income tax recognized in the statement of comprehensive income

	Consolidated	
	2015	2014
	\$	\$
Loss from ordinary activities	(815,961)	(1,835,814)
Income tax using the Company's domestic tax rate of 30% (2013:30%)	(244,788)	(550,744)
Share based payments	77,673	181,496
Refundable R&D tax offset	-	265,445
Other current year movement in deferred tax assets and deferred tax liabilities not recognised	167,115	369,248
Income tax benefit reported in the consolidated statement of comprehensive income	-	265,445

(b) Unrecognised deferred tax balances

Deferred tax assets comprise:

Tax losses carried forward	4,425,620	3,136,794
Accrued expenses	34,990	12,527
Share issue costs	225,912	171,200
	4,686,522	3,320,521

Deferred tax liabilities comprise

Accrued income	(13,249)	(12,617)
Capitalised exploration costs	(3,094,630)	(1,864,381)
	(3,107,879)	(1,876,998)

(c) Income tax expense not brought to account in equity during the year

Share issue costs	(147,950)	(61,763)
	(147,950)	(61,763)

(d) Tax losses

The tax benefit (at 30%) of estimated unused tax losses of \$4,425,620 (2014: \$3,136,794) 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 2015

NOTE 4: EARNINGS PER SHARE

	2015 Cents per share	2014 Cents per share
Basic loss per share:		
Continuing operations	(0.25)	(0.87)
Discontinued operations	-	-
Total basic loss per share	(0.25)	(0.87)

(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	(815,961)	(1,570,369)
Loss for the period from discontinued operation	-	-
Loss used in the calculation of basic loss per share from continuing operations	(815,961)	(1,570,369)

Basic loss per share	Number of shares	
The earnings and weighted average number of ordinary shares used in the calculation of basic loss per share is as follows:	323,433,500	180,539,648
There are no potential ordinary shares that are considered dilutive, as a result no dilutive loss per share has been disclosed.		

NOTE 5: SEGMENT REPORTING

Identification of reportable segments

The group has identified its operating segments based on the internal reports that are reviewed and used by the Board in assessing performance and in determining the allocation of resources.

The operating segments are identified by the Board based on the nature of its interests and projects. Discrete financial information about each of these projects is reported to the executive management team on at least a monthly basis.

Location of interests and nature of projects

Hastings Project

Hastings is the owner of the Hastings heavy rare earths project, comprising of ten (10) wholly owned prospecting licenses, and one wholly owned exploration licence, in the East Kimberley region of Western Australia. The project hosts significant JORC compliant resources of the rare metals zircon, niobium and tantalum, and the heavy rare earth yttrium.

Yangibana Project

Hastings has the Yangibana rare earths project in the Gascoyne region of Western Australia through the ownership 100% of fourteen (14) tenements and two mining leases and through a joint venture comprising six (6) granted Exploration Licences and one mining lease, in all covering an area of approximately 320 square kilometres

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 5: SEGMENT REPORTING (continued)

Project segments	Brockman Project \$	Yangibana Project \$	Administration Costs \$	Unallocated \$	Total \$
30 June 2015					
Revenue					
Interest and other income	-	-	-	194,084	194,084
Total segment revenue	-	-	-	194,084	194,084
Expenses					
Exploration expenditure written off	-	(875)	-	-	(875)
Administration	-	-	(1,009,170)	-	(1,009,170)
Total segment expenses	-	(875)	(1,009,170)	-	(1,010,045)
Income tax benefit	-	-	-	-	-
Segment result	-	(875)	(1,009,170)	194,084	(815,961)
Acquisition cost of tenements	-	202,500	-	-	202,500
Exploration costs incurred for the year	181,521	3,539,349	-	-	3,720,870
Segment assets	14,858,375	6,906,671	-	7,858,449	29,623,495
Segment liabilities	-	-	-	885,350	885,350

Interest income of \$194,084 was solely derived within Australia, and non-current assets are all located in Australia.

Project segments	Brockman 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 2015

NOTE 6: CASH AND CASH EQUIVALENTS

	2015	2014
	\$	\$
Cash at bank and on hand	689,653	294,893
Short-term deposits	6,950,000	3,321,225
	<u>7,639,653</u>	<u>3,616,118</u>

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 2015 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

	2015	2014
	\$	\$
(Loss) for the year	(815,961)	(1,570,369)
<i>Other non cash items:</i>		
Share based payments expense	224,744	604,987
Depreciation	2,407	532
Directors fees settled by shares	39,570	-
Exploration expenditure written off	875	-
<i>Changes in working capital</i>		
Increase in trade and other receivables	(133,367)	3,819
Increase in trade and other payables	(60,206)	(206,910)
Net cash used in operating activities	<u>(741,938)</u>	<u>(1,167,941)</u>

NOTE 8: TRADE AND OTHER RECEIVABLES

	2015	2014
	\$	\$
Other receivables	146,160	71,211
Interest receivable	61,186	2,768
Trade and other receivables	<u>207,346</u>	<u>73,979</u>

No receivables are impaired or past due but not impaired.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 9: PLANT AND EQUIPMENT

Plant and equipment

At cost

	2015 \$	2014 \$
Opening balance	9,475	-
Additions	4,914	9,475
Disposals	-	-
Closing balance	14,389	9,475

Depreciation

Opening balance	(532)	-
Charge for the year	(2,407)	(532)
Disposals	-	-
Closing balance	(2,939)	(532)
	11,450	8,943

NOTE 10: DEFERRED EXPLORATION EXPENDITURE

Costs carried forward in respect of areas of interest in the following phases:

Exploration and evaluation phase – at cost

	2015 \$	2014 \$
Balance at beginning of year	17,841,676	16,727,765
Exploration expenditure	3,721,745	865,406
Purchase of prospects – Yangibana tenements	202,500	250,000
Less: Exploration expenditure written off	(875)	(1,495)
Total deferred exploration and evaluation expenditure	21,765,046	17,841,676

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.

NOTE 11: TRADE AND OTHER PAYABLES

	Consolidated 2015 \$	Company 2014 \$
Trade payables *	885,350	431,143
	885,350	431,143

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 12: ISSUED CAPITAL

	2015 \$	2014 \$
<i>Ordinary shares</i>		
At 1 July	27,197,608	23,889,889
Shares issued during the year	8,544,997	3,416,237
Share issued on exercise of options	120,000	-
Shares issued to settle directors fees	39,570	-
Shares issued in lieu of debt repayment	-	112,304
Less share issue costs	(484,778)	(220,822)
At 30 June	35,417,397	27,197,608

Movements in ordinary shares on issue

	No.	No.
At 1 July	259,279,572	166,769,530
Movements during the period		
Shares issued on exercise of options	2,000,000	-
Shares issued in lieu of debt repayment	-	1,730,156
Shares issued to settle directors fees	608,772	-
Shares issued during the year	122,071,427	90,779,886
At 30 June	383,959,771	259,279,572

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.

Company options

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

Share based payments reserve

Movements in share based payments reserve were as follows:

	2015 \$	2014 \$
Balance 1 July	691,516	548,925
Options issued during the year	-	522,796
Options expired during the year - unlisted	(168,720)	(372,550)
Options expired during the year - listed	-	(7,655)
Options exercised during the year - unlisted	(52,279)	-
Value of performance rights issued during the year	224,744	-
Balance 30 June	695,261	691,516

Share based payments reserve

This reserve is used to record the value of equity benefits provided to employees and remuneration.

No.

No.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 12: ISSUED CAPITAL (continued)

Movements in share options

At 1 July	24,500,000	89,436,355
Company options expired during the year - listed	(4,500,000)	(84,436,347)
Company options expired during the year - unlisted	-	(500,000)
Company options issued during the year - unlisted	-	20,000,000
Options exercised	(2,000,000)	(8)
At 30 June	18,000,000	24,500,000

2015
No.2014
No.

Movements in performance rights

At 1 July	-	-
Performance rights issued during the year	10,000,000	-
At 30 June	10,000,000	-

The Company has the following options outstanding as at 30 June 2015.

Grant/Issue Date	Expiry Date	Exercise Price	Number	Listed/Unlisted
12 February 2014	30 November 2016	6 cents	18,000,000	Unlisted

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

	No. 2015	Weighted average exercise price 2015	No. 2014	Weighted average exercise price 2014
		\$		\$
Outstanding at the beginning of the year	24,500,000	\$0.086	89,436,355	\$0.15
Granted during the year	-	-	20,000,000	\$0.06
Exercised during the year	(2,000,000)	\$0.06	(8)	-
Expired/cancelled during the year	(4,500,000)	\$0.20	(84,936,347)	\$0.15
Outstanding at the end of the year	18,000,000	\$0.06	24,500,000	\$0.086
Exercisable at the end of the year	18,000,000		24,500,000	

The share options outstanding at the end of the year had a weighted average exercise price of \$0.06 (2014: \$0.086) and weighted average remaining contractual life of 1.42 years (2014: 1.43 years).

The weighted average fair value of options granted during the year was \$Nil (2014: \$522,796).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 12: ISSUED CAPITAL (continued)

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	18,000,000	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 Scholes model taking into account the terms and conditions upon which the options were granted.

	Series 1
Expected volatility (%)	80%
Risk-free interest free (%)	4.0%
Expected life of option (years)	2.79
Exercise price (\$)	\$0.06
Grant date share price	\$0.053

The expected life of the options is 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.

Valuation of performance rights

- i. Shareholders at the 2014 Annual General Meeting approved the grant of 9,500,000 performance rights to Directors and the Company Secretary. The performance rights were valued at 7.5 cents a share being the share price on grant date. Vesting occurs at the end of the performance period 30 June 2016, if the following performance conditions are met:

Non-market based performance conditions:

- completion of a pre-feasibility study for one or more of the company's projects; and
- completion of capital raisings during the term of the performance rights of at least \$7 million.

Market-based performance conditions:

- 50% of the performance rights will vest under the share price reaching 9.75 cents; and
- 75% of the performance rights will vest under the share price reaching 11.375 cents; and
- 100% of the performance rights will vest under the share price reaching 13 cents.

An expense of \$204,744 was recognised for the year ended 30 June 2015 in relation to these performance rights.

- ii. During the year ended 30 June 2015, 250,000 performance rights were granted to Employees. The performance rights were valued at 5.73 cents a share being the share price on grant date. Vesting occurs at the end of the performance period 30 June 2015, if the following performance conditions are met:

Non-market based performance conditions:

- Completion of a drilling programme at Yangibana that is both successful and in accordance with the Board's directions; and
- Estimation of a JORC resource on Yangibana

An expense of \$14,325 was recognised for the year ended 30 June 2015 in relation to these performance rights.

- iii. During the year ended 30 June 2015, 250,000 performance rights were granted to Employees. The performance rights were valued at 5.73 cents a share being the share price on grant date. Vesting occurs at the end of the performance period 30 February 2016, if the following performance conditions are met:

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

Non-market based performance conditions:

- Completion of a pre-feasibility study for one or more of the company's projects; and
- File a successful Research and Development Tax Incentive claim.

An expense of \$5,675 was recognised for the year ended 30 June 2015 in relation to these performance rights.

NOTE 13: FINANCIAL INSTRUMENTS

	2015	2014
	\$	\$
Financial assets		
Receivables	207,346	73,979
Cash and cash equivalents	7,639,653	3,616,118
	<u>7,846,999</u>	<u>3,690,097</u>
Financial Liabilities		
Trade and other payables	885,350	431,143
	<u>885,350</u>	<u>431,143</u>

The following table details the expected maturity for the Group's non-derivative financial assets. These have been drawn up based on undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period.

	Weighted average effective interest rate %	Less than 1 month \$	1 – 3 Months \$	3 months – 1 year \$	1 – 5 years \$	5+ years \$
2015						
Non-interest bearing		-			-	-
Variable interest rate instruments		689,653	-	-	-	-
Fixed interest rate instruments	2.3-3.6%	1,500,000	5,450,000	-	-	-
		<u>2,189,653</u>	<u>5,450,000</u>		-	-
2014						
Non-interest bearing		-	-	-	-	-
Variable interest rate instruments		354,816	-	-	-	-
Fixed interest rate instruments	3.7-3.85%	300,000	621,225	2,400,000	-	-
		<u>654,816</u>	<u>621,225</u>	<u>2,400,000</u>	-	-

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 2015

NOTE 13: FINANCIAL INSTRUMENTS CONTINUED

	Weighted average effective interest rate %	Less than 1 month \$	1 – 3 Months \$	3 months – 1 year \$	1 – 5 years \$	5+ years \$
2015						
Non-interest bearing		885,350	-	-	-	-
Variable interest rate instruments		-	-	-	-	-
Fixed interest rate instruments		-	-	-	-	-
		<u>885,350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2014						
Non-interest bearing		431,143	-	-	-	-
Variable interest rate instruments		-	-	-	-	-
Fixed interest rate instruments		-	-	-	-	-
		<u>431,143</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTE 14: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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 2015, 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 14: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(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 exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

At 30 June 2015, 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.

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 2015.

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 2015 on its Australian exploration tenements as follows:

	2015	2014
	\$	\$
Not later than 12 months	684,855	390,100
Between 12 months and 5 years	1,492,711	603,967
Greater than 5 years	3,670,400	-
	<u>5,847,966</u>	<u>994,067</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 16: DIVIDENDS

The directors of the Group have not declared any dividend for the year ended 30 June 2015.

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, decision to mine and first draw down of project finance.

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.

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.

Amounts received or due and receivable by HLB Mann Judd for:

	2015	2014
	\$	\$
An audit or review of the financial reports	32,875	30,815
	<u>32,875</u>	<u>30,815</u>

NOTE 20: DIRECTORS AND EXECUTIVES DISCLOSURES

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

	2015	2014
	\$	\$
Short term benefits	403,018	359,643
Post-employment benefits	25,833	3,681
Directors fees settled by shares	21,331	61,357
Performance rights	214,063	-
	<u>664,245</u>	<u>424,681</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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.

<i>Name</i>	<i>Country of Incorporation</i>	<i>% Equity Interest</i>		<i>Investment (\$)</i>	
		<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
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
Yangibana Pty Ltd (formerly Karramindie Resources Pty Ltd) (Note 24)	Australia	100%	95%	85,000	50,000

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

	<i>2015</i>	<i>2014</i>
	<i>\$</i>	<i>\$</i>
Consulting fees	65,050	-
Legal fees	5,149	24,543
Underwriting and placement fees	<u>308,820</u>	<u>168,902</u>

Legal fees were paid to Nick Stretch Legal in the normal course of business. Mr Simon Wallace, was a director of the Company and is a partner in Nick Stretch Legal.

Equator Star Holdings Limited, a company controlled by the Chairman, Mr Charles Lew, received an underwriting fee of 6% on \$1.5 million (\$90,000) underwritten on the share placement plan, and a placement fee of 6% on raising capital of \$3.6 million (\$218,820). These fees are commensurate with those charged on an arm's length basis.

Consulting fees were paid to Missoni Investments Limited, a company controlled by Mr Malcolm Mason, for geological services.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 22: PARENT ENTITY DISCLOSURES

	Company	
	2015 \$	2014 \$
Assets		
Current assets	7,846,797	3,689,894
Non-current assets	21,724,980	17,799,104
Total assets	29,571,777	21,488,998
Liabilities		
Current liabilities	885,351	431,143
Non-current liabilities	-	-
Total liabilities	885,351	431,143
Net Assets	28,686,426	21,057,855
Equity		
Issued capital	35,417,397	27,197,608
Option reserve	695,261	691,516
Accumulated Losses	(7,426,232)	(6,831,269)
Total Equity	28,686,426	21,057,855
Financial performance		
Loss for the year	(815,951)	(1,570,367)
Other comprehensive income	-	-
Total comprehensive loss	(815,951)	(1,570,367)

Contingent liabilities of the parent entity

For details on contingent liabilities, see Note 17.

Commitments of the parent entity

The parent entity has no tenement or commitment obligations.

The Company has one employee whose contract can be terminated by giving 3 months' notice.

NOTE 23: INTEREST IN JOINT OPERATION

The Group has a 70% interest in the Yangibana-REM joint venture (2014-70%), 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.

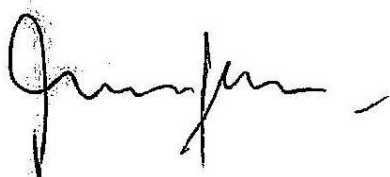
NOTE 24: ACQUISITION OF SUBSIDIARY

During the period the Company acquired the remaining 5% of Yangibana Pty Ltd (formerly Karramindie Resources Pty Limited) for \$35,000. The acquisition was accounted for on an asset acquisition basis and the consideration is considered fair value for the interest 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 27 to 52, 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 2015 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 2015.

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.

A handwritten signature in black ink, appearing to read 'Charles Lew', with a horizontal line extending to the right.

Charles Lew

Chairman

23 September 2015

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 2015, 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 Group. The Group 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 Group'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*.

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 Group's financial position as at 30 June 2015 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 2015. 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 2015 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
23 September 2015

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 13 September 2015:

1	LEW FOON KEONG		68,211,801	17.77%
2	HSBC CUSTODY NOM AUST LTD		60,170,082	15.67%
3	KGI FRASER SEC PTE LTD		27,396,578	7.14%
4	FRANKS NEIL BARRY		25,120,000	6.54%
5	J P MORGAN NOM AUST LTD		23,558,829	6.14%
6	NATIONAL NOM LTD		19,682,282	5.13%

2. Number of holders in each class of equity securities and the voting rights attached (as at 13 September 2015)

Ordinary Shares

There are 796 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 13 September 2015.

a) Fully Paid Ordinary Shares

SPREAD OF HOLDINGS	HOLDERS	UNITS	% OF ISSUED CAPITAL
NIL HOLDING			
1 - 1,000	36	5,315	0.00 %
1,001 - 5,000	84	335,574	0.34 %
5,001 - 10,000	128	1,038,845	1.03 %
10,001 - 100,000	390	16,793,110	14.77 %
100,001 -	158	365,786,927	83.86 %
TOTAL ON REGISTER	796	383,959,771	100.00 %

4. Marketable Parcel

There are 163 shareholders with less than a marketable parcel.

ADDITIONAL SHAREHOLDER INFORMATION (Continued)

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 13 September 2015) is as follows:

Ordinary Shares Top 20 holders and percentage held

	Rank	Holder Name	Designation	Securities	%
*	1	LEW FOON KEONG		68,211,801	17.77%
*	2	HSBC CUSTODY NOM AUST LTD		60,170,082	15.67%
	3	KGI FRASER SEC PTE LTD		27,396,578	7.14%
	4	FRANKS NEIL BARRY		25,120,000	6.54%
	5	J P MORGAN NOM AUST LTD		23,558,829	6.14%
*	6	NATIONAL NOM LTD		19,682,282	5.13%
*	7	CITICORP NOM PL		16,499,657	4.30%
	8	BNP PARIBAS NOM PL	EFG BANK AG DRP	11,690,000	3.04%
	9	LEE CHOON HUAT		7,856,916	2.05%
	10	CHEW WENG CHEE		7,000,000	1.82%
*	11	UOB KAY HIAN PRIVATE LTD	CLIENTS A/C	6,738,892	1.74%
	12	BNP PARIBAS NOMS PL	DRP	5,575,148	1.45%
*	13	BACTENCE PL	PYNFITE BACTENCE S	4,265,000	1.11%
	14	TAN JEFFERY YAN KIM		3,950,000	1.03%
	15	ABN AMRO CLEARING SYDNEY	CUST A/C	3,319,300	0.86%
	16	GUEST JAMES VINCENT C		2,132,416	0.82%
	17	MISSONI INV PL		2,665,575	0.69%
	18	KIPHART RICHARD		2,500,000	0.65%
	19	SNTHONY PENG + CHUI HO		2,450,000	0.64%
	20	BEGGARS CANYON INV PL	SYKWALKER FAM A/C	2,280,268	0.59%
				304,062,744	79.18%

* Denotes merged holders

ADDITIONAL SHAREHOLDER INFORMATION (Continued)

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) 8268 8689

3. Address and telephone details of the office at which a registry of securities is kept:

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153

4. Stock exchange on which the Company's securities are quoted:

The Company's listed equity securities are quoted on the Australian Securities Exchange.

5. Restricted Securities

The Company does not have any restricted securities on issue.

6. Review of Operations

A review of operations is contained in the Directors' Report.

7. Schedule of Tenements

HASTINGS RARE METALS LTD - FULL TENEMENT "GRANTS" SCHEDULE					
TID	PROJECT	BENEFICIAL INTEREST (%)	EXPIRY DATE	RENT	EXPCOM
E09/1943	Yangibana	100	30/12/2017	\$366	\$15,000
E09/1944	Yangibana	100	30/12/2017	\$244	\$15,000
E09/2018	Yangibana	100	27/6/2018	\$610	\$15,000
E09/1700	Yangibana	100	19/5/2016	\$3,418	\$20,000
E09/2007	Yangibana	100	26/11/2018	\$5,983	\$49,000
E09/1989	Yangibana	100	12/6/2019	\$3,297	\$27,000
E09/2095	Yangibana	100	17/11/2019	\$2,499	\$21,000
P09/467	Yangibana	100	10/3/2019	\$235	\$4,000
P09/480	Yangibana	100	6/10/2018	\$110	\$2,000
P09/481	Yangibana	100	6/10/2018	\$168	\$2,920
P09/482	Yangibana	100	6/10/2018	\$179	\$2,640
ML09/158	Yangibana	100	30/6/2036	\$8,613	\$53,500
ML09/157	Yangibana	100	30/6/2036	\$4,653	\$28,900
E09/2084	Yangibana	100	30/10/2019	\$501	\$15,000
E09/2086	Yangibana	100	30/10/2019	\$301	\$10,000
ELA09/2129	Yangibana	100	11/6/2020	\$294	\$10,000
				\$31,471	\$262,089
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
ML09/159	Yangibana	70	30/6/2036	\$23,667	\$147,000
				\$36,948	\$299,000
P80/1626	Hastings	100	20/03/2017	\$ 470	\$ 8,000
P80/1627	Hastings	100	20/03/2017	\$ 470	\$ 8,000
P80/1628	Hastings	100	20/03/2017	\$ 470	\$ 8,000
P80/1629	Hastings	100	20/03/2017	\$ 470	\$ 8,000
P80/1630	Hastings	100	20/03/2017	\$ 470	\$ 8,000
P80/1631	Hastings	100	20/03/2017	\$ 447	\$ 7,600
P80/1632	Hastings	100	20/03/2017	\$ 470	\$ 8,000
P80/1633	Hastings	100	20/03/2017	\$ 470	\$ 8,000
P80/1634	Hastings	100	20/03/2017	\$ 470	\$ 8,000
P80/1635	Hastings	100	20/03/2017	\$ 470	\$ 8,000
E80/4555	Hastings	100	18/09/2017	\$ 2,076	\$ 20,000
				\$ 6,753	\$ 99,600