



HASTINGS RARE METALS LIMITED

RISK MANAGEMENT POLICY

This document sets out the Risk Management Policy adopted by the Board of Directors of Hastings Rare Metals Limited on 11 September 2015

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1. BACKGROUND

Principle 7 of the ASX Corporate Governance Council *Corporate Governance Principles and Recommendations (Principles)* provides as follows:

A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework

This policy has been developed to document the policy and processes adopted by the board of the Company to ensure compliance with the Principles and to recognise and manage the risks faced by the Company.

The board of the Company is committed to the effective identification and management of the risks which affect its operations and business.

This policy applies to all directors, employees, contractors and consultants of the Company.

2. MATERIAL BUSINESS RISKS

Risks relate to future events or situations that provide opportunities to create an exposure for the Company.

Risks are not absolute but represent a degree of probability or chance that they may or may not occur. While all risks need to be understood and managed, this policy focuses specifically on risks that may have a material impact on the Company (material business risk). In other words, risks that could have an adverse impact on shareholder value and the legitimate interests of other stakeholders.

Material business risks should not be seen purely from the financial perspective. Material business risks may also have significant human, reputational as well as financial impact.

Under Recommendation 7.4 of the Principles:

A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

In this context, “material exposure” means a real possibility that the risk in question could substantively impact the listed entity’s ability to create or preserve value for security holders over the short, medium or long term. In particular:

- economic sustainability means the ability of a listed entity to continue operating at a particular level of economic production over the long term;
- environmental sustainability means the ability of a listed entity to continue operating in a manner that does not compromise the health of the ecosystems in which it operates over the long term;
- social sustainability means the ability of a listed entity to continue operating in a manner that meets accepted social norms and needs over the long term.

3. RISK TOLERANCE

As a guide to establishing Hastings’s tolerance for risk the Board has completed the following “Risk Tolerance Assessment”.

	TRUE	FALSE	UNSURE
Hastings is eager to be innovative and to choose options offering potentially higher business rewards despite greater risks		✓	
Hastings is prepared to invest for the best possible reward and accept the possibility of financial loss	✓		
Hastings views new technology as a key enabler of operational delivery	✓		
Hastings has high levels of devolved authority – management by trust rather than tight control		✓	
Hastings is only willing to allocate limited resources to risk mitigation		✓	
Hastings has a tolerance for making decisions that are likely to bring scrutiny and attention of external stakeholders but where potential benefits outweigh the risks	✓		
Hastings’s shareholders are capable of tolerating increasing general risk as part of generating additional shareholder value	✓		
Hastings’s shareholders are capable of tolerating increasing exploration risk, because that is the nature of Hastings’s business, as part of generating additional shareholder value	✓		

Hastings’s own assessment for tolerating risk indicates that the Company is relatively risk averse and therefore should have good risk management processes in place to ensure material business risks are understood and avoided or managed.

4. HASTINGS’ RISK MANAGEMENT POLICY

Purpose

Hastings has a Risk Management Policy to enable it to operate its business in such a way as to minimise the risk of a material risk causing harm to its staff, and other stakeholders and to mitigate economic, environmental and social sustainability impacts. Hastings will use the policy as a basis to inform all stakeholders of its performance in managing its identified material business risks.

Scope

The policy addresses all exploration, operational and corporate activities carried out by Hastings and its subsidiary companies Brockman Project Holdings Pty Ltd, Gascoyne Metals Pty Ltd and Yangibana Pty Ltd (formerly Karamindie Resources Pty Ltd).

Policy

The key elements of Hastings' risk management policy are:

- Hastings will incorporate risk management into its decision making and business planning processes so that risks are identified, analysed, ranked and appropriate risk controls and risk management plans are put into place to manage and reduce the identified risks;
- All of Hastings' operational tasks are subject to formal risk assessment before a new task is undertaken, a new investment is made or a new work location is opened;
- The risk identification and management system will be reviewed annually by senior management and policies and practices upgraded where issues are identified that require attention. Reviews of specific items will be undertaken where issues are identified and immediate action is required;
- Risk will be a standing item on the agenda of board meetings, for reporting against material business risks.
- Hastings will ensure that all staff are properly trained in assessing and mitigating risks.

Procedures

Risk Strategy and Risk Tolerance

Hastings has identified that it operates in the exploration for minerals in Australia and there are inherent risks associated with failure to make significant progress in discovering new mineral deposits and developing these to a position where they can be economically mined. Hastings will apply resources to ensure that an adequate number of suitably qualified staff are employed, technical skills are developed, appropriate equipment is provided and that appropriate exploration procedures are carried out to enhance the potential for making discoveries and to ensure compliance with environmental obligations.

To support its operations Hastings recognises that there are several areas where potential material business risks could arise and it has reviewed its risk tolerance and determined that is moderate to low and accordingly strong risk management processes have been and will continue to be put in place.

Risk Management Requirements

Risk management is a focus in all of Hastings' activities and risks will be identified and assessed and appropriate mitigation strategies will be put in place. The Risk Register and Risk Management Plans and controls will be reviewed at regular intervals and modified to take into account changes in the risks or better information as it comes to hand.

Assurance

Hastings will review the effectiveness of its risk management annually and if deemed necessary will engage an external reviewer to facilitate that review.

External audit will provide an opinion on the accuracy and fairness of the Company's annual financial statements. In doing so, they will independently assess the management of significant risks and key internal control systems over financial reports.

Review

Hastings' risk policy and risk register will be reviewed by the Board of Directors annually to coincide with the preparation and lodgement of the Company's Annual Accounts.

5. RISK MANAGEMENT ROLES AND RESPONSIBILITIES

The list below identifies accountabilities and responsibilities for managing risks in Hastings:

Board of Directors

- Champion Hastings' governance and risk management processes;
- Determine Hastings' risk tolerance;
- Oversee the risk management framework and ensure it is implemented and adopted;
- Review and approve Hastings' list of material business risks (risk profile) and risk management controls and plans and monitor the implementation of the risk management program against the endorsed implementation strategy;
- Confirm that Hastings' risk management process is continually maturing to reflect the changing environment and allows Hastings to identify and respond to emerging issues and risks;
- Receive reports from management on material business risks; and
- Publicly report and make necessary disclosures relating to risk as required by Principle 7.

Executive Directors and Senior Management

- Develop Hastings' strategic risk profile by identifying and prioritising material business risks;
- Review Hastings' risk profile periodically;
- Review and assess the current and planned approach to managing material business risks;
- Review and monitor the status of risk treatment/mitigation strategies;
- Periodically report on material business risks to the Board; and
- Ensure the risk management framework is implemented across the different areas of operations.

Supervisors

- Monitor the material business risks for their areas of responsibility;
- Provide suitable information on implemented treatment/mitigation strategies to senior management to support ongoing reporting to the Board; and
- Ensure staff are adopting Hastings' risk management framework as developed and intended.

Individual Staff

- Recognise, communicate and respond to expected, emerging or changing material business risks;
- Contribute to the process of development of Hastings' risk profile; and
- Implement treatment strategies within their area of responsibility.

6. RISK ASSESSMENT

The chart below sets out the general model for assessing risk. The horizontal axis sets out the consequences of any event. Similarly on the vertical axis the likelihood of an event occurring is ranked. Risks that are rated as Medium or above will be reported as material business risks.

Hastings' self-assessed tolerance for risk means that it aims to manage risk by having all identified events in the green zones of the chart and will achieve that by putting in place controls to manage and/or modify each identified risk.

Hastings' main method of control is the use of its Site Safety Management Plan for its operational activities and that requires a job assessment for each new task using the risk management as a tool.

Risk Criteria	Commentary
Extreme (Intolerable)	If the risk level description is Extreme, it is considered to be unacceptable. If an extreme risk remains, once all controls / barriers have been identified, including future risk mitigation action steps to be implemented, then the risk SHOULD NOT be undertaken. i.e. the targeted risk level, post identified treatment actions required, should be reduced from Extreme.
High (generally intolerable)	A risk defined as High is generally considered to be intolerable. Risks in this range generally reflect a high consequence. There may be circumstances where a High risk activity is undertaken SUBJECT TO BOARD AUTHORISATION. Critical controls for tolerable risks MUST be subject to high levels of management testing and monitoring.
Medium (tolerable)	A risk defined as Medium is considered to be tolerable. Although these risks are in the tolerable range, efforts <u>must</u> still be made to reduce them if practicable.
Low (Tolerable)	A Low risk activity is broadly acceptable. However this does not necessarily preclude the initiation of improvements if they are economic, readily identified and practicable.

The Risk Matrix for assessing risks is set out below:

		Consequence				
		Catastrophic A	Major B	Severe C	Significant D	Minor E
People		Multiple fatalities	Single fatality	Major Injury or illness / permanent disability	Minor injury illness. Expected to make full recovery	Slight injury. First aid or no treatment required
Environmental		Effects wide spread; viability of ecosystems or species affected; permanent major change.	Major offsite impact; long term severe effects or rectification difficult;	Localised (<1 ha) & short term (<2 yr) effects. Any offsite. Easily rectified	Effect very localised (<0.1 ha). Onsite. Very short term impact. (weeks) Minimal rectification	No effects; minor on site effects rectified immediately with negligible residual effect
Reputation / Regulatory		Continuous national & / or international coverage, major regulatory restrictions imposed	National press coverage , regulatory investigation possible loss of licence	Local media coverage. Reportable to regulator	Managed locally, some external awareness.	Issue resolved in day to day management. No media coverage.
Financial		Loss may exceed A\$1 million	Maximum between A\$500,000 and A\$100,000	Max loss less than A\$100,000	Max loss less than A\$10,000	Loss less than \$1,000
Likelihood						
Almost Certain 5	Expected to occur once per year or more	Extreme	Extreme	High	Medium	Medium
Occasional 4	May occur occasionally during the life of a project or operation	Extreme	High	High	Medium	Low
Unlikely 3	Unlikely to occur during the life of a project or operation, but possible	High	High	Medium	Medium	Low
Remote 2	Not anticipated for a project or operation	Medium	Medium	Medium	Low	Low
Hypothetical 1	Theoretically possible but has not occurred at a similar project or operation	Medium	Low	Low	Low	Low

7. RISK REGISTER

Hastings has developed a risk register which sets out details of identified material business risks and the current controls to manage risk along with proposed further actions that need to be taken to manage all identified risks to levels that are acceptable to Hastings's tolerance for risk.

The entire risk register will be reviewed annually by the Hastings board and specific events and treatments will be reviewed as required either in response to particular circumstances or as a new event is identified.

HASTINGS LIMITED - RISK REGISTER (June 2015)

RESPONSIBILITY CODE: BOARD OF DIRECTORS (1), COMPANY SECRETARY (2), GENERAL MANAGER EXPLORATION (3)

RISK DESCRIPTION	CURRENT CONTROLS	CONSEQUENCES	LIKELIHOOD	OVERALL RISK LEVEL	REQUIRED ACTION
OPERATIONAL - General Manager Exploration (3)					
Incident involving personal or property damage.	Site Safety Management Plan.	Minor to Significant	Almost Certain to Occasional	Medium	Continue site inductions of employees and contractors of site safety management plan and standard operating procedures and daily site safety prestart meetings.
Incident involving health and safety of personnel in a remote location.	Site Safety Management Plan.	Minor to Significant	Almost Certain to Occasional	Medium	Continue site inductions of employees and contractors including emergency response plan and rehearsal of the procedures.
Incident involving serious injury or death.	Site Safety Management Plan.	Severe to Catastrophic	Unlikely to Hypothetical	Medium	Continue site inductions of employees and contractors including emergency response plan and rehearsal of the procedure.
Theft or sabotage	Field site Induction	Significant	Remote	Low	Maintain site security of equipment and vehicles
Exploration strategy not in line with Business Plan	Board approval of exploration strategy and programmes.	Significant to Severe	Remote	Low	Maintain high level of communications together with Board approval of exploration strategy and programmes.
Inherent geology risk in mineralisation and geology models.	Engagement of quality consultant to work with management to continually refine exploration models	Severe	Unlikely	Medium	Continue regular technical reviews and engage high quality consultants where required for input and reviews. Continue to review projects to ensure they remain in line with the exploration strategy.
Poor quality assay data and control resulting in poor decisions	QA/QC systems and procedures, engage industry reputable laboratories.	Significant	Remote	Low	Maintain current procedures for existing exploration style programmes and review once resource and feasibility drilling is undertaken.
Contractual Disputes	Preparation of contracts by Legal Counsel and approval of contracts by the Board	Significant	Unlikely	Medium	Maintain current procedures
Damage to National Heritage sites	Environmental Management Plan	Significant	Remote	Low	Continue site inductions of employees and contractors of Environmental Management Plan and supervision of earthworks to ensure works are outside of designated buffer zones.

RISK DESCRIPTION	CURRENT CONTROLS	CONSEQUENCES	LIKELIHOOD	OVERALL RISK LEVEL	REQUIRED ACTION
OPERATIONAL - General Manager Exploration (3) (continued)					
Incident involving environmental damage.	Site Safety Management Plan, Environmental Policy and specific Environmental Management Plans.	Severe to Major	Unlikely	Medium	Environmental Management plan inductions of employee and contractors. Continue to engage an environmental consultant to prepare and review environmental management plans.
Damage to Cultural sites of significance	Exploration Site inductions and awareness. Conduct Cultural Heritage clearance surveys with indigenous representatives if required.	Significant	Remote	Low	Maintain current procedures
Community relations.	Exploration Site Induction	Significant	Unlikely	Medium	Planned activities are discussed with landowners. Local employment and purchasing of goods and equipment is encouraged. Employee and contractors complete an Exploration site induction covering community and landowner relations.
Loss of Key Personnel – Exploration Executive Director	Employ high quality personnel	Severe	Unlikely	Medium	Ensure staff training and development is maintained and maintain industry standard employment conditions

RISK DESCRIPTION	CURRENT CONTROLS	CONSEQUENCES	LIKELIHOOD	OVERALL RISK LEVEL	REQUIRED ACTION
COMPLIANCE & Corporate - General Manager Exploration (3), Company Secretary (2),					
Tenement loss. - Compliance with tenement licence conditions:	Management of tenements by experienced tenement consultants.	Severe	Remote	Low	Employees and contractor inductions of exploration license conditions. Monthly updates of reporting and financial compliance conditions. Management of tenements by experienced tenement consultants.
Tenement loss. - Not meeting required financial expenditure commitments on tenements	Management plan exploration programmes to ensure commitments are achieved.	Severe	Unlikely	Medium	Disposing of tenement assets which do not meet the company strategy. Maintaining a tenement portfolio that is within the company's financial capacity.
JORC Compliance.	Compliance with JORC for all public reporting at the current exploration stage of operation. Currently written consents are obtained and retained.	Significant	Remote	Low	Review current procedures once resource evaluation works commence.
Occupational Health and Safety and Environmental- Compliance with reporting.	Collection of accident and incident reports and preparation of statistics. Maintain environmental disturbance and rehabilitation records.	Minor to Significant	Unlikely	Medium	Continue the management of the reporting through tenement consultants with statistics and reporting supplied by senior management.
ASX - Compliance with Listing Rules. (4)	Board Charter; Company Secretary to review all actions; regular reports lodged including: <ul style="list-style-type: none"> • Qtly operations report; • Appendix 5B; • Half yearly accounts; • Annual accounts and report; • Appendices 3X, 3Y and 3Z. 	Minor to Major	Almost Certain to Unlikely	Medium	Company Sec has developed reporting compliance timetable

RISK DESCRIPTION	CURRENT CONTROLS	CONSEQUENCES	LIKELIHOOD	OVERALL RISK LEVEL	REQUIRED ACTION
COMPLIANCE & Corporate - General Manager Exploration (3), Company Secretary (2),					
Market undervalues Company	Shareholder Communications Policy; Continuous Disclosure Policy; Investor Relations and marketing	Significant	Almost Certain	Medium	
Insufficient capital	Financial controls; Board Awareness; Capital Raising strategy	Major	Unlikely	High	
ASX announcements - Quality and timeliness of announcements.	Continuous Disclosure Policy - Announcement review and approval by Board.	Major	Remote	Medium	
ASX Announcements - Errors in releases	Checking of documents by executive management and Board.	Significant	Unlikely	Medium	Sign off procedures to ensure technical accuracy and JORC compliance.
ASIC - Compliance with Corporations law and ASIC reporting requirements.	Review of all actions by Company Secretary.	Major	Remote	Medium	Coy Sec has developed reporting compliance timetable
Director Conflict of Interest undeclared	Director Standing Declarations; Standing item at Board meetings; Code of Conduct and Board Charter	Severe	Remote	Medium	

RISK DESCRIPTION	CURRENT CONTROLS	CONSEQUENCES	LIKELIHOOD	OVERALL RISK LEVEL	REQUIRED ACTION
COMPLIANCE & Corporate - General Manager Exploration (3), Company Secretary (2),					
Document control system – loss of data.	Ensure all Company documents are appropriately dealt with and recorded.	Significant	Remote	Low	
Undue shareholder influence	Shareholder communication policy	Major	Remote	Medium	
Loss of support of major shareholders	Shareholder communication policy	Major	Remote	Medium	

RISK DESCRIPTION	CURRENT CONTROLS	CONSEQUENCES	LIKELIHOOD	OVERALL RISK LEVEL	REQUIRED ACTION
STRATEGIC - Board (1)					
Failure to identify/pursue new opportunities.	Proactive, Informal approach to identifying new opportunities for company development and growth. Prepared a formal opportunity profile, process and business plan for Board approval.	Severe	Unlikely	Medium	Maintain and review opportunities in line the company strategy
Exposure to metal prices.	Monitor trends in metal prices and metal demands to ensure Hastings's exploration remains focused on potentially viable metal commodities.	Major	Unlikely	High	Seek to focus and optimise operation based on high value RE
Business and personal ethics.	Compliance with Corporate Governance Statement and Principles, Code of Conduct, community standards and the law.	Major	Remote	Medium	
Share trading.	Share trading policy is in place; Board standing agenda item	Severe	Remote	Medium	
REPUTATION - Board of Directors (1)					
Poor Media/PR.	Chairman to approve all press releases, media contact, presentations	Significant to Major	Moderate to Low	Low	

RISK DESCRIPTION	CURRENT CONTROLS	CONSEQUENCES	LIKELIHOOD	OVERALL RISK LEVEL	REQUIRED ACTION
HUMAN CAPITAL - Board of Directors (1)					
Resignation of key staff.	Maintain a satisfactory workplace, training, job opportunities and remuneration.	High	Moderate to Low	Moderate	
Acts of sabotage by staff.	No formal procedures.	High to Low	Moderate to Low	High to Low	
Qualifications, competency and professional affiliations of board and staff.	Board Charter; Board skills matrix	Moderate	Moderate	Moderate	Annual review
Succession planning.	None.	High	Moderate to Low	Moderate	
Harassment and discrimination in the workplace.	Policy to manage harassment and discrimination in the workplace – Code of Conduct	Severe	Remote	Medium	

FINANCIAL PROCEDURES, CONTROLS & REPORTING - Company Accountant (4)

RISK DESCRIPTION	CURRENT CONTROLS	CONSEQUENCES	LIKELIHOOD	OVERALL RISK LEVEL	REQUIRED ACTION
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FINANCIAL PROCEDURES, CONTROLS & REPORTING - Company Accountant (4)

Payroll.	Authority for new engagements, review and authorisation of monthly disbursements. Established policy for termination.	Significant	Remote	Low	
Employee records.	Maintain employee records.	Significant	Remote	Low	
Cash controls.	Two signatories on all disbursements and check of prior approval by appropriate authority.	Major	Remote	Medium	
Cash management.	Monthly cash flow forecasts to Board.	Severe	Unlikely	Medium	
Monthly management accounts.	Monthly cash flow reporting and review by Board.	Significant	Remote	Low	
Creditor management.	Creditor register. Monthly review payments ledger.	Severe	Remote	Medium	

RISK DESCRIPTION	CURRENT CONTROLS	CONSEQUENCES	LIKELIHOOD	OVERALL RISK LEVEL	REQUIRED ACTION
FINANCIAL PROCEDURES, CONTROLS & REPORTING - Company Accountant (5)					(continued)
Payroll tax.	Payroll does not exceed the threshold for payment of payroll tax.	Minor	Hypothetical	Low	
Failure or inadequacy of insurances.	Insurances policies are held to mitigate financial risk: <ul style="list-style-type: none"> • Director and Officers Liability; • Public Liability (\$20M); • Motor vehicle; and • General business. 	Major	Remote	Medium	Annual review
Quarterly accounts – Appendix 5B.	Reviewed by Board prior to lodgement.	Significant	Remote	Low	
Half yearly and Annual accounts.	Early preparation and review by management and auditors.	Severe	Remote	Medium	No further action required.