

ASX Announcement

20 April 2016

Archer Exploration Limited signs MOU for development of Leigh Creek Magnesite Project

Highlights

The MOU covers:

- The mining and supply of magnesite from Leigh Creek on a long term basis.
 - Mutual cooperation between the parties with the aim of executing a binding magnesite supply agreement in late Q2 2016.
 - The coordination of activities in the Leigh Creek area.
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Archer Exploration Limited (ASX: "AXE") is pleased to announce that it has signed a non-binding Memorandum of Understanding ("MOU") with a local company with an operating magnesite mine, which will accelerate development of Archer's Leigh Creek Magnesite Project ("Project").

This is a major milestone in the development of the Project.

Under the MOU, the parties will work together to execute a legally binding agreement ("Supply Agreement") for the long term supply and mining of magnesite at Leigh Creek. Negotiations have been ongoing and Archer expects to execute the binding Supply Agreement in late Q2 calendar 2016. The Supply Agreement will greatly reduce for Archer the number of approvals required, the development timetable and the cost to commence magnesite production the Leigh Creek Magnesite Project.

Commenting on the MOU, Greg English, Chairman of Archer said:

"With this MOU, Archer continues with the development of the Leigh Creek Magnesite Project. This is an exciting, and important, milestone in the development of the Leigh Creek Magnesite Project. This MOU will help accelerate the Project development timetable and provide added confidence to potential offtake partners and investors in Archer.

In addition to this development, the Project development team recently delivered the JORC 2012 compliant Mount Hutton Central Magnesite Resource and is in discussion with third parties about access to magnesite processing and other vital infrastructure to enable the production of magnesia products."

About the Leigh Creek Magnesite Project

The Leigh Creek Magnesite Project is located approximately 20 kilometres northwest of Leigh Creek Township, South Australia and is the world's largest cryptocrystalline magnesite deposit.

Archer has been developing the Project with the results of a recent Project Study (refer to ASX announcement dated 21 March 2016) supporting a simple open pit mining operation, third party processing and the export of high quality caustic calcined magnesia and/or monolithic dead burn magnesia to overseas customers.

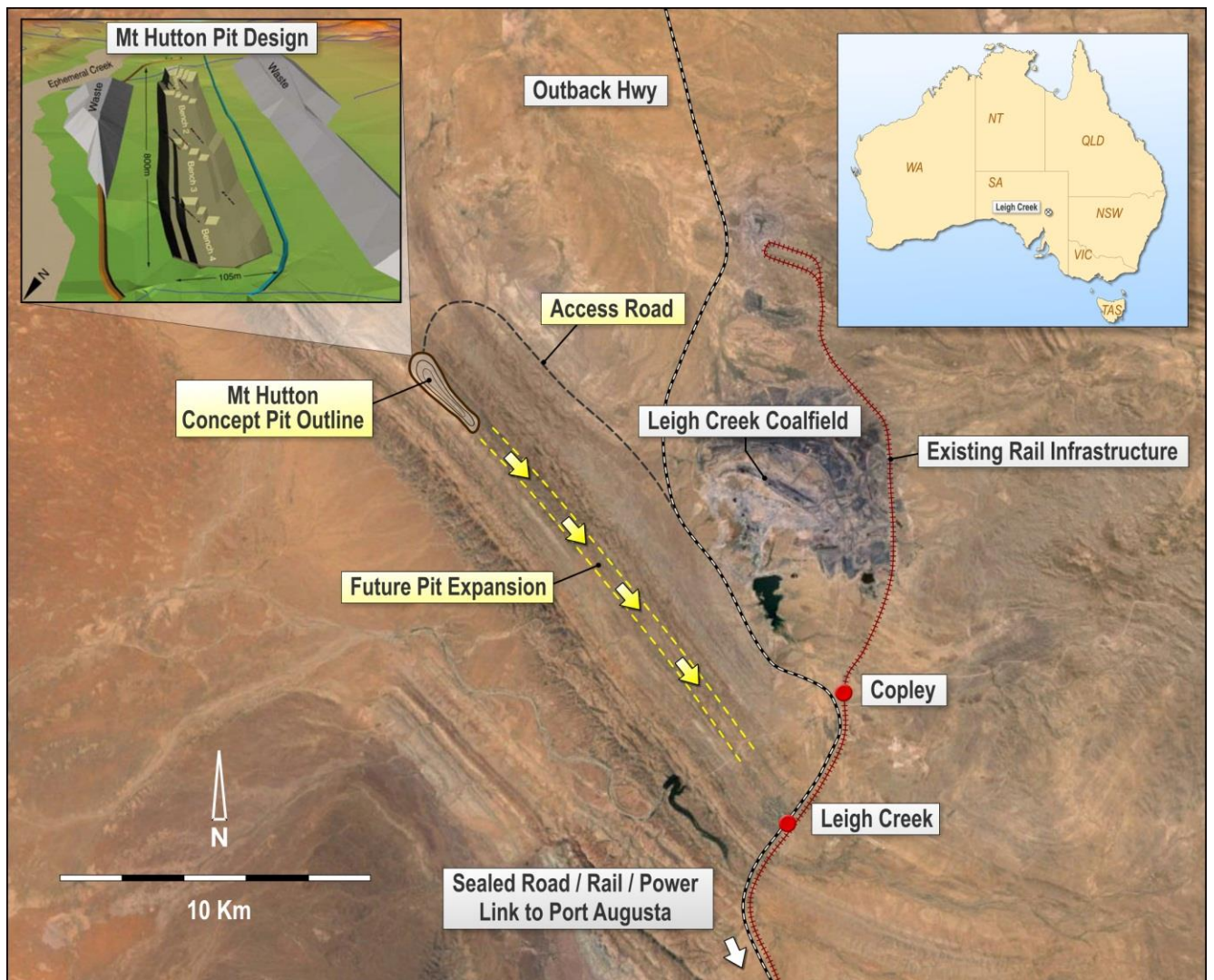


Figure 1: Leigh Creek Magnesite Project conceptual development layout

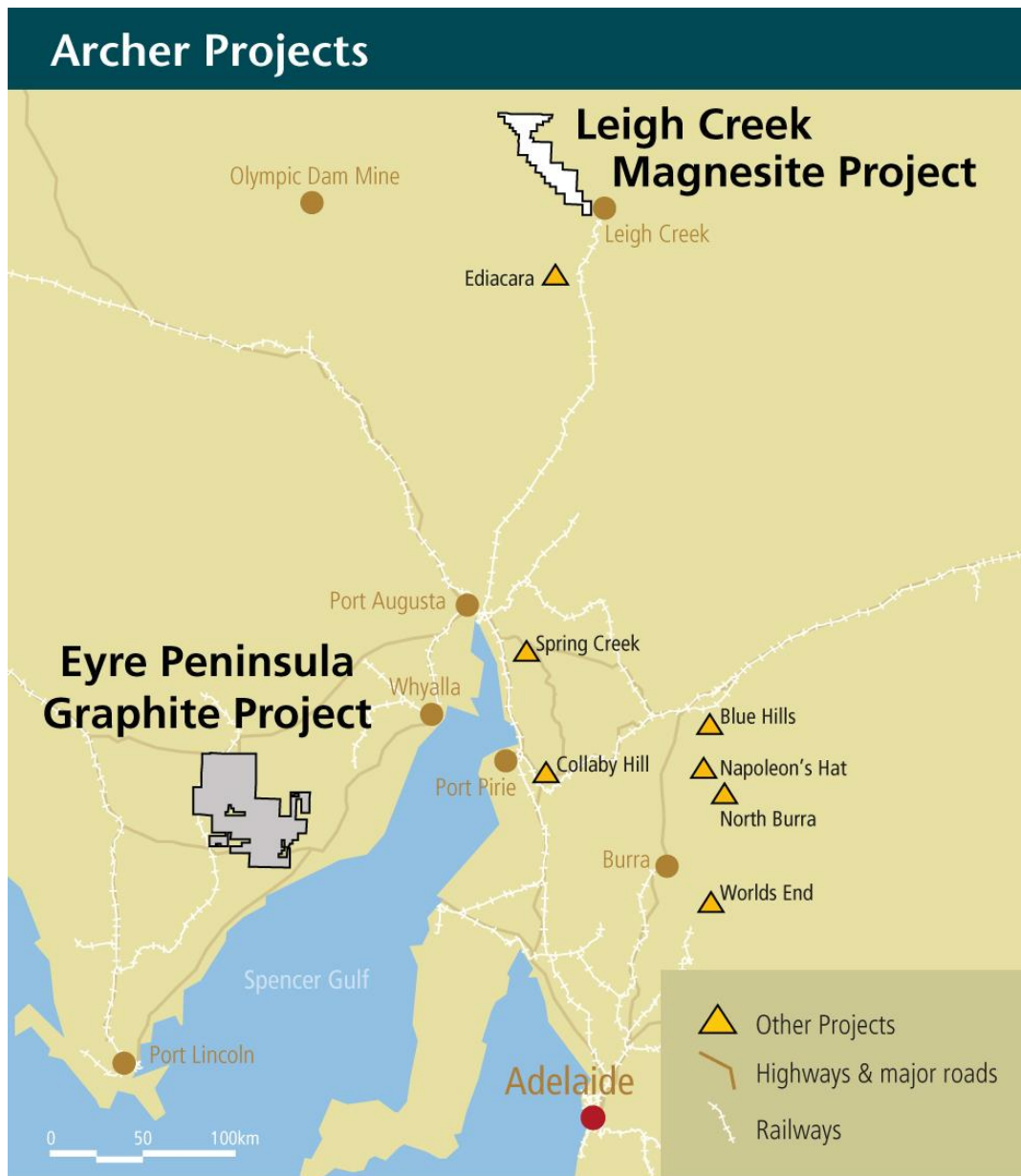
Next Steps

Archer will work to finalise and execute the Supply Agreement and agreements with mining contractors, magnesite processors, offtake customers and the gaining of all government and other approvals required to develop the Leigh Creek Magnesite Project.

For further information please contact:

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Archer Exploration Limited (ASX code AXE) has 100% ownership of 13 tenements all in South Australia covering more than 4,700 km².