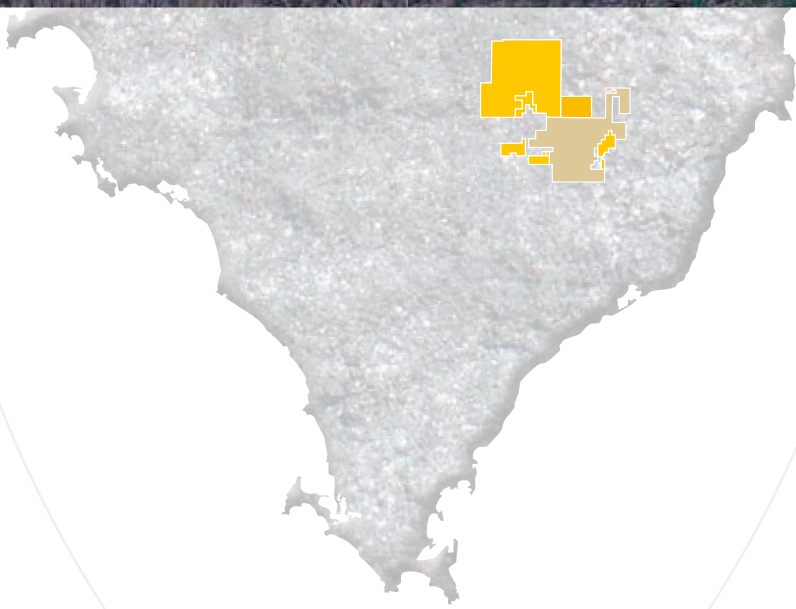
**ARCHER EXPLORATION LIMITED** *ANNUAL REPORT 2014*



ARCHER

# *Contents*





**Competent persons statement**

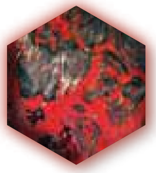
The Archer exploration results reported herein, insofar as they relate to mineralisation, are based on information compiled by Mr Wade Bollenhagen, Exploration Manager of Archer Exploration Limited. Mr Bollenhagen is a Member of the Australasian Institute of Mining and Metallurgy who has more than twenty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

The information in this report that relates to the Campoona Shaft and Central Campoona JORC 2012 Mineral Resource estimation has been prepared by Mr B Knell who is a Member of the AusIMM and peer reviewed by Dr C Gee who is also a Member of the AusIMM (CP). Mr Knell is a full time employee of Mining Plus Pty Ltd and Dr Gee is a full time employee of Mining Plus Pty Ltd, both have more than five years' experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Knell has consented in writing to the inclusion in this announcement of the Mineral Resource estimation information in the form and context in which it appears. This information was prepared and first disclosed under the JORC Code 2012.

**Forward looking statements**

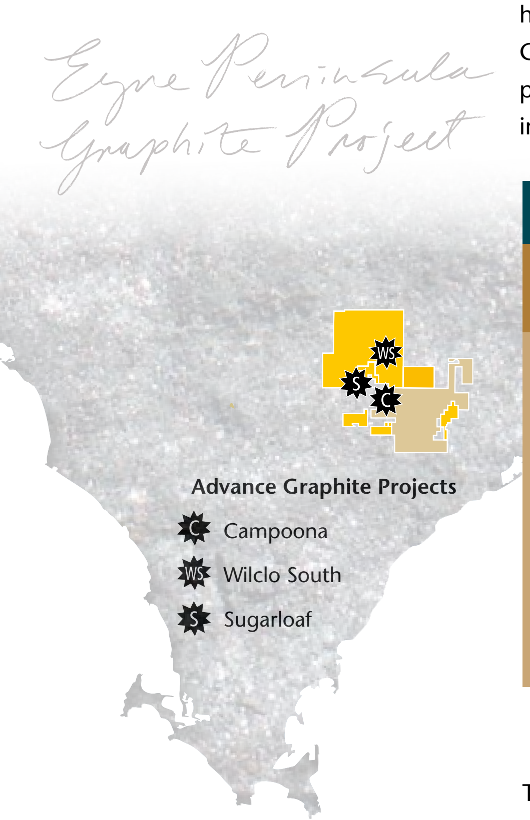
The information in this report is published to inform you about Archer Exploration Limited and its activities. Some statements in this report regarding estimates or future events are forward looking statements. Although Archer Exploration Limited believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results and outcomes will be consistent with these forward-looking statements.

# Highlights and Achievements



Archer made substantial progress in the evaluation of the 100% owned Campoona graphite deposit during 2014. Exploration and development activities included exploration drilling, estimation of a JORC 2012 Resource, further metallurgical bench scale test work and a detailed market assessment for the graphite products.

Resource drilling was completed at the Central Campoona graphite deposit with RC drilling on a 50m x 20m grid spacing supported by a single diamond drill hole. Geo-technical drilling at Campoona Shaft, situated 2kms North East of Central Campoona, was completed as a part of advancing mine planning. The purchase of the Waddikee tenement from Monax Mining Limited significantly increased the resource base of the Eyre Peninsula Graphite Project.




## Global JORC 2012 Graphite Resources (5% Cg cut-off)

| *Project* | *Resource Category* | *Tonnes (Mt)* | *Graphitic Carbon %* | *Contained Graphite (t)* |
|---|---|---|---|---|
| Campoona Shaft | Measured | 0.32 | 12.7 | 40,600 |
| | Indicated | 0.78 | 8.2 | 64,000 |
| | Inferred | 0.55 | 8.5 | 46,800 |
| Central Campoona | Indicated | 0.22 | 12.3 | 27,100 |
| | Inferred | 0.30 | 10.3 | 30,900 |
| Wilclo South | Inferred | 6.38 | 8.8 | 561,400 |
| **Combined total resource** | | **8.55** | **9.0** | **770,800** |

*Global JORC 2012 Graphite Resources (5% Cg cut-off)*

The Waddikee purchase also delivered exploration upside with numerous graphite prospects expected to translate to additional resources on drill out.

Metallurgical testwork delivered graphite flotation concentrates grading 92 to 98% Cg. Re-cleaning of these concentrates produced a final product grading as high as 99.4% Cg. Testing of acid washing increased concentrate grade to 99.7% Cg.

Samples for marketing have been sent to various companies for their assessment.

*Samples of graphite*

# *Highlights and Achievements*



*With $5.56 million in cash at 30 June 2014, the Company is in a strong financial position …*

Since January 2014 significant advancements have been made in the up-scaling of the test work on graphite product recovery and process flow sheet design work using the bulk samples recovered from auger drilling. This up-scaling is a fundamental step in process design essential for the upcoming Mine Lease Proposal.

The Mine Lease Proposal is approximately 70% complete and is on track for completion in calendar 2014. Community Consultative Committee meetings continued throughout the year.

Two water bores were drilled into the Pindari fractured rock aquifer. Pump testing indicated the aquifer will meet process water demand.

A 2-year $200,000 study commenced with the University of Adelaide into graphene and graphite derivative materials for agricultural and environmental (bioremediation) products. Significant early advancements have been made with the Company's graphite being modified into a variety of graphene materials including graphene sheets, graphene oxide sheets, composites and intercalated graphite.

Impediments to the advancement of the Leigh Creek Magnesite projects have been removed with the withdrawal of the Plaint over the Mt Hutton Resource. A strategic review has commenced with Ernst & Young appointed as Lead Advisors. The review may result in the divestment of some or all of the asset or lead to the formation of a joint venture.

Ongoing exploration at Bartel Epithermal gold prospect on Eyre Peninsula improved the understanding of the mineralisation style. This project is potentially very important to Archer given the size of the anomaly. Exploration planned in 2015 will further test the mineralisation.

An additional opportunity presented itself through the year to apply for an Exploration Licence over the Collaby Hill magnesite prospect located 15 kilometres east of Port Pirie.

With $5.56 million in cash at 30 June 2014, the Company is in a strong financial position and capable of finalising the Mining Lease Proposal and PEPR for Campoona during 2015.

# Letter from Chairman

**Greg English**
*Chairman*

Dear Fellow Shareholders,

Last year I wrote that the foundation has been put in place to build a positive future and everything our company has done during the 2014 financial year has effectively built upon that solid foundation. We stand on the threshold of delivering our transformational graphite project on the Eyre Peninsula. After several years of exploration and metallurgical test work, the mining lease application at Campoona is expected to be lodged before the end of calendar 2014 and mining is expected to commence in late 2015 / early 2016.

World graphite demand and supply has been undergoing a period of substantial change and future demand for graphite will continue to grow as technology improves and more uses for natural graphite are found.

Graphite is a key raw material in both industrial markets of today and hi-tech uses of tomorrow. China currently dominates the world's supply of natural flake graphite but with the closure and amalgamation of small mines in China there is an opportunity for producers outside of China to meet the world's natural graphite demand.

Steel refractories currently consume about 50% of the world's supply of natural flake graphite and this market is unlikely to change significantly in the near term. However, potential explosive growth is expected from batteries, specifically lithium-ion. Flake graphite, in a spherical form, is the anode of choice and any take-off in the demand of electric vehicle batteries, the volume consuming market, will transform graphite demand in a way not seen before. In our view, the growth in technology will ultimately underpin strength in graphite demand and ultimately price.

*We stand on the threshold of delivering our transformational graphite project on the Eyre Peninsula.*

Archer has Australia's largest JORC compliant graphite resources and it's through this strong resource base that we can supply the world's growing demand for graphite.

The Eyre Peninsula Graphite Project is a strategically valuable graphite asset capable of sustaining a long life mining operation. Many companies have focussed on finding graphite in overseas jurisdictions or in remote locations only to find that sovereign risk or excessive capital costs are barriers to development. At Archer we have never lost sight of how important location and access to infrastructure is when developing a new mining operation. The Company's graphite project has the advantage of being in a stable mining jurisdiction and close to existing infrastructure with spare capacity to accommodate the Company's project.

We believe that the Company's continued focus on both graphite and our logistical advantages on the Eyre Peninsula will ultimately reward shareholders.

During the year we acquired the Waddikee tenement from Monax Mining Limited. This acquisition gives Archer a large JORC compliant graphite resource at Wilclo South and exciting exploration upside at Wilclo, Argent, Lacroma, Cut-Snake, Francis, Ridgestone, Jamieson Tank and Balumbah. Our continued success on the Eyre Peninsula and the purchase of the Waddikee Project has ensured Archer has a place as one of Australia's foremost graphite companies.

# *Letter from Chairman*



*Our continued success on the Eyre Peninsula and the purchase of the Waddikee Project has ensured Archer has a place as one of Australia's foremost graphite companies.*

Archer has been actively exploring on the Eyre Peninsula for several years and are pleased to report that our Eyre Peninsula Project has much remaining potential. Archer remains committed to growth. Not only do we have the largest JORC 2012 graphite resource in Australia, we remain focussed on growing the Waddikee resource and unlocking the flake potential of this project. To unlock that potential, we will be actively drilling our tenements during 2015 and analysing the large quantity of high quality geophysics acquired over the tenement areas. We plan to undertake a comprehensive drilling program at Waddikee and undertake further studies to enhance the proposed Sugarloaf processing facility to accommodate graphite from the Waddikee project.

Consistent delivery of Archer's strategy has positioned the Company for growth in the years ahead, with graphite mining expected to commence in the next 2 years. We are in a strong position to fund our growth.

Our exploration team is currently assessing multiple opportunities at Waddikee and this tenement provides great potential for the discovery and recovery of large flake graphite resources.

In 2015, we have another exciting year ahead of us, both for project delivery at Campoona and with further exploration. Our strategy is to unlock the Company's significant graphite resources in a rising market for graphite demand in Asia and Europe. We have the skills, teamwork and commitment to deliver on our plans, safely, profitable and sustainably.

In terms of other significant initiatives aimed at creating value for all shareholders, in July 2014 the Board approved a strategic review of the Leigh Creek Magnesite Project. Leigh Creek Magnesite Project is the world's largest crypto-crystalline magnesite project and is a world class asset. The Board is confident that the strategic review when completed will unlock substantial value for all shareholders.

For obvious reasons, our focus in 2015 is on scoping the scale of the Eyre Peninsula Graphite Project, adding additional value through the drilling of other untested targets at Waddikee and exploring the Company's broader project areas, but we continue to believe in the prospectivity of our other exploration projects. To this end we will undertake exploration and evaluation of our other copper, gold, manganese and magnesite projects.

The significant progress made in 2014 across the business is a testament to the quality and dedication of Archer employees and contractors who have worked skilfully to deliver progress at all of the Company's projects. On behalf of the Board we would like to sincerely thank all employees for their hard work.

The Board is confident that despite potential challenging market conditions, 2015 will be an interesting and exciting one for the Company as we will have significant flexibility to capitalise on opportunities in this volatile market.

Finally, the Board and Management would like to thank shareholders for their ongoing support. With your support, Archer now stands on the threshold of delivering its transformational strategy to develop the graphite resources.

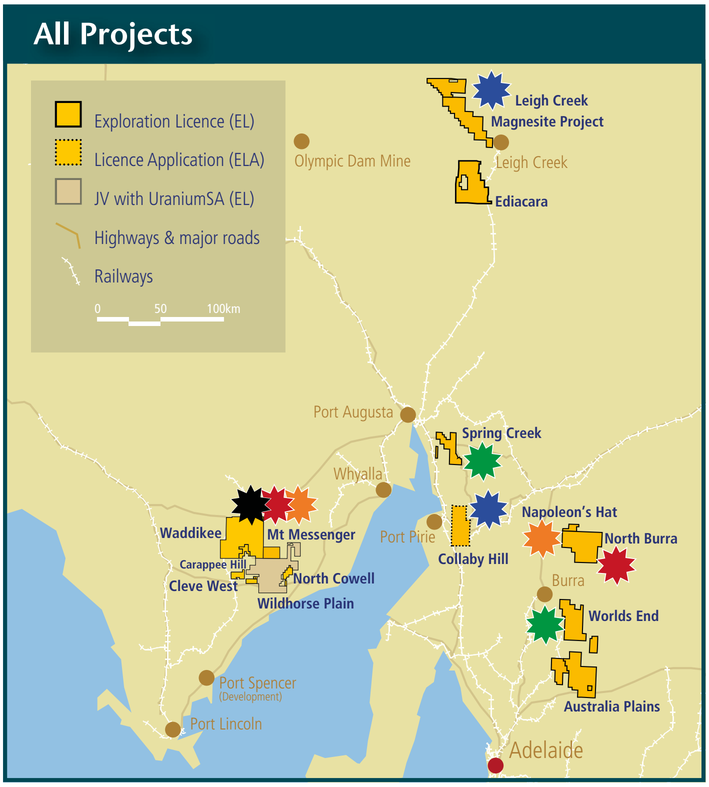
Yours Faithfully,

Greg English
*Non-Executive Chairman*

# *Review of Projects*

# Archer's Projects







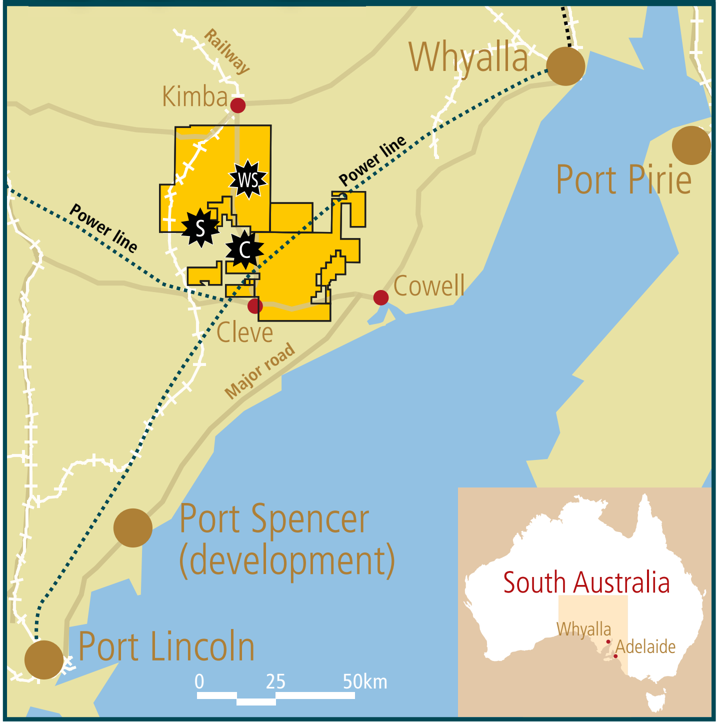
**Priority 1 and 2 targets:**

1 Graphite 1 Magnesite 1 Manganese 2 Copper 2 Gold

*Archer's exploration portfolio has a number of significant projects*

# Archer's Graphite Projects

## Eyre Peninsula Graphite Project




*Archer's plan has been to produce graphite concentrates that match the world's highest quality natural graphite concentrates.*

**Advanced Graphite Projects**

C Campoona   S Sugarloaf   WS Wilclo South

## Advanced Graphite Projects


*Graphite resource locations including a proposed processing facility on Archer's own land holding.*

# Graphite



The Company has made excellent progress in the evaluation of the Campoona Shaft and Central Campoona Graphite Deposits during 2014. Several detailed studies including Ecology, Hydrogeology, Surface Water, Noise, Dust, Traffic and Cultural Heritage were completed and several others well advanced in preparation for lodging of a Mine Lease Proposal (MLP) in Quarter 4 calendar 2014.

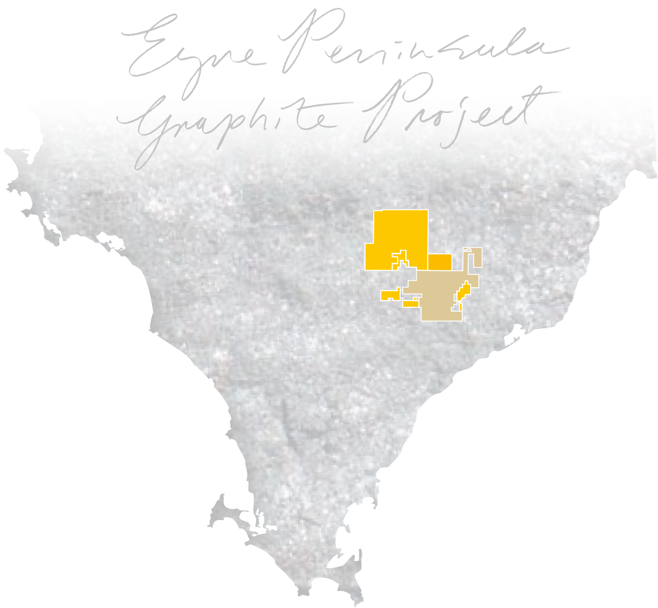
Archer entered into a binding Heads of Agreement to purchase Waddikee EL4662 from Monax Mining Limited. The sale and purchase was completed in July 2014. EL4662 lies immediately north of Archer's Cleve District graphite interests. Waddikee hosts the Wilclo South graphite deposit and several graphite prospects including Wilclo, Balumbah, Francis, Ridgestone, Cut-Snake, Argent and Lacroma. Importantly Wilclo South and most of the graphite prospects contain flake graphite (Large, Medium and Fine flake) complimenting the fine crystalline graphite at Campoona.

In June 2014 samples of graphite concentrate were sent to selected companies in the US, Europe and Asia for assessment with a view to negotiating off-take agreements.

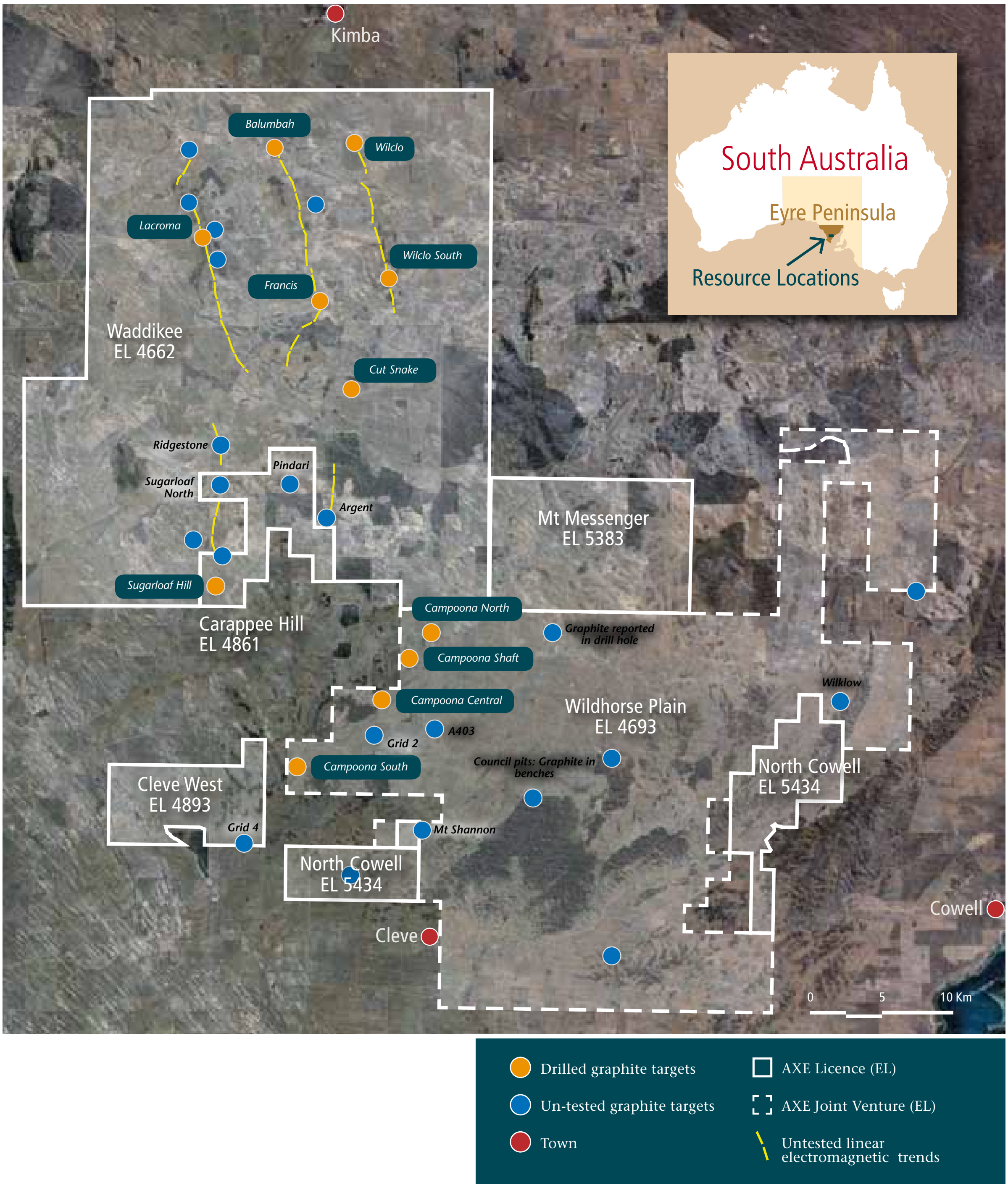
## Archer's Eyre Peninsula Graphite Project

With the completion of the Waddikee acquisition Archer's Eyre Peninsula Graphite Project encompasses seven tenements (EL4861 Carappee Hill; EL 5434 North Cowell; EL 5383 Mt Messenger; EL 4673 Mt Shannan; EL4893 Cleve West and EL4662 Waddikee and EL4693 Wildhorse Plain where Archer has earned the right to 100% of all minerals other than uranium.

In all Archer's graphite interests now cover 2,154 km$^2$ of highly prospective ground with several known graphite deposits and prospects. The Company is confident that further drilling will expand the current graphite resources.



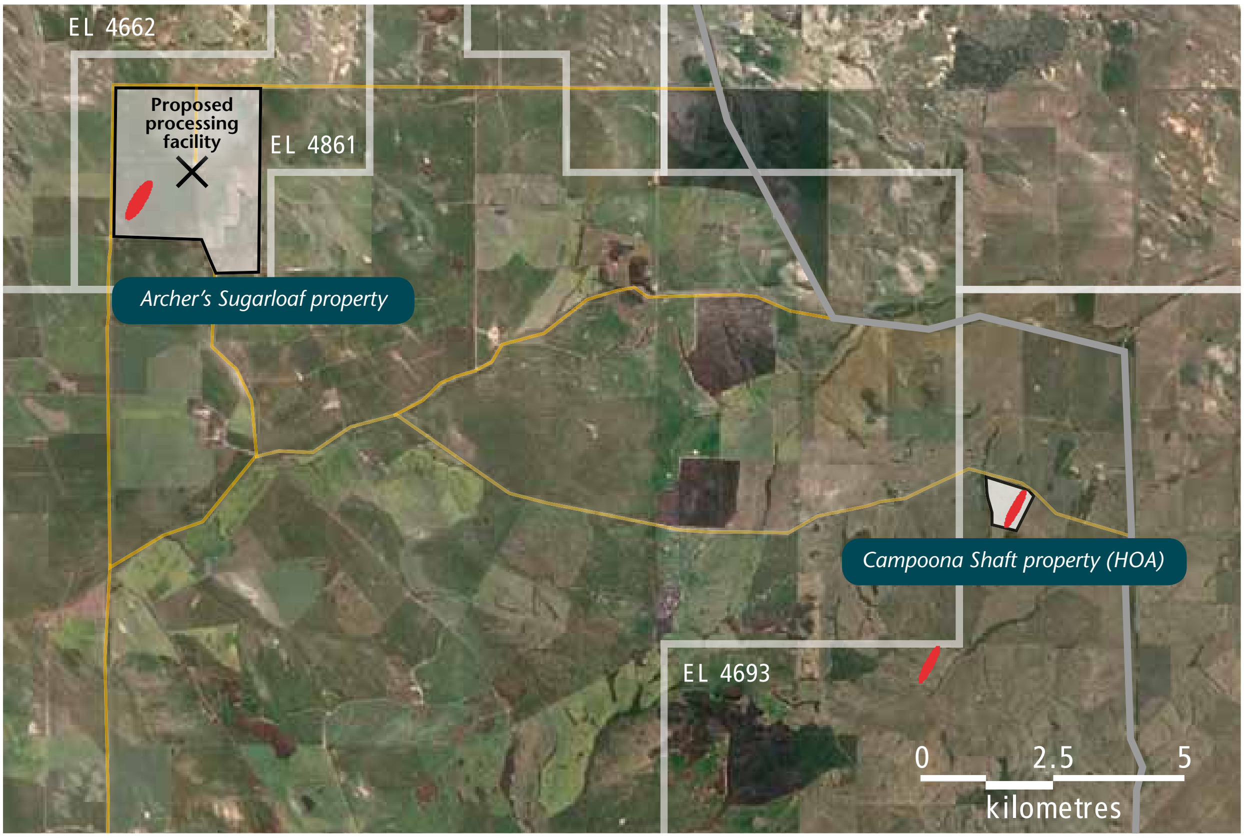
## Archer's Eyre Peninsula Graphite Project



## *Campoona*

### Land Acquisition

A Heads of Agreement (HOA) was signed with the landowners covering the purchase of 120 acres of land at Campoona Shaft. The land size is sufficient to accommodate the mining of the Campoona Shaft resource. This is to complement the already owned Sugarloaf property which will host the location of processing facilities.




## *Campoona Metallurgy*

Flotation concentrates grading 92% - 98.5% Cg were produced for marketing purposes. Late in the 4th Quarter Archer provided samples of final Campoona graphite concentrates to a number of international companies for them to conduct detailed testing as a possible pre-cursor to entering into either off-take agreements or taking a direct equity stake in the project.

Marketing assessment is continuing.

### Acid Cleaning

Acid cleaning techniques were developed in-house. Initial trials used a mix of HCl + HF in line with published research. This mix of acids is known to be effective on the dissolution of remnant mineral compounds that are Campoona's main trace contaminants in the high purity concentrates.

The successfully cleaned graphite samples were then ashed to determine pre-acid and post-acid cleaning ash to give a good indication of the effectiveness of the acid cleaning.

### Campoona Ashing

Chemical cleaning methods for bulk float concentrates or flotation-re-cleaned bulk float concentrates can now be upgraded in their purity using (HCl + HF) mixes to achieve TC% levels of >99.5%.

The results achieved to date are very good and results should improve as the method is perfected.

*Exceptionally pure bulk flotation concentrates*

*Flake aggregates from RC drill hole WG041 (98-99m)*

**Campoona Acid Cleaning**

| Sample | Starting Assay | Acid-cleaned Assay |
|---|---|---|
| TRIAL – BF-5 combined cons | 89.5% TC | 97.7% TC |
| TRIAL – BF-8 combined cons | 91.3% TC | 99.0% TC |
| BF-2 Comb. Recleaner Cons | 98.1% TC | 99.5% TC |

**Campoona Ashing**

| Sample | Starting Ash content w/w | Starting Ash content w/w |
|---|---|---|
| TRIAL – BF-5 combined cons | 89.8% TC | 98.0% TC |
| TRIAL – BF-8 combined cons | 91.7% TC | 98.6% TC |
| BF-2 Comb. Recleaner Cons | 98.8% TC | 99.7% TC |

*TC - Total Carbon content.*

## Graphene Research

The Company entered into a research agreement with the University of Adelaide to undertake research into the extraction of graphene and graphite derivative products from Archer graphite.

The research collaboration with the University's School of Chemical Engineering is for a two-year $200,000 research program. The research will focus on the best commercial uses for the specific graphite and graphene types originating from Archer's Campoona and Sugarloaf graphite deposits.

In particular, the program will focus on new product opportunities especially in the agricultural and environmental arenas.

Key outcomes thus far have included:

1) Graphite samples from Archer's Campoona and Sugarloaf graphite deposits have been characterized to determine mineral composition, graphitic carbon concentration and impurities as inputs into optimising processing conditions for the production of graphite concentrates and graphene based products. The results confirmed high concentrations of graphitic carbon critical for the production of high quality graphite.

2) Campoona and Sugarloaf graphitic ores readily produce graphene.

3) Early research using Archer graphene has demonstrated excellent performance in new adsorbents for water purification, in the removal of spilled oils from water, for the removal of toxic metals from waste waters, in soil remediation and in agricultural applications. Further research will be directed at identifying potential commercial developments.

4) Archer's sponsored graphene research was presented by the University team at the Nanotech USA 2014 Conference in Washington from the 15-18th June 2014. The conference is one of world's biggest Nanotechnology conferences (www.techconnectworld.com/Nanotech2014/sym/Graphene.html).

5) The University team presented two papers from the graphene research showing a new and green approach for the reduction of graphene oxide nanosheets using non-aromatic amino acids which can be used for production of graphene and graphene oxide with controllable size and chemistry of nanosheets. The second paper outlined the development of Graphene composite hydrogels and aerogels for selective removal of oils and organic contaminants.

A wide range of graphene and graphene-related products have been readily produced from raw Campoona graphite samples as well as from medium-grade (92% TC) graphite concentrates. The product development research is 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:

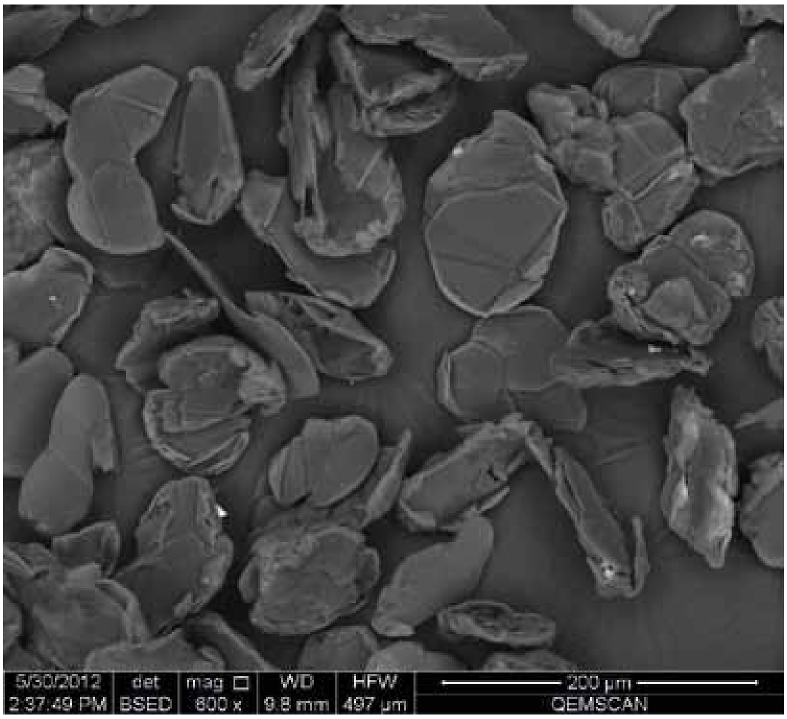
- Graphene oxide sheets
- Graphene sheets
- Graphene nanosheets with controllable size (20 nm to 1,000 nm)
- Functionalised graphene nanosheets
- Graphene powders
- Graphene films
- Graphene membranes
- Graphene electrodes
- Graphene nanocarriers
- Graphene based composites
- Graphene aerogel composites
- Graphene conductive hydrogels
- Graphene/carbon nanotube aerogels
- Graphene magnetic aerogels
- Intercalated graphite

*Graphene extracted from raw Campoona graphite*
*Original photo courtesy of University of Adelaide.*

*Graphene has many attributes that gives rise to multiple applications that can be applied across a range of commercial areas.*

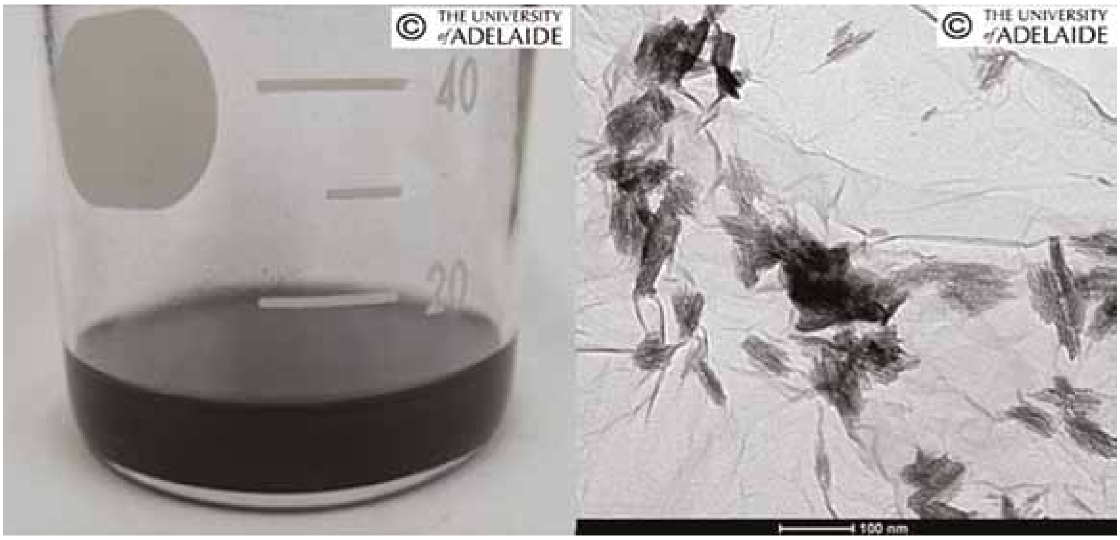
**Graphene Applications by Commercial Area**

| Commercial Area | Applications |
|---|---|
| **Conductive formulations and Inks** | Printable electronics<br>E-textiles<br>Coatings |
| **Composite Materials** | Mechanical reinforcement |
| **Energy Storage** | Lithium-ion batteries<br>Supercapacitors |
| **Transparent Conductive Films** | Organic photovoltaic cells<br>Organic light emitting diodes<br>Display/touchscreens |
| **Carbon Semi Conductors** | Field effect transistor<br>Spintronics<br>Integrated circuits |
| **Bio-Related** | Targeted drug carrier<br>Si-RNA carrier<br>Sensors for single molecule detection |
| **Water treatment** | Capacitance de-ionization<br>Filtration |

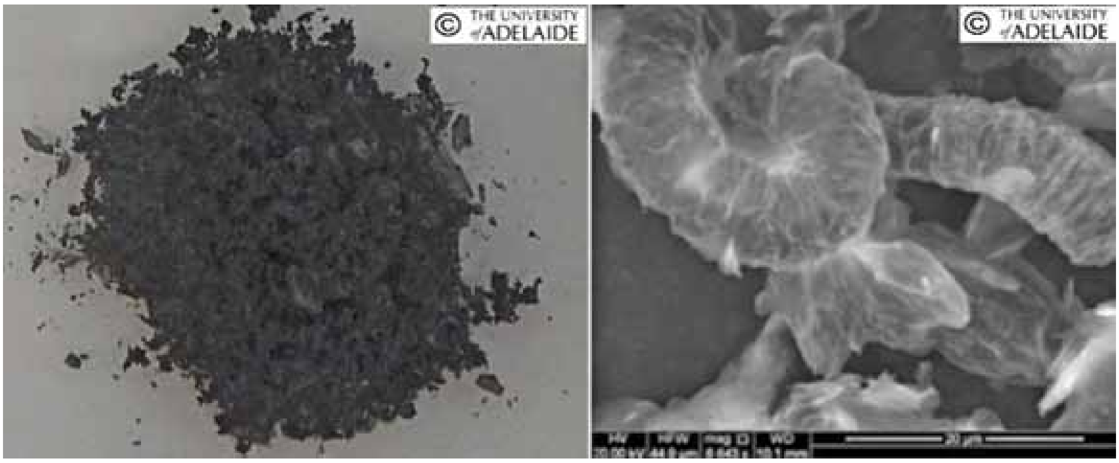



*The research collaboration with the University's School of Chemical Engineering is for a two-year $200,000 research program.*

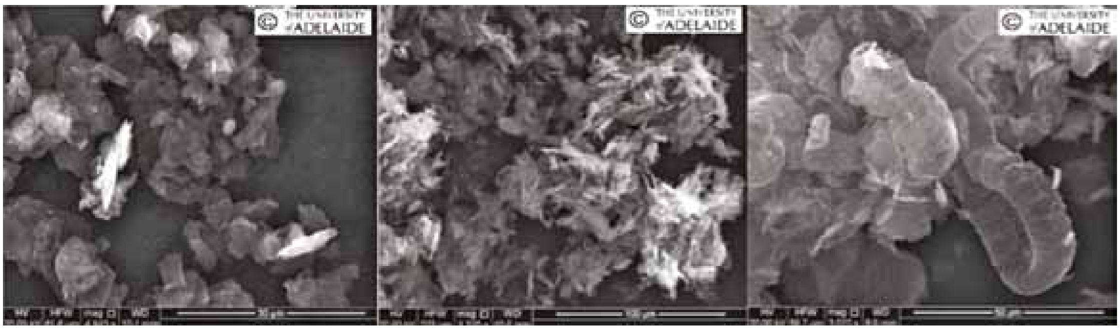
*Morphology typical of the ultrafine highly crystalline graphite concentrate (-75 micron).*



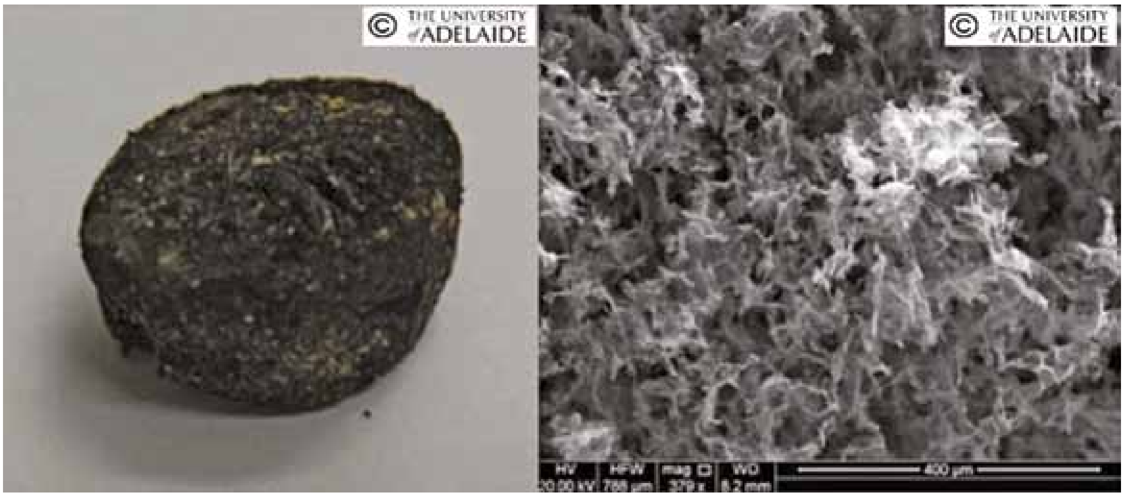

*Prepared graphene nanosheets in solution from raw Archer Campoona graphite (Left is TEM image).*



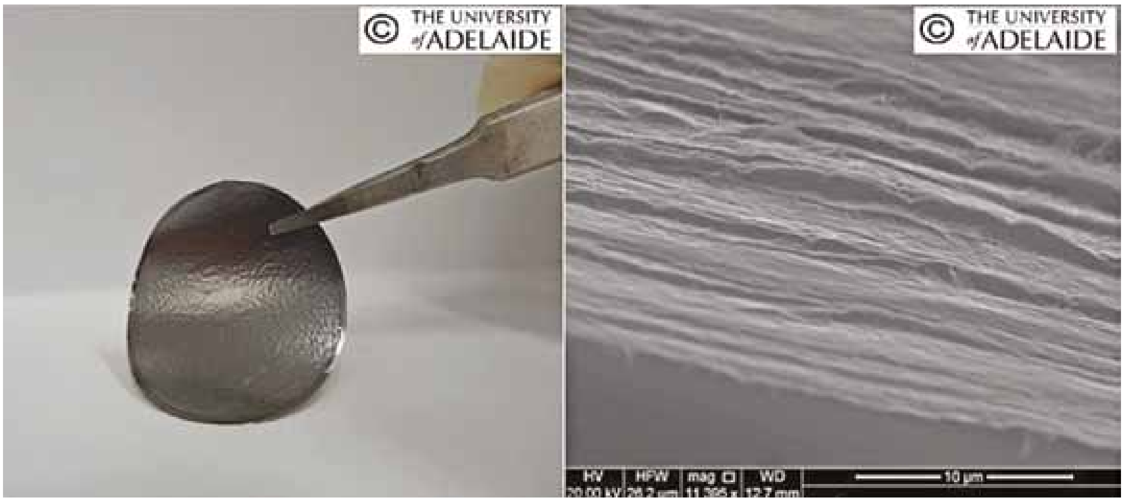
*Prepared intercalated graphite microparticles (left) with characteristic worm-like structure (right) from 92% TC concentrate.*



*SEM images of Archer Campoona graphite flakes (92% TC) (left) used for preparation of chemical and electrochemical prepared intercalated graphite microparticles (middle and right).*




*Prepared graphene aerogel filters for water and air purification from raw Campoona graphite.*




*Prepared filtration membrane of graphene sheets extracted from raw Campoona graphite. This electroconductive membrane can be used for filtration separation and as an electrode for batteries and super-capacitors.*

*These few selected examples of new materials and processing technologies developed by the Losic Nano Research Group show the enormous potential of the Campoona graphite in the development of new highly valuable materials and devices across a broad range of applications.*

## *Graphite Resources*

On the 6th August 2014 the Company announced the updated JORC 2012 Resource, shown below.

*The combined Resource including Wilclo South represents the largest JORC 2012 Graphite Resource in Australia.*

| Global JORC Graphite Resource (5% Cg cut-off) | | | | |
|---|---|---|---|---|
| *Area* | *Resource Category* | *Tonnes (Mt)* | *Graphitic Carbon %* | *Contained Graphite (t)* |
| Campoona Shaft | Measured | 0.32 | 12.7 | 40,600 |
| | Indicated | 0.78 | 8.2 | 64,000 |
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| Wilclo South | Inferred | 6.38 | 8.8 | 561,400 |
| **Total Resource** | | **8.55** | **9.0** | **770,800** |

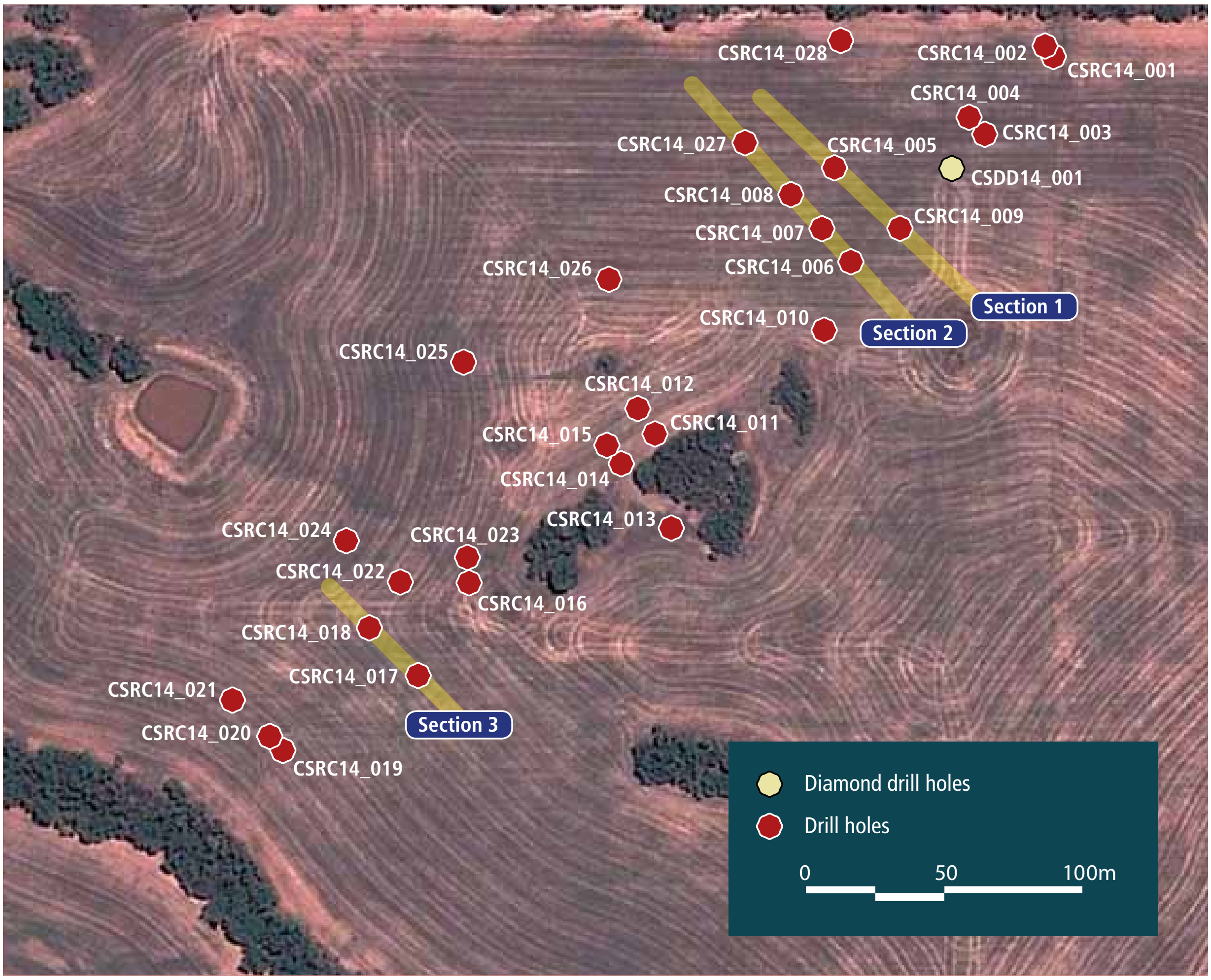


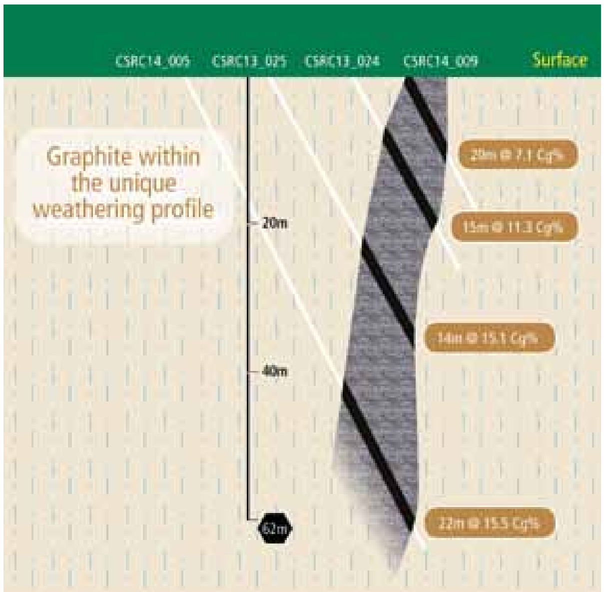

*Plate 1: A plan view of drill hole locations.*

## Campoona Resources

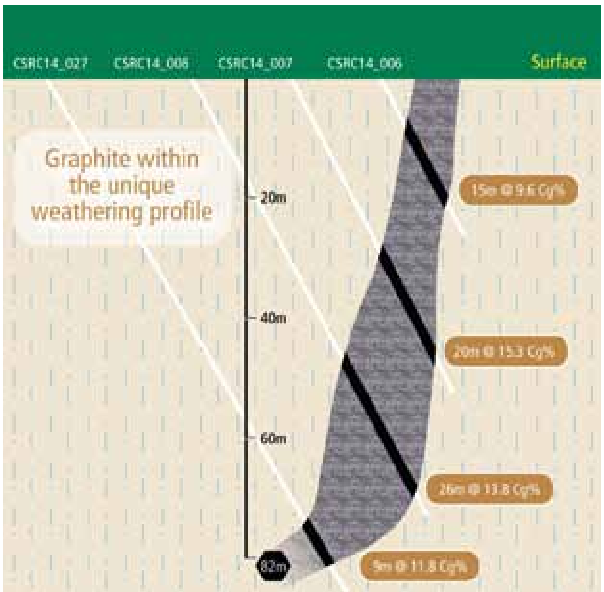
One diamond hole (60m) was also completed during the program at Campoona Central for the purpose of collecting metallurgical samples.

A plan view of drill hole locations is presented on the previous page (Plate1), along with some of the sections being reported (Sections 1 to 3).

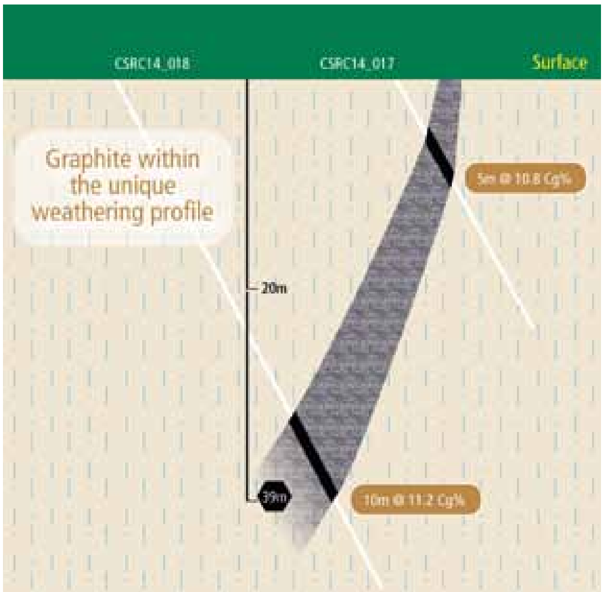
The Central Campoona resource was initially updated and reported on the 18th February 2014, subsequent to this a total of 28 Reverse Circulation (RC) holes (1,447m) were drilled in early 2014. The purpose of the holes was to provide additional geological data and assay data to improve the estimation confidence which has resulted in the current JORC 2012 Graphite Resources.




*Section 1: Central Campoona.*




*Section 2: Central Campoona.*




*Section 3: Central Campoona.*

Central Campoona drill intervals above 10% Cg (graphitic carbon) are presented in the below.

**Central Campoona Drilling**

| Hole ID | Depth from (m) | Depth To (m) | Interval (m) | Cg % |
|---|---|---|---|---|
| CSRC14_004 | 1 | 19 | 18 | 11.1 |
| CSRC14_005 | 52 | 69 | 17 | 16.7 |
| CSRC14_006 | 16 | 24 | 8 | 11.5 |
| CSRC14_007 | 32 | 58 | 26 | 12.4 |
| CSRC14_008 | 54 | 84 | 30 | 12.7 |
| CSRC14_009 | 1 | 11 | 10 | 11.3 |
| CSRC14_018 | 35 | 42 | 7 | 13.7 |
| CSRC14_021 | 52 | 81 | 29 | 11.3 |
| CSRC14_022 | 52 | 81 | 29 | 11.5 |
| CSRC14_024 | 111 | 119 | 8 | 11.7 |
| CSRC14_026 | 80 | 97 | 17 | 12.2 |
| CSRC14_027 | 88 | 97 | 9 | 11.8 |
| CSRC14_028 | 85 | 116 | 31 | 12.8 |
| CCDD14_01 | 0 | 51 | 51 | 10.8 |

*Central Campoona drill intervals reporting above 10% Cg.*

*One diamond hole (60m) was also completed during the year at Campoona Central for the purpose of collecting metallurgical samples.*

## Campoona Shaft Drilling

During February and March 2014 geotechnical diamond drilling was completed at the Campoona Shaft deposit.

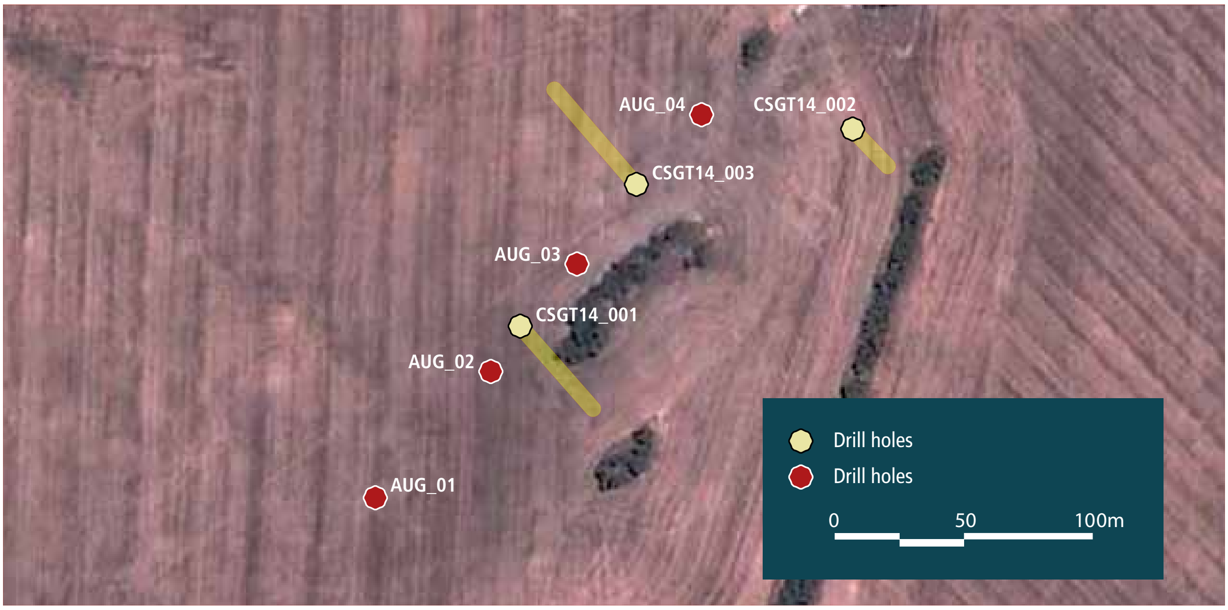
Three diamond holes for 297m were drilled at Campoona Shaft to provide geotechnical data to enable detailed pit design to proceed. One drill hole was sampled and submitted for analyses.

Additionally four 22.9cm diameter auger holes were drilled along the strike of the graphite body to a depth of 30m (Plate 6, below is an example of one of these holes). Approximately 4.5 tonnes of graphite ore was recovered from these holes which represents run-of-mine feedstock for the first 5 years of the project's planned mine life. The ore recovered will form the basis of future up-scaling and pilot scale test work. This material is currently being used for metallurgical test work and product scoping.

*CSGT_001 core from 50-51m downhole.*

*CSGT14_001 core from 25m.*

*Collar of CSAug14_002.*




*Location of Geotechnical (GT) and Auger (Aug) holes at Campoona Shaft.*

## Wilclo South 2012 JORC Inferred Resource

In February 2013 Monax completed 77 reverse circulation drill holes for 7,307 metres over 1.4km of the Wilclo South graphite prospect. The drilling identified multiple shallow dipping graphite horizons.

On the 26th August 2013 Monax announced a Maiden total combined JORC 2012 Inferred Resource of 6.38 million tonnes grading 8.8% Cg (approximately 550,000 of contained graphite) at a lower cut-off grade of 5% Cg.

Drilling was conducted on a combination of 200 metre, 100 metre and 75 metre line spacings. All resources at Wilclo South are classified Inferred.

Wilclo South currently contains over 560,000 tonnes of graphite. The deposit is open to both the north and south. It is reasonable to expect that additional drilling at Wilclo South will increase the graphite inventory.

### Wilclo South Inferred Mineral Resources (>5% Cg cut-off)

| Fault Zone | Oxidation State | Tonnage (Mt) | Cg (%) | Density (t/m³) |
|---|---|---|---|---|
| Upper Block | Oxide | 1.02 | 8.4 | 2.3 |
| | Fresh | 2.67 | 8.7 | 2.3 |
| Middle Block | Oxide | 0.36 | 8.2 | 2.1 |
| | Fresh | 1.72 | 9.5 | 2.1 |
| Lower Block | Oxide | 0.25 | 7.9 | 2.1 |
| | Fresh | 0.36 | 9.1 | 2.1 |
| Subtotals | Oxide | 1.63 | 8.3 | 2.2 |
| | Fresh | 4.74 | 9.0 | 2.2 |
| Total Inferred (no cut-off) | | 6.38 | 8.8 | 2.2 |

*This information was prepared and first disclosed under the JORC Code 2014 (Monax Mining Limited, ASX Announcement 26th August 2013). It has not been updated since on the basis that the information has not materially changed since it was last reported.*

*Wilclo South currently contains over 560,000 tonnes of graphite. The deposit is open to both the north and south.*

### Campoona Mine Lease Proposal

Mine planning (MLP) studies have continued throughout the year. As of 30 June the MLP was approximately 70% completed and plans remain on track to lodge the MLP in 2014.

**Campoona Mine Lease Proposal**

| Task | Work Undertaken | Work in Progress |
|---|---|---|
| **Ecology** | Spring & Winter baseline surveys<br>Impact assessment | ✓ Completed<br>✓ Completed |
| **Air quality** | Project reviewed & GAP analysis | ✓ Modelling being finalised |
| **Hydrogeology** | Desktop study completed | ✓ Completed |
| **Geochemistry** | Draft report completed | ✓ AMD testing underway |
| **Socio-Economic & Community Consultation** | Stakeholder engagement plan<br>Community newsletters<br>Bi-Monthly CCC meetings | ✓ 5 x bi-monthly newsletters<br>✓ 5 x CCC Meetings completed<br>✓ Community open days planned |
| **Surface Water** | Desktop study | ✓ Completed |
| **Visual Amenity** | Fieldwork completed | ✓ In progress |
| **Tailings Management** | Tailings workshop<br>Tailings Option Assessment | ✓ Tailings Option Assessment<br>✓ Characterisation in progress |
| **Mine Closure Plan** | Information review & gap analysis | ✓ Mine plan outstanding |
| **MLP & PEPR Regulator** | Kick-off meeting<br>Table of Contents | ✓ Awaiting final mine plan and tailings review |
| **Regular Liaison** | Meetings with government stakeholders undertaken | ✓ Regular meetings |
| **Permitting Review** | Draft Permit Register completed in ebruary 2014 | ✓ Completed |
| **Cultural Heritage** | Desktop cultural heritage study | ✓ Completed |
| **Noise** | Review of various project | ✓ Desktop modelling and reporting in progress |
| **Traffic** | Desktop traffic study | ✓ Completed |

## Production Water

Two holes were drilled to depths of 121 and 91m to test water extraction rates and data on water quality as a potential source of water for the planned graphite processing facility at Sugarloaf. The deeper hole was established as a primary production bore and the 91m hole as a monitoring hole. Pump testing over 48 hours tested a number of abstraction rates ranging from 3-7 litres per second. Drawdown stopped at abstraction rates of 5 litres per second with recharge occurred below 4 litres per second. The testing indicated a sustainable abstraction rate of 5 litres per second which is significantly in advance of the estimated process water requirements for Campoona graphite processing.

SA Water provided a Supply Contract to supply the Sugarloaf processing facility with a potable water allowance of 40 mega-litres of water per annum which can be increased to 80 mega-litres per annum should the need arise. With the water supply from Pindari, Archer will only need potable water for final concentrate washing. The contract is set to be completed early in 2015.

*Pindari production water bore (foreground) and monitoring bore.*

## Purchase of Waddikee

In May 2014, Archer commenced a due diligence on the purchase of EL 4662 (Waddikee) from Monax Mining Ltd.

On the 23rd July 2014, Archer announced the completion of the purchase of the Waddikee tenement (EL 4662) from Monax Mining Ltd, for $300,000. The purchase includes the Wilclo South Deposit, a JORC 2012 Inferred Resource of 6.38 million tonnes grading 8.8% Cg (using a 5% Cg lower cut-off grade) for over 561,000 tonnes of contained graphite in Resource.

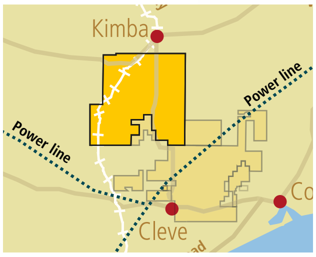
Waddikee EL4662 is located between the townships of Cleve and Kimba on central Eyre Peninsula (below). The 999km$^2$ tenement is situated immediately north of Archer's main graphite interests on EL4693 Wildhorse Plain.

Waddikee is highly prospective for graphite, manganese, iron (magnetite and hematite), gold, base metals (Ag-Pb-Zn-Cu) and uranium.

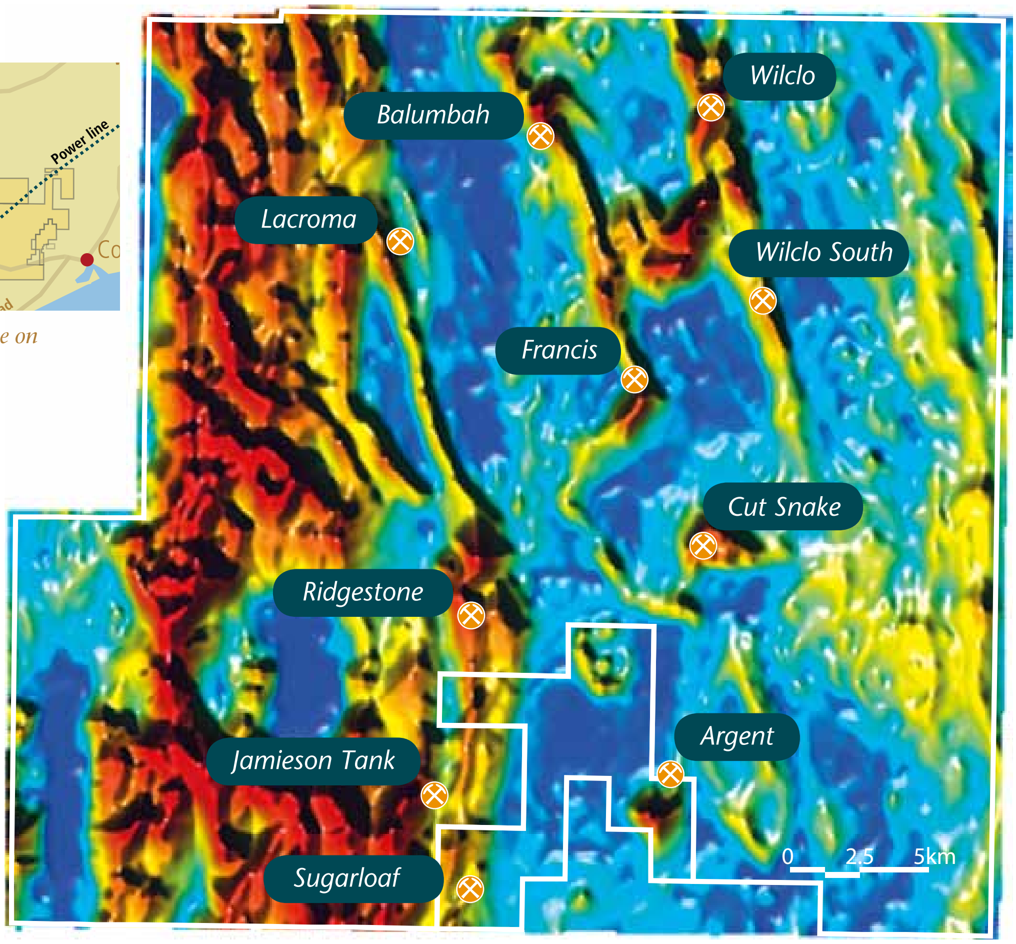
Waddikee has a number of graphite deposits and prospects that have been evaluated using combinations of geophysics (airborne magnetic and electromagnetic surveys) rock chip sampling, detailed petrology and drilling.

Rock chip sampling by Monax returned high grade graphite at the Argent, Wilclo, Cut Snake, Balumbah and Lacroma prospects.

Petrology from several samples showed the presence of large and jumbo flake graphite at the Argent, Balumbah and Cut Snake prospects.




*Location of Waddikee on the Eyre Peninsula.*




*Electromagnetic image of EL4662 showing main graphite deposits.*

The graphite morphology at Waddikee contrasts to that at Campoona. Graphite at Waddikee is:

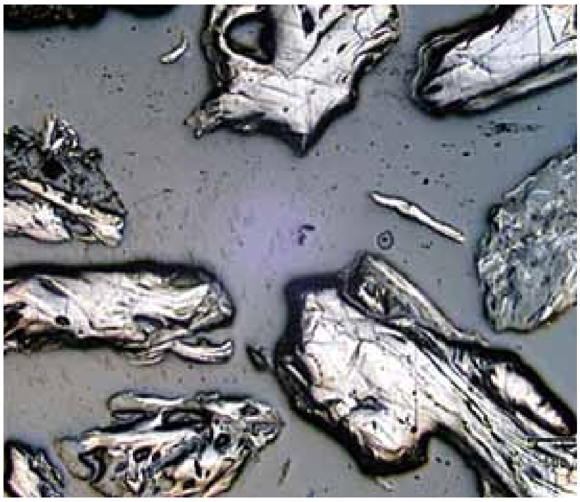
1) Clearly coarser than at Campoona with flake graphite mostly exceeding 200µm with some flake exceeding 500µm.
2) Flake graphite occurs as individual coarse flakes, as aggregates of flakes and as massive graphite aggregates.
3) Apart from flake graphite also occurs as finer ragged flake aggregates of various sizes.

*Sample 28736 Hole WG103, 33-34m.*

(PPL), (Xnic). Schistose graphite within metamorphic mosaic of white ghost-like clays ex-felspar (± minor micas). Accessory interstitial quartz.

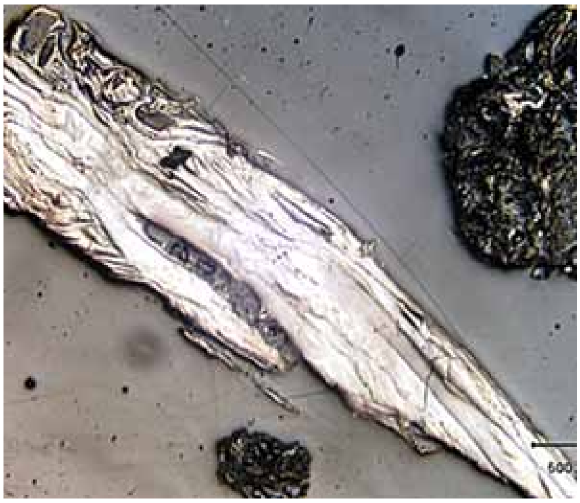
*Sample 28731, Hole WG091, 44-46m.*

Composite particle with 35% graphite in a host rock of yellow iron-stained clay, minor white clay and quartz.



*Sample 28731, Hole WG091, 44-46m.*

Example of four liberated graphite particles, and three composite together with small areas of silicate host rock. Note bar scale 500µm.



*Sample 28727, Hole WG090, 74-75m Large liberated flake, (x20), scale bar 500µm.*

(PPL), (Xnic). Graphite scattered as individuals and composites, all enclosed within ochreous-red ferruginised ex-felspars and local micas.

*Sample 28718, Hole WG044, 73-74m.*

*Flake aggregates from RC drill hole WG041 (98-99m).*

The rock chip sampling and detailed petrology has been supported by airborne magnetic and electromagnetic (AEM) data that showed that each of the graphite prospects was located within areas of linear conductive features.

Subsequent work by Monax increased the number of graphite prospects to eight.

In July of 2012 Monax drilled 40 reverse circulation drill holes for 2,908 metres on five of the graphite prospects. From this drilling Monax identified the Wilclo South, Francis and Lacroma prospects as high priority exploration targets.

## Other Waddikee Prospects

The Francis deposit contains very high grade graphite intercepts including 15m @ 20.7% Cg; 12m @ 21.9% Cg; 3m @ 22.2% Cg, and 2m @ 25.0% Cg. The intercepts are downhole intervals and may have intersected the mineralisation at a high angle.

Drilling at Lacroma also returned solid intercepts including 60m @ 6.8% Cg. The graphite from the limited petrology undertaken suggests very fine graphite.

Rock chip sampling at Balumbah returned grades in excess of 13.7% Cg but importantly petrology recorded very coarse flake graphite.

The airborne EM data suggests that there are several kilometres of prospective linear conductors that remain to be drill tested.

## Waddikee Metallurgy

The 4 week due diligence period meant that only preliminary metallurgical evaluation could be conducted. Approximately 20 kilograms of sample was collected from selected drill holes at Wilclo South and Francis. Samples were taken by scoop from individual sample bags and combined to form one sample for metallurgical testing.

The yield of flake obtained was calculated about 20% (+/-5%) of the available elemental carbon at 90% grade cut-off.

Gravity testing was performed on three size fractions of +150, +106 and +75 microns. The highest grade was achieved in the middle size range of +106 µm to 93.1% Cg at an overall grade of final products 89.9%. Similar good results were obtained in other size ranges as well, with an overall grade of 91.9% Cg for +75 µm and 86.7% Cg for +150 µm.

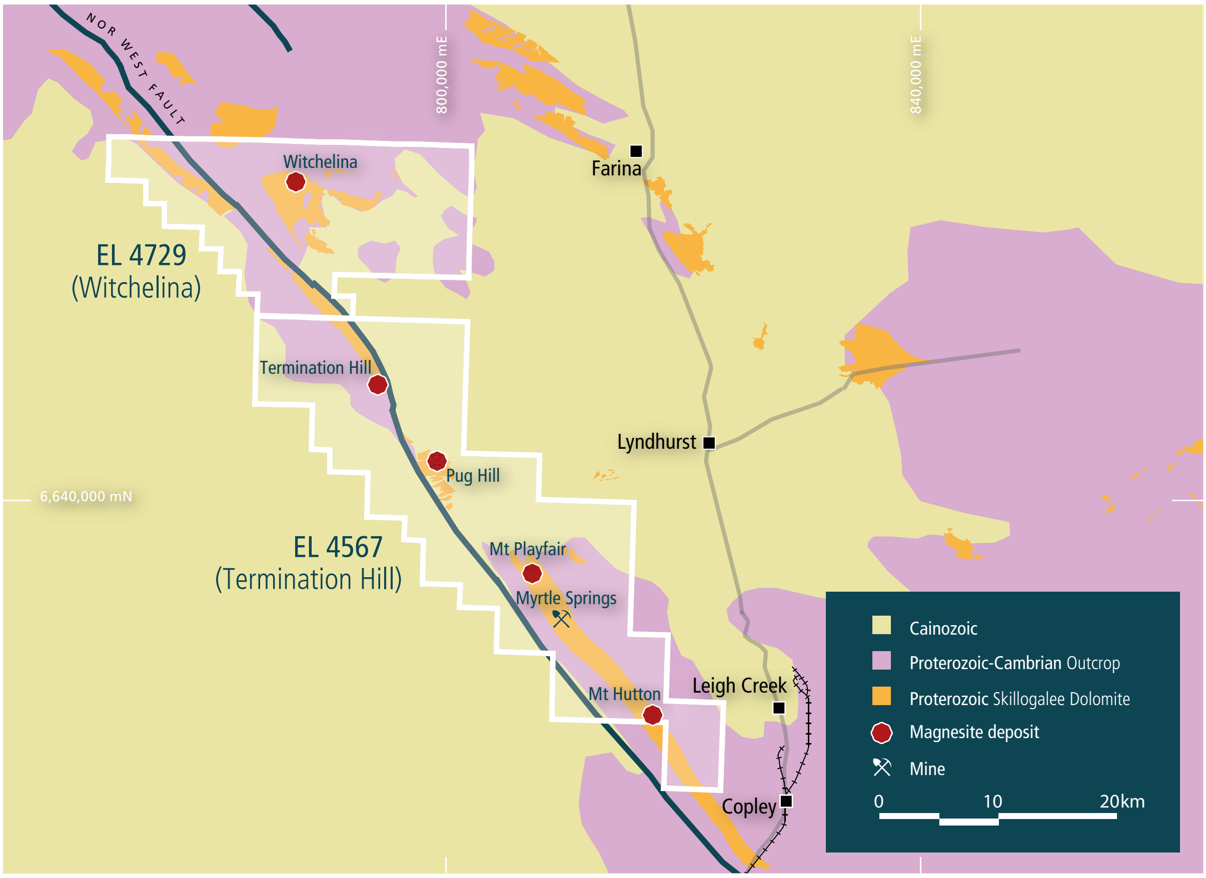
The potential yield of combined flake increases to around 32% at about 85% grade cut-off into 20-25% of the sample weight.

The flotation response of this chip sample was about 90% grade at 75% recovery, (test CN7); After passing through roughing plus 3 stage cleaning, following regrinding to about 400 mesh, 38 microns.

# Magnesite



Archer through its wholly owned subsidiary Leigh Creek Magnesite Pty Ltd owns the Leigh Creek magnesite deposit which, at 453 million tonnes grading 41.4% MgO, is the world's largest cryptocrystalline magnesite deposit.




*Archer's mineral tenements at Leigh Creek.*

## Introduction

Archer is the holder of Exploration Licence EL 4567 (Termination Hill) and Exploration Licence EL 4729 (Witchelina) in the state of South Australia, Australia. EL 4567 was granted by the Government of South Australia in September 2010 and covers an area of 542km². It includes the Mount Hutton South, Mount Hutton, Mount Playfair, Pug Hill and Termination Hill magnesite resources. EL 4729 was granted by the Government of South Australia in May 2011 and covers an area of 452km². It includes the Witchelina magnesite resource.

The magnesite projects are located near the established coal mining town of Leigh Creek, approximately 260km north of the industrial city of Port Augusta and 570km north of Adelaide.

*Calcined magnesia.*

The Leigh Creek region has been mined for magnesite since the early 1900's. However, these operations have typically been on an irregular and small scale basis. More recently, during the late 1990's and early 2000's, Magnesium Developments Limited ("MDL") and associated companies undertook significant exploration, environmental and project study work to complete a Bankable Feasibility Study (BFS) to construct a 50,000tpa magnesium metal project using magnesite resources extracted from the deposits (the MDL Project). While the MDL Project ultimately did not proceed, the extensive exploration work that was carried out on the Deposits, as part of the BFS, identified a JORC Resource of 453 million tonnes grading 40-43% MgO, making the deposits the largest known high value cryptocrystalline magnesite resource in the world.

Archer has undertaken further geological, technological and marketing due diligence to develop an indicative project concept for the production of Caustic Calcined Magnesia (CCM) for supply into high value, high growth market applications (Archer Project).

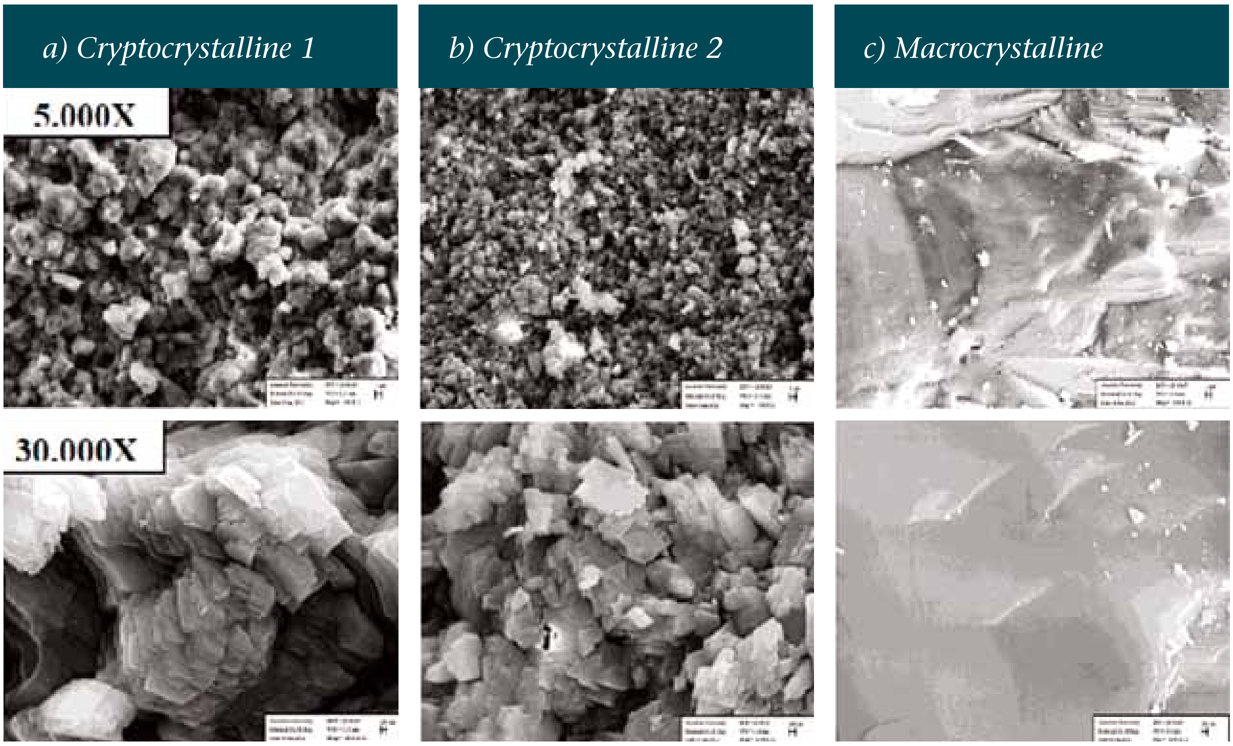
The proposed Archer Project involves a relatively straightforward open cut mining operation followed by on-site crushing and screening beneficiation. The mining operation could use contract mining services to reduce upfront capital expenditure. Detailed geological data, mine reserves calculations, mine pit design, waste dump design, mining schedule plans, environmental baseline studies and risk analysis currently exist to support the startup of mining operations and could be quickly updated.

The two types of magnesite are defined by their crystal size – cryptocrystalline (amorphous or fine size crystal typically 1-10 microns) and macrocrystalline (sparry or large size crystal up to several centimetres). The following Scanning Electron Microscopy (SEM) image clearly shows the fine crystal structure of cryptocrystalline magnesite at high levels of magnification. The macrocrystalline crystal is so much larger that it does not fit in the image frame.


*Leigh Creek Magnesite Project.*

*The world's largest cryptocrystalline magnesite deposit with JORC Measured, Indicated and Inferred Resources of 453Mt grading 41.4% MgO.*

*Outcropping Magnesite Mt Hutton.*




*Cryptocrystalline and Macrocrystalline Magnesite SEM*

Source: HüseyinGürcan, Ali Sesver, NafizOzdemir and BeyhanOzdemir, MagMin 2012 "Cryptocrystalline and MacrocrystallineMagnesite Ores: Comparing Microstructures and Thermal Behaviour"

Cryptocrystalline magnesite is a unique and scarce mineral and accounts for only 7% of the world's total magnesite resources. Cryptocrystalline magnesite only exists in a small number of countries and typically in much smaller deposits than macrocrystalline magnesite with the main deposits occurring in Australia and Turkey.

Australia has 58% of the world's cryptocrystalline magnesite resources and the Leigh Creek Deposits are the major component of these and account for almost 50% of total global cryptocrystalline resources. The Leigh Creek Deposits are by far the largest known of their kind in the world.

Caustic Calcined Magnesia (CCM) could be produced using conventional, reliable and proven Herreshoff multiple hearth furnace (MHF) technology. Metallurgical testwork indicates the simple crushing and screening process will, after calcination, produce a CCM with MgO> 95.0%, $SiO_2$< 2.5% and CaO< 1.5% and be suitable for a range of market applications.

The Deposits are strategically located and are within close proximity to industrial infrastructure. The town of Leigh Creek is connected to Port Augusta and Port Pirie by a standard gauge rail line and all weather bitumen roads. Port Pirie is the preferred location to build the magnesia processing plant and has access to bulk shipping facilities, national rail and road infrastructure, natural gas, power and skilled labour. Adelaide is also connected to Port Pirie by a standard gauge rail line and all weather bitumen roads and provides access to container shipping facilities.

The Leigh Creek Magnesite Project marketing plan is based on selling 120ktpa of CCM with the key target market being the high growth, high value and high margin metal precipitation applications segment. The remaining sales will be into waste and water treatment applications, plant and animal nutrition, iron and steel fluxing and pulp and paper/cellulose applications. Target markets are geographically close and can be efficiently accessed.

No exploration activities were undertaken in June 2013 due to a potential ownership dispute. That dispute was realised when Magnesium Developments Limited, a wholly owned subsidiary of Foyson Resources Limited, lodged a Plaint in the Adelaide Wardens Court on 5th December 2013. Archer engaged lawyers and senior counsel to defend the Company's position and on 2 July 2014 the plaint was withdrawn and the Warden's Court action was discontinued by MDL. MDL commenced an action in the Supreme Court of South Australia for an amount of $250,000, claiming that Archer made a binding offer to settle the Warden's Court dispute. On 12th September 2014 Archer, MDL and Foyson signed a Settlement Deed to settle all disputes between them concerning the Leigh Creek Magnesite Project.

With the Plaint withdrawn Archer is now able to proceed with a strategic review of the project. Archer appointed Ernst & Young as the lead advisor in the process.

Magnesite beds (white) interbedded with dolomite beds (light brown) within MDL's former Myrtle Springs mine. Despite this photo being of the nearby Myrtle Springs mine, the geology, including magnesite and dolomite disposition, is the same as the stratigraphy at Mt Hutton. This photo highlights the impossibility of extracting dolomite from Mt Hutton without significantly interfering with the bedded magnesite resource.

*Cleared Mt Hutton Mine Site.*

*Interbedded magnesite (white) & dolomite at the nearby Myrtle Springs mine.*

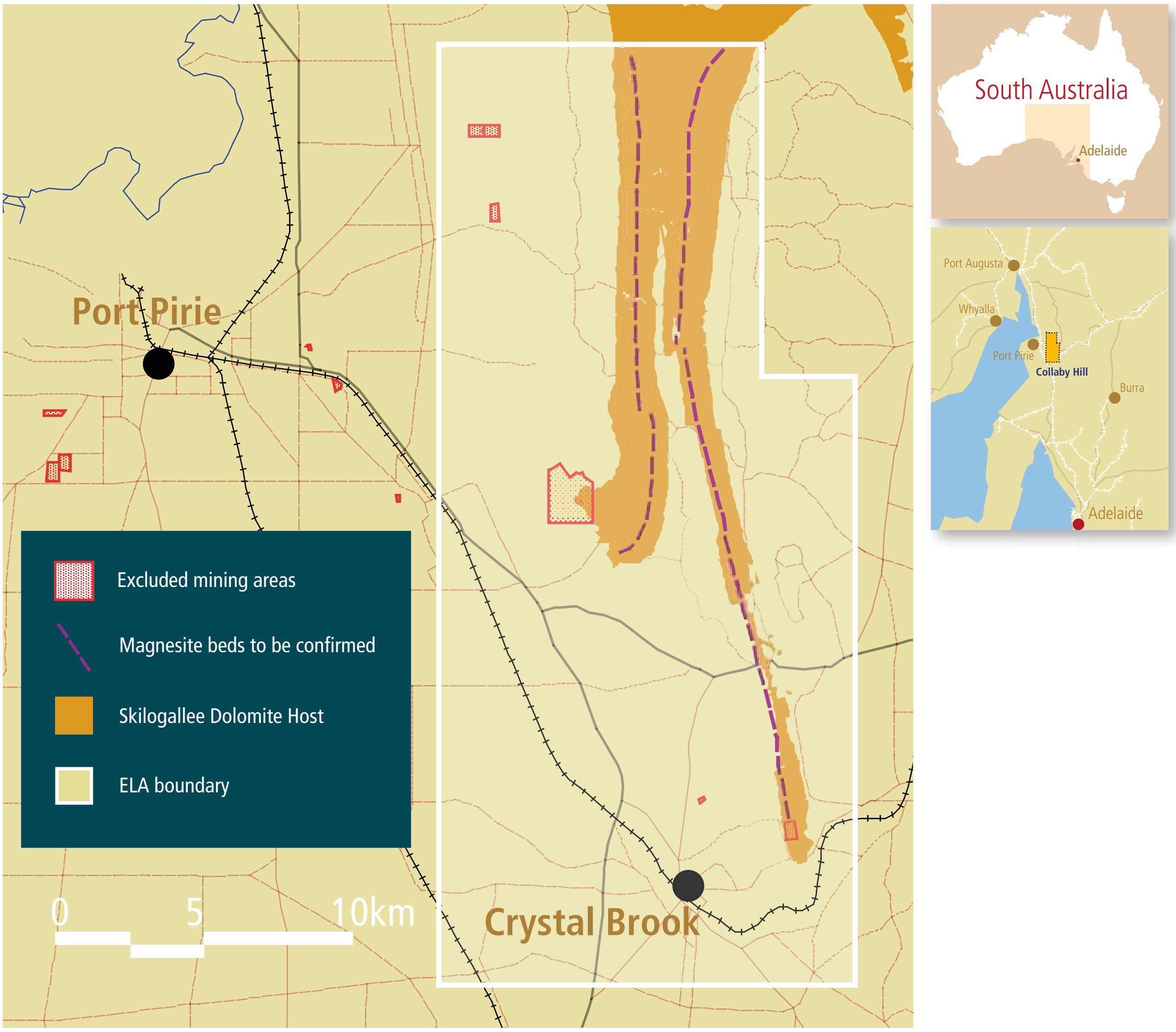
## Additional Tenure

During the year Archer made application for ground North West of the Leigh Creek tenements under the Exploration Release Area (ERA) process, where under state laws a company has to tender for exploration ground. That tender was unsuccessful.

Archer made a further application under the ERA process for ground east of Pt Pirie covering magnesite beds at Collaby Hill. The application was successful leading to ELA (2014/0070) being granted. Collaby Hill contains magnesite beds that strike for over +10km.  The tenement is likely to be an important addition to Leigh Creek offering high grade, low silica magnesite within 15 kilometres of Port Pirie.

The area under application has known magnesite beds. Exploration in 2005 was limited to surface sampling of magnesite which indicated Collaby Hill magnesite was higher in grade (MgO) that Mt Hutton and had low silica levels. The exploration was conducted by MDL as part of that company's plans for an alternative source of magnesite to Mt Hutton. Drilling was not conducted.

The Collaby Hill tenement has significant potential to compliment the deposits at Mt Hutton, Pug Hill, Mt Playfair, Termination Hill and Witchelina.

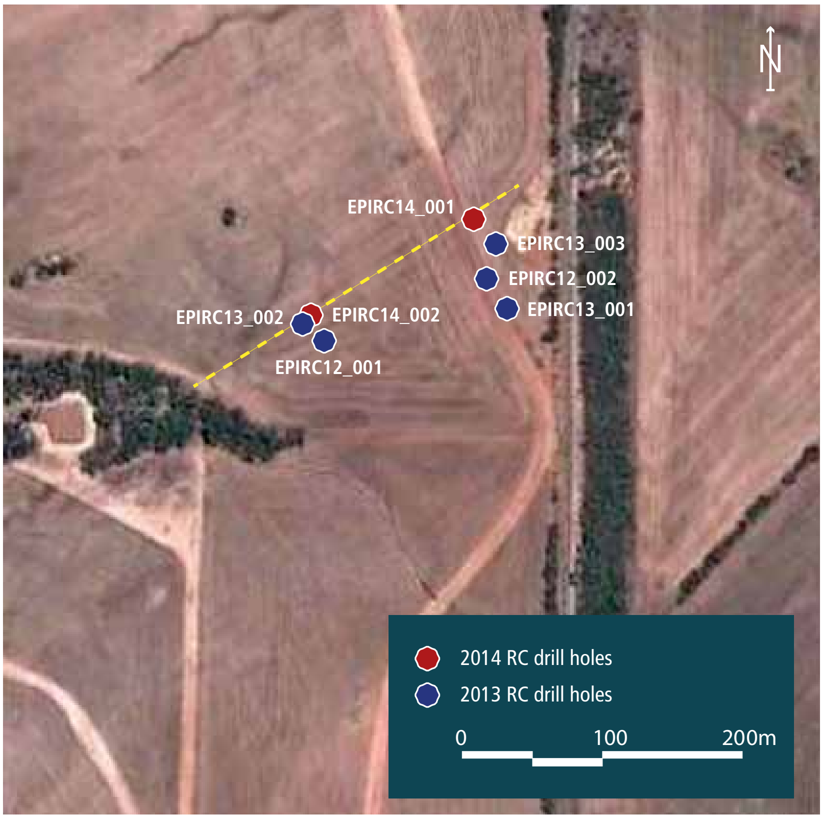



*ELA 2014/70 Collaby Hill.*

# Gold



During 2014 low level exploration continued to advance the Bartel epithermal gold prospect within EL4693 Wildhorse Plain.




Breccias.

Breccias.

Two RC holes were drilled for a total of 140m (EPIRC14_001 &_002), figures 2 and 3 following. The holes were successful in defining the structural setting to the gold mineralisation. The westerly plunge to the mineralisation may explain why one of the holes drilled EPIRC14_001, did not intersect anomalous values but did intersect host rock alteration (Figure3).

## *Bartel Epithermal gold prospect: Interpreted geology*

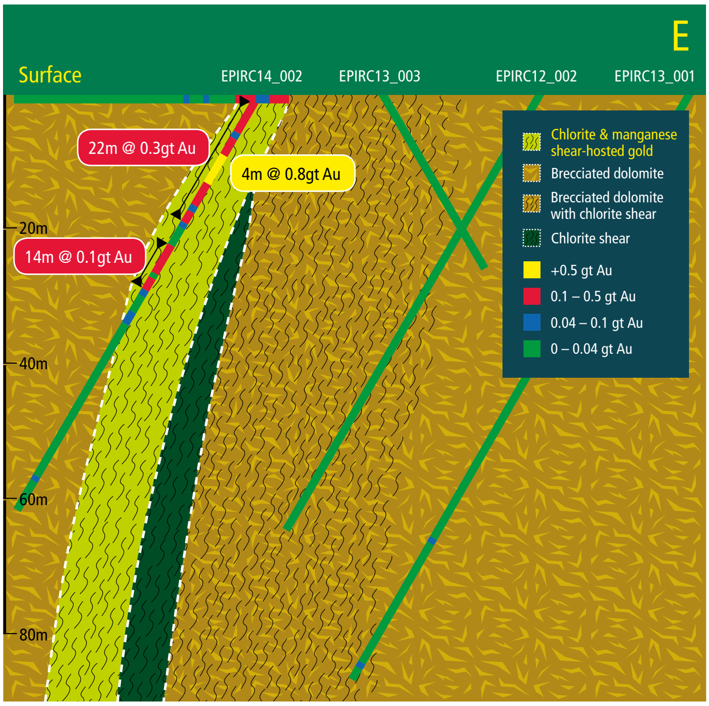



*Figure 2.*

Figure 2 shows surface trench sampling coupled with RC drill hole EPIRC14_002. Highly anomalous gold is contained within a 20 metre wide steep north dipping chlorite + manganese altered, sheared and brecciated dolomite.

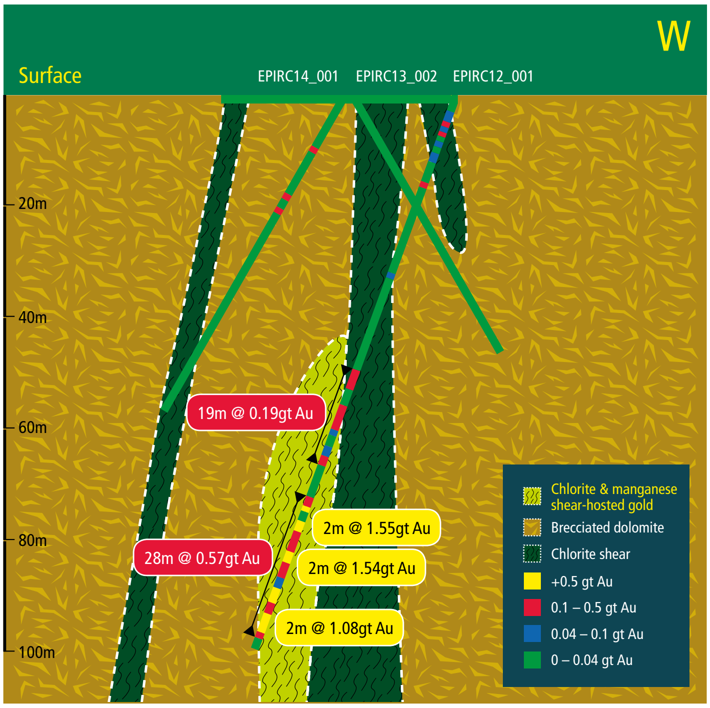



*Figure 3.*

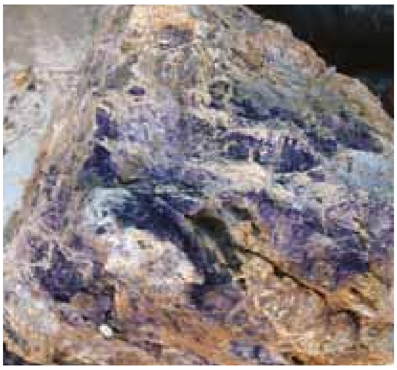
**Western Section with drill hole EPIRC14_001 shown, with gold mineralised hole EPIRC12_001.**

Figure 3 shows that whilst the gold mineralisation does not 'daylight' assaying for associated elements, such as Mn, As, Th, ie, a multi-element suite can be used to identify the alteration expression at the surface.

## *Examples of the alteration system are shown below*

*Tourmaline in quartz.*

*Crystalline quartz.*



*Fluorite often accompanies the alteration suite.*

*Silica textures.*

*Bladed silica textures.*

*Intense brecciation.*

*Polymict Breccia.*

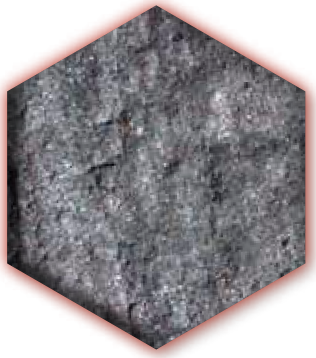
*Quartz textures.*

*Bladed silica.*

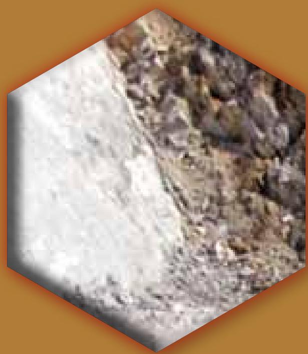
The Bartel epithermal gold prospect is an emerging exploration priority for the Company. Epithermal alteration systems often exhibit strong vertical zonation to alteration and mineralisation.

Future exploration will use soil sampling to identify the mineralised extent of the alteration along strike of the identified gold anomalism. In addition further areas of alteration observed throughout the tenement will be soil sampled when landowner permission is gained.

The soil sampling will provide the spacial vectoring needed to design follow-up drilling.



# *Directors' Report*



# Directors' Report



***Your Directors present this report on Archer Exploration Limited and its consolidated entities ('Group' or 'Archer'), for the year ended 30 June 2014.***

## Directors

The names of Directors in office at the date of this Report:

- *Greg English*
- *Tom Phillips AM*
- *Alice McCleary*
- *Gerard Anderson*

A biography and statutory disclosure regarding each Director and the Company Secretary are provided elsewhere in this Directors' Report.

## Principal Activities

The principal activity of the Group during the course of the financial year was the exploration for minerals on the Group's exploration licences in South Australia. There has been no change to these activities during the financial year.

## Operating Results

The loss of the Group after recognising a research and development tax concession of $409,289 was $675,102 (2013: $359,581).

## Dividends

No dividends were declared or paid during the financial year. No recommendation for payment of dividends has been made to the date of this report.

## Operating and Financial Review

Archer's business is mineral exploration. The Company has 15 granted Exploration Licences, Exploration Licence Application at Collaby Hill and the rights to all minerals other than Uranium on EL4693 Wildhorse Plain. In all Archer has an interest in 6,064km$^2$ of tenement area all in the state of South Australia covering a wide range of mineral commodities.

Over the last two years the Company has largely focused on the evaluation of its graphite projects located near Cleve on Eyre Peninsula and in particular the graphite deposits that make up the Campoona graphite deposit.

During 2014 Archer made further substantial progress in the evaluation of the 100% owned Campoona graphite deposit including:

- Resource drilling Central Campoona.
- Estimation of a JORC 2012 Resource.
- 3 diamond drill holes completed at Campoona Shaft to provide geotechnical data for detailed pit design.
- 4 x 22.9cm diameter, 30 metre deep auger holes completed along the Campoona Shaft deposit provided approximately 4 tonnes of sample for scale-up and pilot scale test work.
- Bench-scale and bulk scale metallurgical test work.
- Samples of final Campoona concentrate being evaluated by a number of companies with a view to either off-take or project investment opportunities.
- A production water bore and a monitoring bore were successfully installed at Pindari. Pump testing indicates abundant saline water is present that will provide a long-term supply of process water for the Sugarloaf processing facility.
- Completed 70% of the studies needed to support the lodgement of a Mine Lease Proposal that is scheduled to be lodged in late calendar 2014.
- Archer entered into a legally binding Heads of Agreement for the purchase of land at Campoona Shaft ("Campoona Property") which hosts the Company's Campoona Shaft Graphite Project.
- Archer has committed to a two-year program of Research and Development into graphene and graphene-related products with the University of Adelaide. Product development research as part of ongoing collaboration between Archer and the University of Adelaide, School of Chemical Engineering (Prof Dusan Losic Nano Research Group) successfully produced a wide number of graphene and intercalated graphite products from raw Campoona graphite and from Campoona medium-grade (92% TGC) graphite concentrates. Key products produced were:
  - graphene oxide sheets.
  - graphene sheets.
  - graphene based composites.
  - intercalated graphite.

In addition to work at Campoona the Company (through its wholly owned subsidiary, Pirie Resources Pty Ltd) entered into a binding Sale and Purchase Agreement with Monax Mining Limited to acquire 100% interest in the neighbouring Waddikee EL4662 tenement. The Waddikee acquisition completed in late July 2014 and brought substantial benefits to Archer, of which some are described below.

- The Wilclo South graphite deposit with a JORC 2012 Resource of 6.38 million tonnes grading 8.8% Cg (using a 5% Cg lower cut-off grade) for an Inferred Resource of over 561,000 tonnes of contained graphite. The Resource drilling covered just 1.4kms of a >10 kilometre pronounced linear electro-magnetic (EM) signature.

- Archer produced marketable grade large, medium and fine flake graphite from initial sighter tests on Wilclo South and Francis samples.
- Waddikee hosts a further 7 graphite prospects at Francis, Wilclo, Cut Snake, Balumbah, Ridgestone, Argent and Jamieson Tank.
- The Francis Prospect reported very high grade graphite downhole intercepts including 15m @ 20.7% Cg; 12m @ 21.9% Cg; 3m @ 22.2% Cg, and 2m @ 25.0% Cg. Francis is a clear high priority exploration target due to its very high grade and coarse flake content.
- Large to jumbo flake was indicated in petrology at Cut-Snake, Balumbah and Argent.
- A high quality geological, geochemical and geophysical data set was acquired, that includes full tenement coverage with airborne EM and magnetics flown on 400 metre line spacings.
- The EM has outlined over 30 kilometres of linear highly conductive bodies that are almost certainly graphitic in nature. Most of the EM conductors are undrilled and offer substantial upside opportunities for Archer to expand the graphite resource.
- The acquisition of EL4662 increased Archer's graphite footprint to 2,061km$^2$.

Archer's exploration activities on its 100% owned Leigh Creek magnesite deposits was put on hold in June 2013 due to a potential ownership dispute. That dispute was crystallised when Magnesium Developments Limited ("MDL"), a wholly owned subsidiary of Foyson Resources Limited, lodged a Plaint in the Wardens Court on 5th December 2013.

The MDL Plaint sought:

An order by the Warden under s80(2) of the Act granting approval for MDL to:

a) To peg and apply for registration of new mineral claims in respect of the area of the original Mineral Claims; and

b) to be granted an extractive minerals lease in respect of that area (subject to its application being approved by DMITRE).

MDL withdrew the Plaint prior to the Wardens Court hearing on 2nd July 2014. On 2nd September 2014 DMITRE (the Department of State Development) advised the Company that MDL's application for an extractive mineral lease as described above, has been refused. On 12th September 2014 Archer, MDL and Foyson signed a Settlement Deed to settle all disputes between them concerning the Leigh Creek Magnesite Project.

## Significant Changes in State of Affairs

The Directors are not aware of any significant changes in the state of affairs of the Group occurring during the financial year, other than as disclosed in this Annual Report.

## Matters Subsequent to the End of the Financial Year

On 4th July 2014 the Company allotted 657,646 fully paid ordinary shares as a result of the vesting of 50% of the Performance Rights that met the performance conditions for the year ended 30 June 2014. On 4th July 2014, 429,605 Performance Rights lapsed.

On 23rd July 2014, Archer completed the acquisition of the Waddikee EL 4662 from Monax Mining Limited. The proposed acquisition was announced to the Australian Securities Exchange on 21st May 2014.

On 2nd July 2014 Magnesium Developments Limited (MDL) commenced an action against the Company in the Supreme Court of South Australia, claiming the Company made a binding offer to settle the Wardens Court dispute that was lodged on the 5th December 2013. On 12th September 2014 the Company announced a confidential settlement agreement had been entered into between the companies for the acquisition of technical data and to settle all disputes between them, including the discontinuance of the proceeding against the Company in the Supreme Court of South Australia.

Other than as detailed above, no other matters or circumstances have arisen since the end of the financial year which have significantly or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

## Future Developments, Prospects and Business Strategies

The 2015 business plan for Campoona is to complete the studies needed to support a Mining Lease Proposal and Programme for Environmental Protection and Rehabilitation and to lodge the Mining Lease Proposal to the regulatory authorities for approval late in calendar 2014.

The most important factor influencing the size of the development proposed for Campoona is securing off-take agreements. In addition, Archer has also indicated a preparedness to enter into a joint venture to co-develop the Company's graphite deposits if that could lead to a stronger, de-risked (capital and marketing) project.

With a cash balance of $5.565 million the Company can fully fund the Mining Lease Proposal.

The Company remains mindful of the difficulty of raising capital in this market and expects those adverse market conditions to continue for much of 2015. To that end the Company is looking at a number of strategies to develop its mineral assets whilst preserving cash.

The first strategy is the divestment of non-core projects including the Leigh Creek magnesite deposits.

The second potential divestment opportunity is the Company's manganese projects at Ketchowla, Salt Creek and Jamieson Tank either separately or as a package.

In addition to the principal activity of developing a mine at Campoona, Archer will continue to prioritise exploration on emerging exploration projects outside of graphite including the Bartel epithermal gold project at Wildhorse Plain, gold targets at Wonna and Watervale and copper projects at Spring Creek, North Cowell and Robertstown.

## Environmental Issues

The Group's operations are subject to significant environmental regulations under the laws of the Commonwealth and/or State. No notice of any breach has been received and to the best of the Directors' knowledge no breach of any environmental regulations has occurred during the financial year or up to the date of this Annual Report.

## Remuneration Report (Audited)

This report details the nature and amount of remuneration for each director of Archer Exploration Limited and for the key management personnel. Note 4 lists the respective names and roles of the Company's key management personnel.

## Remuneration Policy

The Board acts as the remuneration committee as a consequence of the size of the Board and the Group. The Board believes that individual salary negotiation is more appropriate than formal remuneration policies and external advice and market comparisons are sought where necessary. The Group discloses the fees and remuneration paid to all Directors as required by the Corporations Act 2001. The Board recognises that the attraction of high calibre executives is critical to generating shareholder value.

The directors and executives receive a superannuation guarantee contribution required by the government which increased from 9.25% to 9.50% from 1st July 2014 (Managing Director contribution is 10%), and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation and/or elected to increase superannuation contributions a part of their salary package.

All remuneration paid to Directors and executives is valued at the cost to the Group. The Group has established a Performance Rights Plan and a Share Option Plan for the benefit of Directors, officers, senior executives and consultants. Shares issued under the Share Option Plan to Directors and executives are valued at the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes valuation methodology, Performance Rights are valued using a Monte Carlo based model and recognised as remuneration in accordance with the attached vesting conditions. The Board policy is to remunerate non-executive directors at the market rates for time, commitment and responsibilities. The Board determines payments to non-directors and reviews their remuneration annually, based on market price, duties and accountability. Independent external advice is sought when required (not used during the period). The maximum aggregate amount of fees that can be paid to non-executive directors is $500,000 per annum which has not changed since Archer listed on the ASX in August 2007. These amounts are not linked to the financial performance of the consolidated Group.

However, to align director's interests with shareholder interests, the directors are encouraged to hold shares in Archer.

Each member of the executive team has signed a formal contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on terminations. The standard contract sets out the specific formal job description.

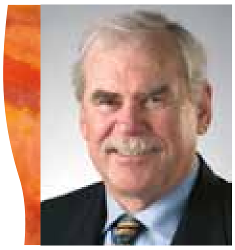
## Voting and comments made at the Company's 2013 Annual General Meeting

The Company received more than 97% of 'yes' votes on its remuneration report for the 2013 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

# Directors' Report Information on Directors' and Management

**Greg English**
LLB, BE (Mining)
*Chairman*

**Gerard Anderson**
Assoc. Applied Geology, Grad Dip Bus, MSc
*Managing Director*



**Tom Phillips AM**
MBA FAICD
*Director (Non-Executive)*

**Alice McCleary**
DUniv, BEc FCA FTIA FAICD
*Director (Non-Executive)*

**Damien Connor**
CA GAICD
*Company Secretary*

**Greg English** is a qualified mining engineer and lawyer. He is a partner of Piper Alderman Lawyers. He specialises in mining, commercial and securities law. He is also a qualified mining engineer, with experience on a wide variety of mining projects. Greg is Chairman of ASX listed Core Exploration Ltd, a Director of West African Gold Limited and was a previous director of ASX listed Gawler Resources Ltd.

Greg's experience in the mining industry, particularly in capital raising, tenement acquisition, project management and business development, and his industry knowledge and business relationships, enables Archer Exploration to manage and develop its existing tenement portfolio and to identify and secure other high quality exploration assets.

*Interest in Shares and Performance Rights*
9,076,644 ordinary shares and 500,000 performance rights.

*Special Responsibilities*
Chairman

**Gerard Anderson** is a geologist with 40 years of experience including over 21 years in senior exploration and mine management roles including Exploration Superintendent at the Boddington Gold Mine for Worsley Alumina, Chief Geologist at Kalgoorlie Consolidated Mines, General Manager of Golden Grove zinc/copper/lead operations for Normandy and Newmont. He was also General Manager Joint Ventures for Newmont, Managing Director of Croesus Mining NL and Managing Director of Centrex Metals Ltd (both ASX listed).

*Interest in Shares and Performance Rights*
1,528,041 ordinary shares and 604,459 performance rights.

*Special Responsibilities*
Managing Director. Member, Audit & Risk Committee

**Tom Phillips** holds board positions with several not-for-profit Organisations. Tom Chairs the Southern Adelaide Development Board and Flinders Partners Pty Ltd. He's a former director of Australia Post.

Tom's extensive experience in Australian industry and his knowledge of international business is a significant asset to the Company.

*Interest in Shares and Performance Rights*
1,185,346 ordinary shares and 300,000 performance rights.

*Special Responsibilities*
Member, Audit & Risk Committee

**Alice McCleary** is a Chartered Accountant. She is Chairman of UraniumSA Limited (ASX listed), a director of Benefund Ltd, Forestry Corporation of South Australia and Adelaide Community Healthcare Alliance Inc (ACHA). She is Vice-President of the South Australian Chamber of Mines and Energy (SACOME).

Previous leadership roles include Deputy Chancellor of the University of South Australia and National President of the Taxation Institute of Australia. Alice's professional interests include financial management and corporate governance.

*Interest in Shares and Performance Rights*
2,148,264 ordinary shares and 300,000 performance rights.

*Special Responsibilities*
Chair Audit & Risk Committee.

**Craig Gooden** was appointed Company Secretary on 16th February 2007. He retired on 1st August 2014. Mr Gooden has provided exceptional service to the Company since before its listing on the ASX, and the Company wishes him all the best in his retirement.

**Damien Connor** was appointed Company Secretary on 1st August 2014. Damien performs the financial/accounting role in the Company as well as the secretarial duties. Damien has been a member of the Institute of Chartered Accountants since 2002 and is a Graduate of the Australian Institute of Company Directors. Damien has been employed in the resources sector since 2005. He also provides Company Secretary and Chief Financial Officer services to two other ASX-listed entities.

## Service Agreements

The elements of the Directors and Group's executives' remuneration are set out in employment contracts as follows:

***Gerard Anderson, Managing Director/CEO, Archer Exploration Limited***

Mr Anderson was appointed a non-executive Director of Archer in July 2008 and was appointed as Managing Director and Chief Executive Officer on 25 October 2010, and his contract was renewed on 1 July 2013 on the following terms:

- Contract term: Three years from 1st July 2013 but may be terminated early by either party giving minimum 3 months' notice.
- Remuneration: $450,000 per annum plus 10% superannuation.
- Short-term incentive bonus: Discretionary up to 20% of salary each year, is determined with reference to KPI's as set by the Board annually.
- Long-term incentive bonus: Discretionary up to 15% of base salary per year payable in Company shares, subject to shareholder approval and KPI's including Company share price performance compared with the ASX Small Resources Index.
- Termination payments: Calculated based on reason for termination, from three months notice plus leave entitlements up to 12 months salary plus leave entitlements.

***Greg English, Chairman, Non-Executive Director Archer Exploration Limited***

Base remuneration.

***Tom Phillips AM, Non-Executive Director, Archer Exploration Limited***

Base remuneration.

***Alice McCleary, Non-Executive Director, Archer Exploration Limited***

Base remuneration.

***Wade Bollenhagen, Exploration Manager Archer Exploration Limited***

- Contract Term; Permanent employee, no fixed term.
- Remuneration $170,000 per annum plus 9.50% superannuation and a discretionary bonus as approved by the Board.
- Termination payments: Calculated based on reasons for termination from 4 weeks plus leave entitlements up to 12 months salary plus leave entitlements.

## Details of Key Management Personnel Remuneration

The following table outlines persons who are key management personnel of the Company and the nature and amount of the elements of the remuneration of those persons.

| 2014 | Short-term Employee Benefits | | Post-employment Benefits | Share Based Payments | Total |
|---|---|---|---|---|---|
| Directors | Salary and fees $ | Performance bonus $ | Superannuation $ | Performance Rights $ | $ |
| Greg English* | 68,650 | - | 6,350 | 40,667 | 115,667 |
| Tom Phillips AM | 45,767 | - | 4,233 | 24,400 | 74,400 |
| Alice McCleary | 45,767 | - | 4,233 | 24,400 | 74,400 |
| Gerard Anderson | 450,000 | 60,000 | 51,000 | 46,292 | 607,292 |
| Subtotal | 610,184 | 60,000 | 65,816 | 135,759 | 871,759 |
| *Key Management Personnel* | | | | | |
| Craig Gooden | 77,325 | - | - | 16,267 | 93,592 |
| Wade Bollenhagen | 170,000 | 15,300 | 17,140 | 21,832 | 224,272 |
| David Lock PhD** | 87,260 | - | 6,552 | 843 | 94,655 |
| Total | 944,769 | 75,300 | 89,508 | 174,701 | 1,284,278 |

* In addition, Piper Alderman Lawyers were paid $252,713 (2013: $Nil) during the year for services rendered to the Company. Mr English is a partner of Piper Alderman Lawyers during the year. The fees were at normal commercial rates and at arms-length. In 2013, Mr English was a partner of Norman Waterhouse Lawyers and they were paid $23,325.

** David Lock resigned effective 1 November 2013.

The percentage of remuneration received as share based payments were:

| | | | |
|---|---|---|---|
| Greg English | 35.1% | Craig Gooden | 17.3% |
| Tom Phillips AM | 32.8% | David Lock PhD | 0.8% |
| Alice McCleary | 32.8% | Wade Bollenhagen | 9.7% |
| Gerard Anderson | 7.6% | | |

| 2013 | Short-term Employee Benefits | | Post-employment Benefits | Share Based Payments | Total |
|---|---|---|---|---|---|
| Directors | Salary and fees $ | Performance bonus $ | Superannuation $ | Options $ | $ |
| Greg English* | 68,807 | - | 6,193 | - | 75,000 |
| Tom Phillips AM | 45,872 | - | 4,128 | - | 50,000 |
| Alice McCleary | 45,872 | - | 4,128 | - | 50,000 |
| Gerard Anderson | 300,000 | 81,000 | 38,100 | 17,982 | 437,082 |
| Subtotal | 460,551 | 81,000 | 52,549 | 17,982 | 612,082 |
| *Key Management Personnel* | | | | | |
| Craig Gooden | 78,952 | - | - | - | 78,952 |
| Wade Bollenhagen | 170,000 | 15,300 | 16,667 | - | 201,967 |
| David Lock PhD | 176,000 | - | 15,300 | 3,432 | 194,732 |
| Total | 885,503 | 96,300 | 84,516 | 21,414 | 1,087,733 |

* In addition, Norman Waterhouse Lawyers were paid $23,325 (2012: 13,242) during the year for services rendered to the Company. Mr English was a partner of Norman Waterhouse Lawyers until 1 July 2013. The fees were at normal commercial rates and negotiated at arms length.

The fair value of the options issued to key management personnel has been determined using an approved valuation methodology. Refer Note 20.

The percentage of remuneration received as share based payments were:

| | | | |
|---|---|---|---|
| Gerard Anderson | 4.1% | David Lock | 1.7% |

## Number of Unlisted Options held by Directors and Key Management Personnel as at 30 June

*2014*

| Key Management Personnel | Balance 1/07/13 | Granted as Compensation | Options Exercised | Options Cancelled/lapsed | Net other Changes | Balance 30/06/14 | Total vested | Total unvested |
|---|---|---|---|---|---|---|---|---|
| Gerard Anderson | 5,000,000 | - | (1,250,000) | (3,750,000) | - | - | - | - |
| David Lock PhD * | 75,000 | - | - | (75,000) | - | - | - | - |
| Total | 5,075,000 | - | (1,250,000) | (3,825,000) | - | - | - | - |

* David Lock resigned effective 1 November 2013.

*2013*

| Key Management Personnel | Balance 1/07/12 | Granted as Compensation | Options Exercised | Options Cancelled/lapsed | Net other Changes | Balance 30/06/13 | Total vested | Total unvested |
|---|---|---|---|---|---|---|---|---|
| Gerard Anderson | 5,000,000 | - | - | - | - | 5,000,000 | 4,000,000 | 1,000,000 |
| David Lock PhD | - | 75,000 | - | - | - | 75,000 | 25,000 | 50,000 |
| Total | 5,000,000 | 75,000 | - | - | - | 5,075,000 | 4,025,000 | 1,050,000 |

## Number of Unlisted Performance Rights held by Directors and Key Management Personnel as at 30 June

*2014*

| Key Management Personnel | Balance on 1/7/13 | Granted as Compensation | Vested | Lapsed | Balance 30/06/14* | Total Vested |
|---|---|---|---|---|---|---|
| Greg English | - | 750,000 | - | - | 750,000 | - |
| Tom Phillips AM | - | 450,000 | - | - | 450,000 | - |
| Alice McCleary | - | 450,000 | - | - | 450,000 | - |
| Gerard Anderson | - | 832,500 | - | - | 832,500 | - |
| Craig Gooden | - | 300,000 | - | - | 300,000 | - |
| Wade Bollenhagen | - | 402,632 | - | - | 402,642 | - |
| Total | - | 3,185,132 | - | - | 3,185,132 | - |

At the 2013 AGM shareholders approved the issue of Performance Rights to Directors. The Performance Rights vest on the achievement of a share price performance condition. All Performance Rights will vest if the increase in the Archer share price over a financial year exceeds the increase in the ASX Small Resources Index (Index) by 50% or more, 75% of Performance Rights will vest if Archer share price increase exceeds the Index by between 25% and 49%, 50% of Performance Rights will vest if Archer share price increase matches or exceeds the Index by up to 24% and no of Performance Rights will vest if Archer share price performs worse than the Index. In 2014 financial year the Archer share price increased by 13.85% and the Index increased by 11.27%, therefore only 50% of the Performance Rights vested and the remaining 50% for that year lapsed

* On 4th July 2014 the Company allotted 620,146 fully paid ordinary shares to Directors and Key Management Personnel as a result of the vesting of 50% of the Performance Rights that met the performance conditions for the year ended 30 June 2014. On 4th July 2014, 392,105 Performance Rights to Directors and Key Management Personnel lapsed.

| Key Management Personnel | Balance on 1/7/14 | Granted as Compensation | Vested | Lapsed | Balance 4/07/14 |
|---|---|---|---|---|---|
| Greg English | 750,000 | - | 125,000 | 125,000 | 500,000 |
| Tom Phillips AM | 450,000 | - | 75,000 | 75,000 | 300,000 |
| Alice McCleary | 450,000 | - | 75,000 | 75,000 | 300,000 |
| Gerard Anderson | 832,500 | - | 228,041 | - | 604,459 |
| Craig Gooden | 300,000 | - | 50,000 | 50,000 | 200,000 |
| Wade Bollenhagen | 402,632 | - | 67,105 | 67,105 | 268,421 |
| Total | 3,185,132 | - | 620,146 | 392,105 | 2,172,880 |

*2013*

No unlisted performance rights were granted as compensation in the year ended 30 June 2013.

## Number of shares held by Directors and Key Management Personnel as at 30 June

*2014*

| Key Management Person | Balance on 1/7/13 | Received as Compensation | Options Exercised | Net Other Change | Balance 30/06/14 |
|---|---|---|---|---|---|
| Greg English | 8,951,644 | - | - | - | 8,951,644 |
| Tom Phillips AM | 1,110,346 | - | - | - | 1,110,346 |
| Alice McCleary | 2,073,264 | - | - | - | 2,073,264 |
| Gerard Anderson | 50,000 | - | 1,250,000 | - | 1,300,000 |
| Craig Gooden | 985,346 | - | - | - | 985,346 |
| Wade Bollenhagen | 240,000 | - | - | - | 240,000 |
| Total | 13,410,600 | - | 1,250,000 | - | 14,660,600 |

*2013*

| Key Management Person | Balance on 1/7/12 | Received as Compensation | Options Exercised | Net Other Change | Balance 30/06/13 |
|---|---|---|---|---|---|
| Greg English | 11,951,644 | - | - | (3,000,000) | 8,951,644 |
| Tom Phillips AM | 1,110,346 | - | - | - | 1,110,346 |
| Alice McCleary | 2,073,264 | - | - | - | 2,073,264 |
| Gerard Anderson | 50,000 | - | - | - | 50,000 |
| Craig Gooden | 985,346 | - | - | - | 985,346 |
| Wade Bollenhagen | 240,000 | - | - | - | 240,000 |
| Total | 16,410,600 | - | - | (3,000,000) | 13,410,600 |

## Employment contract of the Managing Director and Exploration Manager

| Name | Position | Duration of Contract | Period of Termination Notice | Termination Payment provided for under the contract |
|---|---|---|---|---|
| Gerard Anderson | MD/CEO | 36 Months [1] | Immediate [3] | up to 12 months |
| Wade Bollenhagen | Exploration Manager | No fixed term [2] | Immediate [3] | 4 weeks |

Note [1] Contract commenced 1 July 2013

[2] Contracted permanent employee with no fixed term.

[3] For termination with good cause.

## Meetings of Directors

During the financial year, 11 meetings of the Board of Directors were held. Attendances by each Director were as follows:

| Name | Number of Directors meetings whilst a Director: Held | Attended |
|---|---|---|
| Greg English | 11 | 11 |
| Tom Phillips AM | 11 | 11 |
| Alice McCleary | 11 | 11 |
| Gerard Anderson | 11 | 11 |

Two meetings of the Audit & Risk Committee were held during the year. The members being Alice McCleary as Chair, Gerard Anderson and Tom Phillips all attended both meetings. The Company has not formed a Remuneration Committee, or a Corporate Governance Committee. The Board as a whole considers these matters. The Board considers this appropriate given the size and nature of the Company at this time.

## Options

There were no unexercised options at the date of this Annual Report.

No person entitled to exercise an employee option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

## Performance Rights

The following performance rights were unvested at the date of this Annual Report.

| *Grant Date* | *Option Type* | *Number of shares subject to Performance Rights* | *Exercise Price* | *Expiry Date* |
|---|---|---|---|---|
| 21 November 2013 | Unlisted | 2,782,500 | $Nil | 31 July 2016 |
| 17 December 2013 | Unlisted | 627,632 | $Nil | 31 July 2016 |

## Proceedings on Behalf of Company

As far as the Directors' are aware, no person has applied to the Court for leave to bring proceedings on behalf of the Company or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

## Indemnification and Insurance of Directors and Officers

The Company's Constitution provides that the Company indemnifies, on a full indemnity basis and to the full extent permitted by law, officers of the Company for all losses or liabilities incurred by the person as an officer of the Company or a related body corporate. In conformity with the Constitution, the Company is party to Deeds of Indemnity in favour of each of the Directors referred to in this report who held office during the year.

The Company has paid premiums to insure each of the directors, officers and consultants against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or executive of the company, other than conduct involving wilful breach of duty or a lack of good faith in relation to the company. The policy does not specify the individual premium for each officer covered and the amount paid is confidential. Since the end of the year the Company has paid, or agreed to pay, premiums in respect of such contracts for the year ending 30 June 2015.

## Non-Audit Services

The Board of Directors is satisfied that the provision of the non audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees for non-audit services were paid to the external auditors during the year ended 30 June 2014:

| | |
|---|---|
| *Taxation services* | *$6,550* |

## Auditor's Independence Declaration

The lead auditor's independence for the year ended 30 June 2014 has been received and can be found on page 45 of the Financial Report.

Signed in accordance with a resolution of the Board of Directors

*Greg English*
*Chairman*

*Adelaide*
*Dated this 19th day of September 2014*

Grant Thornton

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**W** www.grantthornton.com.au

**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 audit of Archer Exploration Limited for the year ended 30 June 2014, 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 audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

S J Gray
Partner – Audit & Assurance

Adelaide, 19 September 2014

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# *Corporate Governance Statement*

A copy of the Company's Corporate Governance Manual and its Code of Conduct and Ethics may be found on the company's website, at:

www.archerexploration.com.au

These documents set out the principles of corporate governance which the Board, and all employees, are obliged to comply with:

## Principle 1: Laying Solid Foundations for management and oversight

The Company's Corporate Governance Manual sets out the matters reserved for the Board's decision.

The Board has established delegations to senior executives so that their authority and duties are clear. These relate to expenditure approvals, day-to-day decision-making, routine ASX disclosures, review of potential projects, OH&S, staffing, promotion of the Company and Board reporting. Details are set out in the Company's Corporate Governance Manual.

We also advise that a formal performance appraisal of the Chairman was carried out by the Board in accordance with our published policy. In addition, the Chairman reviewed the performance of the Board and other key executives in accordance with the policy.

## Principle 2: Structuring the board to add value

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report, and their term of office, are detailed in the directors' report.

A majority of the non-executive directors of the company are independent:

*Tom Phillips* AM
*Alice McCleary*

Each holds less than 5% of the issued capital of the Company, and has no current or recent material business relationship with the Company other than as a director. The Chairman of the Company, Mr. Greg English, is a substantial shareholder and holds more than 5% of the issued capital of the Company.

The Company does not have a separate Nomination Committee. However, the Board considers the composition, size and skills of the Board as part of its Board evaluation process, when selecting and appointing new directors, and at other relevant times, and considers that it does not presently require a Nomination Committee given the present size of both the Company and the Board.

The Corporate Governance Manual sets out the process for evaluating the effectiveness of the Board. The Board has followed this process in the 2014 year.

Board members are permitted to obtain independent professional advice at the expense of the Company, as set out in the Corporate Governance Manual.

## Principle 3: Promote ethical and responsible decision-making

The Company's Code of Conduct and Ethics establishes the practices directors and staff must follow to comply with the law, meet stakeholder expectations, maintain confidence in the Company's integrity and report unethical practices.

The Company has not established a specific policy on diversity due to the current size of the Company and its operations. Directors and Management are selected based on skills, experience and expertise relevant to the required position. At 30 June 2014, the Company reports that 25% of the Board were women.

## Principle 4: Safeguarding integrity in financial reporting

An Audit and Risk Committee was established in 2011 and a formal charter has been approved. The Chair of the committee is director Alice McCleary with directors Tom Phillips and Gerard Anderson as members. All directors are given notice of meetings and are free to attend.

The Company selects its external auditor on a merit basis and is currently satisfied with the audit services being provided. Given the short period of the Company's existence, it has not yet had cause to consider auditor rotation or re-selection processes, but will base any such decisions on competency, independence and value for money.

### Principle 5: Making timely and balanced disclosure

The Company's procedures for ensuring timely ASX disclosure are set out in the Corporate Governance Manual. The Managing Director and Company Secretary have day-to-day responsibility for compliance with ASX Listing Rules. All strategic disclosures to the ASX are approved by the Board. The functions of Competent Person for the purposes of the JORC code are performed by the Exploration Manager, Mr Wade Bollenhagen.

### Principle 6: Respecting the rights of shareholders

The Company's shareholder communication policy is set out in the Corporate Governance Manual. The Company relies principally on ASX disclosure and AGM meeting notices to communicate with shareholders which are considered adequate at this of the Company's development. The Company uses electronic communications effectively.

### Principle 7: Recognising and managing risk

The Company's risk management polices are outlined in the Corporate Governance Manual. The Company has comprehensive policies in place to manage financial and operational risk, and these are being further developed and expanded as the Company's operations expand. The effectiveness of management of these risks is reported upon to the Board each month. Broader corporate risks are reviewed by the Board as a whole on an ongoing basis, and risk minimization strategies such as insurance are in place. The Board has conducted a formal risk assessment of its activities.

In relation to financial risks, the Company has internal controls in place and these are audited as part of the external audit function. The Company also received formal assurances from the Managing Director and Company Secretary as to the effectiveness of the Company's risk management and internal control environment, as required by s295A of the *Corporations Act.*

### Principle 8: Remunerate fairly and responsibly

The Company does not have a separate remuneration committee due to the current size of the company and its operations. The Board as a whole has responsibility for the functions of a remuneration committee, including the performance evaluation and remuneration of the Managing Director.

The amount of remuneration for all directors and executives, including all monetary and non-monetary components, is detailed in the directors' report. All remuneration is valued in accordance with accounting standards to the Company and expensed. There are no schemes for retirement benefits for non-executive directors other than statutory superannuation.

The Company seeks to remunerate employees fairly in accordance with industry benchmarks and individual performance. Contracts of employment with senior executives may include base salary, superannuation and provision of a motor vehicle. The contracts allow for annual performance and remuneration reviews. All employees are also entitled to participate in the Company's performance rights plan and the employee share option plan. Employees are not permitted to use margin lending or similar facilities in relation to their shares in the Company.

# *Financial Information*

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*FOR THE YEAR ENDED 30 JUNE 2014*

| | Notes | Consolidated Group 2014 $ | 2013 $ |
|---|---|---|---|
| Revenues | 2 | 325,079 | 546,583 |
| Depreciation and amortisation expenses | | (19,730) | (14,926) |
| Impairment of exploration assets | | (85,165) | - |
| Employee benefits expense | | (789,441) | (675,707) |
| Occupancy expense | | (40,468) | (48,200) |
| Accounting and secretarial expenses | | (97,647) | (93,741) |
| ASX listing and registry expense | | (62,298) | (63,731) |
| Other expenses | | (314,721) | (332,453) |
| **Loss before income tax** | | **(1,084,391)** | **(682,175)** |
| Income tax benefit | 3 | 409,289 | 322,594 |
| **Loss for year** | | **(675,102)** | (359,581) |
| **Loss attributable to members of the parent entity** | | **(675,102)** | **(359,581)** |
| Other comprehensive income | | - | - |
| **Total comprehensive income for the year** | | **(675,102)** | **(359,581)** |
| Total comprehensive income for the year attributable to members of the parent entity | | (675,102) | (359,581) |

| | Notes | Cents | Cents |
|---|---|---|---|
| **Earnings per Share** | | | |
| Basic loss per share | 6 | (0.8) | (0.4) |
| Diluted loss per share | 6 | (0.8) | (0.4) |

*The accompanying notes form part of the financial statements.*

# STATEMENT of FINANCIAL POSITION
## *AS AT 30 JUNE 2014*

| | Notes | Consolidated Group 2014 $ | 2013 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 7 | 5,565,161 | 8,555,649 |
| Trade and other receivables | 8 | 103,345 | 90,705 |
| **Total Current Assets** | | **5,668,506** | 8,646,354 |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 10 | 1,332,627 | 1,365,787 |
| Exploration and evaluation expenditure | 11 | 9,226,417 | 6,421,739 |
| **Total Non-current Assets** | | 10,559,044 | 7,787,526 |
| **TOTAL ASSETS** | | 16,227,550 | 16,433,880 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 12 | 326,615 | 304,937 |
| Short-term provisions | 13 | 180,993 | 160,129 |
| TOTAL CURRENT LIABILITIES | | 507,608 | 465,066 |
| **NON CURRENT LIABILITIES** | | | |
| Long-term provisions | 13 | 19,337 | 29,134 |
| **TOTAL NON CURRENT LIABILITIES** | | **19,337** | **29,134** |
| **TOTAL LIABILITIES** | | **526,945** | 494,200 |
| **NET ASSETS** | | **15,700,605** | **15,939,680** |
| **EQUITY** | | | |
| Issued capital | 14 | 15,706,408 | 15,456,408 |
| Reserves | 15 | 186,027 | 381,701 |
| Retained earnings | | (191,830) | 101,571 |
| **TOTAL EQUITY** | | **15,700,605** | **15,939,680** |

*The accompanying notes form part of the financial statements.*

# STATEMENT OF CHANGES IN EQUITY

## *FOR THE YEAR ENDED 30 JUNE 2014*

| | *Issued Capital* | *Retained Earnings* | *Share Based Payments Reserve* | *Total* |
|---|---|---|---|---|
| | *$* | *$* | *$* | *$* |
| **Consolidated Group** | | | | |
| **Balance at 1 July 2012** | **15,528,408** | **461,152** | **238,787** | **16,228,347** |
| Fair value of share based payments | - | - | 142,914 | 142,914 |
| Cost of shares issued in prior period | (72,000) | - | - | (72,000) |
| Total comprehensive income for year | - | (359,581) | - | (359,581) |
| **Balance at 30 June 2013** | **15,456,408** | **101,571** | **381,701** | **15,939,680** |
| Fair value of share based payments | - | - | 186,027 | 186,027 |
| Shares issued from options exercised | 250,000 | - | - | 250,000 |
| Transfer of share option reserve to retained earnings | - | 381,701 | (381,701) | - |
| Total comprehensive income for year | - | (675,102) | - | (675,102) |
| **Balance at 30 June 2014** | **15,706,408** | **(191,830)** | **186,027** | **15,700,605** |

*The accompanying notes form part of the financial statements.*

# STATEMENT OF CASH FLOWS

## *FOR THE YEAR ENDED 30 JUNE 2014*

| | | Consolidated Group | |
|---|---|---|---|
| | Notes | 2014 $ | 2013 $ |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts from rental | | 76,570 | - |
| Payments to suppliers and employees | | (1,118,716) | (1,133,242) |
| Interest received | | 282,494 | 555,968 |
| Research & Development tax concession | | 409,289 | 322,594 |
| **NET CASH USED IN OPERATING ACTIVITIES** | 19 | **(350,363)** | **(254,680)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Payments for exploration expenditure | | (2,868,387) | (2,678,661) |
| Payments for land & buildings | | (21,254) | (1,227,473) |
| Payments for plant and equipment | | (484) | (36,433) |
| **NET CASH USED IN INVESTING ACTIVITIES** | | **(2,890,125)** | **(3,942,567)** |
| **CASH FLOWS FROM FINANCING ACTIVITY** | | | |
| Proceeds from exercise of options | | 250,000 | - |
| **NET CASH PROVIDED BY FINANCING ACTIVITY** | | | **250,000** |
| Net (decrease)/increase in cash held | | (2,990,488) | (4,197,247) |
| Cash at the beginning of the financial year | | 8,555,649 | 12,752,896 |
| **Cash at the end of the financial year** | 7 | **5,565,161** | **8,555,649** |

*The accompanying notes form part of the financial statements.*

## NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report includes the consolidated financial statements and notes of Archer Exploration Limited and controlled entities ('Consolidated' or 'Group').

**Basis of Preparation**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

Archer Exploration Limited is a for profit entity for the purposes of preparing the financial statements. The financial report has been presented in Australian dollars.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

**a) Principles of Consolidation**

The parent entity controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

A list of controlled entities is contained in Note 9 to the financial statements.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the consolidated group during the year, their operating results have been included/(excluded) from the date control was obtained/(ceased).

All inter-group balances and transactions between entities in the consolidated group, including any recognised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with those adopted by the parent entity.

*Business Combinations*

The Group applies the acquisition method in accounting for business combinations.

The acquisition method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the equity's incremental borrowing rate.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss.

**b) Income Tax**

The income tax expense/(revenue) for the year comprises current income tax expense/(income) and deferred tax expense/(income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities/(assets) are therefore measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses. Current and deferred income tax expense/(income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset recognised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

## NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

*Tax Consolidation*

Archer Exploration Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. The Group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 1 July 2007.

**c) Property, Plant and Equipment**

Property, plant and equipment is carried at cost less where applicable, any accumulated depreciation and impairment losses.

The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Profit or Loss and Other Comprehensive Income during the financial period in which are they are incurred.

*Depreciation*

The depreciable amount of all fixed assets are depreciated on a straight-line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.
The depreciation rates used for each class of depreciable assets are:

| *Class of Non Current Asset* | *Depreciation Rate* | *Basis of Depreciation* |
|---|---|---|
| *Plant and Equipment* | *10 – 33%* | *Straight Line* |
| *Buildings* | *2%* | *Straight Line* |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Profit or Loss and Other Comprehensive Income.

**d) Exploration and Evaluation Expenditure**

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

Where a decision is made to proceed with development the accumulated costs for the relevant area of interest will be amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

## NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

**e) Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the consolidated Group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

**f) Financial Instruments**

*Recognition and Initial Measurement*

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transactions costs related instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

*Derecognition*

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

**Classification and Subsequent Measurement**

***i) Financial assets at fair value through profit or loss***

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

***ii) Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

***iii) Held-to-maturity investments***

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

***iv) Available-for-sale financial assets***

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed determinable payments.

***v) Financial liabilities***

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

**g) Impairment of Assets**

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Profit or Loss and Other Comprehensive Income.

## NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**h) Interests in Joint Arrangements**

The Consolidated Group's share of assets, liabilities, revenue and expenses of the joint operations are included in the appropriate items of the Consolidated Financial Statements. Details of the Consolidated Group's interest is shown in Note 16.

**I) Employee Benefits**

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for these benefits. Those cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

**Equity Settled Compensation**

The Company provides benefits to employees (including directors) in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The Company currently provides benefits under an Employee Share Option Plan and a Performance Rights Plan.

The cost of these equity-settled transactions with employees and directors is measured by reference to the fair value 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 the Company ('market conditions'). The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

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 number of awards that, in the opinion of the directors, will ultimately vest. This opinion is formed based on the best available information at balance date. 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.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where 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 increase in the value of the transaction as a result of the modification, as measured at the date of modification. Where 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.

The dilutive effect, if any, of outstanding options and rights is reflected as additional share dilution in the computation of earnings per share

**j) Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

**k) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the Statement of Financial Position.

**l) Revenue**

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. All revenue is stated net of the amount of goods and services tax (GST).

## NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

### m) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in income in the period in which they are incurred.

### n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

### o) Comparative Figures

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation of the current financial year.

### p) Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data obtained both externally and within the Group.

**Key estimates**

*Impairment*

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value–in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Impairment was recognised in respect of non-current assets for the year ended 30 June 2014 $85,165 expensed (2013: $1,624 recovered).

*Exploration and evaluation*

The consolidated entity's policy for exploration and evaluation is discussed at note 1(d). The application of this policy requires the directors to make certain estimates and assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised exploration and evaluation expenditure, the directors conclude that the capitalised expenditure is unlikely to be recovered by future sale or exploitation, then the relevant capitalised amount will be written off though the Statement of Profit or Loss and Other Comprehensive Income.

### q) Adoption of New and Revised Accounting Standards

During the current year the Group adopted all of the new and revised Australia Accounting Standards and Interpretations applicable to its operations which became mandatory. Information on the new standards is presented below:

**AASB 10 Consolidated Financial Statements**

AASB 10 supersedes AASB 127 Consolidated and Separate Financial Statements (AASB 127) and AASB Interpretation 112 Consolidation - Special Purpose Entities. AASB 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the Group's investees are considered to be subsidiaries and therefore to change the scope of consolidation. The requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary are unchanged.

Management has reviewed its control assessments in accordance with AASB 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the Group's investees held during the period or comparative periods covered by these financial statements.

**AASB 11 Joint Arrangements**

AASB 11 supersedes AASB 131 Interests in Joint Ventures (AAS 131) and AASB Interpretation 113 Jointly Controlled Entities- Non-Monetary-Contributions by Venturers. AASB 11 revises the categories of joint arrangement, and the criteria for classification into the categories, with the objective of more closely aligning the accounting with the investor's rights and obligations relating to the arrangement. In addition, AASB 131's option of using proportionate consolidation for arrangements classified as jointly controlled entities under that Standard has been eliminated. AASB 11 now requires the use of the equity method for arrangements classified as joint ventures (as for investments in associates). The amendments have had no impact on the Group.

## NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

**AASB 13 Fair Value Measurements**

AASB 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. The scope of AASB 13 is broad and it applies for both financial and non-financial items for which other Australian Accounting Standards require or permit fair value measurements or disclosures about fair value measurements, except in certain circumstances.

AASB 13 applies prospectively for annual periods beginning on or after 1 January 2013. Its disclosure requirements need not be applied to comparative information in the first year of application. The Group has however included as comparative information the AASB 13 disclosures that were required previously by AASB 7 Financial Instruments: Disclosures.

The Group has applied AASB 13 for the first time in the current year.

**Amendments to AASB 119 Employee Benefits**

The 2011 amendments to AASB 119 made a number of changes to the accounting for employee benefits, the most significant relating to defined benefit plans.

Under the amendments, employee benefits 'expected to be settled wholly' (as opposed to 'due to be settled' under the superseded version of AASB 119) within 12 months after the end of the reporting period are short-term benefits, and are therefore not discounted when calculating leave liabilities. As the Group does not expect all annual leave for all employees to be used wholly within 12 months of the end of reporting period, annual leave is included in 'other long-term benefit' and discounted when calculating the leave liability. This change has had no impact on the presentation of annual leave as a current liability in accordance with AASB 101 Presentation of Financial Statements.

**Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group:**

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below.

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

**Changes in accounting policies**

**New standards and interpretations not yet adopted.**

***AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities.***

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; and (2) the characteristics of the contractual cash flows.

b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

   - The change attributable to changes in credit risk are presented in other comprehensive income (OCI); and
   - The remaining change is presented in profit or loss.

   If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- Classification and measurement of financial liabilities; and
- Derecognition requirements for financial assets and liabilities.

## NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that will enable entities to better reflect their risk management activities in the financial statements.

Consequential amendments arising from AASB 9 are contained in AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010), AASB 2010-10 Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters, AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures, AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments and AASB 2014-1 Amendments to Australia Accounting Standards.*

Part E of AASB 2014-1 makes amendments to Australian Accounting Standards to reflect the AASB's decision to defer the mandatory application date of AASB 9 *Financial Instruments* to annual reporting periods beginning on or after 1 January 2018. Part E also makes amendments to numerous Australian Accounting Standards as a consequence of the introduction of Chapter 6 *Hedge Accounting* into AASB 9 and to amend reduced disclosure requirements for AASB 7 *Financial Instruments: Disclosures and AASB 101 Presentation of Financial Statements.*

*IFRS 15 Revenue from Contracts with Customers (effective date 1 January 2017)*

IFRS 15:

- replaces IAS 18 Revenue, IAS 11 Construction Contracts and some revenue-related Interpretations
- establishes a new control-based revenue recognition model
- changes the basis for deciding whether revenue is to be recognised over time or at a point in time
- provides new and more detailed guidance on specific topics (e.g., multiple element arrangements, variable pricing, rights of return, warranties and licensing)
- expands and improves disclosures about revenue

The entity has not yet assessed the full impact of this Standard.

***Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)***

The amendments to IAS 16 prohibit the use of a revenue-based depreciation method for property, plant and equipment. Additionally, the amendments provide guidance in the application of the diminishing balance method for property, plant and equipment.

The amendments to IAS 38 present a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate. This rebuttable presumption can be overcome (i.e. a revenue-based amortisation method might be appropriate) only in two limited circumstances:

- the intangible asset is expressed as a measure of revenue, for example when the predominant limiting factor inherent in an intangible asset is the achievement of a revenue threshold (for instance, the right to operate a toll road could be based on a fixed total amount of revenue to be generated from cumulative tolls charged); or
- when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

The Australian Accounting Standards Board (AASB) is expected to issue the equivalent Australian amendment shortly.

***Accounting for acquisition of interests in joint operations (amendment to IAS 11)***

The amendments to IFRS 11 state that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a 'business', as defined in IFRS 3 *Business Combinations*, should:

- apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs except principles that conflict with the guidance of IFRS 11. This requirement also applies to the acquisition of additional interests in an existing joint operation that results in the acquirer retaining joint control of the joint operation (note that this requirement applies to the additional interest only, i.e. the existing interest is not remeasured) and to the formation of a joint operation when an existing business is contributed to the joint operation by one of the parties that participate in the joint operation; and
- provide disclosures for business combinations as required by IFRS 3 and other IFRSs.

The Australian Accounting Standards Board (AASB) is expected to issue the equivalent Australian amendment shortly.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

The financial report was authorised for issue on 19th September 2014 by the Board of Directors.

| | Consolidated Group 2014 $ | 2013 $ |
|---|---|---|
| **NOTE 2 – REVENUE** | | |
| Operating activities | | |
| - Rental income | 42,585 | - |
| - Interest received | 282,494 | 546,583 |
| Total Revenue | 325,079 | 546,583 |
| **NOTE 3 – INCOME TAX BENEFIT** | | |
| a) The components of income tax benefit comprise: | | |
| Current tax | 409,289 | 322,594 |
| | 409,289 | 322,594 |
| b) The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows 30% (2013 : 30%): | | |
| Net loss | (1,084,391) | (682,175) |
| Prima facie tax benefit on loss from ordinary activities before income tax at 30% | (325,317) | (204,653) |
| | (325,317) | (204,653) |
| Research and development tax concession | 409,289 | 322,594 |
| Tax effect of temporary differences not brought to account as they do not meet the recognition criteria | 325,317 | 204,653 |
| Income Tax attributable to operating loss | 409,289 | 322,594 |
| c) Unused tax losses for which no deferred tax asset has been recognised at 30% | 1,546,598 | 1,447,202 |

## NOTE 4 – KEY MANAGEMENT PERSONNEL REMUNERATION

**a) Names and positions held of consolidated entity key management personnel in office at any time during the financial year are:**

| | | |
|---|---|---|
| Mr Greg English | *Chairman – Non-executive* | *appointed 9 May 2007* |
| Mr Tom Phillips AM | *Director – Non-executive* | *appointed 16 February 2007* |
| Ms Alice McCleary | *Director – Non-executive* | *appointed 16 February 2007* |
| Mr Gerard Anderson | *Director – Executive* | *appointed 14 July 2008* |
| Mr Damien Connor | *Company Secretary* | *appointed 1 August 2014* |
| Mr Craig Gooden | *Company Secretary* | *resigned 1 August 2014* |
| Mr Wade Bollenhagen | *Exploration Manager* | *appointed 26 March 2008* |

Other than those employees of the company listed above there are no additional management personnel.

**b) Key Management Personnel Compensation**

Refer to the Remuneration Report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP).

The aggregate remuneration made to KMP of the Group during the year are as follows:

| | 2014 $ | 2013 $ |
|---|---|---|
| Short term benefits | 1,020,069 | 981,603 |
| Post employment benefit | 89,508 | 84,516 |
| Share - based payments | 174,701 | 21,414 |
| | 1,284,278 | 1,087,733 |

|  | Consolidated Group 2014 $ | 2013 $ |
|---|---|---|

## NOTE 5 – AUDITORS' REMUNERATION

|  | 2014 $ | 2013 $ |
|---|---|---|
| Remuneration of the auditor for: | | |
| - auditing or review of the financial report | 26,250 | 25,750 |
| - other services provided by the practice of the auditor | 6,550 | 12,400 |
| | 32,800 | 38,150 |

## NOTE 6 – EARNINGS PER SHARE

|  | 2014 | 2013 |
|---|---|---|
| Reconciliation of earnings to Statement of Profit or Loss and other Comprehensive Income | | |
| Loss for year used to calculate basic EPS | (675,102) | (359,581) |
| | Number | Number |
| a) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS | 83,088,790 | 82,362,763 |

## NOTE 7 – CASH AND CASH EQUIVALENTS

|  | $ | $ |
|---|---|---|
| Short term deposits | 5,450,000 | 8,537,389 |
| Cash at bank and on hand | 115,161 | 18,260 |
| Total Cash at bank and on hand | 5,565,161 | 8,555,649 |

The effective interest rate on short term bank deposits was 3.67%. These deposits have an average maturity of 83 days. The Group's exposure to interest rate risk is summarised at Note 23.

## NOTE 8 – TRADE AND OTHER RECEIVABLES

|  | 2014 $ | 2013 $ |
|---|---|---|
| CURRENT | | |
| Prepayments | 11,091 | 10,921 |
| Other receivables | 92,254 | 79,784 |
| | 103,345 | 90,705 |

At 30 June 2014 the consolidated entity did not have any receivables which were outside normal trading terms (past due but not impaired).

## NOTE 9 – INVESTMENTS IN CONTROLLED ENTITIES

|  | Country of Incorporation | Percentage Owned 2014 % | 2013 % |
|---|---|---|---|
| Parent Entity | | | |
| - Archer Exploration Limited | Australia | - | - |
| Subsidiaries of Archer Exploration Limited: | | | |
| - Pirie Resources Pty Ltd | Australia | 100 | 100 |
| - Archer Pastoral Company Pty Ltd | Australia | 100 | 100 |
| - Leigh Creek Magnesite Pty Ltd | Australia | 100 | 100 |
| - Archer Energy & Resources Pty Ltd | Australia | 100 | 100 |
| - SA Exploration Pty Ltd | Australia | 100 | 100 |

| | Consolidated Group 2014 $ | Consolidated Group 2013 $ |
|---|---|---|
| **NOTE 10 – PROPERTY, PLANT AND EQUIPMENT** | | |
| Plant and Equipment at cost | 270,171 | 269,687 |
| Accumulated depreciation | (181,604) | (141,707) |
| | 88,567 | 127,980 |
| a) **Movements in carrying amounts:** | | |
| Balance at the beginning of the year | 127,980 | 123,196 |
| Additions | 485 | 44,644 |
| Depreciation | (39,898) | (39,860) |
| Balance at 30 June | 88,567 | 127,980 |
| b) Land at cost | 1,048,727 | 1,038,474 |
| **Movements in carrying amounts:** | | |
| Balance at the beginning of the year | 1,038,474 | - |
| Additions land | 10,253 | 1,038,474 |
| Balance at 30 June | 1,048,727 | 1,038,474 |
| c) Buildings at cost | 200,000 | 200,000 |
| Depreciation | (4,667) | (667) |
| Balance at 30 June | 195,333 | 199,333 |
| **Movements in carrying amounts:** | | |
| Balance at the beginning of the year | 200,000 | - |
| Additions buildings | - | 200,000 |
| Depreciation | (4,667) | (667) |
| Balance at 30 June | 195,333 | 199,333 |
| Total property, plant and equipment | 1,332,627 | 1,365,787 |
| **NOTE 11 – EXPLORATION AND EVALUATION EXPENDITURE** | | |
| Costs carried forward in respect of areas of interest in: | | |
| Exploration and evaluation at cost | 9,226,417 | 6,421,739 |
| | 9,226,417 | 6,421,739 |
| a) **Movements in carrying amounts:** | | |
| **Exploration and evaluation** | | |
| Balance at the beginning of the year | 6,421,739 | 3,501,119 |
| Amounts capitalised during the year | 2,889,843 | 2,918,996 |
| Impairment recovered/(expense) during the year | (85,165) | 1,624 |
| Balance at 30 June | 9,226,417 | 6,421,739 |

During the year $24,168 (2013: $29,553) of equipment depreciation was included in the amount capitalised as exploration and evaluation.

A summary by tenement is included at *Note 16*.

| | Consolidated Group 2014 $ | Consolidated Group 2013 $ |
|---|---|---|

## NOTE 12 – TRADE AND OTHER PAYABLES

| | 2014 $ | 2013 $ |
|---|---|---|
| CURRENT | | |
| Unsecured liabilities: | | |
| Trade payables | 222,116 | 205,859 |
| Other creditors and accruals | 104,499 | 99,078 |
| | 326,615 | 304,937 |

$21,515 to Piper Alderman Lawyers for legal services (2013: $1,661 to Norman Waterhouse Lawyers). Mr G English was a partner of Norman Waterhouse Lawyers until 1 July 2013, and a partner of Piper Alderman from that date.

## NOTE 13 – SHORT-TERM PROVISIONS

| | 2014 $ | 2013 $ |
|---|---|---|
| CURRENT | | |
| Employee entitlements | 113,993 | 55,279 |
| Provision for remuneration bonus | 67,000 | 104,850 |
| | 180,993 | 160,129 |
| NON-CURRENT | | |
| Employee entitlements | 19,337 | 29,134 |

During the year a remuneration bonus provision of $67,000 (2013: $104,850) has been provided for in accordance with employment agreements. The bonus remains payable at the discretion of the board.

## NOTE 14 - ISSUED CAPITAL

| | 2014 $ | 2013 $ |
|---|---|---|
| 83,612,763 (2013: 82,362,763) fully paid ordinary shares | 15,706,408 | 15,528,408 |

| a) Ordinary Shares | Number |
|---|---|
| At 1 July 2012 | 82,362,763 |
| Shares issued during the year | - |
| Total shares issued at 30 June 2013 | 82,362,763 |
| Shares issued from exercise of options | 1,250,000 |
| Total shares issued at 30 June 2014 | 83,612,763 |

| b) Issued Capital | $ |
|---|---|
| At 1 July 2012 | 15,528,408 |
| Cost of shares issued from prior period | (72,000) |
| Total shares issued at 30 June 2013 | 15,456,408 |
| Proceeds from options exercised | 250,000 |
| Total shares issued at 30 June 2014 | 15,706,408 |

Ordinary shares participate in dividends and the proceeds on winding of the parent entity in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

## NOTE 14 - ISSUED CAPITAL *continued*

**c) Options on issue**

There were no outstanding options on issue at the year end.

**d) Performance Rights on issue**

Details of the performance rights outstanding as at the end of the year are set out below:

| Granted | Total Granted | Expiry Date | Exercise Price | Total Vested |
|---|---|---|---|---|
| 21/11/2013 | 2,782,500 | 31/07/2016 | Nil | Nil |
| 19/12/2013 | 627,632 | 31/07/2016 | Nil | Nil |
| | 3,410,132 | | | |

**e) Capital management**

The Group has no externally imposed capital requirements.

## NOTE 15 - RESERVES

| | Consolidated Group 2014 $ | Consolidated Group 2013 $ |
|---|---|---|
| Share based payment reserve | 186,027 | 381,701 |

The share based payments reserve records items recognised as an expense on valuation of employee share options and performance rights.

## NOTE 16 - TENEMENTS

The Company's interest in tenements are as follows:
*All tenements are within South Australia*

| Project | Tenement | Commodity | Consolidated Group 2014 $ Carrying value $ | Consolidated Group 2013 $ Carrying value $ |
|---|---|---|---|---|
| Worlds End | EL 5418 | Base Metals | 454,175 | 436,958 |
| Carappee Hill | EL 4861 | Graphite | 1,241,174 | 1,081,022 |
| North Burra | EL 5433 | Base Metals | 512,845 | 477,573 |
| North Cowell | EL 5434 | Base Metals | 361,058 | 315,707 |
| Australia Plains | EL 4482 | Base Metals | 70,584 | 57,921 |
| Wildhorse Plain | EL 4693* | Graphite | 5,822,015 | 3,567,536 |
| Napoleans Hat | EL 4668 | Gold | 67,517 | 51,871 |
| Mt Shannon | EL 4673 | Graphite | - | 15,233 |
| Eudunda | EL 4840 | Industrial Minerals | 6,544 | 4,648 |
| Cleve West | EL 4893 | Graphite | - | 52,260 |
| Ediacara | EL 4869 | Barite | 29,025 | 19,863 |
| Ediacara | PELA 567 | Coal to Liquids | 3,634 | 3,634 |
| Wichelina | EL 4729 | Magnesite | 65,769 | 57,945 |
| Termination Hill | EL 4567 | Magnesite | 576,467 | 271,989 |
| Spring Creek | ELA 2014/025 | Base Metals | 10,901 | 6,332 |
| Mt Messenger | EL 5387 | Graphite | 4,014 | 572 |
| Collaby Hill | ELA 2014/070 | Base Metals | 695 | - |
| Waddikee[1] | EL 4662 | Graphite | - | - |
| Robertstown[2] | ELA 2013/109 | Base Metals | - | 675 |
| Carrying value of exploration costs | | | 9,226,417 | 6,421,739 |

[1] *Tenement acquired subsequent to year end. See ASX release Dated 23 July 2014.*
[2] *As at the date of this report the Company no longer holds an interest in this tenement.*

*All tenements are owned 100% other than that marked * which is a joint venture to earn 100% of any minerals excluding Uranium.*

## NOTE 17 - CAPITAL AND OTHER EXPENDITURE COMMITMENTS

| | Consolidated Group 2014 $ | Consolidated Group 2013 $ |
|---|---|---|
| **Capital commitments relating to tenements** | | |
| The Consolidated Group is required to meet minimum expenditure requirements of various Australian Government bodies. These obligations are subject to re-negotiation, may be farmed out or may be relinquished and have not been provided for in the financial statements. | | |
| **Exploration expenditure commitments** | | |
| - Expenditure commitment | 952,500 | 755,259 |
| **Operating Lease commitments** | | |
| Commitments for minimum lease payments in relation to non-cancellable operating leases not provided for in the financial statements. | | |
| - Expenditure commitment | - | 4,888 |
| **Employment and consultant commitments** | | |
| Commitments for the payment of salaries and other remuneration pursuant to an employment contracts not provided for in the financial statements | | |
| Expenditure commitments | | |
| - due within one year | 450,000 | 96,164 |
| - due within 1-5 years | 450,000 | - |
| | 900,000 | 96,164 |
| Details relating to the employment contracts are set out in the Remuneration Report. | | |
| **Property commitments** | | |
| - Purchase of Waddikee EL 4662* | 290,000 | - |
| - Purchase of Campoona land | 390,000 | 390,000 |
| | 680,000 | 390,000 |

* Approvals were granted and the amount was settled subsequent to 30 June 2014 (see ASX release dated 23 July 2014).

## NOTE 18 - OPERATING SEGMENTS

***Segment Information***

The Directors have considered the requirements of AASB 8 - Operating Segments and the internal reports that are reviewed by the chief operating decision maker (the Board) in allocating resources have concluded at this time there are no separately identifiable segments.

## NOTE 19 - CASH FLOW INFORMATION

**a) Reconciliation of cash flows from operations with Profit/(Loss) from ordinary activities after income tax**

| | Consolidated Group 2014 $ | Consolidated Group 2013 $ |
|---|---|---|
| Loss from ordinary activities after income tax | (675,102) | (359,581) |
| Depreciation (net of capital depreciation) | 19,730 | 6,627 |
| Share based payment | 186,027 | 70,914 |
| (Recovery)/Impairment of exploration assets | 85,165 | (1,624) |
| Changes in assets and liabilities; | | |
| - (Increase)/Decrease in trade and other receivables | (12,641) | 16,626 |
| - Increase/(Decrease) in trade and other payables | 35,391 | (48,442) |
| - Increase in provisions | 11,067 | 60,800 |
| Net cash used by operating activities | (350,363) | (254,680) |

**b) Non Cash Financing and Investing Activities**

There were no non cash financing and investing activities in 2014 or 2013.

**c) Business Combinations**

There were no non cash business combinations in 2014 or 2013.

## NOTE 20 - SHARE BASED PAYMENTS

**Performance Rights**

During the year ended 30 June 2014, 3,410,132 Performance Rights (Rights) were granted to Directors, the Company Secretary and employees. 2,482,500 of those Rights were granted following shareholder approval at the October 2013 Annual General Meeting. The Rights were granted in accordance with the long term equity incentive as outlined in the Archer Performance Rights Plan. The share based payment expense for the Rights issued has been calculated in accordance pursuant to AASB 2: Share Based Payments using a Monte Carlo Simulation method to determine the fair value of the Rights. No Rights will vest before 1 July 2014 when the vesting conditions for the first tranche for the year ending 30 June 2014 are known. The total fair value for the 3,410,132 Rights issued to date is $325,730 and this amount will be expensed over the 3 years commencing 1 July 2013. $186,027 (2013: Nil) has been included in the Statement of Profit or Loss and Other Comprehensive Income under Employee benefits expense for the year ended 30 June 2014.

## NOTE 20 - SHARE BASED PAYMENTS *continued*

| Date issued | Issued to | Number of Rights | Fair value at issue date |
|---|---|---|---|
| 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 30 June 2014 | | 3,410,132 | 386,734 |
| Vested at 30 June 2014 | | Nil | - |

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.

**Options**

The company established the Archer Exploration Limited Employee Share Option Plan in order to reward employees for services rendered. All employees are entitled to participate in the plan if in the employment of the consolidated Group. Employees are entitled to acquire vested ordinary shares at an agreed price. When issued, the shares carry full dividend and voting rights.

During the year no share options were issued (2013: Nil).

All options granted to are over ordinary shares in Archer Exploration Limited, which confer a right of one ordinary share.

| | Consolidated Group | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| | Number of Options | Weighted Average Exercise Price $ | Number of Options | Weighted Average Exercise Price $ |
| Outstanding at the beginning of the year | 8,075,000 | 0.275 | 6,000,000 | 0.20 |
| Granted | - | - | 3,075,000 | - |
| Forfeited | (75,000) | - | - | - |
| Exercised | (1,250,000) | - | - | - |
| Expired / Lapsed | (6,750,000) | - | (1,000,000) | 0.20 |
| Outstanding at year-end | - | - | 8,075,000 | 0.28 |
| Unexerciserable at year-end | - | - | 1,050,000 | 0.35 |

The options outstanding at 30 June 2013 had a weighted average exercise price of $0.28 and a weighted average remaining contractual life of 0.53 years.

The fair value of options issued during 2013 as remuneration, were calculated by using a Black-Scholes option pricing model applying the following inputs:

| | | 2013 | | |
|---|---|---|---|---|
| | | Employee | Consultant Advisors | |
| Weighted average exercise price | $ | 0.28 | 0.40 | 0.40 |
| Weighted average life of the option | days | 730 | 520 | 467 |
| Underlying share price | $ | 0.19 | 0.19 | 0.19 |
| Expected share price volatility | % | 74 | 97 | 85 |
| Risk free interest rate | % | 2.65 | 2.72 | 2.65 |

## NOTE 20 - SHARE BASED PAYMENTS *continued*

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future tender, which may not eventuate.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

Included under employee benefits expense in the Statement of Profit of Loss and other Comprehensive Income is $Nil (2013: $21,414), which relates in full, to equity settled share-based payment transactions.

## NOTE 21 - EVENTS AFTER THE BALANCE SHEET DATE

On 4th July 2014 the Company allotted 657,646 fully paid ordinary shares as a result of the vesting of 50% of the Performance Rights that met the performance conditions for the year ended 30 June 2014. On 4th July 2014, 429,605 Performance Rights lapsed.

On the 23rd July 2014 the Company completed the acquisition of the Waddikke tenement. Other than as disclosed, there have been no material events after balance date.

On 2nd July 2014 Magnesium Developments Limited (MDL) commenced an action against the Company in the Supreme Court of South Australia, claiming the Company made a binding offer to settle the Wardens Court dispute that was lodged on the 5th December 2013. On 12th September 2014 the Company announced a confidential settlement agreement had been entered into between the companies for the acquisition of technical data and to settle all disputes between them, including the discontinuance of the proceeding against the Company in the Supreme Court of South Australia.

## NOTE 22 - RELATED PARTY TRANSACTIONS

a) **Subsidiaries**
Interests in subsidiaries are disclosed in *Note 9*.

b) **Key Management Personnel**
Disclosures relating to Key Management personnel are set out in *Note 4* and the Remuneration Report contained within the Directors' Report.

c) **Other transactions with related parties**
Piper Alderman Lawyers were paid a total of $252,713. (2013: $23,325 to Norman Waterhouse lawyers) for legal services. Mr Greg English is a partner of Piper Alderman Lawyers and was previously a partner of Norman Waterhouse Lawyers until 1 July 2013.

Alice McCleary is a director of UraniumSA Limited. Refer Note 16 for details of the joint venture between the Group and UraniumSA Limited.

## NOTE 23 - FINANCIAL INSTRUMENTS

**a) Financial Risk Management Policies**

The Group's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payables.

i) **Treasury Risk Management**
The Board meets on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The Board's overall risk management strategy seeks to assist the consolidated Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

ii) **Financial Risk Exposure and Management**
The main risk the Group is exposed to through its financial instruments is interest rate risk.

**Interest Rate Risk**
Interest rate risk is managed with a mixture of fixed and floating rate cash deposits. At 30 June 2014 approximately 97% of Group deposits are fixed. It is the policy of the Group to keep between 90% and 100% of surplus cash in high yielding deposits.

## NOTE 23 - FINANCIAL INSTRUMENTS *continued*

| | Weighted Average Effective Interest Rate | | Effective Interest Rate | | Non Interest Bearing | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2014 % | 2013 % | 2014 $ | 2013 $ | 2014 $ | 2013 $ | 2014 $ | 2013 $ |
| **Financial Assets** | | | | | | | | |
| Cash at bank | 0.30% | 0.30% | 115,161 | 18,260 | - | - | 115,161 | 18,260 |
| Deposits | 4.02% | 5.00% | 5,450,000 | 8,537,389 | - | - | 5,450,000 | 8,537,389 |
| Receivables | | | - | - | 103,345 | 90,705 | 103,345 | 90,705 |
| **Total Financial Assets** | | | **5,565,161** | **8,555,649** | **103,345** | **90,705** | **5,668,506** | **8,646,354** |
| Financial liabilities | | | | | | | | |
| Payables | | | - | - | (326,615) | (304,937) | (326,515) | (304,937) |
| Financial liabilities | | | - | - | - | - | - | - |
| **Total Financial Liabilities** | | | **-** | **-** | **(326,615)** | **(304,937)** | **(326,515)** | **(304,937)** |
| **Total Net Financial Assets/ (Liabilities)** | | | **5,565,161** | **8,555,649** | **(223,270)** | **(214,232)** | **5,341,891** | **8,341,417** |

### b) Sensitivity Analysis

*Interest Rate and Price Risk*

The Group has performed a sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

*Interest Rate Sensitivity Analysis*

At 30 June 2014, the effect on loss and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

| | Consolidated Group | |
|---|---|---|
| | 2014 $ | 2013 $ |
| **Change in loss** | | |
| - Increase in interest rates by 2% | 141,000 | 109,000 |
| - Decrease in interest rates by 2% | (141,000) | (109,000) |
| **Change in equity** | | |
| - Increase in interest rates by 2% | 141,000 | 109,000 |
| - Decrease in interest rates by 2% | (141,000) | (109,000) |

### c) Net Fair Value of Financial Assets and Liabilities

The net fair value of cash and cash equivalent and non interest bearing monetary financial assets and financial liabilities of the consolidated entity approximate their carrying value.

The net fair value of other monetary financial assets and financial liabilities is based on discounting future cash flows by the current interest rates for assets and liabilities with similar risk profiles. The balances are not materially different from those disclosed in the Statement of Financial Position of the consolidated entity.

### d) Credit Risk

The maximum exposure to credit risk, excluding the value of ant collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements.

The consolidated entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the consolidated entity.

## NOTE 24 - ARCHER EXPLORATION LIMITED PARENT COMPANY INFORMATION

| | Parent Entity 2014 $ | Parent Entity 2013 $ |
|---|---|---|
| **Parent Entity** | | |
| **Assets** | | |
| Current Assets | 5,243,752 | 7,526,217 |
| Non-current assets | | |
| - Loans to subsidiaries | 3,873,712 | 1,719,918 |
| - Investments in subsidiaries | 26,623 | 26,623 |
| Other non-current assets | 88,567 | 127,980 |
| Total assets | 9,232,654 | 9,400,738 |
| **Liabilities** | | |
| Current Liabilities | 252,222 | 233,220 |
| Non current Liabilities | 19,337 | 21,167 |
| Total Liabilities | 271,559 | 254,387 |
| **Equity** | | |
| Issued Capital | 15,706,406 | 15,456,406 |
| Reserves | 186,027 | 381,701 |
| Retained Earnings | (6,931,338) | (6,691,756) |
| Total Equity | 8,961,095 | 9,146,351 |
| **Financial Performance** | | |
| Loss for the year | (621,283) | (414,299) |
| Other comprehensive income | - | |
| Total comprehensive income | (621,283) | (414,299) |

**Guarantees in relation to the debts of subsidiaries**

Archer Exploration Limited has not entered into a deed of cross guarantee with its wholly-owned subsidiaries Pirie Resources Pty Ltd, Archer Pastoral Company Pty Ltd, Leigh Creek Magnesite Pty Ltd, Archer Energy & Resources Pty Ltd and SA Exploration Pty Ltd.

**Contingent Liabilities & Commitments**

| | 2014 $ | 2013 $ |
|---|---|---|
| Lease expenditure commitments | - | 4,888 |
| Employment and consultant commitments | 900,000 | 96,164 |

**Contractual Commitments**

There are no contractual capital commitments for the acquisition of property, plant or equipment

# *Directors' Declaration*



The Directors of the Company declare that:

1 the Financial Statements and Notes as set out on pages 50 to 71 are in accordance with the *Corporations Act 2001* and:

a) comply with Australian Accounting Standards and International Financial Reporting Standards as disclosed in Note 1; and

b) give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the Company and Consolidated Group;

2 the Chief Executive Officer and the Chief Financial officer have each declared that:

a) the financial records of the Company for the year ended have been properly maintained in accordance with section 286 of the Corporations Act 2001;

b) the financial statements and notes for the financial year comply with the Accounting Standards; and

c) the financial statements and notes give a true and fair view;

3 in the Directors' 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 19th September 2014*

Grant Thornton

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

## Report on the financial report

We have audited the accompanying financial report of Archer Exploration Limited (the "Company"), which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, statement of changes in equity and 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 of the company the consolidated entity comprising 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. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply 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 us to 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.

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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 Company's preparation of the financial report that gives a true and fair view 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 the Company's 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.

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 Archer Exploration Limited is in accordance with the Corporations Act 2001, including:

  i giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2014 and of their 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 the notes to the financial statements.

**Report on the remuneration report**

We have audited the remuneration report included in the directors' report for the year ended 30 June 2014. 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.

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**Auditor's opinion on the remuneration report**

In our opinion, the remuneration report of Archer Exploration Limited for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.

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GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

S J Gray
Partner – Audit & Assurance

Adelaide, 19 September 2014

*Additional Information*

# *Additional Information*

***Compiled as at 8 September 2014***

***Additional information required by the ASX Listing Rules and not disclosed elsewhere in this report is set out below.***

## Shareholder Information

### Substantial Shareholders

The names of the substantial shareholders in the Company, the number of equity securities to which each substantial shareholder and substantial holder's associates have a relevant interest, as disclosed in substantial holding notices and other notices given to the Company:

| *Name* | *No. of Ordinary Share* | *%* |
|---|---|---|
| Gregory David English | 9,076,644 | 10.77 |

### Distribution of equity by security holders

Ordinary Shares

| *Holdings* | *Shares* | *Unlisted Performance Rights* |
|---|---|---|
| 1 – 1,000 | 61 | - |
| 1,001 - 5,000 | 340 | - |
| 5,001 – 10,000 | 340 | - |
| 10,001 – 100,000 | 825 | - |
| 100,001 and over | 106 | 5 |
| **Total** | **1,672** | **5** |

| *Unmarketable Parcels* | *Minimum parcel size* | *Holders* | *Units* |
|---|---|---|---|
| Minimum $500.00 parcel at $0.185 per unit | 2,703 | 141 | 174,754 |

### Voting Rights

At meeting of members or classes of members:

***Ordinary shares***

On a show of hands, every person present who is a member or proxy, attorney or representative of a member has one vote.

***Unlisted Performance Rights***

No voting rights.

# Additional Information

## Twenty largest holders of each class of quoted equity security

Ordinary Shares

| *Rank* | *Name* | *Units* | *% Issued capital* |
|---|---|---|---|
| 1 | GDE Exploration (SA) Pty Ltd | 7,534,798 | 8.94 |
| 2 | JP Morgan Nominees Australia Limited | 2,649,114 | 3.14 |
| 3 | Mr Peter Irwin | 2,200,000 | 2.61 |
| 4 | Ms Alice McCleary + Mr Brian John McCleary | 2,003,264 | 2.38 |
| 5 | Victor M Lewis | 1,965,351 | 2.33 |
| 6 | Deborah Annette Rossiter | 1,883,679 | 2.24 |
| 7 | Mr Heung Ming Lam | 1,557,775 | 1.85 |
| 8 | National Nominees Limited | 1,302,000 | 1.55 |
| 9 | EAP Nominees Pty Ltd | 1,185,346 | 1.41 |
| 10 | UBS Wealth Management Australia Nominees Pty Ltd | 1,158,000 | 1.37 |
| 11 | Clockwell Pty Ltd | 1,070,351 | 1.27 |
| 12 | Mr Craig Gooden + Mrs Virginia Gooden | 1,035,347 | 1.23 |
| 13 | Navigator Australia Ltd | 997,503 | 1.18 |
| 14 | Mr Robert John Muffet | 900,000 | 1.07 |
| 15 | GDE Exploration (SA) Pty Ltd | 805,346 | 0.96 |
| 16 | Invia Custodian Pty Limted | 787,120 | 0.93 |
| 17 | Mr Neville Robert Stevens | 585,351 | 0.69 |
| 18 | Mr David Duvdevani | 571,000 | 0.68 |
| 19 | Mr Sheldon Finn + Mrs Rochelle Finn | 556,451 | 0.66 |
| 20 | Campbell Kitchener Hume & Associates Pty Ltd | 535,351 | 0.64 |
| Total | | 31,283,147 | 37.12 |

# *Corporate Directory*



**Archer Exploration Limited**
ABN 64 123 993 233

**Directors**
Greg English
*Chairman*

Gerard Anderson
*Managing Director*

Tom Phillips AM
*Director (Non-Executive)*

Alice McCleary
*Director (Non-Executive)*

**Company Secretary**
Damien Connor

**Registered Office**
Level 1, 28 Greenhill Road
Wayville SA 5034
Telephone +61 8 8272 3288
Facsimile +61 8 8272 3888
www.archerexploration.com.au

**Share Registry**
Computershare Investor Services Pty Ltd
Level 5, 115 Grenfell Street
Adelaide SA 5000
GPO Box 1903 Adelaide SA 5001
Investor Enquiries (within Australia):
1300 556 161
Facsimile +61 8 8236 2305

**Auditors**
Grant Thornton Audit Pty Ltd
Level 1, 67 Greenhill Road
Wayville SA 5034

**Solicitors**
Piper Alderman
Level 16, 70 Franklin Street
Adelaide SA 5000

**Bankers**
Bank of Queensland
151 Pirie Street
Adelaide SA 5000

**Australian Securities Exchange:**
**ASX code**: AXE