

ARCHER 

*Set for growth*





## Corporate Directory

### Archer Exploration Limited

ABN 64 123 993 233

#### Directors

Greg English  
*Executive Chairman*

Tom Phillips AM  
*Director*

Alice McCleary  
*Director*

Gerard Anderson  
*Director*

#### Company Secretary

Craig Gooden

#### Registered Office

Level 1, 135 Fullarton Road  
Rose Park SA 5067  
Telephone +61 8 8332 5033  
Facsimile +61 8 8364 4288  
[www.archerexploration.com.au](http://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  
South Australian Partnership  
Level 1, 67 Greenhill Road  
Wayville SA 5034

#### Solicitor

Watsons Lawyers  
60 Wellington Square  
North Adelaide SA 5006

#### Bankers

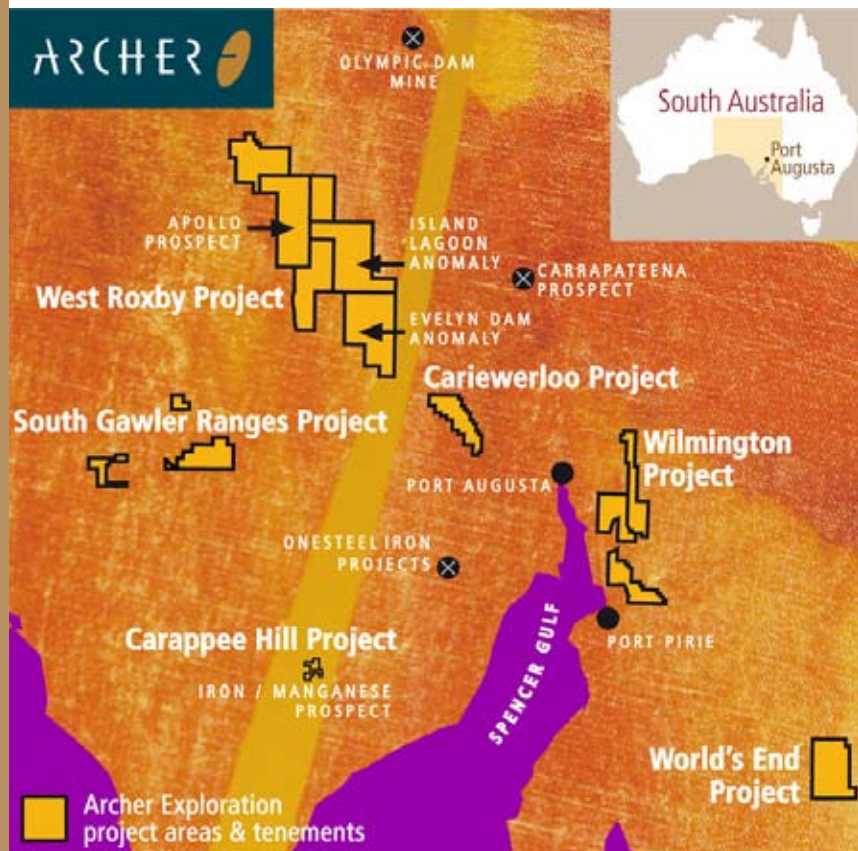
Bank of Queensland  
151 Pirie Street  
Adelaide SA 5000

#### Australian Securities Exchange:

**ASX code:** AXE

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## — Highlights and achievements

- Maiden drilling program confirmed prospectivity of Jamieson Tank which has the potential to host a large tonnage near surface iron / manganese deposit
- Discovery of near surface greenfields copper and gold discovery at Bender prospect with strike length of 2 km
- Discovery of large gravity low target at West Roxby Project
- Acquisition of additional 1,650 km<sup>2</sup> of highly prospective tenements
- Successful \$7.0 million capital raising (Company still had \$6.3 million cash in bank on 30 June 2008)



*Set for growth*



## *Letter from Executive Chairman and CEO*

In its first 11 months of operations since listing on the Australian Stock Exchange (ASX) on 14 August 2008 (Listing), the Company has made considerable progress towards its objective of the discovery of world class deposits on the Stuart Shelf of the Gawler Craton.

On the day of Listing the Company commenced a comprehensive gravity acquisition program over the West Roxby Project area which identified the new Apollo Prospect and confirmed the prospectivity of the Evelyn Dam and Island Lagoon Prospects.

By the end of the reporting year, the Company had also flown extensive combined aeromagnetic and radiometric surveys over four tenements, commenced the Company's maiden drilling program at Carapsee Hill and acquired an additional 1,650 km<sup>2</sup> of new tenements.

The Company's immediate objective is to drill the West Roxby Project and to escalate the exploration program at Carapsee Hill which we believe will unlock the potential of the area for iron, manganese and base metals. As well as West Roxby, Carapsee Hill and the other tenements the Company held at time of Listing, Archer has identified the potential of the Burra and Wilmington areas and earlier this year made application for an additional four exploration licences covering an area of 1,650 km<sup>2</sup>. We will continue to identify and evaluate numerous other projects and opportunities. For more details on the Company's activities, I encourage you to read the Review of Operations section of this report.

The last year was challenging for all exploration companies thanks largely to the effects of the global credit crises and a decline in Australian and world share markets. Consequently, despite the excellent exploration achievements of the Company and the issue of bonus options to shareholders, the Company's share price declined during the year. This underperformance is of great concern to the Board and management and we are committed to confronting these challenges and driving future increases in shareholder value.

In meeting these challenges we have been able to draw on the diversity and breadth of our people, combined with robust and evolving systems and processes. This depth of talent, combined with our diversity of minerals and 100% ownership of all of the Company's tenements gives us a significant competitive edge.

The Company was very fortunate in having an outstanding chairman in Tom Phillips AM for the past year. Through his leadership we have achieved the Listing of the Company and implemented a comprehensive exploration program. Tom Phillips resigned as chairman on 14 July 2008, on the same day that Mr Gerard Anderson was appointed as a non-executive director, but will continue to serve the Company as a non-executive director. On behalf of my fellow directors I want to thank Tom for a tremendous effort throughout the year.



In July 2008 the Board announced the appointment of Gerard Anderson as a non-executive director. Gerard has more than 30 years experience in the exploration and mining industry and his appointment further strengthens the Board's level of expertise.

We are fortunate to have an experienced and diverse Board which provides strong support and constructive challenge to our management team. The Board continues to review its corporate governance policies and procedures to ensure it fulfills its obligations and meets the expectations of shareholders. Further details of the Company's corporate governance practices are set out on pages 21 to 22 of this report.

I would also like to thank all those who have made this a successful year for Archer. This includes our shareholders for their initial support with the Listing and their ongoing support since. In addition, thanks to the operating team at Archer for their efforts during the year. The successful maiden drill program provides a sound platform to build on with further exploration success in 2008/09.

In closing, we are excited about the potential of the Carapsee Hill and West Roxby Projects and of our other tenements and believe that we will continue to grow and evolve.

Yours sincerely,



*Greg English*

*Executive Chairman*



## Review of Operations

Archer Exploration Limited has a 100% interest in 12 tenements comprising an area in excess of 7,000 km<sup>2</sup> in the highly prospective Gawler Craton region of South Australia. The Company's projects are prospective for:

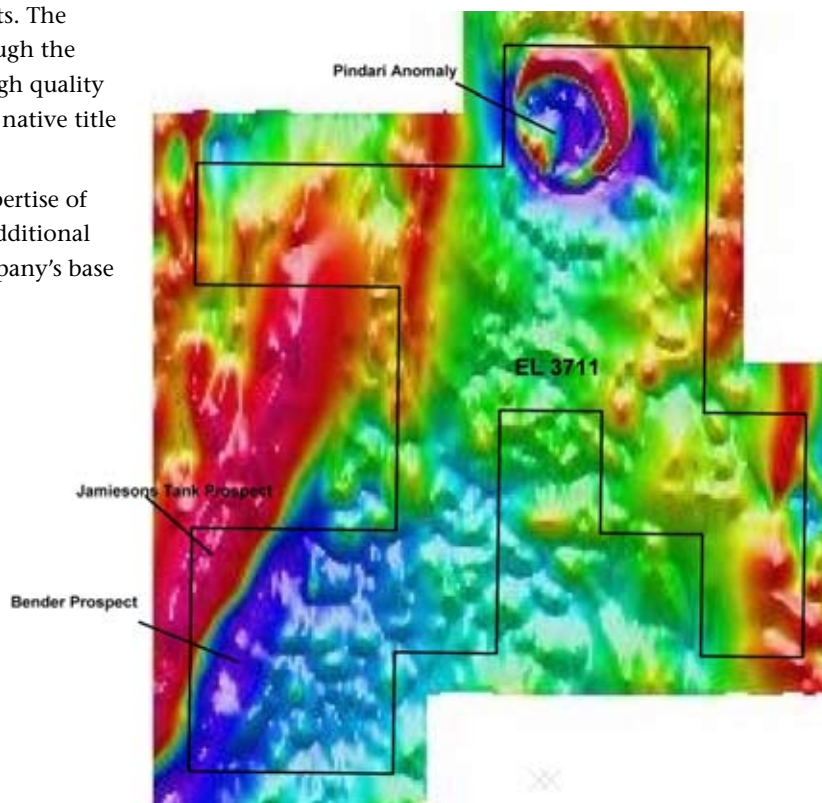
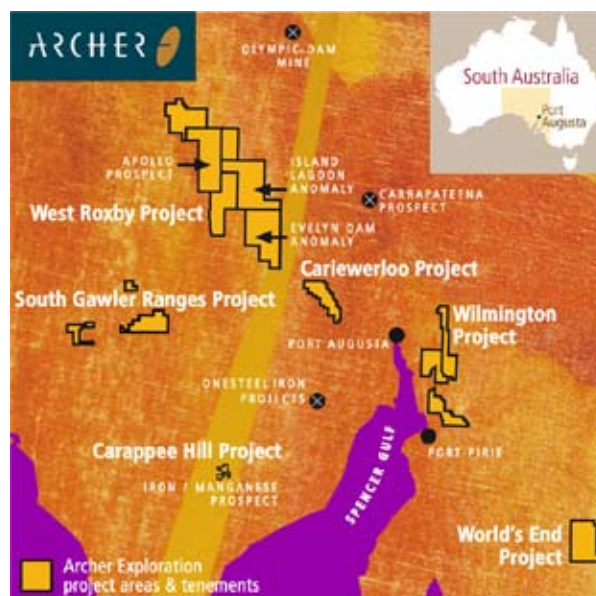
- **manganese and iron** with the Jamieson Tank Prospect and Wilmington Projects hosts to previously known manganese occurrences;
- **base metals**, including iron-oxide-copper-gold-uranium (IOCGU) and SEDEX style mineralisation;
- **unconformity and paleo-channel style uranium mineralisation**; and
- **phosphate** with the Burra Project hosting the Fairfield Phosphate Mine.

Since ASX listing the Company has focused a large part of its exploration effort on the large scale IOCGU projects at West Roxby and the manganese and iron mineralisation at Jamieson Tank.

Jamieson Tank has been an ideal target for the Company as it is close to surface, has been the subject of previous drilling by Western Mining Corporation Limited (WMC) and is close to existing infrastructure. The project is also located within the highly prospective iron province of the central Eyre Peninsula.

The IOCGU targets at West Roxby are large scale exploration targets which offer the opportunity for the discovery of large Olympic Dam style deposits. The Company has progressed these projects through the acquisition, analysis and interpretation of high quality geophysical data and the near finalisation of native title clearances and agreements.

In parallel, the Company has utilised the expertise of its talented staff to identify and acquire an additional four tenements which compliment the Company's base metals, manganese and phosphate strategy.



Magnetic image of Caraptee Hill tenement



## Iron and manganese

Since Listing the Company has commenced its maiden drilling program and acquired additional tenements which are also prospective for manganese. These iron and manganese prospects have become more attractive as a result of recent increases in the price of iron and manganese ores on international metals markets.

### **Jamieson Tank (EL 3711)** (Archer 100%)

Jamieson Tank lies within the Carapsee Hill Project area (EL 3851) and is located approximately 155 km southwest of Whyalla, on the central Eyre Peninsula of South Australia.

Drilling by WMC in the early 1990s identified a significant zone of near surface manganese and iron mineralisation. The drillholes were approximately 50 metres apart with holes intersecting up to 31% Mn.

Airborne magnetic and radiometric data was collected and preliminary field work was conducted by the Company at Jamieson Tank to test the manganese and iron targets. Assays from the surface sampling undertaken by the Company reported high manganese grades, which reported in the range of 45% to 53% which is typical for the Jamieson Tank type of surface material.

From the airborne magnetic and radiometrics, the signatures of magnetite bearing units were highlighted in greater detail (*see magnetic image on page 4*), where the brighter colours indicate greater concentrations of magnetite. Drill hole locations were then identified to test the economical potential of the magnetite rich units.

The positive results from the surface sampling and geophysical surveys gave the Company the confidence

to undertake a 2,001 metre reverse cycle (RC) drill program which commenced on 19 June and was completed on 3 July 2008. The drilling was centred around Jamieson Tank and a new geophysical anomaly identified by the Company (subsequently called the 'Bender Prospect').

The drilling at Jamieson Tank successfully outlined a continuation of the near surface iron and manganese mineralisation. The drilling undertaken by the Company at Jamieson Tank validates the significance of the previous WMC drilling with mineralisation open to the north, south and at depth.

Additional and deeper RC and diamond drilling is planned at Jamieson Tank in an effort to identify the size of this prospect. Jamieson Tank has the size potential to host a large tonnage near surface iron deposit.

### **Wilmington (ELA 116/08)** (Archer 100%)

In March 2008 the Company lodged applications for three mineral exploration licences in the Wilmington area, located approximately 20km northeast of the deepwater port at Port Pirie in South Australia.

Manganese mineralisation has been historically reported on ELA 116/08 which comprises part of the Wilmington Project area and potential exists for further strata bound manganese mineralisation.

The Company anticipates that the Wilmington tenements will be granted in the fourth quarter of 2008. Once granted, the Company plans to undertake a systematic preliminary soil and rock chip sampling program on the tenements with the expectation of identifying further manganese drill targets.



*Jamieson Tank within the Carapsee Hill Project*

## Base metals

Archer's main objective, set out in the Company's prospectus, is to become a significant force in the ongoing exploration and development of iron-oxide-copper-gold-uranium (IOCGU) deposits. The West Roxby Projects are located within the Gawler Craton which is host to the Olympic Dam IOCGU deposit and ongoing discoveries by other explorers have confirmed the Gawler Craton as one of the world's foremost IOCGU provinces.

The geological setting targeted for manganese and iron at Carapsee Hill is also prospective for base metals mineralisation. The compilation of historical data and the Company's recent drilling results have proved Bender to be a significant copper gold project.

Since Listing the Company has identified and acquired a further four tenements which have hosted old copper mines and significant copper mineralisation reported in historical drilling undertaken at Wilmington.

## West Roxby (EL 3851, 3869, 3721, 3722 and 3724) (Archer 100%)

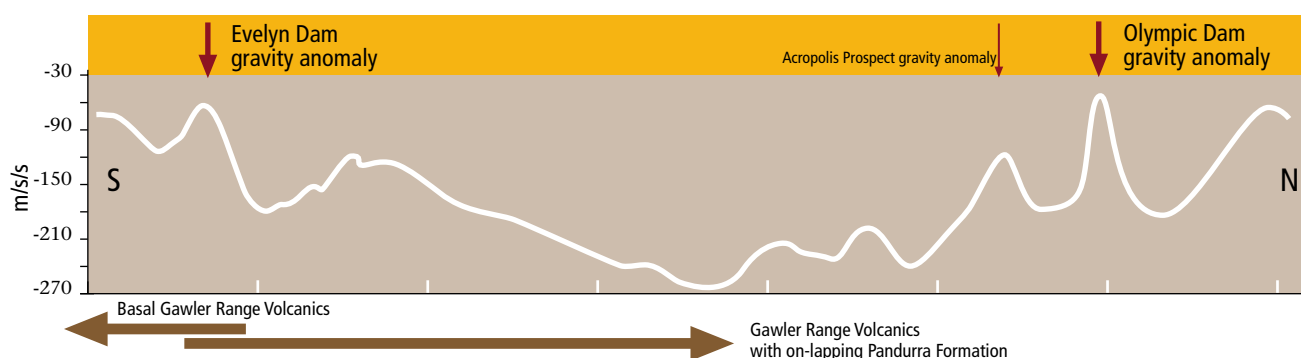
The West Roxby Project consists of five contiguous tenements encompassing an area of approximately 4,420 km<sup>2</sup>. The Project is located on the Gawler Craton within the Olympic Dam IOCGU province, which hosts the world class Olympic Dam mine, the Prominent Hill mine and the Carrapateena prospect.

Major achievements by Archer at West Roxby during the past 11 months, include:

- completion of extensive infill gravity survey;
- discovery of Apollo Prospect;
- completion of high resolution aeromagnetic survey;
- near Finalisation of native title negotiations; and
- receipt of PACE funding for Evelyn Dam drilling.

The West Roxby Project is host to the Company's Evelyn Dam, Island Lagoon and Apollo prospects.

Evelyn Dam is a high quality exploration target for the discovery of iron-oxide-copper-gold-uranium (IOCGU) mineralisation. On the basis of the available gravity data the source of the anomaly has the size potential to host a major mineralised system. A gravity profile across the region from Olympic Dam to Evelyn Dam shows comparable magnitudes between Evelyn Dam and Olympic Dam (located approximately 90km to the northwest).



Regional gravity profile - Evelyn Dam to Olympic Dam



Island Lagoon is a well defined gravity anomaly and a target for IOCGU style alteration and mineralisation developed at the intersection of regional northwest-southeast and southwest-northeast trends. This position has also been a focus for subsequent Gairdner dyke intrusion. The level of intensity of the Island Lagoon anomaly is similar to that of Evelyn Dam prior to the completion of infill gravity survey.

Apollo is a large circular gravity low feature in the central part of EL 3851. This high amplitude anomaly appears to be in the order of 10mGal with an approximate depth of 300 to 400m.

The Company has made significant progress at West Roxby since Listing in August 2008. On the day of Listing, 14 August 2007, the Company commenced an infill gravity program over Evelyn Dam, Island Lagoon and Apollo. The program took just over two months to complete.

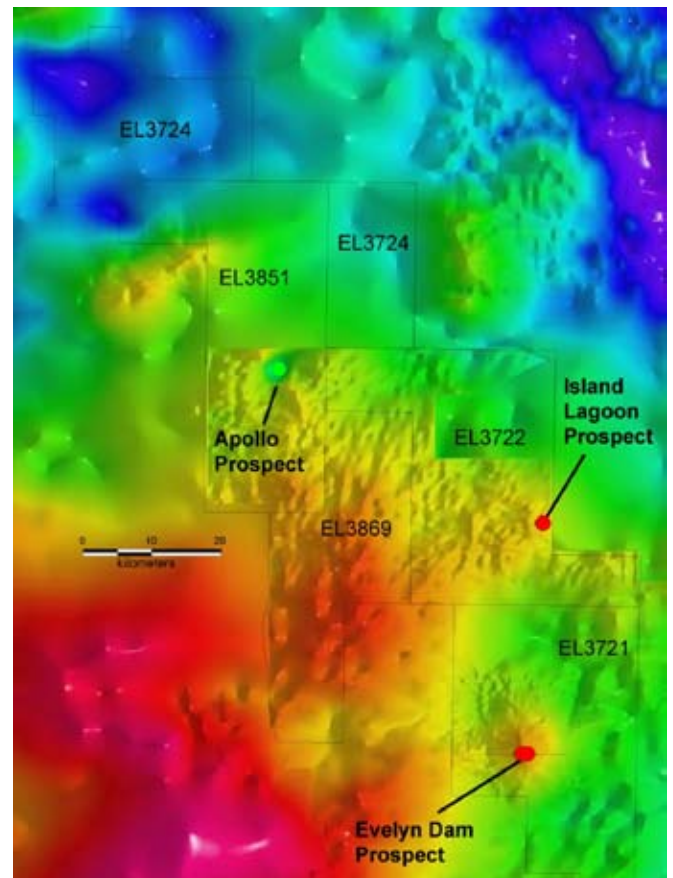
Positive results from the gravity acquisition program were:

- creation of a high quality data set not previously available to other explorers;
- defining of the location of drill hole collars and depth to target for both the Evelyn Dam and Island Lagoon prospects; and
- discovery of Apollo Prospect which is a significant gravity low.

UTS Geophysics conducted a high resolution aeromagnetic survey over Evelyn Dam, Island Lagoon and Apollo in July 2008 and the data from this survey is being processed and analysed.

The Company will combine the gravity and magnetic data to identify and prioritise drill targets and has been seeking expressions of interest from diamond drilling contractors. Drilling is expected to commence in the fourth quarter of 2008.

Native Title Mining Agreements with the Barngarla Native Title Claim Group and Kokotha Native Title Claim Group have been executed.



*Updated gravity image over West Roxby Project, highlighting the 3 main targets for drilling.*

### *Carapsee Hill (EL 3711)* (Archer 100%)

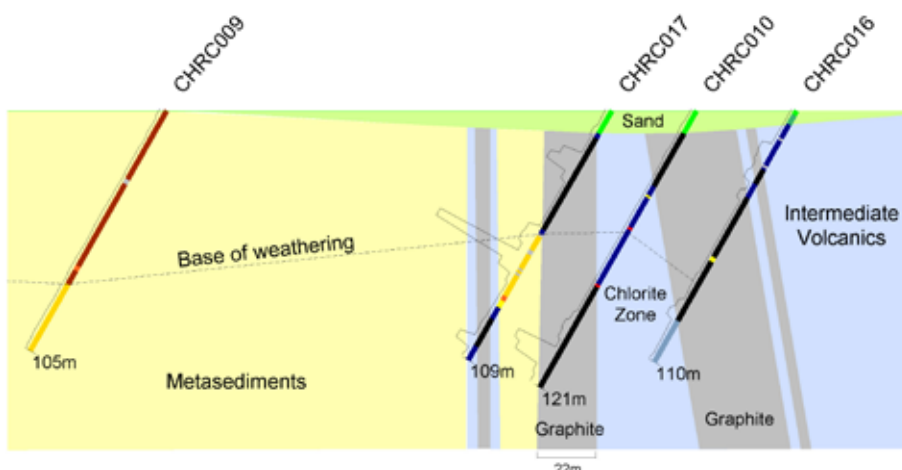
The potential for gold mineralisation at Bender was initially identified in the early 1990s from the results of a Rotary Air Blast (RAB) drill program undertaken by Goldstream Mining NL where drillhole 97CP013, reported 1.35g/t Au at six metres downhole.

Historical drilling near Bender was also undertaken by Helix Resources after completion of a soil and rock chip sampling program over the area. The RAB drilling undertaken by Helix and Goldstream confirmed the presence of base metal anomalism for the Bender Prospect (formerly known as Sugarloaf Hill) as both companies reported broad silver, copper and zinc intercepts at low and what was considered at the time to be uneconomical grades. The price of metals including copper, gold, silver and zinc have increased significantly in the the last three years thereby making the targets more attractive.

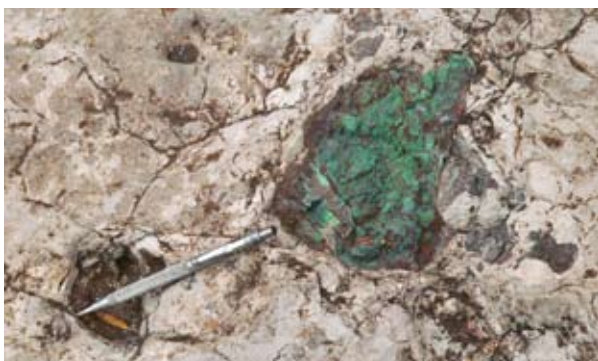
Archer believes that the gold, silver, copper and zinc potential of Bender is largely underexplored. The presence of a significant 5mgal gravity anomaly located to the west of the prospect and the fact that only shallow RAB holes were drilled may explain previous companies lack of success in discovering an economic deposit at Bender.

As part of Archer's first drilling program, a series of holes were drilled north of the Bender outcrop to test the continuation of mineralisation and other anomalies. Several encouraging results were returned with assay results confirming consistent copper and gold mineralisation along a 2 kilometre strike length. The results, which were above expectations (up to 0.2% copper and up to 0.4 g/t gold), were from a wider 18-hole RC drilling program undertaken by Archer.

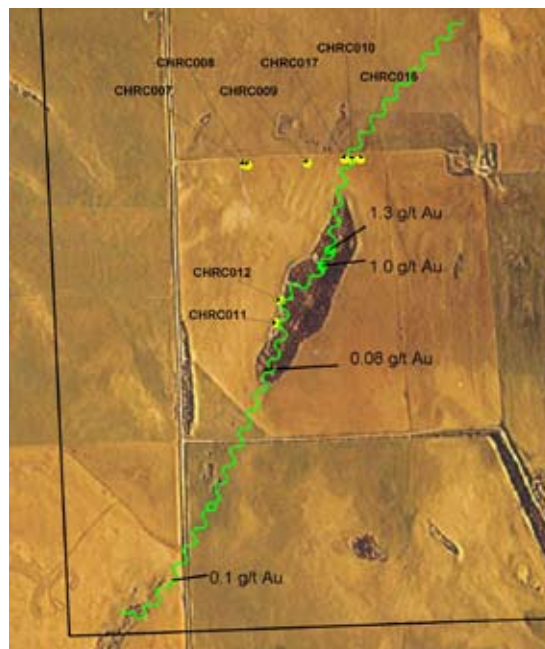
The Company plans to undertake some further drilling at Bender in order to try and determine the lateral and depth extent of this prospect.



*Simplified geological cross section for 6294700N, north of the Bender outcrop, gold bearing intervals indicated by the histogram*



*Copper oxide at surface of Bender*



*Location of anomalous gold results, at the Bender Prospect*



**Wilmington (ELA 114/08, 115/08 and 116/08)**  
(Archer 100%)

In late March 2008 Archer was successful in applying for three tenements in the Wilmington area, about 40 km south-east of Port Augusta.

The total area of the tenements is 1,059 km<sup>2</sup> and covers the historical Spring Creek copper mine and numerous other copper workings. The Spring Creek mine operated from 1860 to 1910 and mined native copper, azurite and malachite.

Historical diamond drilling (SpringCk1/29) reported 3m @ 3% Cu from 132.6m and 6m @ 2.3% Cu from 146.3m, in a vertically drilled hole. All other historical holes do not penetrate further than 109m vertically below the surface.

A systematic program of ground geochemistry and geophysics is planned once the tenements are granted.



*The historical Spring Creek copper mine*



*The old underground workings at the historical Spring Creek copper mine*

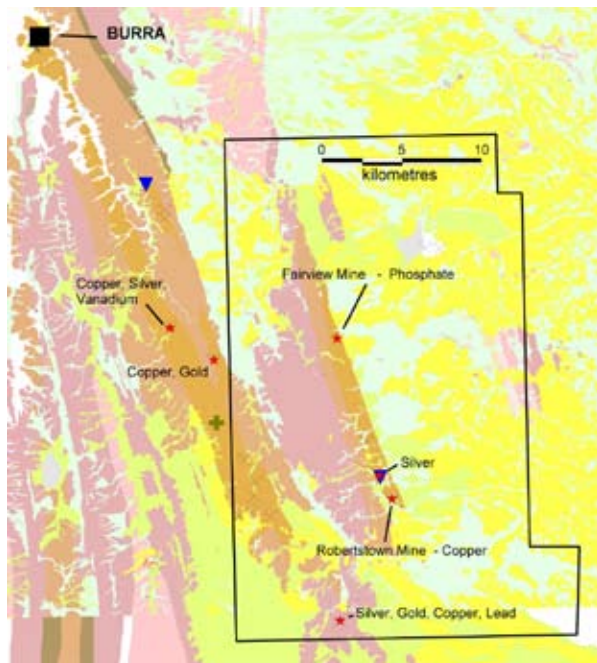
### World's End (ELA 222/08)

(Archer 100%)

The World's End Project covers 592 km<sup>2</sup> and is located on the Adelaide Geosyncline, some 15 km southeast of the historic copper mining town of Burra. The tenement covers the historic Robertstown Copper Mine and numerous silver, gold, copper and lead anomalies.

The tenement area is located close to existing major infrastructure and the underlying geology has shown that it can host economic deposits of copper in the area.

A systematic program of ground geochemistry and geophysics is planned once the tenement is granted.



World's End location map showing known mineral occurrences

### South Gawler Ranges (EL 4169)

(Archer 100%)

South Gawler Ranges Project encompasses an area of 552 km<sup>2</sup> and lies along the southern margin of the Gawler Ranges. The tenement is ideally located 30km northwest of Port Augusta and is close to existing ports, power, gas, water, rail and road corridors.

EL 4169 comprises three separate blocks, with the northern blocks being prospective for base metal mineralisation associated with hydrothermal activity along the margins of the carapace of Gawler Range Volcanics.

At the time of Listing the project was an application for a mineral exploration licence and the tenement was not granted to the Company until 6 June 2008. Now that the licence has been granted, Archer can commence field activities which will focus on targeting hydrothermal copper and gold style mineralisation through a program of geophysical surveys and geochemical sampling.



## Uranium

The Company's tenements were initially acquired, in part, for their paleo-channel, IOCGU and uniformity style uranium potential and the results of the work undertaken so far by the Company has not diminished the uranium potential of these tenements.

The Company's exploration focus since listing has been on the near surface iron and manganese mineralisation at Jamieson Tank and the large IOCGU targets at West Roxby as these projects offer the Company the best potential return for exploration effort. However, the Company fully intends to continue to evaluate and exploit the uranium potential of its tenements.

### **West Roxby (EL 3851, 3869, 3721, 3722 and 3724) (Archer 100%)**

In addition to the large IOCGU targets at Evelyn Dam and Island Lagoon, the lake sediments and palaeodrainage systems within the West Roxby Project tenements are prospective for sediment-hosted and roll front uranium mineralisation.

These lake and palaeodrainage systems drain across source rocks that are geologically enriched in uranium. This combination of potential uranium source rocks and active and ancient drainage systems is favourable for the development of a variety of styles of roll-front and sediment hosted deposits.

### **Cariewerloo (EL 3852) (Archer 100%)**

Cariewerloo remains a prospective target for unconformity style uranium mineralisation at the base of the Pandurra Formation which overlies the Gawler Range Volcanics.

The magnetic data indicates a possible northwest southeast trending basement structure extending through the tenement. If this structure can be confirmed, it will provide a focus for exploration for uranium mineralisation at the Pandurra Formation - Gawler Range Volcanics unconformity.

No work was performed on the tenement during the reporting period and the Company has made application to PIRSA to relinquish approximately 20% of the tenement area. The Company plans to undertake a systematic program of geophysical and geochemical surveys during 2008.

### **South Gawler Ranges (EL 4169)**

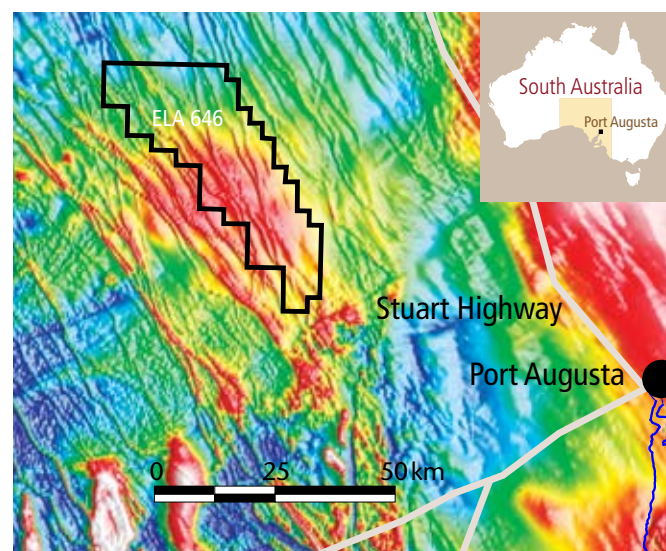
(Archer 100%)

EL 4169 South Gawler Ranges comprises three separate blocks lying along the southern margin of the Gawler Ranges.

The northern blocks contain sections of the headwaters of the Thurlga palaeodrainage, which is prospective for sediment hosted and roll-front styles of uranium mineralisation.

The southern block includes a portion of the Narlaby palaeodrainage system which previous exploration demonstrated was uranium mineralised. An airborne uranium channel anomaly is also present within the tenure area.

The tenement was only recently granted and Archer intends to undertake geophysical surveys and drilling to identify the locations of any paleochannels within the tenement.



**Cariewerloo Project on regional TMI image**

## Phosphate

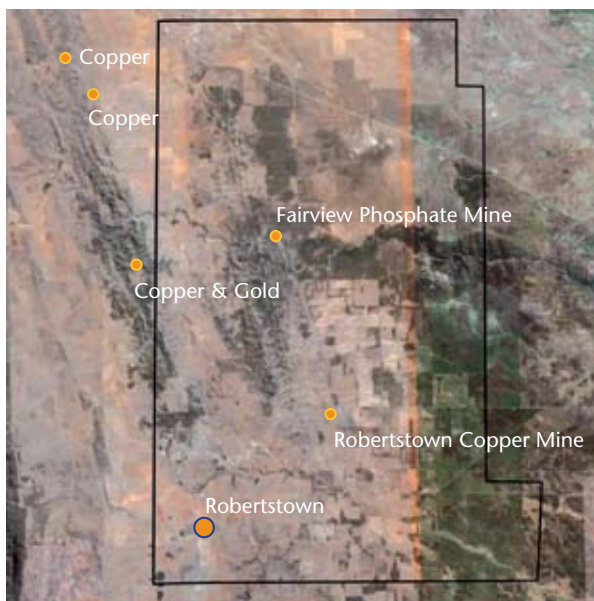
*World's End (ELA 222/08)*

(Archer 100%)

The World's End Project is located close to existing major infrastructure and the tenement area covers the historic Fairview Phosphate Mine which was last mined in 1903 when it yielded 100 t of hand-picked phosphate ore grading 25%  $P_2O_5$ .

Phosphate rock is an essential input into the production of phosphate based fertiliser and recent demand has seen the price of phosphate rock increase from approximately US\$47/tonne in 2005 to current prices of around US\$350 – 400/tonne.

Although Phosphate is not the key focus of Archer, this tenement has been underexplored in recent times with previous explorers focusing on the uranium potential of the tenement. A geophysical and geochemical sampling program will test the extent of the phosphate potential of the tenement.



*World's End location map  
showing known mineral  
occurrences*

## Corporate development

During the past year Archer has assembled a strong technical and management team and added to the experience of the Board. In March 2008 Wade Bollenhagen joined the Company in the position of Exploration Manager and quickly assembled a strong and experienced exploration team.

On 14 July 2008, Tom Phillips AM relinquished the role of Chairman in favour of Greg English. Tom agreed to remain on the Board as a non-Executive Director and continue to play a part in the ongoing development and growth of the Company.

Experienced and well respected geologist Mr Gerard Anderson joined Archer as a non-Executive Director, with effect from 14 July 2008. Mr Anderson is also Managing Director of ASX listed iron ore explorer Centrex Metals Limited and has over 30 years experience in exploration and mine geology. Gerard's iron ore and base metals exploration and operational experience will be invaluable as Archer seeks to develop its manganese and base metals projects.

Archer has assembled an experienced Board and management team that applies a disciplined commercial and technical approach to decision making in order to maximise the value of the Company's current tenement portfolio and to take advantage of future opportunities as they arise.

*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 fourteen years experience in the field of activity being reported. Mr Bollenhagen consents to the inclusion in the report of matters based on his information in the form and context in which it appears.*



## Summary of tenements

| <i>Tenement Id</i> | <i>Tenement name</i> | <i>Project Name</i>       | <i>Area<br/>(km<sup>2</sup>)</i> | <i>Registered holder /<br/>applicant</i> | <i>Archer<br/>interest</i> |
|--------------------|----------------------|---------------------------|----------------------------------|--|----------------------------|
| EL 3711            | Caraptee Hill        | Jamieson Tank /<br>Bender | 54                               | Pirie Resources Pty Ltd                  | 100%                       |
| EL 3721            | Yalymboo             | West Roxby                | 962                              | Pirie Resources Pty Ltd                  | 100%                       |
| EL 3722            | Andamooka            | West Roxby                | 971                              | Pirie Resources Pty Ltd                  | 100%                       |
| EL 3724            | Woomera              | West Roxby                | 884                              | Pirie Resources Pty Ltd                  | 100%                       |
| EL 3851            | Lake Gairdner North  | West Roxby                | 926                              | Kensington Exploration Pty Ltd           | 100%                       |
| EL 3869            | Lake Gairdner South  | West Roxby                | 678                              | Kensington Exploration Pty Ltd           | 100%                       |
| EL 3852            | Carriewerloo         | Carriewerloo              | 369                              | Kensington Exploration Pty Ltd           | 100%                       |
| EL 4169            | South Gawler Ranges  | South Gawler Ranges       | 552                              | Kensington Exploration Pty Ltd           | 100%                       |
| ELA 114/08         | Baroota              | Wilmington                | 335                              | Pirie Resources Pty Ltd                  | 100%                       |
| ELA 115/08         | Pinda                | Wilmington                | 367                              | Pirie Resources Pty Ltd                  | 100%                       |
| ELA 116/08         | Wilmington           | Wilmington                | 357                              | Pirie Resources Pty Ltd                  | 100%                       |
| ELA 222/08         | World's End          | World's End               | 592                              | Pirie Resources Pty Ltd                  | 100%                       |
| Total              |                      |                           | 7,047                            |  |                            |

## **Directors' Report**

*Your Directors present this report on the Company and its controlled entities for the year ended 30 June 2008.*

### **Directors**

The names of directors in office at any time during or since the end of the year are:

- Greg English
- Tom Phillips AM
- Alice McCleary
- Gerard Anderson - Appointed 14 July 2008

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

### **Company Secretary**

Mr Craig Gooden – Chartered Accountant held the position of company secretary from incorporation to the end of the financial year.

Mr Gooden was appointed company secretary on 16 February 2007 and performs the financial/accounting role in the Company as well as the secretarial duties. He has been a member of the Institute of Chartered Accountants in Australia since 1967 and has over 35 years experience in the resources industry. Mr Gooden is 64 years old and is also the company secretary of Sundance Energy Australia Limited and UraniumSA Limited.

### **Principal Activities**

The principal activity of the consolidated entity during the course of the year was the exploration for minerals on the Company's exploration licenses in South Australia. There has been no change to these activities since the IPO prospectus.

### **Operating Results**

The consolidated loss of the consolidated group after providing for income tax of \$295,926 was \$329,530.

### **Dividends**

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

### **Review of Operations**

Following listing of the Company on the Australian Securities Exchange on 14 August 2007, there has been a period of strategic planning and consolidation. The required quality technical staff have been employed and the Company has operated using a serviced office during the planning and hiring of staff.

A detailed description of the Company's operations and financial position is set out elsewhere in this report.

### **Significant Changes in State of Affairs**

The Company successfully completed an initial public offering of \$7,000,000 and listed on the Australian Securities Exchange on 14 August 2007. In addition in January 2008 the Company completed a non-renounceable issue of options at no cost to Shareholders of one Bonus Option for every two Shares held at 5.00pm AEST on 13 February 2008. Each Bonus Option is ASX listed and gives the holder the right to subscribe for one Share at an exercise price of 25 cents each on or before 13 February 2010.

The Company entered into several material agreements as detailed on pages 48-50 of the Company's Prospectus dated 30 June 2007 prior to listing on the Australian Securities Exchange on 14 August 2007.

No other significant changes in the Company's state of affairs occurred during the period other than as disclosed elsewhere in this report.

### **Matters Subsequent to the End of the Financial Year**

No other matters or circumstances have arisen since the end of financial year which significantly affected or may significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

### **Future Developments, Prospects and Business Strategies**

The Company had a period of consolidation after listing on the Australian Securities Exchange. Long term strategies were developed and are now in place. Looking ahead into the coming year, management intends to continue implementing and building on these strategies, the broad details of which are outlined throughout the Review of Operations section of this report. The achievement of these strategies will be dependent upon the success of the Company's exploration programs.

### **Environmental Issues**

The Company's operations are subject to Native Title and significant environmental regulations under the laws of the Commonwealth and/or State. No notice of any breach has been received and the Directors believe no breach of any environmental regulations has occurred.



## Information on Directors



*Greg English*

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

Greg English is a qualified mining engineer and lawyer. He is currently a partner of Watsons Lawyers and specialises in mining, commercial and securities law. He is also a qualified mining engineer, with experience on a wide variety of mining projects. Greg was also a previous director of ASX listed Gawler Resources Ltd.

Greg English acquired the assets of Archer Exploration as sole director of both Pirie Resources Pty Ltd and Kensington Exploration Pty Ltd, both with his own and private funding.

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 Options* - 11,604,798 ordinary shares and 5,802,399 bonus options. All shares and options are escrowed until 14 August 2009.

*Special Responsibilities* - Executive Chairman

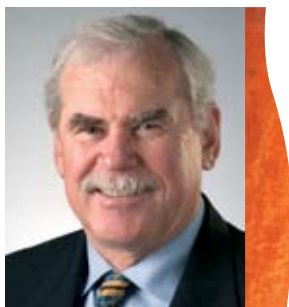
**Tom Phillips AM** MBA FAICD  
*Director (non-executive)*

Tom Phillips is the former Chief Executive Officer of Mitsubishi Motors Australia Ltd and prior to that a Director of Toyota Australia. Following his retirement from Mitsubishi in late 2005 he was appointed a Director of Australia Post and holds board positions with several not-for-profit organisations and private companies. He also chairs UraniumSA Limited (ASX listed), is a director of Workcover Corporation, is the Presiding member of Safework SA and also Chairs the Southern Adelaide Development Board.

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

*Interest in Shares and Options* - 1,075,000 ordinary shares, and 537,500 bonus options. 500,000 shares and 250,000 options are escrowed until 14 August 2009.

*Special Responsibilities* - Nil



*Tom Phillips AM*



*Alice McCleary*

**Alice McCleary** BEc FCA FTIA FAICD  
*Director (non-executive)*

Alice McCleary is a Chartered Accountant and company director. She is Deputy Chancellor of the University of South Australia, a director of Great Southern Ltd and UraniumSA Limited, which are listed on the ASX. She was a former Director of TWT Group Ltd.

She is also a director of Adelaide Community Healthcare Alliance Inc (ACHA) and a member of the Takeovers Panel and the Corporations and Markets Advisory Committee.

Previous appointments include board memberships of National ICT Australia Ltd, South Australian Government Financing Authority (SAFA) and National President of the Taxation Institute of Australia. She has been a tax partner in Coopers & Lybrand and was intimately involved with the Ralph Review of Business Taxation. Alice's professional interests include financial management and corporate governance.

*Interest in Shares and Options* - 1,500,000 ordinary shares, and 750,000 bonus options. All shares and options are escrowed until 14 August 2009.

*Special Responsibilities* - Nil.



*Gerard Anderson*

**Gerard Anderson** Assoc. Applied Geology, Grad Dip Bus.MSc  
*Director (non-executive)*

Gerard Anderson is a geologist with 34 years of experience including 15 years in senior exploration and mine management roles including Exploration Superintendent at the Boddington Gold Mine for Worsley Alumina, Chief Geologist at the Bronzewing Gold Mine and at KCGM, mine General Manager of Golden Grove operations for Normandy and Newmont, General Manager Joint Ventures for Newmont and Managing Director Croesus Mining NL. He is currently Managing Director of Centrex Metals Ltd (ASX Listed).

*Interest in Shares and Options* - 50,000 ordinary shares and 25,000 bonus options.

*Special Responsibilities* - Nil

## 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 receiving the highest remuneration.

### Remuneration Policy

The full Board acts as the remuneration committee as a consequence of the size of the Board and the Company. 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 Company discloses the fees and remuneration paid to all Directors as required by the Corporations Act 2001. The Board recognises that the attraction of high caliber executives is critical to generating shareholder value.

The directors and executives receive a superannuation guarantee contribution required by the government which is currently 9%, 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 Company and expensed. Shares issued 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 methodology 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. The maximum aggregate amount of fees that can be paid to non-executive directors is 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 the Company.

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.

## Performance-based Remuneration

The elements of the Directors and Company executives' remuneration which are dependent on performance conditions are:

### • *Greg English, Executive Chairman, Archer Exploration Limited*

Base salary and performance bonus, with annual review. Performance based on:

- a) discharge of duties,
- b) CPI movements, and
- c) Competitive salary rates for similar positions in the resources industry for small exploration companies.

Mr Greg English was appointed Executive Chairman on 14 July 2008. His remuneration is a base amount plus a performance bonus based on key performance indicators to be set by the Board annually and a share price bonus. The maximum key performance indicators bonus in any bonus period will not exceed 25% of the base salary. The maximum share price bonus during the bonus period will not exceed 50% of the base salary paid to him during the same period. The Share price bonus is calculated based on the Company's share price compared with a peer group share price performance during the same period. The maximum performance bonus for any bonus period will not exceed 75% of the base salary paid to him during the same period.

The Company has established an Employee Share Option Plan and Greg English would be eligible.

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

Base remuneration.

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

Base remuneration.

### • *Gerard Anderson, Non-Executive Director, Archer Exploration Limited*

Base remuneration.



## Details of Key Management Personnel Remuneration for year ended 30 June 2008

| <i>Directors</i>                | <i>Salary and Fees</i> | <i>Superannuation<br/>Contribution</i> | <i>Non-Cash<br/>Benefits</i> | <i>Options</i> | <i>Total</i>   |
|---------------------------------|------------------------|--|------------------------------|----------------|----------------|
| Greg English*                   | 40,446                 | 3,640                                  | -                            | -              | 44,086         |
| Tom Phillips AM                 | 60,669                 | 5,460                                  | -                            | -              | 66,129         |
| Alice McCleary                  | 40,446                 | 3,640                                  | -                            | -              | 44,086         |
| Sub total                       | 141,561                | 12,740                                 | -                            | -              | 154,301        |
| <b>Key Management Personnel</b> |                        |  |                              |                |                |
| Craig Gooden                    | 23,594                 | -                                      | -                            | -              | 23,594         |
| Wade Bollenhagen**              | 37,634                 | 3,387                                  | -                            | -              | 41,021         |
| <b>Total</b>                    | <b>202,789</b>         | <b>16,127</b>                          | <b>-</b>                     | <b>-</b>       | <b>218,916</b> |

\* Mr English is employed by Watsons Lawyers and the Company paid \$61,788 to Watsons Lawyers during the year for services rendered, of which \$34,140 was for services of Mr English in his capacity as an Executive Director of the Company. The remaining \$27,648 was for legal services performed by that firm at commercial rates. The Payment in the table above of \$44,086 was made directly to Mr English by the Company.

\*\* Mr Bollenhagen commenced employment on 25 March 2008.

There is no comparative remuneration as this is the company's first full year of operation.

## Options issued as part of Remuneration for the year ended 30 June 2008

No employee options have been issued to Directors since incorporation of the company. However, in accordance with their shareholding, Directors participated in the bonus share option issue on 13 February 2008 on the same terms as all other shareholders.

## Number of Unlisted Options held by Directors and Key Management Personnel

There have been no unlisted options issued by the Company (Other than 9,302,399 13 February 2010 bonus options that are subject to escrow and are unlisted).

## Listed options - Number of listed options held by Key Management Personnel

| <i>Key Management<br/>Personnel</i> | <i>Balance<br/>1/07/07</i> | <i>Granted as<br/>Compensation</i> | <i>Options<br/>Exercised</i> | <i>Net other<br/>Changes**</i> | <i>Balance<br/>30/06/08</i> | <i>Total<br/>vested</i> | <i>Total<br/>exercisable</i> | <i>Total<br/>unexercisable</i> |
|-------------------------------------|----------------------------|------------------------------------|------------------------------|--------------------------------|-----------------------------|-------------------------|------------------------------|--------------------------------|
| Mr Greg English*                    | -                          | -                                  | -                            | 5,802,399                      | 5,802,399                   | 5,802,399               | 5,802,399                    | -                              |
| Mr Tom Phillips AM*                 | -                          | -                                  | -                            | 537,500                        | 537,500                     | 537,500                 | 537,500                      | -                              |
| Ms Alice McCleary*                  | -                          | -                                  | -                            | 750,000                        | 750,000                     | 750,000                 | 750,000                      | -                              |
| Mr Gerard Anderson                  | -                          | -                                  | -                            | 25,000                         | 25,000                      | 25,000                  | 25,000                       | -                              |
| Mr Craig Gooden*                    | -                          | -                                  | -                            | 425,000                        | 425,000                     | 425,000                 | 425,000                      | -                              |
| Mr Wade Bollenhagen                 | -                          | -                                  | -                            | -                              | -                           | -                       | -                            | -                              |
| <b>Total</b>                        | <b>-</b>                   | <b>-</b>                           | <b>-</b>                     | <b>7,539,899</b>               | <b>7,539,899</b>            | <b>7,539,899</b>        | <b>7,539,899</b>             | <b>-</b>                       |

\* It should be noted that the share options are escrowed until 14 August 2009 other than 50,000 of Mr Gooden's options and 287,500 of Mr Phillips options.

\*\* Net other changes reflect the issue of bonus options on 13 February 2008.

## Shareholdings - Number of shares held by Directors and Key Management Personnel

| <i>Key Management Person</i> | <i>Balance on Incorporation</i> | <i>Received as Compensation</i> | <i>Options Exercised</i> | <i>Net Other Change</i> | <i>Balance 30/06/08</i> |
|------------------------------|---------------------------------|---------------------------------|--------------------------|-------------------------|-------------------------|
| Mr Greg English              | 500,000*                        | -                               | -                        | 11,104,798**            | 11,604,798              |
| Mr Tom Phillips AM           | 500,000*                        | -                               | -                        | 575,000                 | 1,075,000               |
| Ms Alice McCleary            | 1,500,000*                      | -                               | -                        | -                       | 1,500,000               |
| Mr Gerard Anderson***        | -                               | -                               | -                        | 50,000                  | 50,000                  |
| Mr Craig Gooden              | 750,000*                        | -                               | -                        | 100,000                 | 850,000                 |
| Mr Wade Bollenhagen          | -                               | -                               | -                        | 80,000                  | 80,000                  |
| Total                        | 3,250,000                       | -                               | -                        | 11,909,798              | 15,159,798              |

\* All of the shares issued to the founders are held in escrow until 14 August 2009.

\*\* Mr Greg English received 11,104,798 ordinary shares for the sale of two companies to Archer Exploration Limited which held exploration licences. All of these Shares are escrowed until 14 August 2009.

\*\*\* Mr Gerard Anderson was appointed a director on 14 July 2008.

## Employment contracts of the Executive Chairman and Exploration Manager

| <i>Name</i>      | <i>Position</i>     | <i>Duration of Contract</i> | <i>Period of Termination Notice (3)</i> | <i>Termination Payment provided for under the contract</i> |
|------------------|---------------------|-----------------------------|---|--|
| Greg English     | Executive Chairman  | No term (1)                 | 6 months                                | 6 months   |
| Wade Bollenhagen | Exploration Manager | 2 years (2)                 | Immediate                               | 4 weeks  |

Note 1) Contract Commenced 1 July 2008.

2) Contract Commenced 25 March 2008.

3) For termination with good cause.

## Meetings of Directors

During the financial year, 10 meetings of the Board of Directors were held. Attendances by each Director were as follows:

| <i>Name</i>        | <i>Number of Directors meetings whilst a Director</i> |                 |
|--------------------|---|-----------------|
|                    | <i>Held</i>   | <i>Attended</i> |
| Mr Greg English    | 10  | 10              |
| Mr Tom Phillips AM | 10  | 10              |
| Ms Alice McCleary  | 10  | 10              |

At the date of this report the Company has not formed a separate Audit Committee, 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.

## Indemnifying Officers or Auditor

During or since the end of the financial year the company has given an indemnity or entered into an agreement to indemnify, paid or agreed to pay insurance premiums as follows:

- The Company has paid premiums to insure each of the following 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 willful breach of duty in relation to the company. The policy does not specify the individual premium for each officer covered.

|                        |                           |
|------------------------|---------------------------|
| <i>Greg English</i>    | <i>Executive Chairman</i> |
| <i>Tom Phillips AM</i> | <i>Director</i>           |
| <i>Gerard Anderson</i> | <i>Director</i>           |
| <i>Alice McCleary</i>  | <i>Director</i>           |
| <i>Craig Gooden</i>    | <i>Company Secretary</i>  |



## Options

The following options are unexercised at the date of this report:

| <i>Grant Date</i> | <i>Option Type</i> | <i>Number of shares<br/>subject to Options</i> | <i>Exercise Price</i> | <i>Expiry Date</i> |
|-------------------|--------------------|--|-----------------------|--------------------|
| 13 February 2008  | Listed             | 22,902,802                                     | \$0.25                | 13 February 2010   |
| 13 February 2008  | Unlisted           | 9,302,399                                      | \$0.25                | 13 February 2010   |

During the year ended 30 June 2008 no Bonus Options were exercised. No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

## Proceedings on Behalf of Company

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.

## Non-Audit Services

The Board of Directors is satisfied that the provision of the non audit services during the period 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 2008:

|   |                 |
|---|-----------------|
| <i>Taxation services</i>                      | <i>\$7,600</i>  |
| <i>Preparation of Independent Accountants</i> |                 |
| <i>Report for the IPO prospectus</i>          | <i>\$10,000</i> |
|   | <i>\$17,600</i> |

## Auditor's Independence Declaration

The lead auditor's independence for the year ended 30 June 2008 has been received and can be found on page 20 of the Directors Report.

Signed in accordance with a resolution of the Board of Directors



*Greg English*  
*Executive Chairman*

*Adelaide*

*Dated this 9th day of September 2008*

# Auditor's Independent Declaration



**Grant Thornton**

**Grant Thornton South Australian  
Partnership**  
ABN 27 244 906 724

Level 1,  
67 Greenhill Rd  
Wayville SA 5034  
GPO Box 1270  
Adelaide SA 5001  
DX 275 Adelaide

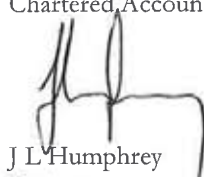
T 61 8 8372 6666  
F 61 8 8372 6677  
E [info@gtsa.com.au](mailto:info@gtsa.com.au)  
W [www.grantthornton.com.au](http://www.grantthornton.com.au)

## **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 2008, 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  
South Australian Partnership  
Chartered Accountants

  
J L Humphrey  
Partner

Signed at Wayville on this 9th day of September 2008

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Our Ref: H/AR/INDEPENDENCE DEC/2008/ARCHER EXPLORATION LIMITED JUN 08.DOC





## Corporate Governance Statement

Unless disclosed below, all the best practice recommendations of the ASX Corporate Governance Council have been applied for the period since listing on the ASX to 30 June 2008.

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

[www.archerexploration.com.au](http://www.archerexploration.com.au).

### Board Composition

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 director's report.

Three of the four directors of the Company are independent, and all non-executive directors are independent. The names of the independent directors of the Company are:

*Tom Phillips AM*  
*Alice McCleary*  
*Gerard Anderson*

When determining whether a non-executive director is independent the director must not fail any of the following materiality thresholds:

- Less than 10% of Company shares are held by the director and any entity or individual directly or indirectly associated with the director'
- No sales are made to or purchases made from any entity or individual directly or indirectly associated with the director; and
- None of the director's income or the income of an individual or entity directly or indirectly associated with the director is derived from a contract with any member of the economic group other than income derived as a director of the entity.

Independent directors have the right to seek independent professional advice in the furtherance of their duties as directors at the Company's expense. Written approval must be obtained from the Chairman prior to incurring any expense on behalf of the Company.

### Securities Trading Policy

The Company's policy regarding directors and employees trading in its securities is set by the board. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the securities' prices.

### Audit Committee

The Company does not have a separate audit committee due to the current size of the Company and its operations. The board as a whole has responsibility for the functions of an audit committee and carries out these functions in its monthly board meetings. The decision not to have a separate audit committee will be reviewed on a regular basis as part of the annual board performance evaluation, to ensure the decision is still appropriate.

### Nomination Committee

The Company does not have a separate nomination committee due to the current size of the Company and its operations. The board as a whole has responsibility for the functions of a nomination committee, and board composition and skills are considered as part of the annual board performance evaluation to ascertain whether any additional skills are required.

### Performance Evaluation of the board

An annual performance evaluation of the board and all board members will be conducted by the board in each calendar year from 2008 onwards. The first such evaluation will be conducted later this year.

### Remuneration Policies and Remuneration Committee

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 Executive Chairman.

The Company seeks to remunerate employees fairly in accordance with industry benchmarks and individual performance. The board has negotiated a contract with the Executive Chairman which includes a base salary and superannuation. This contract allows for annual performance and remuneration reviews. The Executive Chairman's performance and remuneration was reviewed by the board in July 2008.

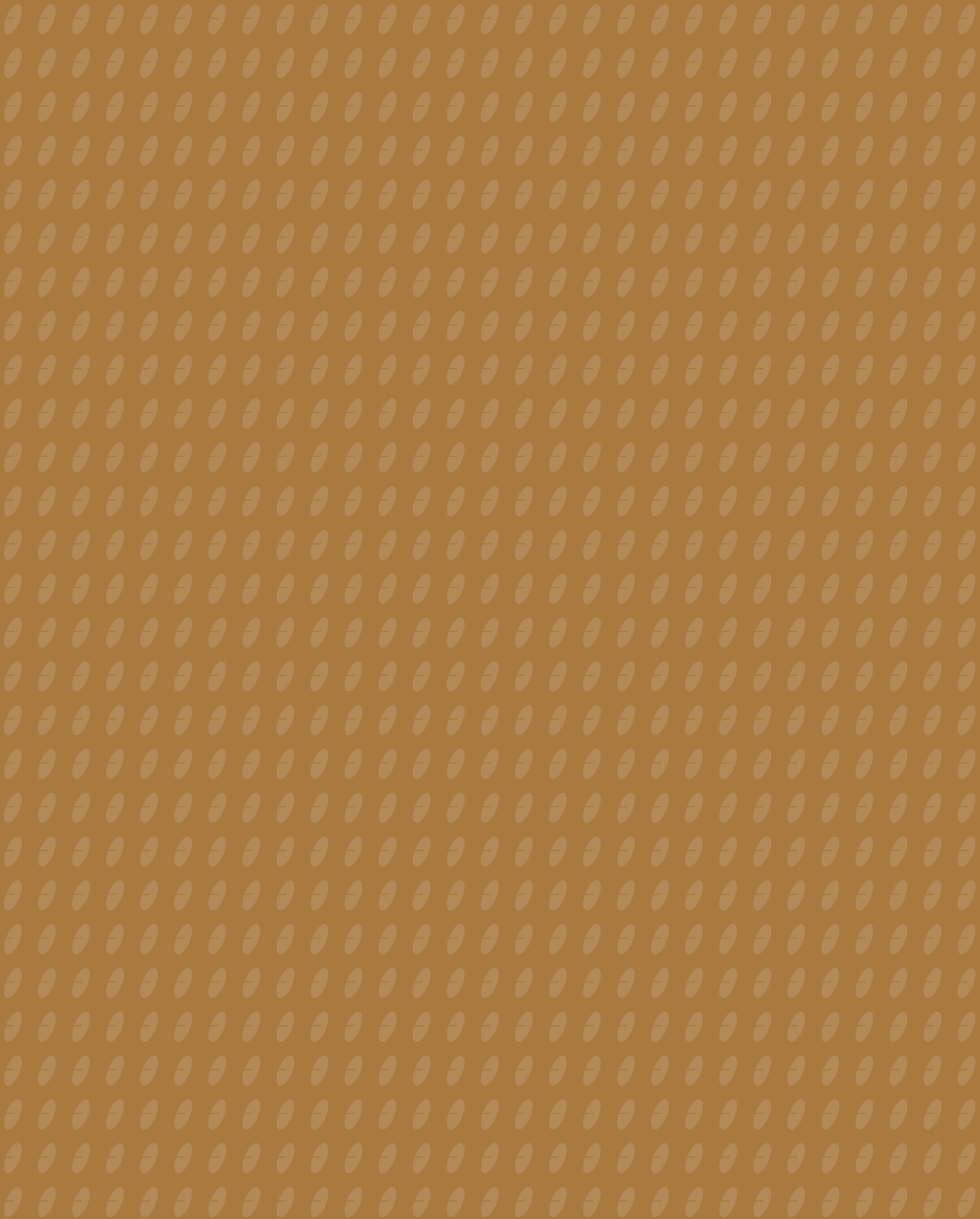
The Executive Chairman is also entitled to participate in the employee share and option plan, but to date no grants under this scheme have been made.

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 at the cost to the company and expensed. There are no schemes for retirement benefits for non-executive directors other than statutory superannuation.





*Financial Information*



**INCOME STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2008**

|   | <i>Notes</i> | <i>Consolidated Group</i> |                 | <i>Parent Entity</i> |                 |
|---|--------------|---------------------------|-----------------|----------------------|-----------------|
|   |              | <i>2008</i>               | <i>2007</i>     | <i>2008</i>          | <i>2007</i>     |
|   |              | <i>\$</i>                 | <i>\$</i>       | <i>\$</i>            | <i>\$</i>       |
| Revenues from ordinary activities                 | 2            | 445,457                   | 4,558           | 445,108              | 4,558           |
| Depreciation and amortisation expense             |              | (2,002)                   | -               | (2,002)              | -               |
| Employee benefits expense                         |              | (166,032)                 | -               | (166,032)            | -               |
| Service fee and occupancy expense                 |              | (21,098)                  | -               | (21,098)             | -               |
| Consultants expense                               |              | (54,856)                  | (6,527)         | (54,856)             | (6,527)         |
| ASX listing and registry expense                  |              | (104,006)                 | -               | (104,006)            | -               |
| Other corporate expenses from ordinary activities |              | (131,067)                 | (31,184)        | (129,661)            | (31,184)        |
| <b>Loss before income tax</b>                     |              | <b>(33,604)</b>           | <b>(33,153)</b> | <b>(32,547)</b>      | <b>(33,153)</b> |
| Income tax expense                                | 3            | (295,926)                 | -               | (295,926)            | -               |
| <b>Loss for the year/period</b>                   |              | <b>(329,530)</b>          | <b>(33,153)</b> | <b>(328,473)</b>     | <b>(33,153)</b> |
| <b>Loss attributable to members of the entity</b> |              | <b>(329,530)</b>          | <b>(33,153)</b> | <b>(328,473)</b>     | <b>(33,153)</b> |
| <b>Earnings per Share</b>                         |              | <i>Cents</i>              | <i>Cents</i>    |                      |                 |
| Basic loss per share                              | 6            | (0.6)                     | -               |                      |                 |

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



**BALANCE SHEET**  
**AS AT 30 JUNE 2008**

|  | <i>Notes</i> | <i>Consolidated Group</i> |                | <i>Parent Entity</i> |                |
|--|--------------|---------------------------|----------------|----------------------|----------------|
|  |              | <i>2008</i>               | <i>2007</i>    | <i>2008</i>          | <i>2007</i>    |
|  |              | <i>\$</i>                 | <i>\$</i>      | <i>\$</i>            | <i>\$</i>      |
| <b>ASSETS</b>                          |              |                           |                |                      |                |
| CURRENT ASSETS                         |              |                           |                |                      |                |
| Cash and cash equivalents              | 7            | 6,383,117                 | 564,104        | 6,373,874            | 564,104        |
| Trade and other receivables            | 8            | 36,084                    | 176,297        | 18,747               | 176,297        |
| <b>Total Current Assets</b>            |              | <b>6,419,201</b>          | <b>740,401</b> | <b>6,392,621</b>     | <b>740,401</b> |
| NON-CURRENT ASSETS                     |              |                           |                |                      |                |
| Trade and other receivables            | 9            | -                         | -              | 682,649              | -              |
| Financial assets                       | 10           | -                         | -              | 3,283,895            | -              |
| Plant and equipment                    | 11           | 98,474                    | -              | 98,474               | -              |
| Exploration and evaluation expenditure | 12           | 4,198,503                 | -              | -                    | -              |
| <b>Total Non-current Assets</b>        |              | <b>4,296,977</b>          | <b>-</b>       | <b>4,065,018</b>     | <b>-</b>       |
| <b>TOTAL ASSETS</b>                    |              | <b>10,716,178</b>         | <b>740,401</b> | <b>10,457,639</b>    | <b>740,401</b> |
| CURRENT LIABILITIES                    |              |                           |                |                      |                |
| Trade and other payables               | 13           | 372,764                   | 69,554         | 113,168              | 69,554         |
| Short-term provisions                  | 14           | 8,899                     | -              | 8,899                | -              |
| <b>TOTAL CURRENT LIABILITIES</b>       |              | <b>381,663</b>            | <b>69,554</b>  | <b>122,067</b>       | <b>69,554</b>  |
| <b>TOTAL LIABILITIES</b>               |              | <b>381,663</b>            | <b>69,554</b>  | <b>122,067</b>       | <b>69,554</b>  |
| <b>NET ASSETS</b>                      |              | <b>10,334,515</b>         | <b>670,847</b> | <b>10,335,572</b>    | <b>670,847</b> |
| EQUITY                                 |              |                           |                |                      |                |
| Issued capital                         | 15           | 10,697,198                | 704,000        | 10,697,198           | 704,000        |
| Accumulated losses                     |              | (362,683)                 | (33,153)       | (361,626)            | (33,153)       |
| <b>TOTAL EQUITY</b>                    |              | <b>10,334,515</b>         | <b>670,847</b> | <b>10,335,572</b>    | <b>670,847</b> |

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

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2008**

|   | <i>Share<br/>Capital</i><br>\$ | <i>Accumulated<br/>Losses</i><br>\$ | <i>Total</i><br>\$ |
|---|--------------------------------|-------------------------------------|--------------------|
| <b>Parent Entity</b>                                  |                                |                                     |                    |
| Balance at Incorporation – 16 February 2007           | -                              | -                                   | -                  |
| Shares issued during the period                       | 704,000                        | -                                   | 704,000            |
| Loss attributable to the members of parent entity     | -                              | (33,153)                            | (33,153)           |
| <b>Balance at 30 June 2007</b>                        | <b>704,000</b>                 | <b>(33,153)</b>                     | <b>670,847</b>     |
| Shares issued during the year                         | 10,683,695                     | -                                   | 10,683,695         |
| Transaction costs (net of tax)                        | (690,497)                      | -                                   | (690,497)          |
| Loss attributable to the members of the parent entity | -                              | (328,473)                           | (328,473)          |
| <b>Balance at 30 June 2008</b>                        | <b>10,697,198</b>              | <b>(361,626)</b>                    | <b>10,335,572</b>  |
| <b>Consolidated Group</b>                             |                                |                                     |                    |
| Balance at Incorporation – 16 February 2007           | -                              | -                                   | -                  |
| Shares issued during the period                       | 704,000                        | -                                   | 704,000            |
| Loss attributable to the members of parent entity     | -                              | (33,153)                            | (33,153)           |
| <b>Balance at 30 June 2007</b>                        | <b>704,000</b>                 | <b>(33,153)</b>                     | <b>670,847</b>     |
| Shares issued during the year                         | 10,683,695                     | -                                   | 10,683,695         |
| Transaction costs (net of tax)                        | (690,497)                      | -                                   | (690,497)          |
| Loss attributable to the members of the parent entity | -                              | (329,530)                           | (329,530)          |
| <b>Balance at 30 June 2008</b>                        | <b>10,697,198</b>              | <b>(362,683)</b>                    | <b>10,334,515</b>  |

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

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2008**

|   | <i>Notes</i> | <i>Consolidated Group</i> |             | <i>Parent Entity</i> |             |
|---|--------------|---------------------------|-------------|----------------------|-------------|
|   |              | <i>2008</i>               | <i>2007</i> | <i>2008</i>          | <i>2007</i> |
|   |              | <i>\$</i>                 | <i>\$</i>   | <i>\$</i>            | <i>\$</i>   |
| CASH FLOWS FROM OPERATING ACTIVITIES                |              |                           |             |                      |             |
| Receipts from consulting services                   |              | 1,193                     | -           | 1,193                | -           |
| Payments to suppliers and employees                 |              | (415,934)                 | (144,452)   | (410,621)            | (144,452)   |
| Interest received                                   |              | 444,264                   | 4,556       | 443,915              | 4,556       |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | 19           | 29,523                    | (139,896)   | 34,487               | (139,896)   |
| CASH FLOWS FROM INVESTING ACTIVITIES                |              |                           |             |                      |             |
| Payments for exploration expenditure                |              | (668,641)                 | -           | -                    | -           |
| Payments for plant and equipment                    |              | (70,969)                  | -           | (70,969)             | -           |
| NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES |              | (739,610)                 | -           | (70,969)             | -           |
| CASH FLOWS FROM FINANCING ACTIVITIES                |              |                           |             |                      |             |
| Proceeds from the issues of ordinary shares         |              | 7,000,000                 | 704,000     | 7,000,000            | 704,000     |
| Payments for the costs of capital raising           |              | (470,900)                 | -           | (470,900)            | -           |
| Amounts advanced to controlled entities             |              | -                         | -           | (682,848)            | -           |
| NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES |              | 6,529,100                 | 704,000     | 5,846,252            | 704,000     |
| Net increase/(decrease) in cash held                |              | 5,819,013                 | 564,104     | 5,809,770            | 564,104     |
| Cash at the beginning of the reporting period       |              | 564,104                   | -           | 564,104              | -           |
| Cash at the end of the financial year               | 7            | 6,383,117                 | 564,104     | 6,373,874            | 564,104     |

*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 Group' or 'Group'), and the separate financial statements and notes of Archer Exploration Limited as an individual parent entity ('Parent Entity').

### 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.

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

A controlled entity is any entity over which Archer Exploration Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in Note 10 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.

Minority interests, being that portion of the profit or loss and net assets of subsidiaries attributable to equity interests held by persons outside the group, are shown separately within the equity section of the consolidated Balance Sheet and in the consolidated Income Statement.

### Business Combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method.

The purchase 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.

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

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.

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. The tax consolidated group has entered a tax funding arrangement whereby each company in the group contributed to the income tax payable by the group in proportion to their contribution to the group's taxable income. Differences between the amounts of net tax assets and liabilities recognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the head entity.

**c) Plant and Equipment**

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of 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 income statement during the financial period in which 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:

| <i>Class of<br/>Non Current Asset</i> | <i>Depreciation Rate</i> | <i>Basis of<br/>Depreciation</i> |
|---------------------------------------|--------------------------|----------------------------------|
| <i>Plant and Equipment</i>            | <i>10 – 33%</i>          | <i>Straight Line</i>             |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet 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 income statement.

**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.

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

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.

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 to 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.



**NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES** *continued***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 income statement.

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) 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 Group has an employee share option plan. The bonus element over the exercise price of the employees services rendered in exchange for the grant of shares and options is recognised as an expense in the income statement. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares or the option granted.

**i) 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.

**j) Cash and Cash Equivalent**

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 balance sheet.

**k) Revenue**

Revenue from the sale of goods is recognised upon the delivery of goods to customers. 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).

**l) 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.

**NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES** *continued***m) 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 balance sheet are shown inclusive of GST.

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

**n) Incorporation**

The Company was incorporated on 17 February 2007. The comparative financial information reflects transaction from that date to 30 June 2007.

**o) New Accounting and Interpretation**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The Groups assessment of the impact of these new standards and interpretations is that there would be no material impact on the reported results of the company for the year ended 30 June 2008 and future years.

**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.

No impairment has been recognised in respect of non current assets for the year ended 30 June 2008.

*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 through the income statement.

The financial report was authorised for issue on 9th September 2008 by the Board of Directors.

**NOTE 2 – REVENUE**

Operating activities

- Consulting fees
- Interest received

Total Revenue

**NOTE 3 – INCOME TAX EXPENSE**

a) The components of income tax expense comprise:

- Current tax
- Deferred tax

b) The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows 30% (2007 : 30%):

Net Loss

Prima facie tax benefit on loss

from ordinary activities before income tax at 30%

Add/(less):

Tax effect of:

- capital raising costs deductible
- other non allowable

Deferred tax assets associated with capital raising costs recognised direct to equity but not meeting the recognition criteria

Tax effect of temporary differences not brought to account as they do not meet the recognition criteria

Income Tax attributable to operating loss

c) Unused tax losses for which no deferred tax asset has been recognised at 30%

| <i>Consolidated Group</i> |             | <i>Parent Entity</i> |             |
|---------------------------|-------------|----------------------|-------------|
| <i>2008</i>               | <i>2007</i> | <i>2008</i>          | <i>2007</i> |
| \$                        | \$          | \$                   | \$          |
|                           |             |                      |             |
|                           |             |                      |             |
| 1,193                     | -           | 1,193                | -           |
| 444,264                   | 4,558       | 443,915              | 4,558       |
| 445,457                   | 4,558       | 445,108              | 4,558       |
|                           |             |                      |             |
|                           |             |                      |             |
| -                         | -           | -                    | -           |
| 295,926                   | -           | 295,926              | -           |
| 295,926                   | -           | 295,926              | -           |
|                           |             |                      |             |
|                           |             |                      |             |
| (33,604)                  | (33,153)    | (32,547)             | (33,153)    |
|                           |             |                      |             |
| (10,081)                  | (9,946)     | (9,764)              | (9,946)     |
|                           |             |                      |             |
|                           |             |                      |             |
| (59,185)                  | -           | (59,185)             | -           |
| 4,640                     | -           | 4,640                | -           |
| (64,626)                  | (9,946)     | (64,309)             | (9,946)     |
|                           |             |                      |             |
| 295,926                   | -           | 295,926              | -           |
|                           |             |                      |             |
| 64,626                    | 9,946       | 64,309               | 9,946       |
| 295,926                   | -           | 295,926              | -           |
|                           |             |                      |             |
| 74,572                    | 9,946       | 74,255               | 9,946       |



**NOTE 4 – KEY MANAGEMENT PERSONNEL COMPENSATION****a) Names and positions held of consolidated and parent entity key management personnel in office at any time during the financial year are:**

|                     |                          |                            |
|---------------------|--------------------------|----------------------------|
| Mr Greg English     | Executive Chairman       | appointed 7 May 2007       |
| Mr Tom Phillips AM  | Director – Non-executive | appointed 16 February 2007 |
| Ms Alice McCleary   | Director – Non-executive | appointed 16 February 2007 |
| Mr Craig Gooden     | Company Secretary        | appointed 16 February 2007 |
| Mr Wade Bollenhagen | Exploration Manager      | appointed 25 March 2008    |

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

Greg English was appointed Executive Chairman on 14 July 2008 and Tom Phillips AM continues as a non-executive Director.

Mr Gerard Anderson was appointed director of the Company on 14 July 2008.

**b) Key Management Personnel Compensation****2008**

| <i>Key Management Personnel</i> | <i>Salary and fees</i> | <i>Superannuation</i> | <i>Share based payments</i> | <i>Total</i> |
|---------------------------------|------------------------|-----------------------|-----------------------------|--------------|
| Mr Greg English*                | 40,446                 | 3,640                 | -                           | 44,086       |
| Mr Tom Phillips AM              | 60,669                 | 5,460                 | -                           | 66,129       |
| Ms Alice McCleary               | 40,446                 | 3,640                 | -                           | 44,086       |
| Mr Craig Gooden                 | 23,594                 | -                     | -                           | 23,594       |
| Mr Wade Bollenhagen             | 37,634                 | 3,387                 | -                           | 41,021       |
|                                 | 202,789                | 16,127                | -                           | 218,916      |

\*Mr Greg English was employed by Watsons Lawyers. The compensation in the table above was paid by the Company to Mr English.

**2007**

No remuneration was paid during the period from incorporation to 30 June 2007.

**c) Options Granted as Compensation**

No share options have been issued to management as compensation during the year ended 30 June 2008.

**d) Option Holdings****Number of options held by Key Management Personnel****2008**

| <i>Key Management Personnel</i> | <i>Balance 1.07.07</i> | <i>Granted as compensation</i> | <i>Options exercised</i> | <i>Net other Changes*</i> | <i>Balance 30.06.08</i> | <i>Total vested</i> | <i>Total exercisable</i> | <i>Total unexercisable</i> |
|---------------------------------|------------------------|--------------------------------|--------------------------|---------------------------|-------------------------|---------------------|--------------------------|----------------------------|
| Mr Greg English                 | -                      | -                              | -                        | 5,802,399                 | 5,802,399               | 5,802,399           | 5,802,399                | -                          |
| Mr Tom Phillips AM              | -                      | -                              | -                        | 537,500                   | 537,500                 | 537,500             | 537,500                  | -                          |
| Ms Alice McCleary               | -                      | -                              | -                        | 750,000                   | 750,000                 | 750,000             | 750,000                  | -                          |
| Mr Craig Gooden                 | -                      | -                              | -                        | 425,000                   | 425,000                 | 425,000             | 425,000                  | -                          |
| Mr W Bollenhagen                | -                      | -                              | -                        | -                         | -                       | -                   | -                        | -                          |
| Total                           | -                      | -                              | -                        | 7,514,899                 | 7,514,899               | 7,514,899           | 7,514,899                | -                          |

\* Reflects bonus options issued on 13 February 2008 to all shareholders based on one option for each two shares held. All of the options are escrowed until 14 August 2009 other than \$50,000 of Mr Gooden's options and \$287,500 of Mr Phillips' options.

**NOTE 4 – KEY MANAGEMENT PERSONNEL COMPENSATION** *continued*

**e) Shareholdings**

*Number of shares held by Key Management Personnel*

**2008**

| <i>Key Management Personnel</i> | <i>Balance on Incorporation</i> | <i>Received as Compensation</i> | <i>Options Exercised</i> | <i>Net Other Change</i> | <i>Balance 30.6.2008</i> |
|---------------------------------|---------------------------------|---------------------------------|--------------------------|-------------------------|--------------------------|
| Mr Greg English                 | 500,000*                        | -                               | -                        | 11,104,798*             | 11,604,798*              |
| Mr Tom Phillips AM              | 500,000**                       | -                               | -                        | 575,000                 | 1,075,000                |
| Ms Alice McCleary               | 1,500,000*                      | -                               | -                        | -                       | 1,500,000*               |
| Mr Craig Gooden                 | 750,000**                       | -                               | -                        | 100,000                 | 850,000                  |
| Mr W Bollenhagen                | -                               | -                               | -                        | 80,000                  | 80,000                   |
| Total                           | *3,250,000                      | -                               | -                        | 11,859,798              | 15,109,798               |

\* Greg English's and Alice McCleary's shares are escrowed and cannot be sold before 14 August 2009.

\*\* 500,000 of Tom Phillips' shares and 750,000 of Craig Gooden's are escrowed and cannot be sold before 14 August 2009.

**NOTE 5 – AUDITORS' REMUNERATION**

Remuneration of the auditor of the parent entity for:

- auditing or review of the financial report
- other services provided by the practice of the auditor

| <i>Consolidated Group</i> |             | <i>Parent Entity</i> |             |
|---------------------------|-------------|----------------------|-------------|
| <i>2008</i>               | <i>2007</i> | <i>2008</i>          | <i>2007</i> |
| <i>\$</i>                 | <i>\$</i>   | <i>\$</i>            | <i>\$</i>   |
| 20,000                    | -           | 20,000               | -           |
| 17,600                    | -           | 17,600               | -           |
| 37,600                    | -           | 37,600               | -           |

Included within other services paid to the auditor of the parent entity in 2008 is an amount of \$10,000 to provide an independent accountants report for inclusion in the company's prospectus. The cost of this service has been offset against issued capital.

**NOTE 6 – EARNINGS PER SHARE**

Reconciliation of earnings to Profit or Loss

Loss for year used to calculate basic EPS

| (329,530)     | -             |
|---------------|---------------|
| <i>Number</i> | <i>Number</i> |
| 56,696,917    | -             |

- a) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS
- b) In accordance with AASB 133 'Earnings per Share' as potential ordinary shares may only result in a situation where their conversion results in increase on profit per share or decrease in loss per share, no dilutive effect has been taken into account.

|   | Consolidated Group |         | Parent Entity |         |
|---|--------------------|---------|---------------|---------|
|   | 2008               | 2007    | 2008          | 2007    |
|   | \$                 | \$      | \$            | \$      |
| <b>NOTE 7 – CASH AND CASH EQUIVALENTS</b>   |                    |         |               |         |
| Short term deposits   | 5,903,000          | -       | 5,903,000     | -       |
| Cash at bank and on hand  | 480,117            | 564,104 | 470,874       | 564,104 |
|   | 6,383,117          | 564,104 | 6,373,874     | 564,104 |
| The effective interest rate on short term bank deposits was 7.3 %. These deposits have an average maturity of 39 days. The group's exposure to interest rate risk is summarised at Note 23. |                    |         |               |         |
| <b>NOTE 8 – TRADE AND OTHER RECEIVABLES</b>   |                    |         |               |         |
| CURRENT   |                    |         |               |         |
| Other receivables   | 36,084             | 176,297 | 18,747        | 176,297 |
|   | 36,084             | 176,297 | 18,747        | 176,297 |
| At 30 June 2008 the consolidated entity did not have any receivables which were outside normal trading terms (past due but not impaired).   |                    |         |               |         |
| <b>NOTE 9 – TRADE AND OTHER RECEIVABLES</b>   |                    |         |               |         |
| NON-CURRENT   |                    |         |               |         |
| Loans to controlled entities  | -                  | -       | 682,649       | -       |
| Carrying amount at the end of year  | -                  | -       | 682,649       | -       |
| The loans are non interest bearing and repayable at call.   |                    |         |               |         |
| <b>NOTE 10 – FINANCIAL ASSETS</b>   |                    |         |               |         |
| NON-CURRENT   |                    |         |               |         |
| Investments in controlled entities – at cost  | -                  | -       | 3,283,895     | -       |
| Carrying amount at the end of year  | -                  | -       | 3,283,895     | -       |

|   | Country of Incorporation | Percentage Owned (%) |
|---|--------------------------|----------------------|
| Parent Entity                               |                          |                      |
| - Archer Exploration Limited                | Australia                | -                    |
| Subsidiaries of Archer Exploration Limited: |                          |                      |
| - Pirie Resources Pty Ltd                   | Australia                | 100                  |
| - Kensington Exploration Pty Ltd            | Australia                | 100                  |

- a) On 20 July 2007 the parent entity acquired 100% of Pirie Resources Pty Ltd for a purchase consideration of 7,000,000 shares, with a fair value of \$1,400,000.
- b) On 20 July 2007 the parent entity acquired 100% of Kensington Exploration Pty Ltd for a purchase consideration of 9,418,477 shares, with a fair value of \$1,883,695.

Details of the acquisitions are summarised at Note 19(b)



|   | Consolidated Group |        | Parent Entity |        |
|---|--------------------|--------|---------------|--------|
|   | 2008               | 2007   | 2008          | 2007   |
|   | \$                 | \$     | \$            | \$     |
| <b>NOTE 11 – PLANT AND EQUIPMENT</b>  |                    |        |               |        |
| Plant and Equipment at cost   | 100,476            | -      | 100,476       | -      |
| Accumulated depreciation  |                    | -      | (2,002)       | -      |
|   | 98,474             | -      | 98,474        | -      |
| <b>a) Movements in carrying amounts:</b>  |                    |        |               |        |
| Balance at the beginning of the year  | -                  | -      | -             | -      |
| Additions   | 100,476            | -      | 100,476       | -      |
| Disposals   | -                  | -      | -             | -      |
| Depreciation  | (2,002)            | -      | (2,002)       | -      |
| Balance at 30 June 2008   | 98,474             | -      | 98,474        | -      |
| <b>NOTE 12 – EXPLORATION AND EVALUATION EXPENDITURE</b>   |                    |        |               |        |
| Costs carried forward in respect of areas of interest in:   |                    |        |               |        |
| Exploration and evaluation phase at cost  | 4,198,503          | -      | -             | -      |
|   | 4,198,503          | -      | -             | -      |
| <b>a) Movements in carrying amounts:</b>  |                    |        |               |        |
| Exploration and evaluation  |                    |        |               |        |
| Balance at the beginning of the period  | -                  | -      | -             | -      |
| Amounts acquired with subsidiaries  | 3,283,495          | -      | -             | -      |
| Amounts capitalised during the period   | 915,008            | -      | -             | -      |
| Balance at 30 June 2008   | 4,198,503          | -      | -             | -      |
| A summary by tenement is included at Note 16  |                    |        |               |        |
| <b>NOTE 13 – TRADE AND OTHER PAYABLES</b>   |                    |        |               |        |
| <b>CURRENT</b>  |                    |        |               |        |
| Unsecured liabilities:  |                    |        |               |        |
| Trade payables  | 184,464            | 69,554 | 66,676        | 69,554 |
| Other creditors and accruals  | 188,300            | -      | 46,492        | -      |
|   | 372,764            | 69,554 | 113,168       | 69,554 |
| \$2,200 of trade payables is owed to UraniumSA Ltd for provision of the serviced office. UraniumSA is a director related entity associated with Ms A McCleary and Mr T Phillips. \$24,463 is payable to Watsons Lawyers for legal services & management fees. Mr G English is a partner of Watsons Lawyers. |                    |        |               |        |
| <b>NOTE 14 – SHORT-TERM PROVISIONS</b>  |                    |        |               |        |
| <b>CURRENT</b>  |                    |        |               |        |
| Employee entitlements   | 8,899              | -      | 8,899         | -      |
| Total number of employees at year end   | 5                  | -      | 5             | -      |

|   |                    | Consolidated Group    |            | Parent Entity |            |
|---|--------------------|-----------------------|------------|---------------|------------|
|   |                    | 2008                  | 2007       | 2008          | 2007       |
|   |                    | \$                    | \$         | \$            | \$         |
| <b>NOTE 15 - ISSUED CAPITAL</b>   |                    |                       |            |               |            |
| 64,418,477 (2007: 11,000,000) fully paid ordinary shares  |                    | 10,697,198            | 704,000    | 10,697,198    | 704,000    |
| <b>a) Ordinary Shares</b>   |                    |                       |            |               |            |
|   |                    | No                    | No         | No            | No         |
| Shares issued during the year ended 30 June 2007  |                    | -                     | 11,000,000 | -             | 11,000,000 |
| At the beginning of the year  |                    | 11,000,000            | -          | 11,000,000    | -          |
| Shares issued from 1 July 2007  |                    |                       |            |               |            |
| - issued to vendors for tenements   | 20 July 2007       | 16,418,477            | -          | 16,418,477    | -          |
| - issued to consultant for IPO services   | 23 July 2007       | 2,000,000             | -          | 2,000,000     | -          |
| - issued through public offer   | 2 August 2007      | 35,000,000            | -          | 35,000,000    | -          |
| Total shares issued at 30 June 2008   |                    | 64,418,477            | 11,000,000 | 64,418,477    | 11,000,000 |
| 18,418,477 shares are held by vendor shareholders, directors and director related entities and are unlisted as a result of being escrowed.  |                    |                       |            |               |            |
| <b>b) Issued Capital</b>  |                    | \$                    | \$         | \$            | \$         |
| Shares issued during the year ended 30 June 2007  |                    | -                     | 704,000    | -             | 704,000    |
| At the beginning of the year  |                    | 704,000               | -          | 704,000       | -          |
| Shares issued from 1 July 2007  |                    |                       |            |               |            |
| - issued to vendors for tenements   | 20 July 2007       | 3,283,695             | -          | 3,283,695     | -          |
| - issued to consultant for IPO services   | 23 July 2007       | 400,000               | -          | 400,000       | -          |
| - issued through public offer   | 2 August 2007      | 7,000,000             | -          | 7,000,000     | -          |
| - Transaction cost (net of tax)   | 2 August 2007      | (690,497)             | -          | (690,497)     | -          |
| Total shares issued at 30 June 2008   |                    | 10,697,198            | 704,000    | 10,697,198    | 704,000    |
| 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. |                    |                       |            |               |            |
| <b>b) Options on issue</b>  |                    |                       |            |               |            |
| Details of the share options outstanding as at the end of the year are set out below:   |                    |                       |            |               |            |
| <i>Grant date</i>   | <i>Expiry date</i> | <i>Exercise price</i> |            |               |            |
| 13 Feb 08 Bonus options*  | 13 Feb 10          | 0.25                  | 32,205,201 | -             | 32,205,201 |
|   |                    |                       | 32,205.201 | -             | 32,205,201 |

\* 11,959,239 are held by vendor shareholders, directors or director related entities and are unlisted as a result of being escrowed.

|   |            |             | Consolidated Group |      | Parent Entity |      |
|---|------------|-------------|--------------------|------|---------------|------|
|   |            |             | 2008               | 2007 | 2008          | 2007 |
|   |            |             | \$                 | \$   | \$            | \$   |
| <b>NOTE 16 – TENEMENTS</b>  |            |             |                    |      |               |      |
| The Company's interest in tenements are as follows:   |            |             |                    |      |               |      |
| Project Tenement  | Commodity  |             |                    |      |               |      |
| Yalamboo  | EL3721     | Base Metals | 648,678            | -    | -             | -    |
| Andamooka   | EL 3722    | Base Metals | 664,593            | -    | -             | -    |
| Woomera   | EL 3724    | Base Metals | 483,850            | -    | -             | -    |
| Baroota   | ELA 114/08 | Base Metals | 234                | -    | -             | -    |
| Wilmington  | ELA 116/08 | Base Metals | 1,473              | -    | -             | -    |
| Pinda   | ELA 115/08 | Base Metals | 234                | -    | -             | -    |
| Worlds End  | ELA 122/08 | Base Metals | 86,524             | -    | -             | -    |
| Caraptee Hill   | EL 3711    | Base Metals | 267,544            | -    | -             | -    |
| Lake Gairdner North   | EL 3851    | Base Metals | 753,851            | -    | -             | -    |
| Lake Gairdner South   | EL 3869    | Base Metals | 465,578            | -    | -             | -    |
| Carrierwerloo   | EL 3852    | Base Metals | 253,615            | -    | -             | -    |
| Sth Gawler Ranges   | EL 4169    | Base Metals | 572,329            | -    | -             | -    |
| Carrying value of exploration costs   |            |             | 4,198,503          | -    | -             | -    |
| All tenements are within South Australia.   |            |             |                    |      |               |      |
| <b>NOTE 17 - CAPITAL AND OTHER EXPENDITURE COMMITMENTS</b>  |            |             |                    |      |               |      |
| <b>Capital commitments relating to tenements</b>  |            |             |                    |      |               |      |
| The Company and the Consolidated group are 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. |            |             |                    |      |               |      |
| <b>Exploration expenditure commitments</b>  |            |             |                    |      |               |      |
| - due within one year   |            |             | 464,124            | -    | -             | -    |
| - due within 1-5 years  |            |             | -                  | -    | -             | -    |
| - due over 5 years  |            |             | -                  | -    | -             | -    |
|   |            |             | 464,124            | -    | -             | -    |
| <b>Operating Lease commitments</b>  |            |             |                    |      |               |      |
| Commitments for minimum lease payments in relation to non-cancellable operating leases not provided for in the financial statements.  |            |             |                    |      |               |      |
| <b>Lease expenditure commitments</b>  |            |             |                    |      |               |      |
| - due within one year   |            |             | 21,132             | -    | 21,132        | -    |
| - due within 1-5 years  |            |             | 14,088             | -    | 14,088        | -    |
| - due over 5 years  |            |             | -                  | -    | -             | -    |
|   |            |             | 35,220             | -    | 35,220        | -    |

|   | Consolidated Group |           | Parent Entity |           |
|---|--------------------|-----------|---------------|-----------|
|   | 2008               | 2007      | 2008          | 2007      |
|   | \$                 | \$        | \$            | \$        |
| <b>NOTE 17 - CAPITAL AND OTHER EXPENDITURE COMMITMENTS</b> <i>continued</i>   |                    |           |               |           |
| <b>Employment and consultant commitments</b>  |                    |           |               |           |
| 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   | 370,248            | -         | 370,248       | -         |
| - due within 1-5 years  | 347,914            | -         | 347,914       | -         |
| - due within 6-10 years   | -                  | -         | -             | -         |
|   | 718,162            | -         | 718,162       | -         |
| Details relating to the employment contracts are set out in the Remuneration report.  |                    |           |               |           |
| <b>NOTE 18 - SEGMENT REPORTING</b>  |                    |           |               |           |
| The Consolidated group operates in the mining exploration industry within Australia.  |                    |           |               |           |
| <b>NOTE 19 - CASH FLOW INFORMATION</b>  |                    |           |               |           |
| <b>a) Reconciliation of cash flows from operations with Profit/(Loss) from ordinary activities after income tax</b>                             |                    |           |               |           |
| Profit/(Loss) from ordinary activities after income tax   | (329,530)          | (33,153)  | (328,473)     | (33,153)  |
| Non cash flows in operating loss  |                    |           |               |           |
| Depreciation  | 2,002              | -         | 2,002         | -         |
| Deferred tax asset written off (IPO costs)  | 295,926            | -         | 295,926       | -         |
| Changes in assets and liabilities, net of the effects of purchase of subsidiaries   |                    |           |               |           |
| - (Increase)/Decrease in receivables  | (14,698)           | (176,297) | 2,636         | (176,297) |
| - Increase/(Decrease) in accounts payable   | 66,924             | 69,554    | 53,497        | 69,554    |
| - Increase/(Decrease) in provisions   | 8,899              | -         | 8,899         | -         |
| Net cash provided by operating activities   | 29,523             | (139,896) | 34,487        | (139,896) |

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

|   | Shares Issued | Fair Value of Shares Issued |
|---|---------------|-----------------------------|
|   |               | \$                          |
| <b>Share issues</b>   |               |                             |
| During the year the company issued ordinary fully paid shares to third parties as outlined in the company's IPO prospectus for: |               |                             |
| - Acquisition of subsidiaries. Refer to note 10   | 16,418,477    | 3,283,695                   |
| - Corporate advisory services rendered during Initial Public Offer*   | 2,000,000     | 400,000                     |
|   | 18,418,477    | 3,683,695                   |

\* have been recognised as a capital raising cost and offset against equity.



**NOTE 19 - CASH FLOW INFORMATION** *continued*

**c) Business Combinations**

During the year Archer Exploration Limited acquired 100% of the issued capital of Pirie Resources Pty Ltd and Kensington Exploration Pty Ltd through the issue of shares. Refer to note 19 (b)

The fair value of the assets acquired:

- Cash
- Exploration and evaluation assets

Net assets

Net cash acquired

Net cash inflow

| 2008<br>\$ |
|------------|
|            |
| 200        |
| 3,283,495  |
| 3,283,695  |
| 200        |
| 200        |

**NOTE 20 – SHARE BASED PAYMENTS**

The following share-based payment were made in the year ending 30 June 2008:

- On 20 July 2007 the Company issued 16,418,477 fully paid ordinary shares to acquire all the issued shares of Kensington Exploration Pty Ltd and Pirie Resources Pty Ltd. The fair value of these shares was \$3,283,695.
- On 23 July 2007 the Company issued 2,000,000 fully paid shares as compensation to Tigermoth Investments Pty Ltd for services rendered as a Financial Advisor to the Company for the Initial public offer. The fair value of these shares was \$400,000.

**NOTE 21 - EVENTS AFTER THE BALANCE SHEET DATE**

There have been no material events after balance date.

**NOTE 22 - RELATED PARTY TRANSACTIONS**

**a) Subsidiaries**

Interests in subsidiaries are disclosed in Note 10.

**b) Key Management Personnel**

Disclosures relating to Key Management personnel are set out in Note 4.

**c) Other translations with related parties**

An amount of \$45,018 was paid to UraniumSA Limited for providing a serviced office and geological consulting. Watson Lawyers were paid a total of \$61,788 for legal and other services including the services of Director, Greg English in his role of Managing Director of the Company. The amounts invoiced from Watson Lawyers were at commercial rates for legal services and a discounted rate for management services performed by Greg English.

At balance date an amount of \$2,200 is payable to UraniumSA Limited and an amount of \$24,463 is payable to Watsons Lawyers.

Mr Tom Phillips AM and Ms Alice McCleary are directors of UraniumSA Limited and Greg English is a partner of Watsons Lawyers.

NOTE 22 - RELATED PARTY TRANSACTIONS *continued*

On 20 July 2007 the Company issued 11,104,798 fully paid ordinary shares to companies controlled by Greg English as consideration for the acquisition of Kensington Exploration Pty Ltd and Pirie Resources Pty Ltd. In addition, a further 5,313,679 ordinary shares were issued to two other non related parties as consideration for the acquisition of Kensington Exploration Pty Ltd and Pirie Resources Pty Ltd.

## NOTE 23 - FINANCIAL RISK MANAGEMENT

## a) Financial Risk Management Policies

The group's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable payables and loans to and from subsidiaries.

## 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 2008 approximately 92% 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.

|                                    | <i>Weighted Average</i>        |      | <i>Effective Interest Rate</i> |                | <i>Non Interest Bearing</i> |                 | <i>Total</i>     |                 |
|------------------------------------|--------------------------------|------|--------------------------------|----------------|-----------------------------|-----------------|------------------|-----------------|
|                                    | <i>Effective Interest Rate</i> |      | <i>Effective Interest Rate</i> |                | <i>Non Interest Bearing</i> |                 | <i>Total</i>     |                 |
|                                    | 2008                           | 2007 | 2008                           | 2007           | 2008                        | 2007            | 2008             | 2007            |
|                                    | %                              | %    | \$                             | \$             | \$                          | \$              | \$               | \$              |
| <b>Financial Assets</b>            |                                |      |                                |                |                             |                 |                  |                 |
| Cash at bank                       | 6.6%                           | 6.2% | 480,117                        | 564,104        | -                           | -               | 480,117          | 564,104         |
| Deposits                           | 7.3%                           | 6.4% | 5,903,000                      | -              | -                           | -               | 5,903,000        | -               |
| Receivables                        | -                              | -    | -                              | -              | 36,084                      | -               | 36,084           | -               |
| <b>Total Financial Assets</b>      | -                              | -    | <b>6,383,117</b>               | <b>564,104</b> | <b>36,084</b>               | <b>-</b>        | <b>6,419,201</b> | <b>564,104</b>  |
| <b>Financial Liabilities</b>       |                                |      |                                |                |                             |                 |                  |                 |
| Payables                           | -                              | -    | -                              | -              | (372,763)                   | (69,554)        | (372,763)        | (69,554)        |
| <b>Total Financial Liabilities</b> | -                              | -    | -                              | -              | <b>(372,763)</b>            | <b>(69,554)</b> | <b>(372,763)</b> | <b>(69,554)</b> |
| <b>Total Net Financial Assets</b>  | -                              | -    | <b>6,383,117</b>               | <b>-</b>       | <b>(336,679)</b>            | <b>(69,554)</b> | <b>6,046,438</b> | <b>494,550</b>  |

NOTE 23 – FINANCIAL RISK MANAGEMENT *continued***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. It should be noted that the company does not have borrowings and any impacts would be in relation to deposit yields on cash investments.

*Interest Rate Sensitivity Analysis*

At 30 June 2008, 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:

|                                    | <i>Consolidated Group</i> |             | <i>Parent Entity</i> |             |
|------------------------------------|---------------------------|-------------|----------------------|-------------|
|                                    | <i>2008</i>               | <i>2007</i> | <i>2008</i>          | <i>2007</i> |
|                                    | <i>\$</i>                 | <i>\$</i>   | <i>\$</i>            | <i>\$</i>   |
| Change in loss                     |                           |             |                      |             |
| - Increase in interest rates by 2% | 122,000                   | -           | 122,000              | -           |
| - Decrease in interest rates by 2% | (122,000)                 | -           | (122,000)            | -           |
| Change in equity                   |                           |             |                      |             |
| - Increase in interest rates by 2% | 122,000                   | -           | 122,000              | -           |
| - Decrease in interest rates by 2% | (122,000)                 | -           | (122,000)            | -           |

**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 balance sheet of the consolidated entity.

**d) Credit Risk**

The maximum exposure to credit risk, excluding the value of any 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 balance sheet 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.



## Directors' Declaration

The Directors of the Company declare that:

- 1 the Financial Statements and Notes as set out on pages 24 to 43 are in accordance with the *Corporations Act 2001* and:
  - a) comply with Accounting Standards/and the *Corporations Regulations 2001*; and
  - b) give a true and fair view of the financial position as at 30 June 2008 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; and
- 4 the remuneration disclosures set out on pages 16 to 18 in the directors report comply with Accounting Standards AASB 124 Related Party Disclosures and the *Corporations Regulations 2001*.

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

Greg English  
Chairman

Adelaide  
Dated this 9th September 2008





# Independent Audit Report



## Grant Thornton

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### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARCHER EXPLORATION LIMITED ABN 64 123 993 233**

#### **Report on the financial report**

We have audited the accompanying financial report of Archer Exploration Limited (the Company), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of 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.

As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives ("Remuneration disclosures"), required by Accounting Standards AASB 124: Related Party Disclosures, under the heading "Remuneration report" and marked as "Audited" in the Directors' Report and not in the financial report. We have audited these remuneration disclosures.

#### **Directors' responsibility for the financial report**

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1 the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The directors are also responsible for preparation and presentation of the remuneration disclosures contained in the directors' report in accordance with the Corporations Regulations 2001.

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Our Ref: H/IAR/2008/ARCHER EXPLORATION\_JUN 08.DOC



## Grant Thornton

### 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, which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of material misstatement and that the remuneration disclosures comply with Accounting Standard AASB 124 Related Party Disclosures.

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 entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 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 2008 and of their performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.
- c the remuneration disclosures that are contained in the remuneration report comply with Accounting Standard AASB 124 Related Party Disclosures.

GRANT THORNTON  
South Australian Partnership  
Chartered Accountants

  
J L Humphrey  
Partner

Signed at Wayville on this 9th day of September 2008

## Additional Information

Compiled as at 28 August 2008

### Audit committee

Details of the Company's Audit Committee are contained within the Director's Report.

### Corporate Governance Practices

A statement disclosing the extent to which the Company has followed the best practice recommendations set by the Australian Securities Exchange Corporate Governance Council during the reporting period immediately follows the Director's Report.

### Shareholding

Details of the Company's Audit Committee are contained within the Director's Report.

### 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 given to the Company:

| <i>Name</i>  | <i>No. of Ordinary Share</i> | <i>%</i> |
|--|------------------------------|----------|
| GDE Exploration (SA) Pty Ltd (Dragon Mining Investments A/C) | 7,534,798                    | 11.70    |
| Tigermoth Investments Limited                                | 3,729,521                    | 5.78     |
| GDE Exploration (SA) Pty Ltd (A1 English Family A/C)         | 3,570,000                    | 5.54     |
| Valentina Nowak (Rescap Family A/C)                          | 3,430,000                    | 5.32     |

### Distribution of Ordinary Shares

Ordinary & Escrow Shares

| <i>Range</i>            | <i>Total Holders</i> | <i>Units</i>      | <i>% Issued Capital</i> |
|-------------------------|----------------------|-------------------|-------------------------|
| 1 – 1,000               | 15                   | 1,700             | 0.00                    |
| 1,001 – 5,000           | 51                   | 190,699           | 0.30                    |
| 5,001 – 10,000          | 176                  | 1,699,225         | 2.64                    |
| 10,001 – 100,000        | 484                  | 17,395,800        | 27.00                   |
| 100,001 – 9,999,999,999 | 79                   | 45,131,053        | 70.06                   |
| <b>Total</b>            | <b>805</b>           | <b>64,418,477</b> | <b>100.00</b>           |

| <i>Unmarketable Parcels</i>                | <i>Minimum parcel size</i> | <i>Holders</i> | <i>Units</i> |
|--|----------------------------|----------------|--------------|
| Minimum \$500.00 parcel at \$0.11 per unit | 4,546                      | 53             | 127,729      |

### Distribution of 13 February 2010 Listed Options

Listed Share Options

| <i>Range</i>            | <i>Total Holders</i> | <i>Units</i>      | <i>% Issued Capital</i> |
|-------------------------|----------------------|-------------------|-------------------------|
| 1 – 1,000               | 15                   | 1,004             | 0.00                    |
| 1,001 – 5,000           | 215                  | 914,531           | 2.84                    |
| 5,001 – 10,000          | 105                  | 852,858           | 2.65                    |
| 10,001 – 100,000        | 407                  | 10,793,892        | 33.52                   |
| 100,001 – 9,999,999,999 | 40                   | 19,642,916        | 60.99                   |
| <b>Total</b>            | <b>782</b>           | <b>32,205,201</b> | <b>100.0</b>            |

| <i>Unmarketable Parcels</i>                 | <i>Minimum parcel size</i> | <i>Holders</i> | <i>Units</i> |
|---|----------------------------|----------------|--------------|
| Minimum \$500.00 parcel at \$0.021 per unit | 23,810                     | 545            | 4,574,403    |

## Voting Rights

At meeting of members or classes of members:

- a) each member entitled to vote may vote in person or by proxy, attorney or representative;
- b) on a show of hands, every person present who is a member or proxy, attorney or representative of a member has one vote; and
- c) on a poll, every person present who is a member or a proxy, attorney or representative of a member has:
  - i) for each fully paid share held by him, or in respect of which he [is] appointed a proxy, attorney or representative, one vote for the share;
  - ii) for each partly paid share, only the fraction of one vote which the amount paid (not credited) on the share bears to the total amounts paid and payable on the share (excluding amounts credited), subject to any rights or restrictions attached to any shares or class or classes of shares.

## Escrowed Securities

| <i>Class</i>    | <i>Number</i> | <i>Expiry date</i> |
|-----------------|---------------|--------------------|
| Ordinary Shares | 18,604,798    | 14 August 2009     |
| Listed Options  | 9,392,399     | 14 August 2009     |

## Voluntary Escrowed Securities

| <i>Class</i>    | <i>Number</i> | <i>Expiry Date</i> |
|-----------------|---------------|--------------------|
| Ordinary Shares | 3,383,679     | 21 July 2009       |
| Listed Options  | 1,691,840     | 21 July 2009       |

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

Ordinary Shares

| <i>Rank</i> | <i>Name</i>                                      | <i>Units</i> | <i>% Issued capital</i> |
|-------------|--|--------------|-------------------------|
| 1           | GDE Exploration (SA) Pty Ltd (Dragon Mining A/c) | 7,534,798    | 11.70                   |
| 2           | GDE Exploration (SA) Pty Ltd (A1 English A/c)    | 3,570,000    | 5.54                    |
| 3           | Valentina Nowak                                  | 3,430,000    | 5.32                    |
| 4           | Tigermoth Investments Limited                    | 2,000,000    | 3.10                    |
| 5           | UraniumSA Limited                                | 2,000,000    | 3.10                    |
| 6           | Deborah Annette Rossiter                         | 1,883,679    | 2.92                    |
| 7           | Tigermoth Investments Ltd                        | 1,729,521    | 2.68                    |
| 8           | Sakura Capital Ltd                               | 1,361,288    | 2.11                    |
| 9           | Sakura Capital Ltd                               | 1,296,806    | 2.01                    |
| 10          | Mr Ganesan Sivanandam                            | 1,150,000    | 1.79                    |
| 11          | Citicorp Nominees Pty Limited                    | 807,700      | 1.25                    |
| 12          | Bluck Holdings Pty Ltd                           | 750,000      | 1.16                    |
| 13          | Craig Gooden + Virginia Gooden                   | 750,000      | 1.16                    |
| 14          | Alice McCleary + Brian John McCleary             | 750,000      | 1.16                    |
| 15          | Chin Huan Ng                                     | 750,000      | 1.16                    |
| 16          | Ms Alice McCleary                                | 730,000      | 1.13                    |
| 17          | Mr Graeme John Haines + Mrs Sharni Gay Haines    | 625,000      | 0.97                    |
| 18          | Mrs Chun Ching Sze                               | 545,000      | 0.85                    |
| 19          | Mr Heung Ming Lam                                | 538,334      | 0.84                    |
| 20          | EAP Nominees Pty Ltd                             | 500,000      | 0.78                    |
|             | Total  | 32,702,126   | 50.73                   |



**13 February 2010 Options**

| <i>Rank</i> | <i>Name</i>                                      | <i>Units</i> | <i>% Issued Options</i> |
|-------------|--|--------------|-------------------------|
| 1           | GDE Exploration (SA) Pty Ltd (Dragon Mining A/c) | 3,767,399    | 11.70                   |
| 2           | GDE Exploration (SA) Pty Ltd (A1 English A/c)    | 2,035,000    | 6.32                    |
| 3           | Valentina Nowak                                  | 1,715,000    | 5.33                    |
| 4           | Mr Ganesan Sivanandam                            | 1,050,000    | 3.26                    |
| 5           | Tigermoth Investments Limited                    | 1,000,000    | 3.11                    |
| 6           | UraniumSA Limited                                | 1,000,000    | 3.11                    |
| 7           | Deborah Annette Rossiter                         | 941,840      | 2.92                    |
| 8           | Sakura Capital Ltd                               | 648,403      | 2.01                    |
| 9           | Mr Jacob Mathew                                  | 500,000      | 1.55                    |
| 10          | Mr Fang Hua Ding                                 | 430,423      | 1.34                    |
| 11          | Mr Sivanandam Narayanasamy                       | 430,000      | 1.34                    |
| 12          | Bluck Holdings Pty Ltd                           | 375,000      | 1.16                    |
| 13          | Craig Gooden & Virginia Gooden                   | 375,000      | 1.16                    |
| 14          | Alice McCleary & Brian John McCleary             | 375,000      | 1.16                    |
| 15          | Chin Huan Ng                                     | 375,000      | 1.16                    |
| 16          | Ms Alice McCleary                                | 365,000      | 1.13                    |
| 17          | Mr Graeme John Haines & Mrs Sharni Gay Haines    | 312,500      | 0.97                    |
| 18          | EAP Nominees Pty Ltd                             | 250,000      | 0.78                    |
| 19          | Thompson McKeon Pty Ltd                          | 250,000      | 0.78                    |
| 20          | Tigermoth Investments Ltd                        | 250,000      | 0.78                    |
| Total       |  | 16,445,565   | 51.07                   |

**Use of Cash**

During the financial year, the Company used the cash and assets in a form readily convertible to cash in a manner that was consistent with its business objectives.

**Other Details**

Address and Telephone Details of the Company's Registered and Administrative office

The address and telephone details of the registered office in Australia is:

Archer Exploration Limited  
Level 1, 135 Fullarton Road  
Rose Park SA 5067  
Tel: +61 8 8332 5033  
Fax: +61 8 8364 4288

The address and telephone details of the administrative office in Australia:

Archer Exploration Limited  
Level 1, 135 Fullarton Road  
Rose Park SA 5067  
Tel: +61 8 8332 5033  
Fax: +61 8 8364 4288

Address and Telephone details of the office at which a Registrar of Securities is kept:

Computer Investor Services Pty Limited  
Level 5, 115 Grenfell Street  
Adelaide SA 5000  
Tel: +61 8 8236 2300  
Investor Enquiries 1300 556 161  
Fax: +61 8 8236 2305

## Stock Exchange on which the Company's Securities are quoted

The Company's listed equity securities are quoted on the Australian Securities Exchange.

## Mineral Exploration Licences

As the Company is a mining exploration company, below is a list of its interests in mineral exploration tenements licences granted, where the licences are situated and the percentage interest held.

| <i>Project Tenement</i> | <i>Commodity</i> | <i>Interest</i> |      |
|-------------------------|------------------|-----------------|------|
| Yalamboo                | EL 3721          | Base Metals     | 100% |
| Andamooka               | EL 3722          | Base Metals     | 100% |
| Woomera                 | EL 3724          | Base Metals     | 100% |
| Baroota                 | ELA 114/08       | Base Metals     | 100% |
| Wilmington              | ELA 116/08       | Base Metals     | 100% |
| Pinda                   | ELA 115/08       | Base Metals     | 100% |
| Worlds End              | ELA 122/08       | Base Metals     | 100% |
| Carapsee Hill           | EL 3711          | Base Metals     | 100% |
| Lake Gairdner North     | EL 3851          | Base Metals     | 100% |
| Lake Gairdner South     | EL 3869          | Base Metals     | 100% |
| Carriewerloo            | EL 3852          | Base Metals     | 100% |
| South Gawler Ranges     | EL 4169          | Base Metals     | 100% |

## On Market Buy-back

There is currently no on-market buy-back.



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