

6 October 2017

Isabelle Andrews
Adviser, Listings Compliance (**ASX**)
Level 40, Central park
152-158 St George's Terrace
Perth WA 6000

RE: FRASER RANGE METALS GROUP LIMITED ("COMPANY"): RESPONSE TO LETTER

In reference to your letter dated 21 September 2017 ("**Letter**") and in response to your questions (beginning page 5 of your Letter), please see the following responses:

1. Please explain why the amounts expended by the Company on exploration and evaluation since the date of its Prospectus have been so much lower than was forecast in the Prospectus and in the "Statements to ASX" dated 14 March 2016.

The Company acknowledges that to date, expenditure on exploration is lower than the indicative budget that was set out in the Company's Prospectus dated 19 January 2016 ("**Prospectus**").

Estimated expenditure contained in the Prospectus was subject to adjustment(s) by the Company on an ongoing basis. As outlined in the Prospectus, actual expenditure has the potential of differing significantly due to factors including market and general economic conditions which the Company has constantly assessed. Further, the Prospectus also stated that actual expenditure levels of the Company may be impacted by the development of new opportunities evaluated by the Company and, as per announcements made by the Company on 31 October 2016, 1 February 2017, 1 May 2017 and 1 August 2017, there has been a focus on new acquisitions that could be explored in conjunction with the Company's current project. These ongoing assessments have also resulted in delayed expenditure levels from the Prospectus. Such assessments resulted in the Dundas (ELA 63/1792) pegging of new ground subsequent to the date of the Prospectus

As a base metals exploration company, the Company's tenements in the Fraser Range are primarily prospective for nickel. Following the Company's reinstatement in March 2016, leading independent commentators and consultants published articles noting that the outlook for the nickel market was negative with a likely trend into a period of oversupply and demand weakness. The Company also subscribed to this view which proved to be correct when in early 2017, after a brief period of resurgence, the nickel price trended downwards to near multi year lows, reflecting the sustained weakening and slump in nickel demand and oversupply (please see Appendix A for further background considered). As referenced in the Company's Notice of Meeting to Shareholders lodged on 22 December 2015 ("**NoM**"), the Company projected a gradual increase in the nickel price in the future which is yet to happened to the extent anticipated at the time of the NoM based on a current spot price of \$4.77 USD/lb (source, Capital IQ) compared to the NoM's anticipated 2017 price of \$6.80 USD/lb.

The Company sees access to capital, and inefficient capital management, as key elements of failed junior explorers listed on the ASX; the Company is mindful of its duties to prudently conserve shareholder capital during a depressed commodity cycle. The Company's delay in exploration expenditure is primarily a function of the Company seeking optionality over the best allocation of

Company resources to the greatest commercial benefit of the Company's shareholders. The Company has been consistent with this mentality of capital management in relation to fees paid to its directors; the Company reduced overhead costs of director fees as announced in its Quarterly Activities Report dated 29 July 2016.

For these reasons above, the Company has focused on low cost activities such as the analysis of previous auger drilling results and geochemical anomalies, regional geophysical surveying campaigns on the Fraser Range Project and the advancement of the application for the Dundas Project rather than the drilling component of the programme proposed in the Prospectus. The Company has undertaken low cost means of building scale to its projects, evidenced by the Company's pegging of the Dundas application which is complementary to the original ELs detailed in the Prospectus and is prospective in part due to its proximity with Independence Group's Nova nickel-copper deposit. The Dundas application falls within a nature reserve and, as such, there has been increased time associated with environmental submissions. The Company has also assessed other means of increasing the scale, and thus economies of scale, of the project in the Fraser Range area and this has also been a focus which has delayed expenditure. The Company has continually updated the market to its immediate activities regarding the state and status of its exploration activities.

2. Please reconcile the amounts set out in the Spreadsheet with the amounts attributed to exploration and evaluation in the Company's Appendices 5B for the period 1 March 2016 to 30 June 2017.

The Company has reconciled the entirety of the Company's cashflows in relation the its exploration and evaluation disclosures for the period from 9 February 2016 to 31 August 2017 and note the following:

- a. The Company's previously provided spreadsheet ("**Spreadsheet**") detailing exploration and evaluation totalling \$363,997.49 included expenditure for the months of July and August 2017; ASX's reconciliation from points E through J in its Letter excluded the expenditure during this period;
- b. Upon re-evaluation of the Company's quarterly cashflow disclosures a reporting error was identified. This was contained in the Spreadsheet given to ASX, whereby the total exploration and evaluation expenditure differed from to the Company's quarterly by approximately \$9,000. The amount is approximate due the rounding (\$A'000) of figures in quarterly reports; and
- c. The circa \$9,000 discrepancy falls within the July and September 2016 quarters where exploration and evaluation was overreported and administration and corporate costs and director payments were underreported. The discrepancy was administrative in nature as it resulted from a prepayment being accounted for twice. The Company's accounts have been updated to reflect the correct disclosure amounts

3. Please reconcile the amounts set out in the Spreadsheet with the amounts attributed to administration and corporate costs in the Company's Appendices 5B for the period 1 March 2016 to 30 June 2017.

The Company has reconciled the entirety of the Company's cashflows in relation the its disclosed administration and corporate cost for the period from 9 February 2016 to 31 August 2017 and note the following:

- a. The Company's previously provided Spreadsheet detailing administration and corporate costs totalling \$367,408.64 included expenditure for the months of July and August 2017; ASX's reconciliation from points E through J in its Letter excluded the expenditure during this period;
- b. Upon re-evaluation of the Company's quarterly cashflow disclosures a reporting error was identified. This was contained in the Spreadsheet given to ASX, whereby the total

administration and corporate costs differed from to the Company's quarterly by approximately \$9,000. The amount is approximate due the rounding (\$A'000) of figures in quarterly reports; and

- c. The circa \$9,000 discrepancy falls within the July and September 2016 quarters where exploration and evaluation was overreported and administration and corporate costs and director payments were underreported. The discrepancy was administrative in nature as it resulted from a prepayment being accounted for twice. The Company's accounts have been updated to reflect the correct disclosure amounts.

4. Please reconcile the amounts set out in the Spreadsheet with the amounts stated as being paid to directors or their associates in the Company's Appendices 5B for the period 1 March 2016 to 30 June 2017.

The Company has reconciled the entirety of the Company's cashflows in relation the amounts stated as being paid to directors or their associates for the period from 9 February 2016 to 31 August 2017 and note the following:

- a. The Company's previously provided Spreadsheet detailing the amounts stated as being paid to directors or their associates totalling \$335,075.20 included expenditure for the months of July and August 2017; ASX's reconciliation from points E through J in its Letter excluded the expenditure during this period;
- b. Upon re-evaluation of the Company's quarterly cashflow disclosures a reporting error was identified. This was contained in the Spreadsheet given to ASX, whereby the total amounts stated as being paid to directors or their associates differed from to the Company's quarterly by approximately \$9,000. The amount is approximate due the rounding (\$A'000) of figures in quarterly reports; and
- c. The circa \$9,000 discrepancy falls within the July and September 2016 quarters where exploration and evaluation was overreported and administration and corporate costs and director payments were underreported. The discrepancy was administrative in nature as it resulted from a prepayment being accounted for twice. The Company's accounts have been updated to reflect the correct disclosure amounts

5. Please provide a detailed breakdown of the payments to CCS – Cicero Corporate Services Pty Ltd set out in the Spreadsheet and explain what services those payments cover.

Note there was a typographical error in the Spreadsheet whereby the notes stated "75% of Corporate services and BD". This correct allocation of Cicero Corporate Services Pty Ltd's ("CCS") expenditure towards exploration and evaluation is in fact 60%.

CCS's monthly fee is \$13,200 (incl. GST). The 17.5-month period depicted in the Spreadsheet was for the period 15 February 2016 to 31 July 2017.

- $17.5 \times \$13,200 = \$231,000$
- $\$231,000 \times 60\% = \underline{\underline{\$138,600}}$

Services covered in the 60% allocation is as follows:

- a. General Management of the Company's affairs including the management of the Company's project,
- b. Access to a Geological consultant,
- c. Access to Information Technology resources such as MapInfo and Datashed, and
- d. Storage of Company data, files and samples.

Further to the above, the Company management of the project relates predominantly to the utilisation of in-house geological consultation who manages all compliance of the ELs and ELA with regards to departmental reporting, departmental compliance and commercial/technical

assessment(s) of activities by the Company. Furthermore, services also provide access to commercial consultation which provides support to the Company's operations in regard to commodity, sector and commercial outlooks.

6. Please confirm that the Company is in compliance with the Listing Rules, and in particular, Listing Rule 3.1.

The Company confirms that it remains in compliance with ASX Listing Rule 3.1.

7. Please confirm that the Company's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of the Company with delegated authority from the board to respond to ASX on disclosure matters.

The Company confirms that these responses are authorised and approved in accordance with the Company's continuous disclosure policy.

Yours faithfully,

Loren Anne King
Company Secretary

Fraser Range Metals Group Ltd

Appendix A

Nickel Outlook 2016:

<http://www.abc.net.au/news/rural/2016-01-21/nickel-future-in-question-as-prices-remain-low-at-start-of-2016/7103618>

Triland cuts 2016 base metals price forecast, especially bearish on nickel:

<https://www.metalbulletin.com/Article/3523733/Triland-cuts-2016-base-metals-price-forecast-especially-bearish-on-nickel.htm>

Copper, coal, nickel and iron ore expected to continue wild ride after volatile January:

<http://www.abc.net.au/news/rural/2016-02-08/mineral-energy-commodities-volatility-expected-to-continue/7143758>

Nickel slide adds to Glencore woes:

<https://thewest.com.au/news/wa/nickel-slide-adds-to-glencore-woes-ng-ya-100289>

Global nickel demand outlook flat for 2016, 2017 amid lack of drivers:

<https://www.platts.com/latest-news/metals/hongkong/global-nickel-demand-outlook-flat-for-2016-2017-26487691>

-END-



21 September 2017

Mrs Loren King
Company Secretary
Fraser Range Metals Group Limited
C/o Cicero Corporate Pty Ltd
Suite 9
330 Churchill Avenue
Subiaco WA 6008

By Email:

Dear Mrs King

Fraser Range Metals Group Limited ("Company")

ASX Limited ("ASX") refers to the following:

- A. The tenement right sale agreement with Segue Resources Limited ("Segue") dated 26 March 2014, pursuant to which the Company agreed to sell to Segue the following applications for exploration licences: E2812384, E2812385, E2812386, E2812387, E2812388, E2812389, E28/2390, E28/2391, E28/2392 and E28/2393.
- B. The deed of variation, dated 20 November 2015 between the Company and Segue, pursuant to which the Company agreed to re-acquire tenements E28/2385, E28/2390 and E28/2392 (the "Tenements") from Segue.
- C. The Company's prospectus ("Prospectus") for its recompliance listing lodged on ASX's Market Announcement Platform ("MAP") on 19 January 2016 seeking to raise a minimum of \$3,500,000 and up to \$5,000,000, which stated as follows:

"What is the Company's strategy and business model?"

... Initially, the Company will conduct exploration programmes on the Tenements and seek to drive capital growth for Shareholders through achieving exploration success from its exploration programme. ...

The Company's longer term plan post-completion of the Acquisition and the Public Offer is to explore and exploit the Tenements with the aim of developing those assets into income generating assets of the Company through the mining and sale of minerals. In addition, the Company will investigate and assess opportunities to acquire additional mining tenements in the Fraser Range.

The Company's business model is dependent on the achievement of technical and commercial success from its exploration programmes. [page 8]

What are the Company's Objectives?

The Company's main objectives on completion of the Public Offer and the Acquisition are:

- in relation to the Tenements, to conduct the exploration programmes...and*
- investigate, assess and, if appropriate, acquire additional mining tenements in the Fraser Range that are considered by the Board to add value to the Company. [page 8]*

What is the proposed work programme in Relation to the Tenements?

During the first year, it is proposed that geophysical surveys (airborne magnetic, gravity and electromagnetic) will be undertaken and to generate nickel-copper targets for initial drill testing. Reconnaissance aircore drilling will also be undertaken as an initial test of the previously identified gold targets.

The second year programmes will involve additional aircore drilling, reverse circulation and/or diamond drilling, supported by downhole geophysical surveys. [page 9]

Use of Funds

... The Company intends to apply the funds raised from the Public Offer, together with the Company's cash reserves, over the 24 months following reinstatement to quotation of Shares as set out in the table below. ...

Allocation of Funds	Minimum Subscription (\$3,500,000)	Percentage of Funds (%)	Maximum Subscription (\$5,000,000)	Percentage of Funds (%)
Working Capital, General Administration Costs and Business Development ²	\$1,351,014	37.62%	\$2,141,014	42.05%
Estimated Exploration budget for 2016 and 2017 ³	\$1,750,000	48.73%	\$2,350,000	46.16%
Estimated Cost of the Offers ⁴	\$490,000	13.65%	\$600,000	11.79%
TOTAL	\$3,591,014	100.00%	\$5,091,014	100.00%

[page 19]

- D. The Company's announcement entitled "Statements to ASX" dated 14 March 2016, as part of pre-quotation disclosure, which stated that the Company intended to allocate the funds raised accordingly:

	Amount (\$)	Percentage of Funds (%)
Funds available		
Existing cash reserves of the Company	\$91,014	2.28%
Proceeds from the Public Offer and Adviser Offer	\$3,892,491	97.72%
Total	\$3,983,505	100.00%
Allocation of funds		
Working Capital, General Administration Costs and Business Development	\$1,608,487	40.38%
Estimated Exploration budget for 2016 and 2017	\$1,887,858	47.39%
Estimated Cost of the Offers	\$487,160	12.23%
Total	\$3,983,505	100.00%

- E. The Company's announcement entitled "Quarterly Activities Report and Appendix 5B March 2016" dated 29 April 2016, which appeared to cover the month of March 2016 only and which disclosed the following:
- Cash at 31 March 2016 of \$3,426,000;
 - Payments for exploration and evaluation of \$16,000;
 - Payments for administration of \$70,000; and
 - No amounts disclosed as paid to directors and their associates.
- F. The Company's announcement entitled "Quarterly Activities Report and Appendix 5B June 2016" dated 29 July 2016, which disclosed the following:
- Cash at 30 June 2016 of \$3,426,000;
 - Payments for exploration and evaluation of \$108,000;
 - Payments for administration of \$116,000; and
 - No amounts disclosed as paid to directors and their associates.
- G. The Company's announcement entitled "Quarterly Activities Report and Appendix 5B September 2016" dated 31 October 2016, which disclosed the following:
- Cash at 31 September 2016 of \$3,147,000;
 - Payments for exploration and evaluation of \$57,000;
 - Payments for administration and corporate costs of \$26,000;
 - Amounts paid to directors and their associates of \$32,000.
- H. The Company's announcement entitled "Quarterly Activities Report and Appendix 5B December 2016" dated 31 January 2017, which disclosed the following:

- Cash at 31 December 2016 of \$3,055,000;
 - Payments for exploration and evaluation of \$52,000;
 - Payments for administration and corporate costs of \$56,000;
 - Amounts paid to directors and their associates of \$29,000.
- I. The Company's announcement entitled "Quarterly Activities Report and Appendix 5B March 2017" dated 1 May 2017, which disclosed the following:
- Cash at 31 March 2017 of \$2,987,000;
 - Payments for exploration and evaluation of \$53,000;
 - Payments for administration and corporate costs of \$29,000;
 - Amounts paid to directors and their associates of \$24,000.
- J. The Company's announcement entitled "Quarterly Activities Report and Appendix 5B" dated 1 August 2017, which disclosed the following:
- Cash at 30 June 2017 of \$2,906,000;
 - Payments for exploration and evaluation of \$58,000;
 - Payments for administration and corporate costs of \$34,000;
 - Amounts paid to directors and their associates of \$28,000.
- K. The Company's submission to the ASX dated 8 September 2017, regarding a potential chapter 11 transaction ("Chapter 11 Submission").
- L. The spreadsheet of the Company's expenditure for the period 9 February 2016 – 6 September 2017 provided with the Chapter 11 Submission ("Spreadsheet"), which detailed the following expenditure over that period:

	Payee	Amount	Notes
1	City of Kalgoorlie - Boulder	(\$1,375.89)	Tenement Rent
2	McMahon Mining Title Services Pty Ltd	(\$18,675.65)	Tenement Rent
3	CCS - Cicero Corporate Services Pty Ltd	(\$138,600.00)	75% of Corporate services and BD
4	Glen Whiddon - Director Fees	(\$42,667.57)	75% of Director Fees
5	Ian Prentice - Directors Fees	(\$36,599.44)	100% of Director Fees
6	Josh Puckridge - Director Fees	(\$54,999.95)	75% of Director Fees
7	Department of Mines and Petroleum	(\$1,878.75)	Tenement Rent
8	Loren King - Directors Fees	(\$22,916.65)	75% of Director Fees
9	Newstead Consulting	(\$14,300.00)	Geological services
10	Noel O'Brien consulting on Fort Cady Borate Project Sep-16	(\$2,758.60)	Project Evaluation - BD
11	Segue Resources Limited	(\$15,000.00)	Purchase of tenements from Segue
12	Tom Bahen - Directors Fees	(\$13,125.00)	75% of Director Fees
13	Trinol Pty Ltd	(\$1,100.00)	Project Evaluation - BD
	Total	(\$363,997.49)	

These amounts do not appear to tally with the amounts disclosed in the Company's Appendices 5B for the period 1 March 2016 to 30 June 2017.

- M. ASX listing rule 12.1 which provides that the level of an entity's operations must, in ASX's opinion, be sufficient to warrant the continued quotation of the entity's securities and its continued listing.

Request for Information

Pursuant to listing rule 18.7, ASX requires the Company to answer the following questions and to provide the following information:

1. Please explain why the amounts expended by the Company on exploration and evaluation since the date of its Prospectus have been so much lower than was forecast in the Prospectus and in the "Statements to ASX" dated 14 March 2016.
2. Please reconcile the amounts set out in the Spreadsheet with the amounts attributed to exploration and evaluation in the Company's Appendices 5B for the period 1 March 2016 to 30 June 2017.
3. Please reconcile the amounts set out in the Spreadsheet with the amounts attributed to administration and corporate costs in the Company's Appendices 5B for the period 1 March 2016 to 30 June 2017.
4. Please reconcile the amounts set out in the Spreadsheet with the amounts stated as being paid to directors or their associates in the Company's Appendices 5B for the period 1 March 2016 to 30 June 2017.
5. Please provide a detailed breakdown of the payments to CCS – Cicero Corporate Services Pty Ltd set out in the Spreadsheet and explain what services those payments cover.
6. Please confirm that the Company is in compliance with the Listing Rules, and in particular, Listing Rule 3.1.
7. Please confirm that the Company's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of the Company with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than **9.00 a.m. AWST on Thursday 28 September 2017**.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, the Company's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at Isabelle.andrews@asx.com.au and to tradinghaltspert@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

In responding to this letter, you should have regard to the Company's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that the Company's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely,

[sent electronically without signature]

Isabelle Andrews

Adviser, Listings Compliance (Perth)