

ASX Announcement

28 July 2016

Fourth Quarter Activities Report

For the three months ending 30 June 2016

Well-funded – major projects progressing

- Oversubscribed Share Purchase Plan successfully completed - \$2.034m raised. Closing date to apply for free attaching options is 2 August 2016.
- Heads of Agreement signed with Bowmans Intermodal to investigate the potential for the development of a shared rail loading facility at Leigh Creek.
- Memorandum of Understanding signed with Calix Limited for the development of the Leigh Creek Magnesite Project.
- Mount Hutton Central Resource upgraded to JORC 2012 standard in preparation for the development of the Magnesite Project.
- Campoona Graphite Scoping Study commenced, expected to be completed and released in early September 2016.

“Archer was very pleased with the strong support from existing shareholders in the recent oversubscribed share purchase plan” said Greg English, Executive Chairman. “The funds raised allows Archer to develop our advanced magnesite and graphite projects. Our focus for the rest of 2016 will be to develop these key projects as quickly and efficiently as possible” said Mr English.

“The detailed work done in completing the Campoona Mining Lease proposal is nearing completion and we are interviewing candidates for the position of Environmental Manager who will be responsible for lodging the mining lease application. We will also be releasing a scoping study for the Campoona graphite project” said Mr English. “Campoona graphite is a unique and quality asset that is important to Archer and the grant of a mining lease will be a key milestone in the development of this project” said Mr English.

“We have signed some key agreements for the development of the Leigh Creek Magnesite Project. The agreement with Bowmans Intermodal will allow Archer to investigate rail freight opportunities, whilst the agreement with Calix provides Archer with an accelerated path to production” said Mr English. “Archer is continuing to identify low capital cost and accelerated development opportunities for development of this project, which is the world’s largest deposit of its type” said Mr English.

“Archer has a significant and highly prospective exploration footprint in South Australia and work has commenced work to find partners / buyers for our non-core assets (commodities other than graphite and magnesite). Archer is hopeful of attracting interest in these non-core assets” said Mr English.

Greg English, Executive Chairman

Quarterly Activities to 30 June 2016

Archer Exploration Limited (ASX:AXE) ("Archer" or "Company") is pleased to report on its activities for the three month period ending 30 June 2016 ("Quarter").

Eyre Peninsula Graphite & Carbon

The Eyre Peninsula Graphite Project area comprises the Campoona Shaft, Central Campoona, Sugarloaf Hill and Waddikee (incorporating Lacroma, Wilclo and Cut Snake) graphite projects. The project area exceeds 2,200km² and is located near the South Australian township of Cleve.

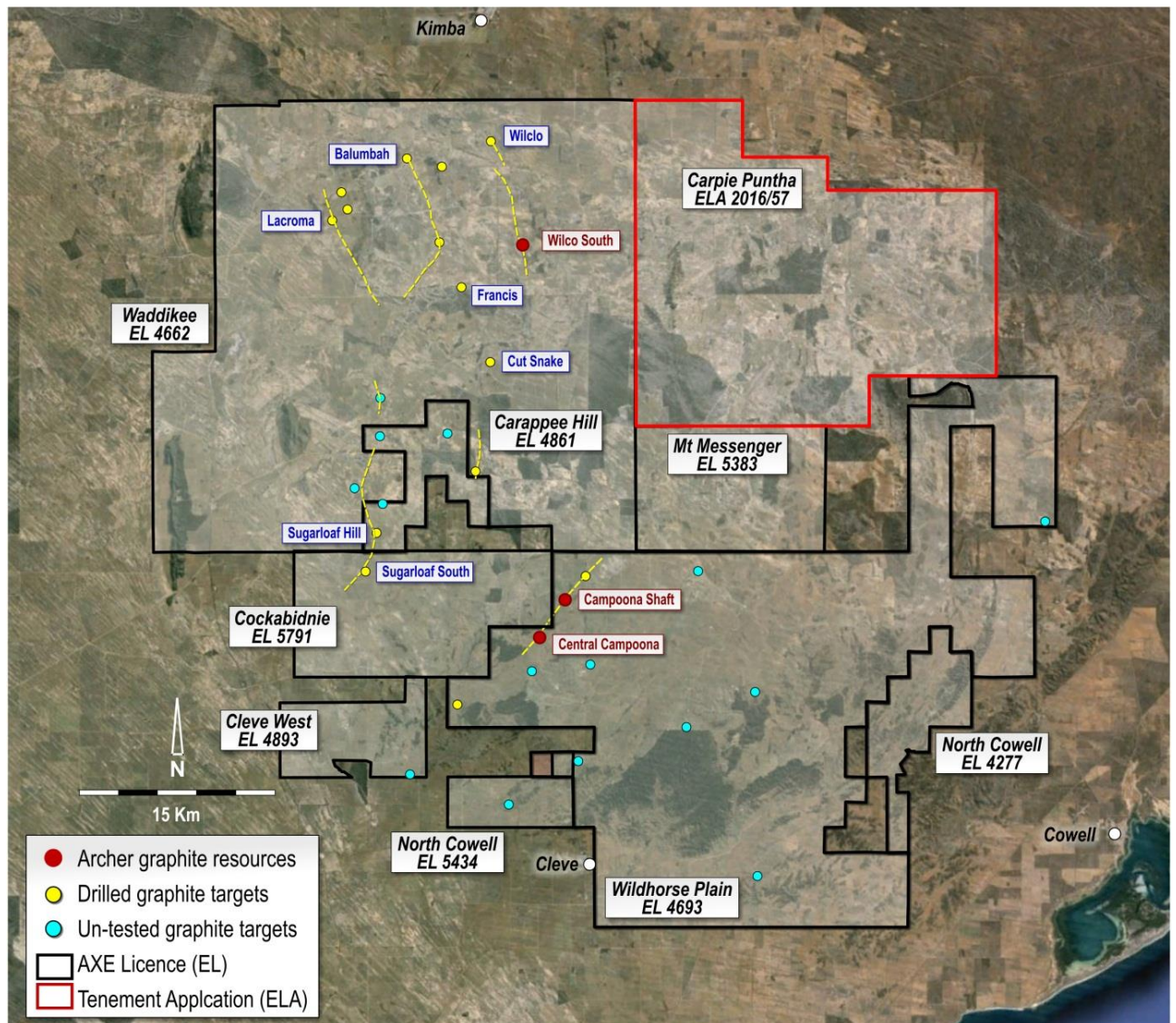


Figure 1: Eyre Peninsula Graphite Project location and tenement map

Campoona

Archer has been working on finalising the Mining Lease Proposal (MLP) for the Campoona Shaft mine and associated mineral processing facility at Sugarloaf. During the Quarter additional feedback received from interested stakeholders was incorporated into the final MLP document which Archer expects to lodge later this year.

The process for the lodgement and subsequent grant of a mining lease in South Australia is very detailed and must be properly managed. To that end, during the Quarter Archer advertised for an Environmental Manager to finalise the completion of the MLP and to oversee the process for the lodgement and subsequent grant of the Campoona mining lease.

Sugarloaf

Previous testing has shown Sugarloaf carbon when added to soils greatly improves soil wettability and aids moisture retention. Archer has been working with expert agronomists to design the next stage of soil testing to accurately determine the suitability of Sugarloaf carbon for use as a soil wetting agent. The test parameters have been agreed and approximately 15kg of Sugarloaf carbon will be delivered to University of Adelaide, Waite Campus by the end of July. The results of the wettability test work are expected to be received by Archer toward the end of the next Quarter.

Scoping Study

During the Quarter Archer commenced the preparation of a Scoping Study for the Eyre Peninsula Graphite Project. The Scoping Study will be based on comprehensive design work done by parsons Brinkerhoff, Worley Parsons and AMC Consultants and will assess the financial impacts of different development scenarios. Archer expects to release the results of the Scoping Study to ASX end of August / early September 2016.

Graphene and graphite marketing

On 6 May 2016 the University of Adelaide announced that had been awarded \$2.6 million in federal funding to establish the Australian Research Council (ARC) Research Hub for Graphene Enabled Industry Transformation. The University of Adelaide will lead the new ARC Research Hub for Graphene Enabled Industry Transformation, with the University of Melbourne, Monash University and the University of South Australia all participating as collaborative partners in the program.

Archer has been funding graphene research and development through the University of Adelaide for over 2 years and is in discussions with the University of Adelaide as to what form Archer's future participation will take. The development of the graphene hub provides Archer with an opportunity to extend the reach and accelerate the development of our graphene work.

During the Quarter Archer continued to send samples of graphite to laboratories for further testing and graphite processing (i.e. micronising, purifying etc.). This work has been ongoing and will continue for the rest of the year.

Cockabidnie tenement

The Cockabidnie tenement EL 5791 (refer to Figure 1) was granted to Pirie Resources Pty Ltd (a subsidiary of Archer) on 25 May 2016. The tenement covers an area 154km², is located immediately south of the Sugarloaf Hill carbon project and is considered likely to hold extensions to Sugarloaf Hill. The tenement was granted for an initial period of 2 years.

Leigh Creek Magnesite Project

Leigh Creek Magnesite Pty Ltd (LCM) is a wholly owned subsidiary of Archer and is the holder of the tenements which contain the Leigh Creek Magnesite Project (excluding Myrtle Springs which is held by Calix Ltd and not LCM) ("Magnesite Project").

This resource is the world's largest magnesite deposit of its type and is located approximately 20km north west of the Leigh Creek township in South Australia.

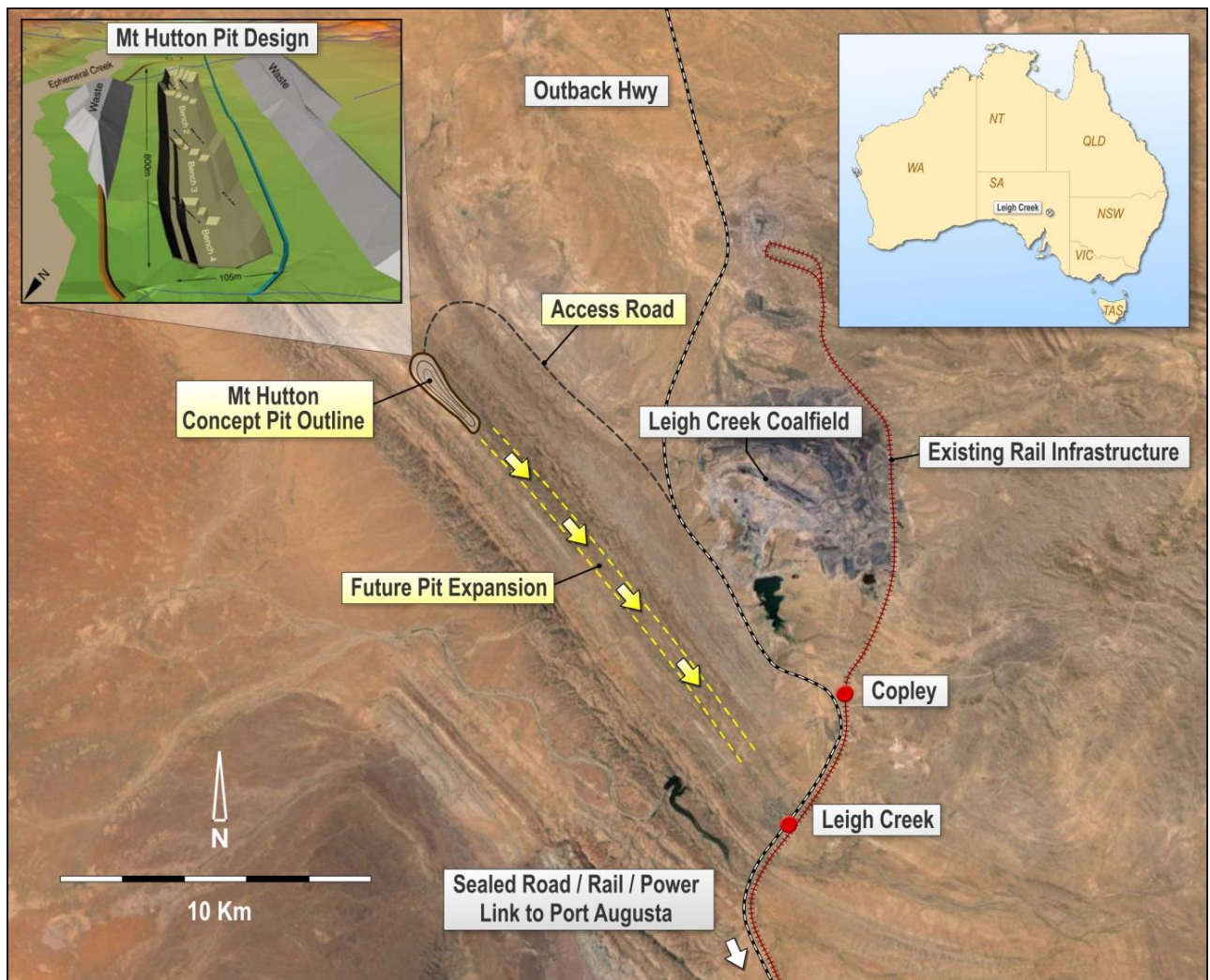


Figure 2: Leigh Creek Magnesite Project conceptual development layout

Access to third party infrastructure

Archer has been in continuous negotiations with different third parties regarding access to infrastructure for the toll processing of magnesite. These negotiations continued during the Quarter.

Mount Hutton Central JORC 2012 Mineral Resource

The magnesite deposits that form the Magnesite Project have been well known to explorers, due to their exceptionally large scale and metallurgical characteristics. As a precursor to the development of the Project, Archer announced during the Quarter (refer to ASX announcement dated 12 August 2016) that it had updated the Mineral Resource for the Mount Hutton Central Deposit in accordance with JORC 2012 code.

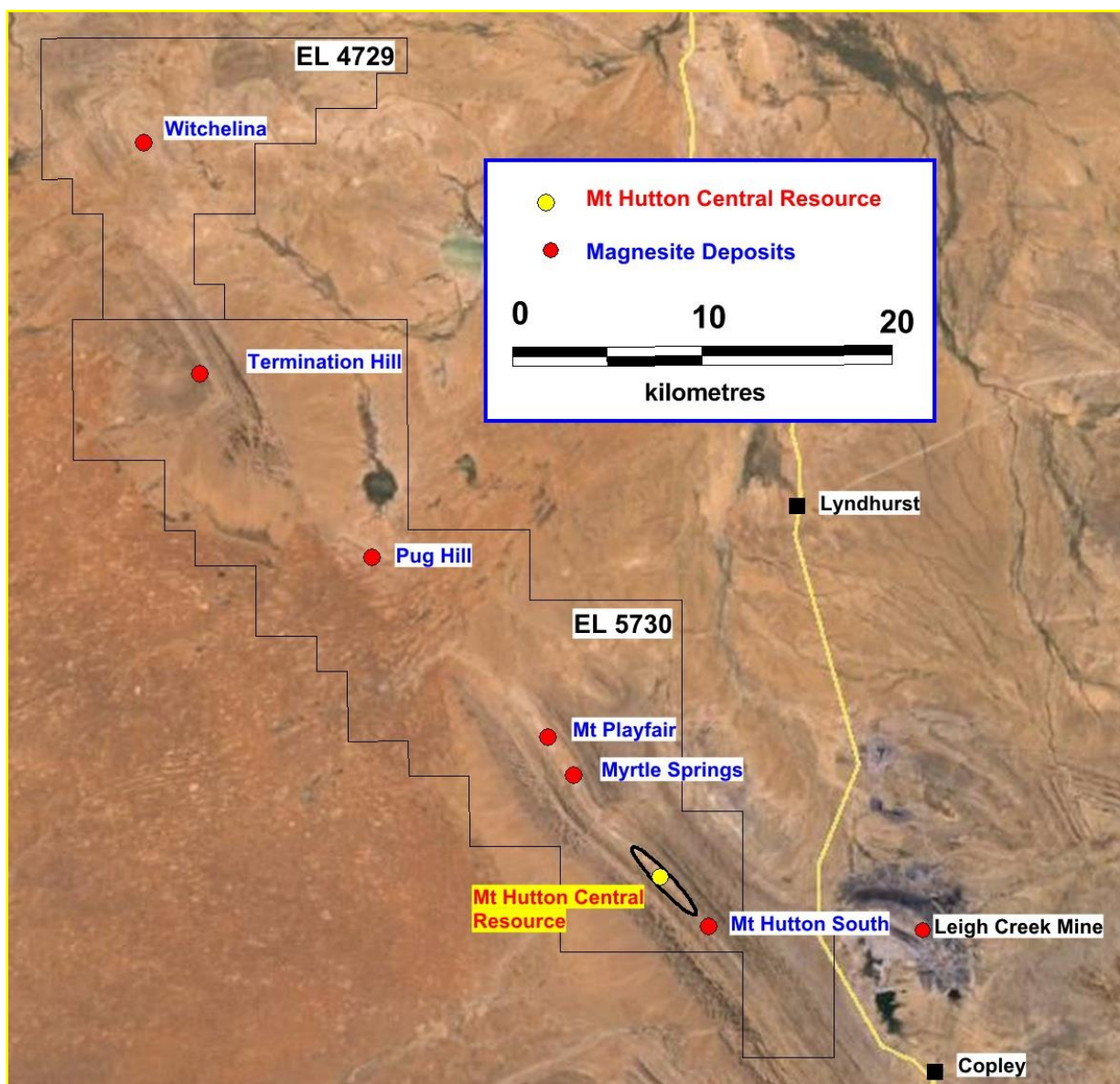


Figure 3: Location of the Mt Hutton Central Resource and nearby magnesite deposits

The Mount Hutton Central Mineral Resource was previously reported under the JORC 2004 code. The JORC 2012 Mineral Resource at Mount Hutton Central, as quoted in the ASX announcement dated 12 April 2016, is shown below in Table 1 and Archer confirms that all material assumptions underpinning the Mineral Resource continue to apply and have not materially changed:

Classification	JORC 2012 Mineral Resource		
	Tonnes (kt)	Mg (%)	MgO (%)
Measured	12,059	24.2	40.1
Indicated	5,460	24.3	40.3
Total	17,523	24.2	40.2

Table 1: Mount Hutton Central Mineral Resource

Magnesite Ore Supply MOU

On 20 April 2016 Archer announced that it had signed a non-binding Memorandum of Understanding ("MOU") with Calix Limited, a local company with an operating magnesite mine, which will accelerate development of the Magnesite 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 in the ASX announcement Archer stated that it expected to execute the binding Supply Agreement in late Q2 calendar 2016. Negotiations for the finalisation of the binding Supply Agreement have been ongoing and Archer now expects to sign a binding agreement in late September / early October 2016.

The signing of a binding Supply Agreement will greatly reduce the number of approvals required by Archer, the development timetable and the cost to commence magnesite production from the Magnesite Project.

Bowmans Intermodal HoA

The Magnesite Project is located in close proximity to both the Outback Highway (a sealed road to Adelaide) and the Leigh Creek rail line (refer to Figure 2). Bowmans Intermodal, a joint venture Toll Group and Balco and AGT, are looking to develop an intermodal facility for the unloading of rail freight near Leigh Creek. On 24 May 2016 Archer announced to ASX that it had entered into a heads of agreement ("HoA") to identify opportunities to jointly progress the development of rail infrastructure at Leigh Creek.

The proposed shared rail facility would be located adjacent to the existing rail loop at the Leigh Creek Coalfield (refer to Figure 1). Under the terms of the HoA Archer and Bowmans will work together to:

- Identify potential shared infrastructure solutions and infrastructure development opportunities in the Leigh Creek Area.

- Develop a budget and schedule for transportation solutions required by Archer to allow the commercialisation of the Leigh Creek Magnesite Project.

The ability to align the infrastructure development strategies of both companies should help to facilitate economic growth in the Leigh Creek region as well as lead to reduced capital costs and lower operating costs, especially in relation to the transport of Archer's magnesite.



Figure 4: Preferred location of shared infrastructure facility

Other Projects

Archer maintains a large footprint of highly prospective tenements throughout South Australia which are prospective for gold, copper and other mineralisation.

As part of an ongoing geological review of the entire Eyre Peninsula Graphite Project tenement area, the Archer technical team became aware of previously reported spodumene occurrences on the tenement area. The spodumene was reported by a SA Government geological survey with the spodumene confirmed by petrology. No lithium assay data is available from the report.

Spodumene is a mineral that is found, almost exclusively, in granite pegmatites and is a source of lithium. Most Australian lithium explorers are looking for lithium associated with spodumene.

During the Quarter Archer personnel undertook field work in an effort to try and identify the location of the previously reported spodumene occurrences. Archer visited what it believed to be the site of the spodumene occurrence but was not able to identify any spodumene. The Company did find some minerals which has an appearance similar to spodumene. None of the samples were assayed for lithium.

Archer still believes that the pegmatites veins and other areas of the tenements may be prospective for lithium and will undertake further field work in August to further develop the lithium potential of the Eyre Peninsula tenements.



Figure 5: Presence of outcropping extensive pegmatites on Archer's Eyre Peninsula Project.

Corporate

Share Purchase Plan.

During the Quarter Archer completed a share purchase plan ("SPP") which involved the issue of new shares at \$0.08 per share with one free attaching option (exercise price of \$0.12 and expiry date of 30 June 2017) for each new share issued. The SPP was originally designed to raise \$500,000 however, the SPP was oversubscribed and the amount raised was increased to \$2,034,356.

Archer shareholders strongly supported the SPP and in an ASX announcement dated 9 June 2016, Greg English (Archer Chairman) thanked Archer shareholders for their support of the Company.

As part of the SPP, shareholders who are allotted shares under the SPP are also be entitled to apply for one free attaching unlisted option for every share allotted to them under the SPP ("Offer"). A prospectus for the Offer was lodged with ASIC during the Quarter. The closing date for the Offer is 2 August 2016.

Resignation of Managing Director

Gerard Anderson resigned as Managing Director of Archer on 6 April 2016. Gerard's last day of work with the Company was 8 June 2016.

Mr Anderson was a director of the Company since July 2008 and held the position of Managing Director at Archer from October 2010 and during that period Gerard made a significant contribution to positioning the Company for future growth. Gerard was instrumental in the progression of the Company's exploration projects and in particular the development of the Eyre Peninsula Graphite Project, host of the Company's Campoona Shaft, Central Campoona and Wilclo South JORC Graphite Resources.

Issued Capital

Time	Shares on issue	Options on issue	Performance Rights on issue
Start of Quarter	84,764,853	Nil	684,211
End of Quarter	110,194,306	Nil	684,211
28 July 2016	110,194,306	Nil	Nil

Notes

- (1) A total of 25,429,453 new shares were issued under the SPP.
- (2) A total of 25,429,453 new unlisted options are offered under the Offer. Applications for options close on 2 August 2016.
- (3) Previously issued Performance Rights lapsed on 1 July 2016 as share price hurdles were not achieved.

Exploration Development Incentives

On the 30 March 2016, the Company advised that it was successful in its application for participation in the Federal Government's Exploration and Development Incentive Scheme (EDI). A total of \$162,441 EDI credits were distributed to Eligible Shareholders on a pro rata basis, which equates to 0.1916 cents per Archer share held on Wednesday, 13 April 2016.

EDI Statements were despatched to eligible shareholders on 13 May 2016.

Shareholder briefings

Archer conducted a series of shareholder presentations on 27 May (Adelaide), 30 May (Sydney) and 31 May (Melbourne). The shareholder briefings were well attended and provided Archer management with an opportunity to engage directly with shareholders. The Company intends to hold another series of shareholder briefings later this year.



Figure 6: Venue for Archer Melbourne shareholder presentation

Cash balance

The Company's cash balance on 30 June 2016 was \$1.98 million.

List of Archer tenements

Tenement	Tenement Name	Commodity
EL 4861	Carappee Hill	Graphite
EL 5804	Wildhorse Plains	Graphite
EL 5815	Waddikee	Graphite
EL 5383	Mt Messenger	Graphite
EL 4893	Cleve West	Graphite
EL 5791	Cockabidnie	Graphite
EL 5434	North Cowell	Graphite/Copper
EL 4729	Witchelina	Magnesite
EL 5730	Termination Hill	Magnesite
EL 5553	Collaby Hill	Magnesite
EL 5540	Spring Creek	Copper
EL 5433	Burra North	Manganese
EL 4869	Ediacara	Barite
EL 5794	Blue Hills	Gold & Copper
PELA 567	Ediacara	Coal / gas
MC 4393	Campoona	Graphite

Notes

- (1) All tenements are 100% owned by Archer except for EL 5804 (Wildhorse Plains) for which Archer is the registered holder and has the right to explore for all minerals except for uranium.
- (2) EL 5791 (Cockabidnie) was granted during the Quarter for an initial term of 2 years.
- (3) Archer applied for additional tenements in the Frome and Eyre Peninsula regions during the Quarter. These tenements will be reported upon grant.

For further information, please contact:

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Competent Person Statement

The exploration results reported herein, insofar as they relate to mineralisation, are based on information compiled by Mr. Wade Bollenhagen, Exploration Manager of Archer Exploration Limited. Mr. Bollenhagen is a Member of the Australasian Institute of Mining and Metallurgy who has more than 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.