

24th May 2012

ASX ANNOUNCEMENT / MEDIA RELEASE

RESOURCE DRILLING RECOMMENCES AT THE CAMPOONA GRAPHITE PROJECT

Highlights

- Resource drilling recommenced at the Campoona Graphite Project on 23rd May 2012. RC and diamond drilling will support the estimation of a maiden JORC Measured Resource. Drilling is expected to be completed, weather permitting, within 3 months.
- Based on drilling to date the Campoona Graphite Project has an Exploration Target* of 6-10Mt grading 11-13%TGC at the Campoona Shaft and Campoona Central areas.
- The current resource drilling will solely target the Campoona Shaft area where the Exploration Target* to 100m depth is estimated at 3-5Mt grading 10-12% TGC. The Campoona Shaft deposit is open to the north.
- Drilling at Central Campoona to support the estimation of an expanded JORC Resource will resume following the 2012 harvest scheduled for December 2012 – January 2013.

**The potential quantities and grades presented are conceptual in nature, there has been insufficient exploration to define an overall Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource*

- Metallurgy results from the April 2012 Campoona drilling are expected within the next week.

Archer Exploration Limited ("Archer") advises that resource drilling recommenced on the 23rd May 2012 at the Company's 100% owned Campoona Graphite Project located approximately 12km north of the township of Cleve on Eyre Peninsula, South Australia.

Drilling by the Company in February and again in April 2012 (Figure 1) confirmed the presence of visible flake graphite within a discrete intense graphitic shear zone hosted in low grade graphitic proto-gneiss (high grade metamorphosed sediments). The high grade graphite unit averages 10-50m in true width with the hangingwall section particularly high grade averaging over 15% graphitic carbon and carrying visible flake.

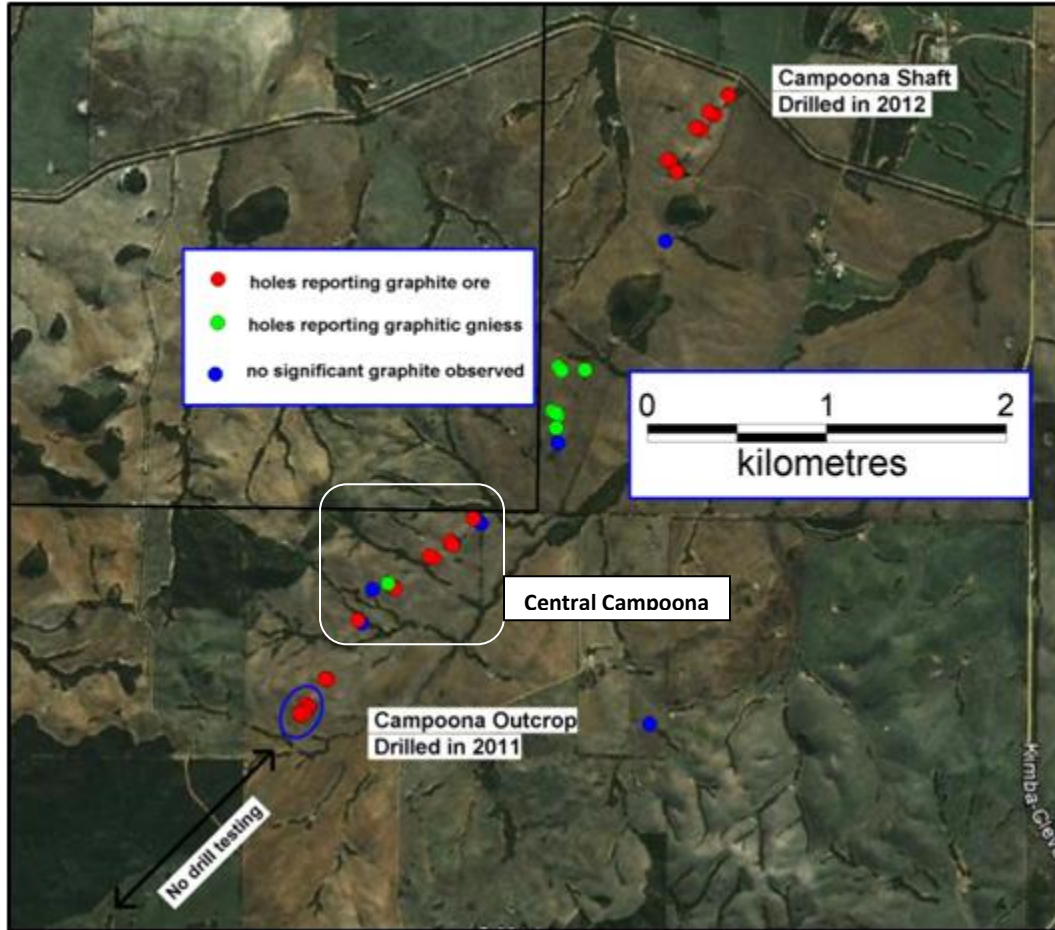


Figure 1. Existing drilling at Campoona Shaft and Central Campoona

The current phase of drilling (Figure 2) is the third and final phase of a staged resource drilling programme designed to identify a JORC Measured Resource at Campoona Shaft. It is expected that the drilling will take 8-12 weeks to complete with the assay results to be progressively reported.

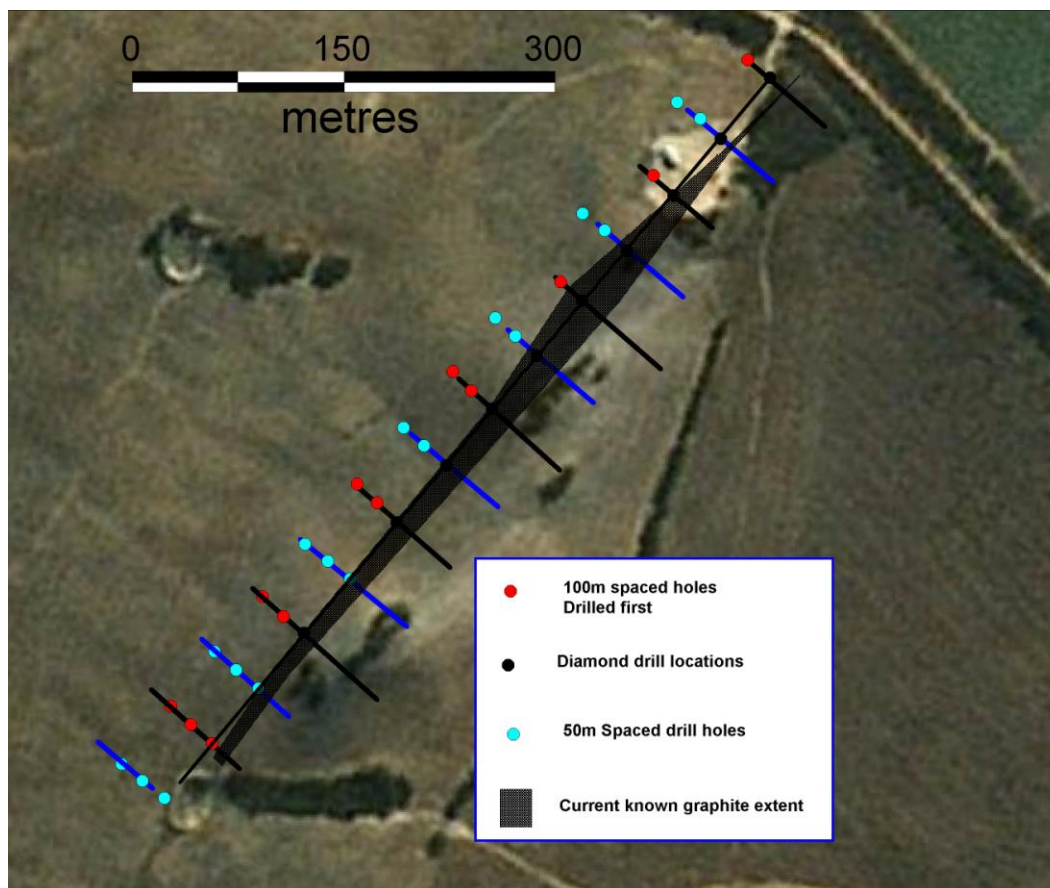


Figure 2. Planned drill locations for final phase of Resource Drilling at Campoona Shaft

Notes on Exploration Potential

Exploration Potential – Tonnage*

Drilling results at Campoona Shaft confirm that the graphitic-rich body consists of a discrete intense graphitic shear zone hosted in low grade graphitic proto-gneiss (high grade metamorphosed sediments). The high grade graphite unit averages 10-50m in true width with the hangingwall section particularly high grade averaging over 15% graphitic carbon and carrying visible flake. The drilling shows the graphite to extend to a vertical depth of at least 100m and there are no signs of thinning at depth. Drilling results are limited to a strike length of 600 metres however the deposit remains open along strike to the north. No density measurements have been conducted at this time but given the composition of the unit it is reasonable to ascribe a density of 2.2gm/cc.

The lower bound exploration potential assuming a strike length of 600m, an average width of 25m, a down-dip extent of 100m and a specific gravity of 2.2gm/cc is estimated at 3Mt.

The upper bound exploration target assumed a strike of 600m (despite the deposit being open to the north) and a vertical extent to the deposit of 150m is estimated at 5Mt.

Central Campoona has the same overall geology however the intense graphitic unit is narrower averaging 10m in true width. Drilling results are limited to a strike length of 1,400 metres however the deposit remains open along strike to the south. The lower bound exploration potential assuming a strike length of 1,400m an average width of 10m, a down-dip extent of 100m and a specific gravity of 2.2gm/cc is estimated at 3Mt.

The upper bound exploration target assumed a strike of 1,400m (despite the deposit being open to the south) and a vertical extent to the deposit of 150m is estimated at 5Mt.

Exploration Potential – Grade*

At Campoona Shaft the arithmetic average of the graphitic schist in the 10 holes completed to date (sample size n=267; x 11.0%TGC) is 10-12%TGC. A lower grade cut-off of 5%TGC was used.

At Campoona Shaft the arithmetic average of the graphitic schist in the 6 holes completed to date (sample size n=72; x 12.4%TGC) is 11-13%TGC. A lower grade cut-off of 5%TGC was used.

The depth of oxidation at both areas is approximately 80m vertically below surface corresponding with the current water table.

****The potential quantities and grades presented are conceptual in nature, there has been insufficient exploration to define an overall Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource***

Metallurgical Testwork

Samples from the April drilling have been submitted for petrological examination and for detailed metallurgical evaluation. Test results should be available within the next week and will be reported once collated.

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The exploration results reported herein, insofar as they relate to mineralisation, are based on information compiled by Mr. Wade Bollenhagen, Exploration Manager of Archer Exploration Limited. Mr. Bollenhagen is a Member of the Australasian Institute of Mining and Metallurgy who has more than eighteen years experience in the field of activity being reported. Mr. Bollenhagen consents to the inclusion in the report of matters based on his information in the form and context in which it appears.