

ARCHER EXPLORATION LIMITED & CONTROLLED ENTITIES  
ABN 64 123 993 233



# Financial Report

Half-year ended  
31 December 2013

**ARCHER EXPLORATION LIMITED & CONTROLLED ENTITIES**

**ABN: 64 123 993 233**

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## ARCHER EXPLORATION LIMITED & CONTROLLED ENTITIES

ABN: 64 123 993 233

### DIRECTORS' REPORT

Your Directors present the financial report for Archer Exploration Limited and its consolidated entities ("Group") for the half-year ended 31 December 2013.

#### Directors

The names of each person who has been a Director during this period and to the date of this report are:

- Gregory David English
- Thomas Robin Phillips AM
- Alice McCleary
- Gerard Anderson

#### Company Secretary

- Craig Gooden

#### Review of Operations

During the half-year ended 31 December 2013 the Group incurred a loss of \$478,758 (2012: loss \$316,936).

Exploration activities during the six months ended 31 December 2013 focused on exploration of the Group's Campoona Graphite projects, the Bartel Epithermal gold prospect, the Ketchowla manganese deposit and on the Leigh Creek Magnesite deposits. All projects are located in South Australia.

The following summary lists the operational activities for the half-year ended 31 December 2013:

#### GRAPHITE

- Bench scale testing has been largely completed and testing moved on to bulk flotation trials. Flotation testing has delivered the required mass of concentrates to commence initial marketing assessment. A total of 6.6 kilograms averaging 97.5% TGC has been produced to date. Tests have recovered progressively higher grade graphite concentrates with latest results in the high 98 – low 99% TGC range. A further 1.4 kilograms of concentrate is in final stages of re-cleaning.
- Chemical cleaning methods for bulk float concentrates or flotation-re-cleaned bulk float concentrates were successfully trialed showing concentrates can now be upgraded in their purity using (HCl + HF) mixes to achieve TC% levels of >99.5%.
- Research undertaken by the University of Adelaide produced a wide range of graphene and graphene-related products from raw Campoona graphite and from medium-grade (92% C) graphite concentrates. The research was part of ongoing collaboration between Archer and the University of Adelaide, School of Chemical Engineering (Prof Dusan Losic Nano Research Group).

The key graphene products produced from the Campoona graphite were:

- Graphene oxide sheets
- Graphene sheets

## ARCHER EXPLORATION LIMITED & CONTROLLED ENTITIES

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- Graphene nanosheets with controllable size (20 nm to 1,000 nm)
- Functionalised graphene nanosheets
- Graphene powders
- Graphene films
- Graphene membranes
- Graphene electrodes
- Graphene nanocarriers
- Graphene based composites
  - Graphene aerogel composites
  - Graphene conductive hydrogels
  - Graphene/carbon nanotube aerogels
  - Graphene magnetic aerogels
- Intercalated graphite
- Substantial progress has been made on studies to support the Campoona Mining Lease Proposal planned to be submitted to government in Q3 calendar 2014. Studies completed included:
  1. Project Stakeholder Engagement Plan.
  2. Commenced Community Consultative Committee meetings.
  3. Issued the first two periodic Community Newsletters.
  4. Hydrogeological desktop baseline assessment.
  5. Surface water study.
  6. Indigenous and Non-Indigenous Desk-top Cultural Heritage Survey.

### GOLD

- At Cleve on Eyre Peninsula, detailed field mapping was completed over the Bartel epithermal gold prospect. The mapping recorded significant extensions to the prospective alteration and breccias zones which now extend for several kilometres. Previous work revealed free gold in a petrological sample of highly altered brecciated calcareous rock. Previous drilling at Bartel recorded highly anomalous gold in EPIRC12\_001 which recorded 29m @ 0.57g/t Au from 79m.

Follow-up drilling is planned for January 2014.

### MANGANESE

- Archer has been in preliminary discussions with an interested third party in relation to establishing a joint venture over the Ketchowla manganese deposit. Negotiations are set to resume in February 2014.

### MAGNESITE

- A third party has sought the Warden's approval to peg and apply for registration of new mineral claims over the Mt Hutton portion of Archer's greater Leigh Creek magnesite deposits for the purpose of extracting dolomite. The matter came before the Warden on 14<sup>th</sup> January 2014 who has set the initial hearing date as 12<sup>th</sup> February 2014. Archer will vigorously defend its mineral rights.

**Auditor's Declaration**

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6 for the half-year ended 31 December 2013.

This report is signed in accordance with a resolution of the Board of Directors.



**Greg English**  
**Chairman**

**Adelaide**

Dated this 5th day of February 2014

*The exploration results reported herein, insofar as they relate to mineralisation, are based on information compiled by Mr. Wade Bollenbagen, Exploration Manager of Archer Exploration Limited. Mr. Bollenbagen is a Member of the Australasian Institute of Mining and Metallurgy who has more than nineteen years experience in the field of activity being reported. Mr. Bollenbagen has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activities that he is 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' relating to the reporting of Exploration Results. Mr. Bollenbagen consents to the inclusion in the report of matters based on his information in the form and context in which it appears.*

**ARCHER EXPLORATION LIMITED & CONTROLLED ENTITIES**

**ABN: 64 123 993 233**

**AUDITOR'S INDEPENDENCE DECLARATION**



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**AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF ARCHER EXPLORATION LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Archer Exploration Limited for the half-year ended 31 December 2013, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.

*Grant Thornton*

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

A handwritten signature in blue ink, appearing to read "S J Gray", written over a light blue horizontal line.

S J Gray  
Partner – Audit & Assurance

Adelaide, 5 February 2014

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**ARCHER EXPLORATION LIMITED & CONTROLLED ENTITIES**

**ABN: 64 123 993 233**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

		<b>CONSOLIDATED GROUP</b>	
		<b>31 Dec</b>	<b>31 Dec</b>
		<b>2013</b>	<b>2012</b>
		<b>\$</b>	<b>\$</b>
<b>REVENUES FROM ORDINARY ACTIVITIES</b>			
Income	2	196,074	305,809
<b>EXPENSES FROM ORDINARY ACTIVITIES</b>			
Depreciation and amortisation expense		(8,820)	(7,319)
Employee benefits expense		(380,296)	(302,053)
ASX listing and share registry expense		(49,034)	(50,104)
Consulting expense		(30,000)	(79,500)
Other expenses from ordinary activities		(206,682)	(183,769)
<b>LOSS BEFORE INCOME TAX EXPENSE</b>		<b>(478,758)</b>	<b>(316,936)</b>
Income tax expense		-	-
<b>LOSS FOR THE PERIOD</b>		<b>(478,758)</b>	<b>(316,936)</b>
<b>LOSS ATTRIBUTED TO MEMBERS OF THE PARENT ENTITY</b>		<b>(478,758)</b>	<b>(316,936)</b>
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>(478,758)</b>	<b>(316,936)</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY</b>		<b>(478,758)</b>	<b>(316,936)</b>
<b>Basic loss per share</b>		<b>Cents</b> <b>(0.6)</b>	<b>Cents</b> <b>(0.4)</b>

The accompanying notes form part of the financial statements.

**ARCHER EXPLORATION LIMITED & CONTROLLED ENTITIES**

**ABN: 64 123 993 233**

**STATEMENT OF FINANCIAL POSITION – AS AT 31 DECEMBER 2013**

	NOTES	CONSOLIDATED GROUP	
		31 Dec 2013	30 June 2013
<b>ASSETS</b>		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		7,225,285	8,555,649
Trade and other receivables		130,434	90,705
Total current assets		7,355,719	8,646,354
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		1,349,702	1,365,787
Exploration and evaluation expenditure	3	7,519,449	6,421,739
Total non-current assets		8,869,151	7,787,526
<b>TOTAL ASSETS</b>		16,224,870	16,433,880
<b>CURRENT LIABILITIES</b>			
Trade and other payables		294,443	304,937
Short-term provisions		46,356	160,129
Total current liabilities		340,799	465,066
<b>NON-CURRENT LIABILITIES</b>			
Long-term provisions		49,634	29,134
Total non-current liabilities		49,634	29,134
<b>TOTAL LIABILITIES</b>		390,433	494,200
<b>NET ASSETS</b>		<b>15,834,437</b>	<b>15,939,680</b>
<b>EQUITY</b>			
Issued capital	4	15,706,408	15,456,408
Reserves		505,216	381,701
Retained earnings		(377,187)	101,571
<b>TOTAL EQUITY</b>		<b>15,834,437</b>	<b>15,939,680</b>

The accompanying notes form part of the financial statements.



**ARCHER EXPLORATION LIMITED & CONTROLLED ENTITIES**

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**STATEMENT OF CHANGES IN EQUITY – FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

	<b>Issued Capital</b>	<b>Retained Earnings</b>	<b>Share Based Payments Reserve</b>	<b>Total</b>
	\$	\$	\$	\$
<b>BALANCE AT 1 JULY 2012</b>	15,528,408	461,152	238,787	16,228,347
Fair value of options issued	-	-	130,491	130,491
Transaction costs (net of tax)	(72,000)	-	-	(72,000)
Total comprehensive income for the period	-	(316,936)	-	(316,936)
<b>BALANCE AT 31 DECEMBER 2012</b>	<b>15,456,408</b>	<b>144,216</b>	<b>369,278</b>	<b>15,969,902</b>
<b>BALANCE AT 1 JULY 2013</b>	15,456,408	101,571	381,701	15,939,680
Fair value of performance rights issued	-	-	123,515	123,515
Shares issued during the period (net of tax)	250,000	-	-	250,000
Total comprehensive income for the period	-	(478,758)	-	(478,758)
<b>BALANCE AT 31 DECEMBER 2013</b>	<b>15,706,408</b>	<b>(377,187)</b>	<b>505,216</b>	<b>15,834,437</b>

The accompanying notes form part of the financial statements.

**ARCHER EXPLORATION LIMITED & CONTROLLED ENTITIES**

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**STATEMENT OF CASH FLOWS – FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

	<b>CONSOLIDATED GROUP</b>	
	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>\$</b>	<b>\$</b>
Payments to suppliers and employees	(657,539)	(608,500)
Interest received	157,789	267,017
Other revenue	37,544	-
<b>NET CASH (USED IN) OPERATING ACTIVITIES</b>	<b>(462,206)</b>	<b>(341,483)</b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for exploration expenditure	(1,101,247)	(1,196,193)
Payment for plant and equipment	(485)	(22,448)
Payments for land and buildings	(16,426)	-
<b>NET CASH (USED IN) INVESTING ACTIVITIES</b>	<b>(1,118,158)</b>	<b>(1,218,641)</b>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	250,000	-
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>250,000</b>	<b>-</b>
 Net (decrease) in cash held	(1,330,364)	(1,560,124)
Cash at beginning of period	8,555,649	12,752,896
<b>CASH AT 31 DECEMBER 2013</b>	<b>7,225,285</b>	<b>11,192,772</b>

The accompanying notes form part of the financial statements.

ARCHER EXPLORATION LIMITED & CONTROLLED ENTITIES

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Preparation**

These general purpose interim financial statements for the half-year reporting period ended 31 December 2013 have been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Archer Exploration Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2013, together with any public announcements made during the half-year.

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2013, except for the application of the following standards as of 1 January 2013:

- AASB 10 Consolidated Financial Statements;
- AASB 11 Joint Arrangements;
- AASB 13 Fair Value Measurement; and
- AASB 119 Employee Benefits (September 2011)

Management has reviewed the new requirements of the above standards and has concluded that there is no effect on the classification or presentation of balances as the group has no arrangements within the scope of the above standards.

	CONSOLIDATED GROUP	
	2013 \$	2012 \$
<b>NOTE 2 – REVENUE</b>		
Interest income	157,789	305,809
Other income	38,285	-
<b>TOTAL REVENUE</b>	<b>196,074</b>	<b>305,809</b>
	December 2013 \$	June 2013 \$
<b>NOTE 3 – EXPLORATION AND EVALUATIONS EXPENDITURE</b>		
Exploration and evaluation phase at cost	7,519,449	6,421,739
	<b>7,519,449</b>	<b>6,421,739</b>



**ARCHER EXPLORATION LIMITED & CONTROLLED ENTITIES**

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

**NOTE 5 – SHARE BASED PAYMENTS CONTINUED**

<b>Date issued</b>	<b>Issued to</b>	<b>Number of Rights</b>	<b>Fair Value at issue date</b>
			<b>\$</b>
21 November 2013	Managing Director	832,500	75,700
21 November 2013	Non-Executive Directors and Company Secretary	1,950,000	235,300
19 December 2013	Employees	627,632	75,734
	Outstanding at 31 December	<u>3,410,132</u>	<u>386,734</u>
	Vested at 31 December	<u>Nil</u>	<u>-</u>

Two vesting conditions that have to be met are a service condition and a share price performance condition that are detailed in the notice of the 2013 Annual General Meeting Notice filed with the ASX on 27 September 2013. Upon vesting, the Rights convert to fully paid ordinary shares.

No share options were granted in the half year ended 31 December 2013.

**2012**

**Share Options**

<b>Options Grant date</b>	<b>Number of options granted</b>	<b>Vesting conditions</b>	<b>Contractual life of options</b>
31 October 2012	1,500,000	Vested on grant	520 days
19 December 2012	1,500,000	Vested on grant	467 days

The options were granted to two Company financial advisors for services provided. Fair value of share options and assumptions used in determining fair value for the six months ended 31 December 2012:

	<b>31 October 2012</b>	<b>19 December 2012</b>
Fair value at grant date	\$0.048 per option	\$0.033 per option
Exercise price	\$0.40	\$0.40
Expected volatility	97%	85%
Expiry date	1 April 2014	1 April 2014

Included in the Statement of Profit or Loss and Other Comprehensive Income under Employee benefits expense \$8,991 (2011: \$21,363), under Consulting expense \$49,500 (2011: \$nil) and included in the Statement of Changes in Equity \$72,000 (2011: \$nil).

**ARCHER EXPLORATION LIMITED & CONTROLLED ENTITIES**

**ABN: 64 123 993 233**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

**NOTE 6– SEGMENT INFORMATION**

Segment Performance	TENEMENTS							
	Leigh Creek Magnesite		Graphite		Other		Total	
	31-Dec	31-Dec	31-Dec	31-Dec	31-Dec	31-Dec	31-Dec	31-Dec
	2013	2012	2013	2012	2013	2012	2013	2012
\$	\$	\$	\$	\$	\$	\$	\$	
Segment results before income tax	-	-	-	-	-	-	-	-
Reconciliation of segment results to Group net loss before tax								
Unallocated income and expenses								
Interest and other income							196,074	305,809
Depreciation							(8,820)	(7,319)
Corporate overheads							(666,012)	(615,426)
(Loss) before tax							(478,758)	(316,936)

	Leigh Creek Magnesite		Graphite		Other		Total	
	31-Dec	30 June	31-Dec	30 June	31-Dec	30 June	31-Dec	30 June
	2013	2013	2013	2013	2013	2013	2013	2013
	\$	\$	\$	\$	\$	\$	\$	\$
Segment asset increase for the year	438,777	329,934	6,840,414	6,405,682	1,481,489	923,929	8,760,680	7,659,545
- exploration expenditure capitalised	108,843	96,829	434,743	4,029,136	557,560	32,641		
- expensed during the year	-	-	-	-	-	1,624		
Total corporate and unallocated assets							7,464,190	8,774,335
<b>Total Group assets</b>							<u>16,224,870</u>	<u>16,433,880</u>

**NOTE 7 – CONTINGENT LIABILITIES & COMMITMENTS**

Since the last annual report there has been no material change to any contingent liabilities. The \$390,000 Campoona land acquisition has not been paid as at the date of this report. The consolidated entities have minimum expenditure commitments on exploration licenses as per the terms of the exploration licences. If the minimum expenditure on each licence is not met, part of the licence area may be relinquished. There are on-going commitments in relation to the Campoona Graphite project but contracts entered into may be cancelled if circumstances change without the Company incurring financial penalties.

**NOTE 8 – EVENTS SUBSEQUENT TO REPORTING DATE**

There has been no material event subsequent to the half-year ended 31 December 2013.

**ARCHER EXPLORATION LIMITED & CONTROLLED ENTITIES**

**ABN: 64 123 993 233**

**DIRECTORS' DECLARATION**

The Directors of the Company declare that:

1. The Financial Statements and Notes, as set out on pages 7 to 14 are in accordance with the *Corporations Act 2001*, including:
  - a) complying with Accounting Standard AASB 134 Interim Financial Reporting, and
  - b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date.
2. In the Director's opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



**Greg English**  
**Chairman**

**Adelaide**

Dated this 5th day of February 2014.

INDEPENDENT AUDITORS'S REVIEW REPORT



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**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF ARCHER EXPLORATION LIMITED**

We have reviewed the accompanying half-year financial report of Archer Exploration Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2013, and the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

**Directors' responsibility for the half-year financial report**

The directors of Archer Exploration Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

**Auditor's responsibility**

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Archer Exploration Limited consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Archer Exploration Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Independence**

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

**Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Archer Exploration Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

*Grant Thornton*

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

A handwritten signature in blue ink, appearing to read "S J Gray", with a long horizontal flourish extending to the right.

S J Gray  
Partner – Audit & Assurance

Adelaide, 5 February 2014

## **ARCHER EXPLORATION LIMITED & CONTROLLED ENTITIES**

**ABN: 64 123 993 233**

### **CORPORATE DIRECTORY**

#### **DIRECTORS**

Greg English – Non-Executive Chairman  
Tom Phillips AM – Non-Executive Director  
Alice McCleary – Non-Executive Director  
Gerard Anderson – Managing Director

#### **COMPANY SECRETARY**

Craig Gooden

#### **REGISTERED OFFICE**

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#### **SHARE REGISTRY**

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#### **AUDITORS**

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WAYVILLE SA 5034

#### **SOLICITOR**

Piper Alderman  
Level 16, 70 Franklin Street  
ADELAIDE SA 5000

#### **BANKERS**

Bank of Queensland  
151 Pirie Street  
ADELAIDE SA 5000

#### **AUSTRALIAN SECURITIES EXCHANGE**

The Company is listed on the Australian Securities Exchange  
**ASX CODE: AXE**