



ARCHER 

# Corporate Directory

## Archer Exploration Limited

ABN 64 123 993 233

### Directors

Greg English  
*Chairman*

Tom Phillips AM  
*Director (Non-Executive)*

Alice McCleary  
*Director (Non-Executive)*

Gerard Anderson  
*Director (Non-Executive)*

John Dawkins AO  
*Director (Non-Executive)*

### Company Secretary

Craig Gooden

### Registered Office

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

## Share Registry

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

## Auditors

Grant Thornton  
South Australian Partnership  
Level 1, 67 Greenhill Road  
Wayville SA 5034

## Solicitors

Norman Waterhouse Lawyers  
Level 15, 45 Pirie Street  
Adelaide SA 5000

## Bankers

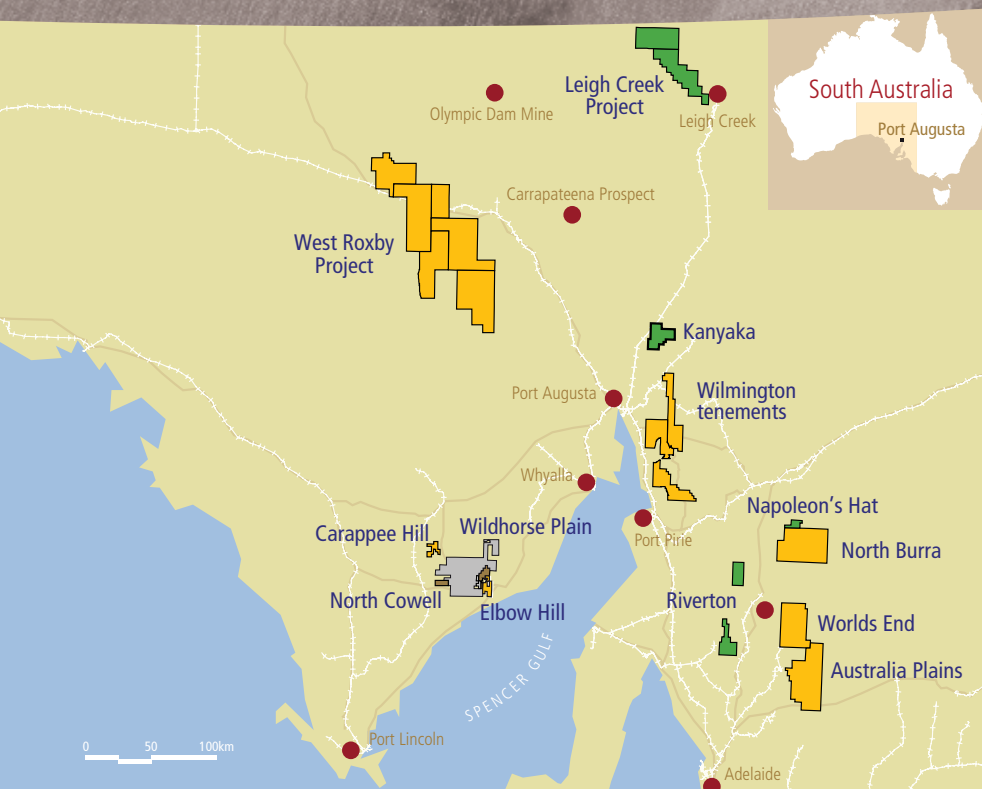
Bank of Queensland  
151 Pirie Street  
Adelaide SA 5000

## Australian Securities Exchange:

**ASX code:** AXE

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## Project areas and tenements

- Exploration Licence (EL)
- Exploration Licence Application (ELA)
- UraniumSA JV (EL)
- Highways & Major Roads
- Railways



## **Highlights and achievements**

Archer's main focus in 2010 was to build a high quality, South Australian tenement portfolio while aggressively exploring key exploration targets. The company has grown its ground position with the following tenement transactions.

### **Manganese and Iron**

- Farm out agreement with OMM Holdings Limited (ASX:OMH) on Jamieson Tank.
- Farmin with UraniumSA (ASX: USA) on the Wild Horse Plains and Elbow Hill Licenses.
- Acquisition of the Australia Plains License and advanced applications at Kanyaka and Stone Hut.





### **Magnesite**

- Advanced applications on the Leigh Creek magnesite licenses, which host historic resources totaling 480m tonnes @ 42% MgO.

### **Gold**

- Following rock chip assays to 6.42 g/t Au at the Watervale Prospect, Archer made applications for the nearby Riverton and Napoleon's Hat licenses.

During 2009/10 drilling programs were undertaken or are planned for:

- 
**Jamieson Tank** – An 18 hole drilling program to evaluate strike extension of the Manganese/Iron Project as part of the Farmin Agreement with OMM was completed in June. The strike length of the mineralization was extended from 200 to 750 metres by this program.
- 
**Wild Horse Plains** – Field evaluation of manganese and iron targets on the Eyre Peninsula licenses has identified four target areas. High Bluff and Campoona are high grade iron targets and Mintalie and Salt Creek manganese/iron targets. These areas will be drill tested in the fourth quarter 2010.
- 
**Pindari (Carapsee Hill)** – Air core drilling outlined a 1kms x 300m >1,000 ppm Ni soil anomaly (peak value 3,700ppm) associated with the 3kms diameter Pindari magnetic anomaly. The maiden RC drilling program by Archer Exploration Ltd to test the Pindari nickel /chrome anomaly has been approved and will commence in July.
- 
**Ketchowla (North Burra)** – The maiden drill program intersected shallow manganese mineralization including 8m @ 15.6% Mn from 6m ; 4m @ 29.3% Mn from 5m and 4m @ 17.5% Mn from 11m. Manganese mineralization at the K1 deposit included up to 0.34% Cu, 0.14% Co; 0.24% Ni and 0.15% Zn.

The company now has a solid base of advanced, drill ready targets and a pipeline of promising exploration areas with demonstrable mineralization to be explored. The grant of the Leigh Creek magnesite project will give the company an asset on which to base a business plan that could see the company move from mineral explorer to developer over the next few years.





## Letter from Chairman

Dear Fellow Shareholder,

During the past year, strong progress continued on many fronts towards delivering Archer's strategy of developing a pipeline of greenfields and advanced projects. Particularly pleasing were the advances made at Ketchowla and Jamieson Tank and the acquisition of several new projects including Wild Horse Plains iron ore and the Leigh Creek magnesite project.

We remain committed to prudently managing the Company's funds to maximise value for shareholders whilst also effectively exploring our projects. This approach is reflected in the joint venture agreement we signed with OM Holdings in January 2010, whereby OMH has been exploring for manganese and iron on our Carapsee Hill Project. This joint venture represents a strategic partnership with an international company experienced in the exploration, mining and processing of manganese.

Near Burra, we successfully tested our theories about the manganese mineralisation situated at Ketchowla, with some exciting results returned from drilling. Buoyed by the success at Jamieson Tank and Ketchowla, we successfully applied for and were granted tenements in South Australia which contain known manganese mineralisation. These tenements will be systematically evaluated and tested during the coming year.

However, our growth strategy is not just limited to the manganese projects. In March 2010 we signed a farmin agreement with UraniumSA Limited for the exploration for all minerals (except uranium) on the Wildhorse Plains group of tenements on the Eyre Peninsula. The Eyre Peninsula contains many known iron ore deposits and existing (OneSteel) and proposed (Centrex Metals, Lincoln Minerals, IronClad) iron ore mining operations. Early exploration results and the success of other explorers in the region support our view that this joint venture has the potential to host iron ore mineralisation.

At Leigh Creek, we applied for tenements that cover an existing magnesite deposit previously drilled by SAMAG. The application for tenements with a known large resource of good quality magnesite mineralisation is consistent with our strategy of cost effective exploration and project development.

The focus for the next year will be on developing our iron ore, manganese and magnesite projects and we will seek to either divest or enter into a strategic partnership in respect of the West Roxby and Wilmington projects.

Our ability to explore our tenements and fund opportunities like the Wild Horse Plains JV and Leigh Creek Magnesite Project is a result of our prudent funds management during the past three years. In time, these projects are expected to provide an even more extensive platform for future growth.

In April the Board announced the appointment of former Federal Treasurer, Mr John Dawkins AO as a non-executive director. John brings substantial business and political acumen to the Company and his appointment further strengthens the Board's level of expertise.

The achievements of the last year have only been possible through the dedication and hard work of all of our staff and the board. Archer has a small and highly skilled management team that has achieved a great deal throughout the year. Our staff are the key to our future success.

Finally, I would like to express my appreciation to the shareholders who have supported the Company, my fellow directors and the team at Archer Exploration. It has been a year of growth in which we have cemented the foundations for the Company's future.

With the right people, the right assets and a clear strategy and focus, we are confident that the Company is solidly based and well positioned to provide returns for shareholders into the future.

Yours sincerely,



*Greg English*  
Chairman







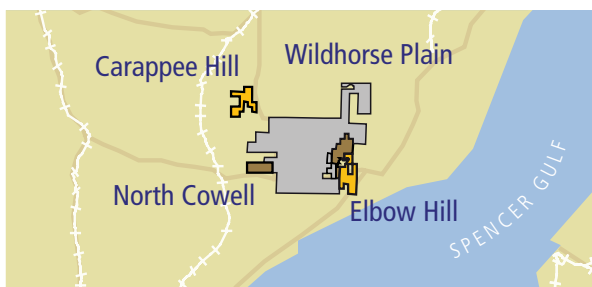
## Review of Operations



Archer Exploration's tenement portfolio has changed significantly during 2009/10 resulting from acquisitions and farmin agreements.

On the Eyre Peninsula Archer has consolidated its ground position with a farmin agreement with Uranium SA (ASX:USA) on the Wild Horse Plains and Elbow Hill exploration licences as well as entering into a farmin agreement with manganese miner OM Holdings Ltd (ASX:OMH) to explore Archer's Jamieson Tank manganese prospect. Further east Archer made application for exploration licences covering the historic Kanyaka (ELA 30 /10), Stone Hut Well (ELA 31/10) and Neales Flat (EL4482) manganese deposits. Leigh Creek Magnesite license applications (ELA's 31/10 173/10) cover four world class magnesite deposits, with extensive outcropping, high grade, historic magnesite resources. During 2011 Archer will evaluate the feasibility of building calcined magnesia business around these assets. At North Burra after initial promising gold results from the Watervale prospect Archer built its ground position with application for Napoleon's Hat and Riverton licences.

Archer has a strong focus on safety environmental management and community engagement in all of its activities. The Company had no reported accidents or incidents during the year.



### Iron and manganese

#### *Carapsee Hill (EL 3711)*

In February 2010 Archer entered into a 4 year farmin agreement with ASX listed OM Holdings Limited's wholly owned subsidiary, OM (Manganese) Ltd (OMM). The agreement entitled OMM to earn a 60% interest in manganese and iron resources of Carapsee Hill (EL3711) by spending \$600,000.

In June OMM completed an 18 hole, 738.5m reverse circulation drilling program at the Jamieson Tank Manganese Project. The OMM drilling program was aimed at testing the extensions to the manganese and iron mineralization intersected in drilling programs previously conducted by Archer in 2008 and Western Mining Corporation in 1993.

Subsequent results from this program reported in July included:

| <i>Manganese (Mn)</i> |           |       |                     |
|-----------------------|-----------|-------|---------------------|
| TJTRC130              | 28 to 33m | 5m @  | 14.6% Mn & 8.0% Fe  |
| JTRC133               | 29 to 35m | 6m @  | 15.0% Mn & 10.7% Fe |
| JTRC141               | 33 to 43m | 10m @ | 12.6% Mn & 20% Fe   |

| <i>Iron</i> |  |       |                    |
|-------------|--|-------|--------------------|
| JTRC144     | 5 to 21m   | 16m @ | 35.3% Fe & 4.3% Mn |
|             | <i>including</i> 16 to 21m 5m @ 55.8% Fe & 2.7% Mn (EOH) |       |                    |
| JTRC145     | 4 to 6m  | 2m @  | 50.5% Fe & 2.6% Mn |
| JTRC144     | bottomed on high grade iron                              |       |                    |

*The results extend the Jamieson Tank mineralised zone from 200m to 750m*



**Wild Horse Plains (EL 3377)****North Cowell (EL 4277) Elbow Hill (EL 3653)**

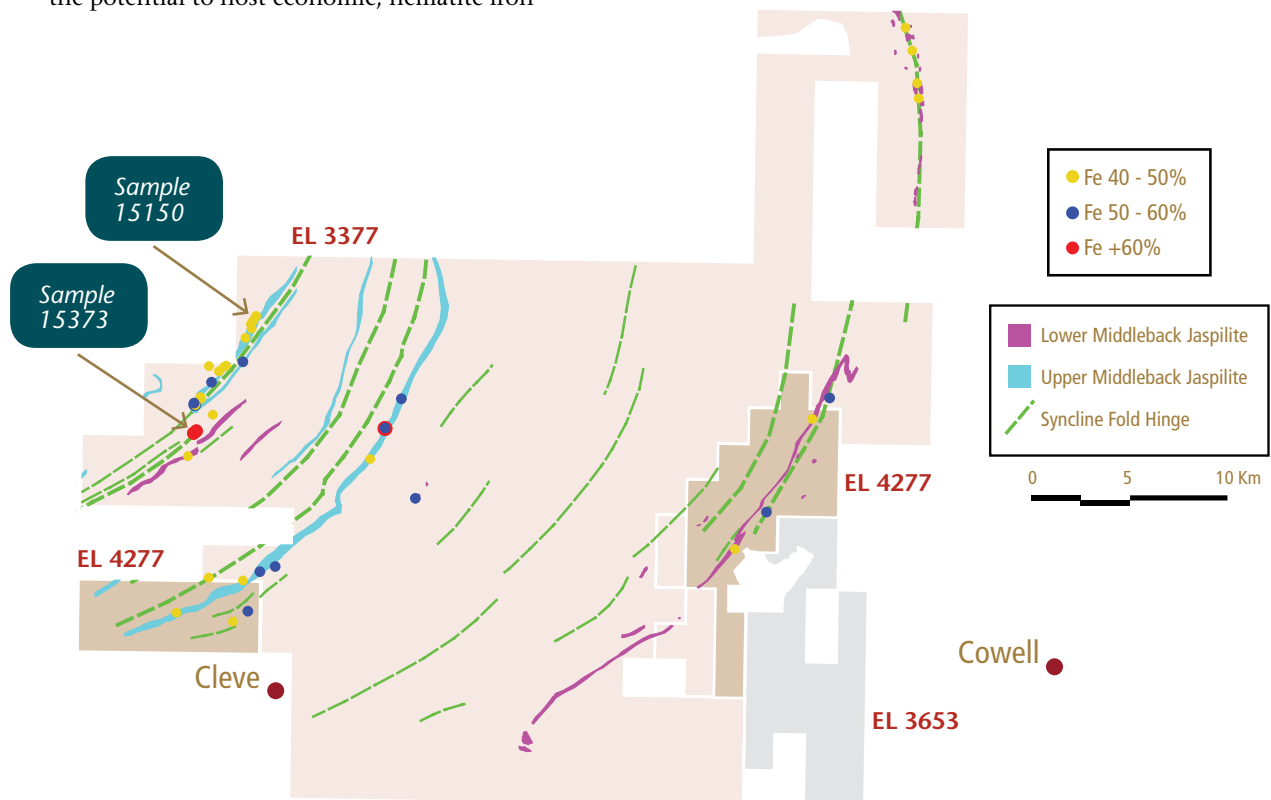
Archer Exploration reached agreement in February 2010 with UraniumSA Ltd (ASX: USA) to Farm into the Eyre Peninsula Wild Horse Plains (EL3377) and Elbow Hill (EL3653) licenses, where it is earning an interest in all minerals except uranium.

In June, Archer commenced field evaluation of manganese and iron prospects identified on the Wild Horse Plains (EL3377) and North Cowell (EL4277) Licenses (*Figure 1*). These prospects were identified following a review of historical exploration and mining data and regional aeromagnetic interpretation.

Archer believes the Wild Horse Plains Area has the potential to host economic, hematite iron

mineralization within the extensive limbs and fold closures of synclines in the west of the licence area. Hematite mineralisation is associated with the Middleback Jaspilites within a geological setting with a number of vectors, particularly the long strike lengths (+40km) of the subcropping jaspilites and proximity of outcropping felsic rocks that are considered important in the development of economically significant iron deposits.

A total of 43 samples were taken during initial reconnaissance of the project area. The iron rich rocks contain magnetite and hematite and the best results came from Campoona and High Bluff in the west (*Figure 2*).



*Figure 2. Initial and historical significant rock chip iron results on USA Farmin and AXE Wild Horse Plains tenements. Iron: Campoona 8 samples - Average 43.2% Fe, High Bluff 4 samples - Average 62.4% Fe*





## Manganese

Historic sampling results by CRA in 1978 and Shell in 1986 reported surface grades of approximately 20% Mn over a 4km strike length in the Salt Creek area. The manganese material is exposed in grain cropping paddocks and is covered by transported soils for most of the strike length. A total of 18 rock chip samples were collected from dolomites, meta sediments and jaspilites and analyses results range from <1% through to 26.8% Mn. The locations of the samples that reported above 10% Mn are shown in figure 3. Archer's sampling at Salt Creek confirmed reported manganese and iron assays.

*Salt Creek 3 samples Average 24% Mn and 23.8% Fe*

Archer plans to drill test the four main iron and manganese targets, Salt Creek (Fe/Mn) Mintalie (Fe/Mn) Campoona (Fe) and High Bluff (Fe) in the fourth quarter of 2010.

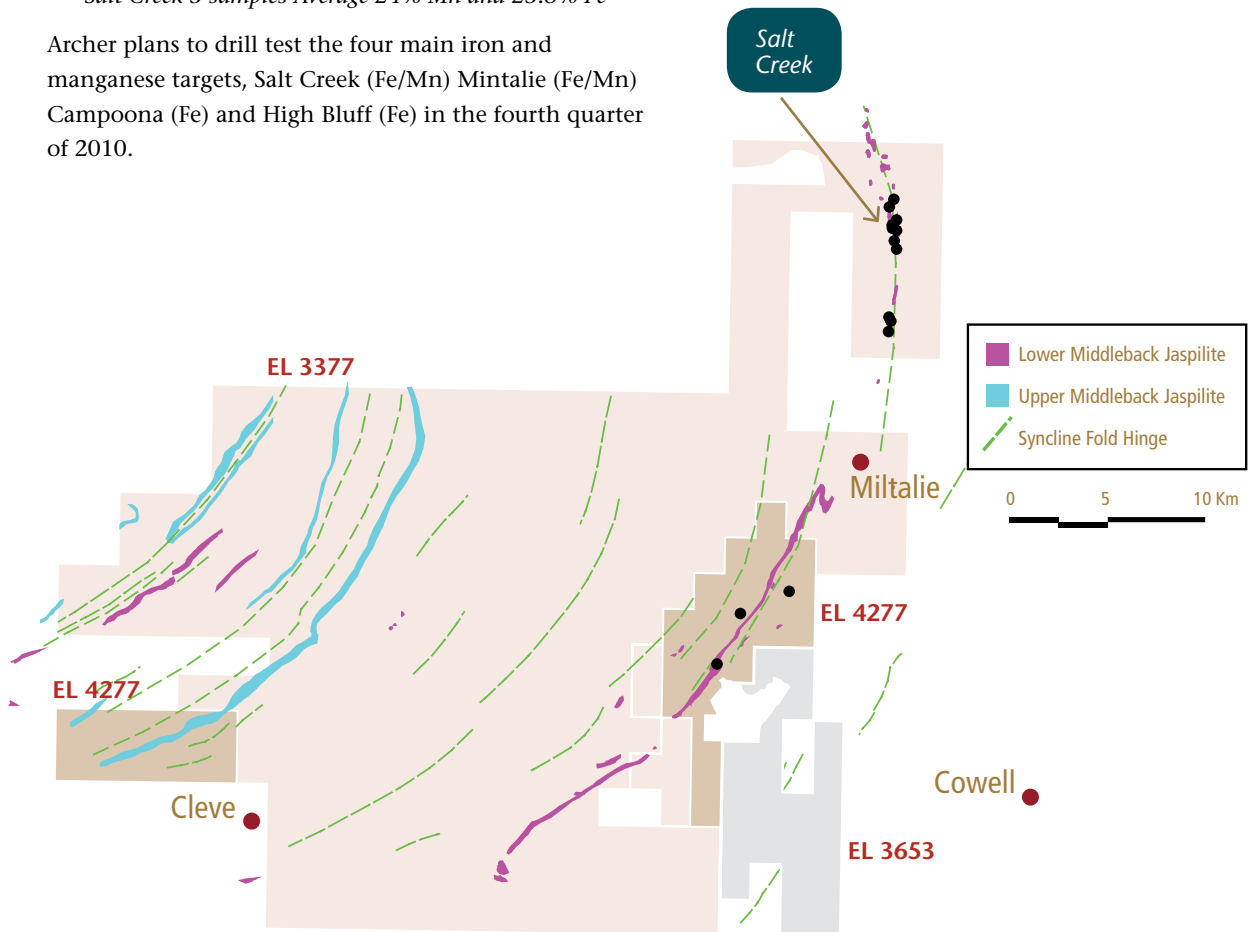
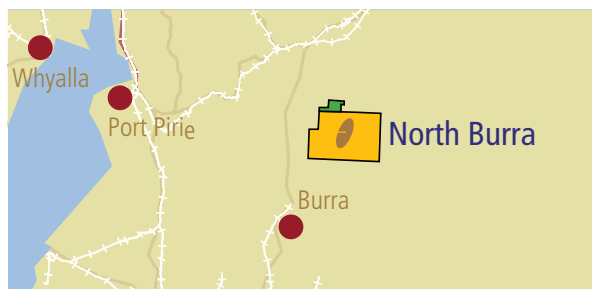


Figure 3. Rock Chip samples reporting over 10% manganese (black dots).





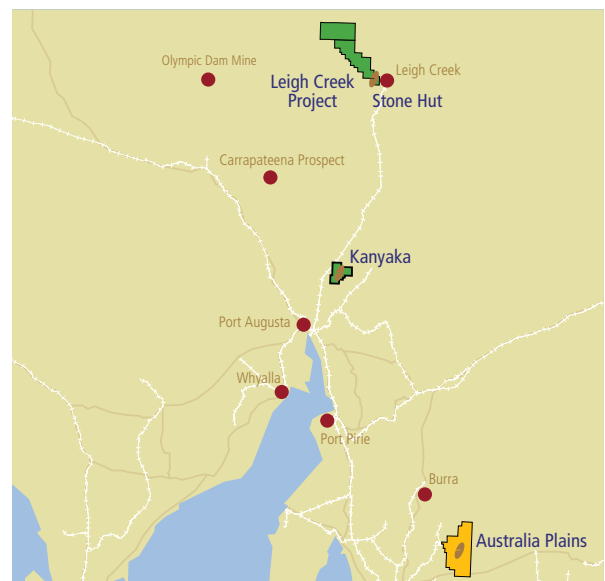
### **Ketchowla (EL 4266)**

Archer 100%

Regional reconnaissance mapping and rock chip sampling at Ketchowla identified six important manganese occurrences and many smaller manganese outcrops and old workings within an area of 135 kms<sup>2</sup>. Many surface rock chip samples returned Mn grades > 30% Mn. Manganese deposits in the north had associated cobalt, nickel, copper and zinc mineralization.

In February a shallow RC program of 42 holes and 643m of drilling intersected manganese (Mn) mineralization including -

- 8m @ 15.6%Mn from 6m (K1), 4m @ 29.3% Mn from 5m (K9) and 4m @ 17.5% Mn from 11m (K1).
- and at the K1 prospect the manganese mineralization contained up to 0.34% Cu, 0.14% Co, 0.24% Ni and 0.15% Zn



### **Australia Plains (EL 4482 )**

**Kanyaka (ELA 030/10)**

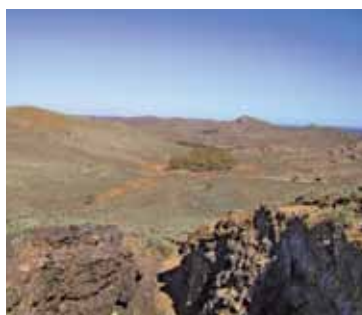
**Stone Hut (ELA 031/10)**

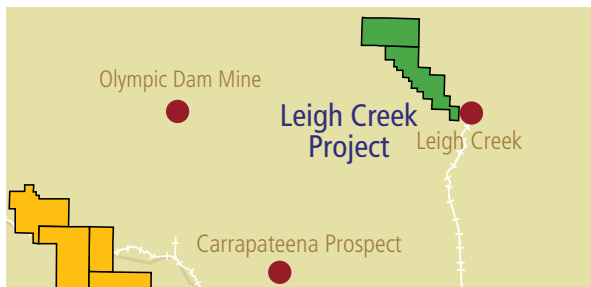
Archer 100%

Archer have expanded its land holding with the acquisition of the Australia Plains licence (Neales Flat manganese mine) and the advanced applications on the old Kanyanka and Stone Hut manganese mines. All licences are expected to be granted in 3rd quarter of 2010.

The tenement applications cover small historic high grade, manganese mines, like Ketchowla, that were worked during the second world war for direct use in the steel industry. Following the grant of the exploration licences initial evaluation of the properties will involve geological sampling and rock chip sampling. The objective of this work will be to define manganese drilling targets that have the potential to be direct shipping ore.

Figure 4. Ketchowla





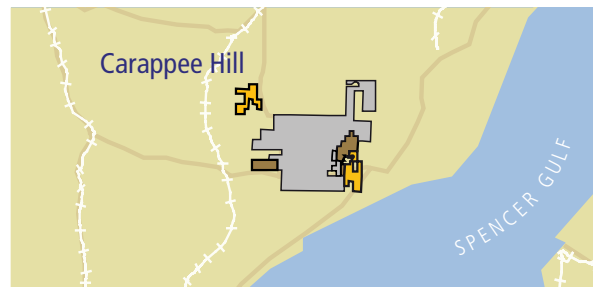
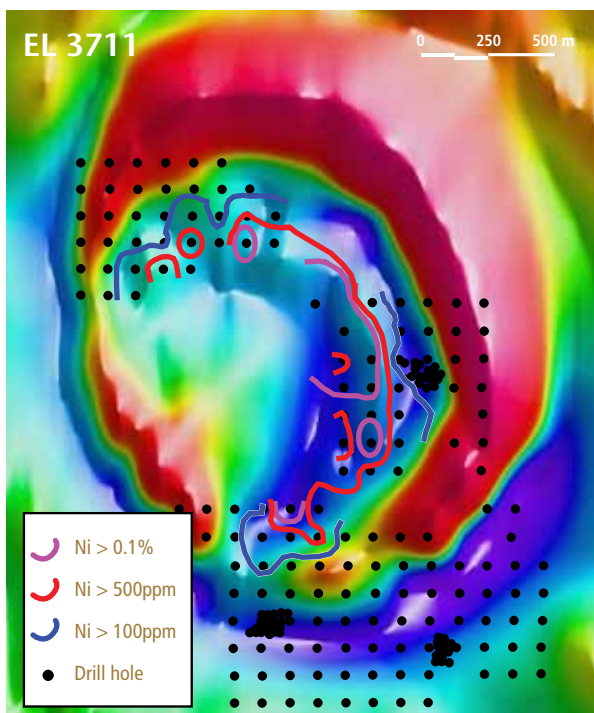
## Magnesite

### *Magnesite (ELA 031/10: 173/10)*

Archer 100%

In February 2010 Archer made application for ELA 031/10 covering the 1990's SAMAG magnesite project in the Leigh Creek region of South Australia. The license application is at an advanced stage of processing and is expected to be granted in September 2010. During June this application area was expanded with ELA 173/10 covering 420 sqr kms and the Witchilina Magnesite deposit.

The licence applications cover historic magnesite resources reported by SAMAG in 1999 totalling 480 m.tonnes @ 42% MgO in five separate deposits. SAMAG's objective in the late 1990's was to develop a magnesium metal project based on the Dow Process. Archer will undertake a scoping study to determine the feasibility of building a calcining plant at one of the Spencer Gulf ports to produce calcined magnesite, magnesia (MgO) for use in the refractory and a range of chemical industry applications.



## Nickel

### *Caraptee Hill (EL 3711)*

Archer 100%

The 3 kms diameter Pindari bullseye magnetic anomaly (figure 5) was tested for diamonds by Stockdale Prospecting in 1987 with two shallow core holes. Stockdale's petrology investigation of Pindari 1 reported minor sulphide mineralization including; pyrrhotite (iron sulphide), chalcopyrite (CuFeS<sub>2</sub> – main primary ore of copper), sphalerite (ZnS – main primary ore of zinc) and pentlandite (FeNi)<sub>8</sub>SS – nickel sulphide). Archer recovered the core and analysis results showed hole Pindari 1 was anomalous for nickel and chrome from 9m (22m @ 0.19% Ni 0.24% Cr)

At the surface the magnetic anomaly was covered with up to 10m of transported aeolian sand. An aircore drilling program (207 holes and 1,711m) was implemented in February 2010 to identify soil geochemical anomalies through the transported sand cover.

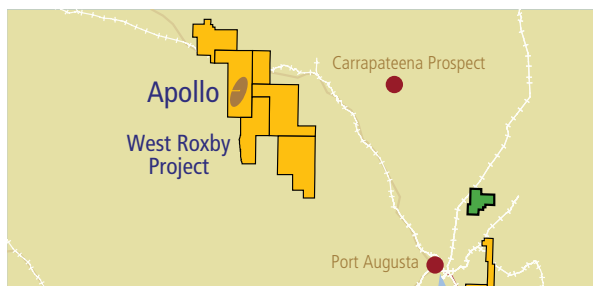
The soil geochemistry outlined a strong soil geochemical anomaly, which was:

- 1km x 300m in area and greater than 1,000ppm nickel (Ni) and 1,000ppm chrome (Cr);
- had peak soil sample values of 0.37% Ni and 0.34% Cr;
- was closely associated with the core of the 3km diameter, bullseye magnetic anomaly.

Six 100m reverse circulation holes are planned to further test the Ni/Cr mineral system associated with the Pindari magnetic anomaly during July.

*Figure 5. Pindari Magnetic anomaly with soil geochemical contours*





## Uranium

### Uranium (EL 3851)

Archer 100%

Apollo is a greenfields project located in a remote part of South Australia approximately 100 km NW of Port Augusta in the under explored Cariewerloo Basin. The Apollo Project is centred on an untested, precisely coincident gravity low, topographic depression and magnetic low anomalies (figures 6 a, b, c).

One of the geological models proposed to explain the coincident anomalies (figure 7) is an Athabasca style unconformity related uranium mineralized system. PIRSA have identified the potential for unconformity related uranium mineralization in the Cariewerloo Basin, where Mesoproterozoic red bed lithologies (Pandurra Formation) unconformably overlie faulted, reduced, crystalline basement, which has been intruded by uranium rich A type granites.

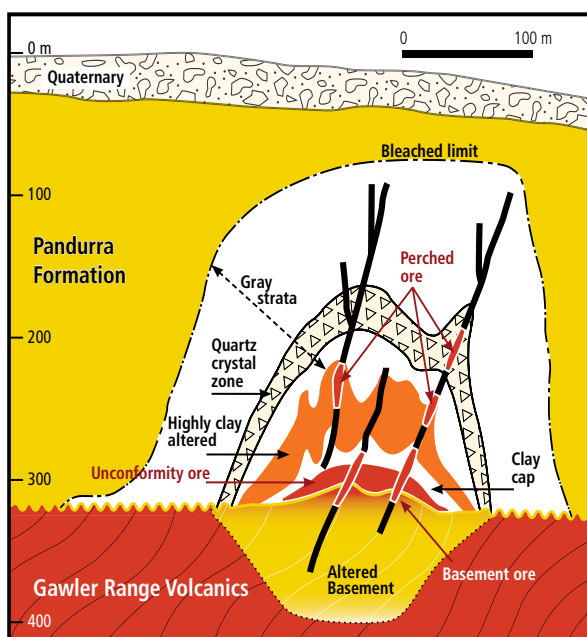


Figure 7: Geological Model for Apollo

At Apollo the unconformity between the Pandurra Formation and basement is estimated to be approximately 250-350m from surface. The target is ready for drill testing and the planar nature of the target and the extensive alteration and pathfinder element halo around unconformity style mineralized systems means a limited amount of drilling will be required to evaluate the Apollo target concept.

During the quarter Archer made application for an exploration work approval to drill test Apollo with at least one 400m drill hole. PIRSA (Primary Industry and Resources SA) approved the program subject to approval by the Aboriginal Heritage Branch of the Aboriginal Affairs and Reconciliation Division of the Department of Premier and Cabinet.

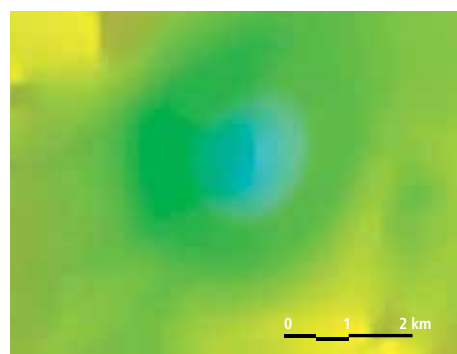


Figure 6a.  
Gravity

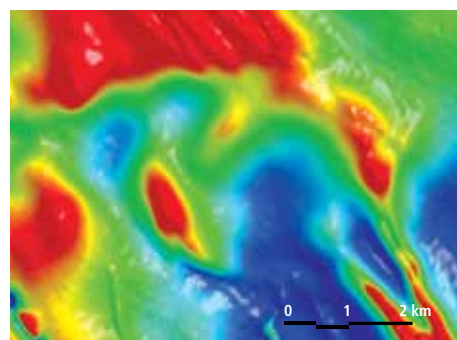


Figure 6b.  
Total Magnetic  
Intensity

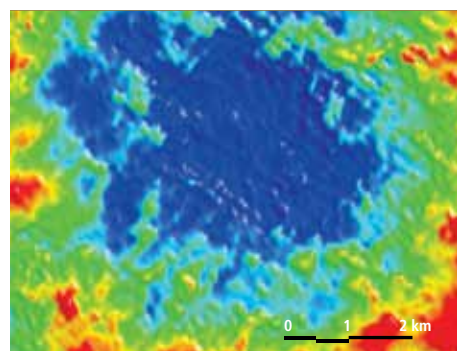
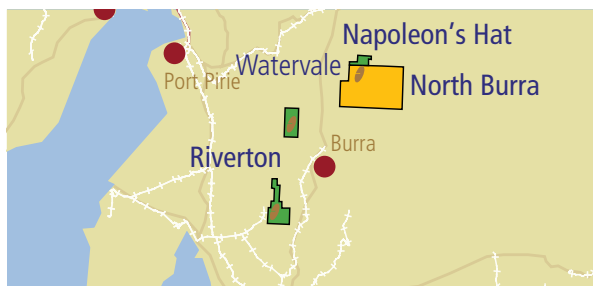


Figure 6c.  
Topography



## Gold

### Watervale Prospect (EL 4266)

Archer 100%

At the Watervale Gold Prospect, quartz veined sandstone sampled over approximately 200m returned gold assays over 1 g/t Au with the best result of 6.42g/t Au (figure 8).

The proximity of the Watervale gold mineralized zone to the northern tenement boundary lead to the application for ELA 113/10 immediately north of the Watervale Prospect. Exploration in the area will resume in Q4 when the ELA is expected to be granted. The

Watervale discovery lead to an regional evaluation of the mineralized unit and the application for the Riverton licence where the Watervale sandstone hosts an extensive area of historic gold workings.

### Napoleon's Hat (ELA 113/10)

Archer 100%

This licence application is immediately north of the Watervale Prospect and covers areas of structural complexity considered prospective for Watervale style gold mineralization.

### Riverton (ELA 030/10)

Archer 100%

Riverton is an advanced licence application covering a similar geological setting as Watervale and with scattered historic gold workings. Mine records from 1896 include reports of 14 g/t gold from a 20m shaft and surface samples from 3 to 22g/t gold.

Archer will map and sample the new licenses in quarter four 2010 and be ready to drill the any gold anomalies in early 2010.

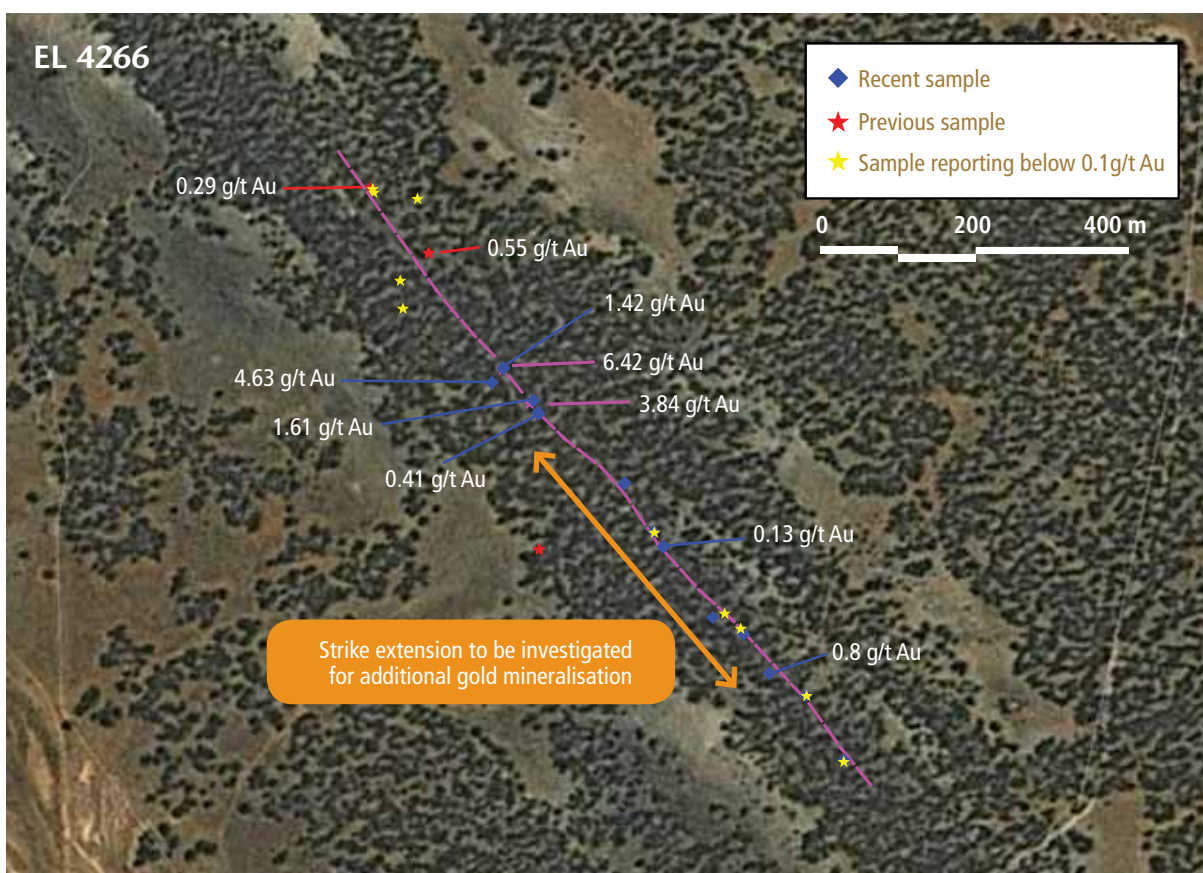


Figure 8: Rock Chip sample results Watervale - North Burra



## Corporate development

Last year was one of expansion and consolidation of the companies ground positions in strategic areas like Central Eyre Peninsula and Burra, with particular focus on two commodities closely associated with the steel industry manganese and magnesite.

Archer will continue a corporate strategy that preserves cash, while exploring mineral opportunities that can relatively quickly grow the company's market capitalization. The exploration objective is to develop drill targets at minimum cost and if drill targets cannot be defined at an early stage and at a relatively low cost, the tenement will be farmed out, sold or relinquished.

The grant, expected in Q3 2010 of tenements covering the world class Leigh Creek Magnesite deposit will create an opportunity for the company to move from an exploration to producing company in the next few years.



## Next 12 months focus

During the next 12 months the company will advance its exploration pipeline prospects to the stage where drill targets are defined -

- Manganese/Iron – Neales Flat, Kanyaka, and Stone Hut

- Gold – Napoleon's Hat and Riverton

The more advanced exploration properties will have their maiden drill test -

- Pindari Nickel Project

- Apollo Uranium Project

- Wild Horse Plains (Salt Creek, Mintalie, High Bluff, Campoona targets)

- Watervale Gold Project.

With the acquisition of the Leigh Creek Magnesite Project, Archer will have a development project that is ready for a scoping study and if that is successful a feasibility study in 2011.

These programs will be carried out while ensuring the company financial situation is strong.

*Caption to come*



*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</i> | <i>Tenement Name</i> | <i>Project Name<br/>(km<sup>2</sup>)</i> | <i>Area</i>   | <i>Commodity</i> | <i>Registered holder</i>       | <i>Archer<br/>Interest</i> |
|-----------------|----------------------|--|---------------|------------------|--------------------------------|----------------------------|
| EL 3851         | Lake Gairdner North  | West Roxby                               | 926           | Base Metals      | Kensington Exploration P/L*    | 100%                       |
| EL 3869         | Lake Gairdner South  | West Roxby                               | 678           | Base Metals      | Kensington Exploration P/L     | 100%                       |
| EL 3724         | Woomera              | West Roxby                               | 884           | Base Metals      | Pirie Resources Pty Ltd*       | 100%                       |
| EL 3722         | Andamooka            | West Roxby                               | 971           | Base Metals      | Pirie Resources Pty Ltd        | 100%                       |
| EL 3721         | Yalymboo             | West Roxby                               | 962           | Base Metals      | Pirie Resources Pty Ltd        | 100%                       |
| EL 3711         | Carrappee Hill       | Eyre Peninsula                           | 54            | Base Metals      | Pirie Resources Pty Ltd        | 100%                       |
| EL 4201         | Baroota              | Wilmington                               | 335           | Base Metals      | Pirie Resources Pty Ltd        | 100%                       |
| EL 4202         | Pinda                | Wilmington                               | 367           | Base Metals      | Pirie Resources Pty Ltd        | 100%                       |
| EL 4249         | Spring Creek         | Wilmington                               | 357           | Base Metals      | Pirie Resources Pty Ltd        | 100%                       |
| EL 4230         | World's End          | Burra                                    | 592           | Base Metals      | Pirie Resources Pty Ltd        | 100%                       |
| EL 4266         | Burra North          | Burra                                    | 814           | Base Metals      | Pirie Resources Pty Ltd        | 100%                       |
| EL 4277         | North Cowell         | Eyre Peninsula                           | 93            | Base Metals      | Pirie Resources Pty Ltd        | 100%                       |
| EL 4482         | Australia Plains     | Burra                                    | 880           | Base Metals      | Pirie Resources Pty Ltd        | 100%                       |
| ELA 15/10       | Riverton             | Burra                                    | 308           | Base Metals      | Pirie Resources Pty Ltd        | 100%                       |
| ELA 31/10       | Termination Hill     | Leigh Creek                              | 542           | Magnesium        | Leigh Creek Magnesite Pty Ltd* | 100%                       |
| ELA 173/10      | Witchelina           | Leigh Creek                              | 452           | Magnesium        | Leigh Creek Magnesite Pty Ltd  | 100%                       |
| ELA 30/10       | Kanayka              | Burra                                    | 230           | Manganese        | Pirie Resources Pty Ltd        | 100%                       |
| ELA 113/10      | Napoleons Hat        | Burra                                    | 46            | Gold             | Pirie Resources Pty Ltd        | 100%                       |
| EL 3377         | Wildhorse Plains     | Cleve                                    | 816           | Base Metals      | Gingertom Resources Pty Ltd    | JV**                       |
| EL 3653         | Elbow Hill           | Cleve                                    | 79            | IOCGU            | Gingertom Resources Pty Ltd    | JV**                       |
| <b>Total</b>    |                      |  | <b>10,386</b> |                  |                                |                            |

\* Pirie Resources Pty Ltd, Kensington Exploration Pty Ltd and Leigh Creek Magnesite Pty Ltd are wholly owned subsidiaries of Archer Exploration Limited.

\*\* To earn 100% of base metals, excluding uranium, when expenditures in accordance with Joint Venture are met.








## **Directors' Report**

*Your Directors present this report on Archer Exploration Limited and its consolidated entities ('Group'), for the year ended 30 June 2010.*

### **Directors**

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

-  *Greg English*
-  *Tom Phillips AM*
-  *Alice McCleary*
-  *Gerard Anderson*
-  *John Dawkins AO*

The above named Directors held office during and since the end of the financial year, except for Mr John Dawkins AO who was appointed a Director of the Company on 30 April 2010.

No Directors resigned during or subsequent to the end of the financial year. A biography and statutory disclosures regarding each director and the Company Secretary are provided elsewhere in this Directors' Report.

### **Principal Activities**

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

### **Operating Results**

The loss of the Group was \$475,463 after receiving a research and development concessional grant of \$95,149.

### **Dividends**

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

### **Review of Operations**

During the year the employees have visited all the Group's owned Exploration Licences and technical evaluations were conducted including geophysics, mapping, soil sampling and drilling.

A detailed description of the Group's operations and financial position is set out elsewhere in this Annual Report.

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

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

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

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

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

The Company will continue an exploration strategy that preserves cash, while exploring mineral opportunities that can relatively quickly grow the company's market capitalisation. The Company has developed a pipeline of projects ranging from greenfields manganese and gold prospects, through advanced drill ready manganese, iron, nickel and uranium targets. When the Leigh Creek Magnesite license is granted, the Company will have a world class magnesite resource with real development potential. The exploration objective is to develop drill targets at minimum cost and if drill targets cannot be defined at an early stage and at a relatively low cost, the tenement will be farmed out, sold or relinquished.

Further information on likely development in the operations of the Group and the expected results of operations have not been included because the directors' believe it would result in unreasonable prejudice to the Group.

### **Environmental Issues**

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



## Information on Directors and Management



*Greg English*

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

Greg English is a qualified mining engineer and lawyer. He is a partner of Norman Waterhouse 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 a previous director of ASX listed Gawler Resources Ltd.

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

*Special Responsibilities - Chairman*

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

He holds board positions with several not-for-profit organisations and Safework Australia. Tom is the Presiding Member of Safework SA and also Chairs the Southern Adelaide Development Board. He is Non-Executive Chairman for UraniumSA Limited (ASX listed) and a former director of Australia Post.

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

*Special Responsibilities - Nil*

**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 (ASX listed). She was a former director of TWT Group Ltd and Dragon Energy 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



*Tom Phillips AM*



*Alice McCleary*



*Gerard Anderson*



*John Dawkins AO*

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.

*Special Responsibilities - Nil.*

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

Gerard Anderson is a geologist with 35 years of experience including 17 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, Managing Director of Croesus Mining NL and Managing Director of Centrex Metals Ltd (both ASX listed).

*Special Responsibilities - Nil*

**John Dawkins AO** BEc RDA  
*Director (Non-Executive)*

John Dawkins is a former Federal Government Treasurer and he brings substantial business and political acumen to the Company. Since leaving politics in 1993 he has had an active business career including as Chair of Elders Rural Bank (now Rural bank), Integrated Legal Holdings and the Retail Energy Market Company.

He continues as Chair of Integrated Legal Holdings Limited (ASX listed), and is a director of MGM Wireless Ltd (ASX listed) and Government Relations Australia. He is Chair of the Australian Qualifications Framework Council and the National Quality Council.

**Craig Gooden**  
*Company Secretary*

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 also the Company Secretary of Sundance Energy Australia Limited and UraniumSA Limited (both ASX listed).

## 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 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 calibre 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. The Company has established a Share Option Plan for the benefit of Directors, officers, senior executives and consultants. 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 valuation 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:

### • *Michael Hatcher, CEO, Archer Exploration Limited*

Mike Hatcher was engaged by the Company in the role of Chief Executive Officer commencing 25 August 2009, on the following terms:

- Role; CEO.
- Contract term; Two years but may be terminated early by either party giving minimum 2 months notice.
- Remuneration; \$138,000 per annum including statutory superannuation plus issue of 1,000,000 unlisted options (refer elsewhere in this Directors' Report)
- Bonus; Discretionary up to \$45,540 each year and is determined with reference to share price performance against a comparator gap.
- Termination payments; None.

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

Base remuneration.

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

Base remuneration.

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

Base remuneration.

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

Base remuneration.

### • *John Dawkins AO, Non-Executive Director, Archer Exploration Limited*

Base remuneration.

## Details of Key Management Personnel Remuneration for year ended 30 June 2010

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

| <i>2010<br/>Directors</i>       | <i>Salary and commissions</i> | <i>Superannuation</i> | <i>Share based<br/>payments - Options</i> | <i>Total</i> |
|---------------------------------|-------------------------------|-----------------------|---|--------------|
|                                 | \$                            | \$                    | \$  | \$           |
| Mr Greg English*                | 67,278                        | 6,055                 | -   | 73,333       |
| Mr Tom Phillips AM              | 44,343                        | 3,991                 | -   | 48,334       |
| Ms Alice McCleary               | 44,343                        | 3,991                 | -   | 48,334       |
| Mr Gerard Anderson              | 44,343                        | 3,991                 | -   | 48,334       |
| Mr John Dawkins AO              | 6,218                         | 1,837                 | -   | 8,055        |
| Subtotal                        | 206,525                       | 19,865                | -   | 226,390      |
| <i>Key Management Personnel</i> |                               |                       |   |              |
| Mr Craig Gooden                 | 55,722                        | -                     | -   | 55,722       |
| Mr Mike Hatcher                 | 109,177                       | 9,825                 | 68,900                                    | 187,902      |
| Mr Wade Bollenhagen             | 145,000                       | 13,050                | -   | 158,050      |
| Total                           | 516,424                       | 42,740                | 68,900                                    | 628,064      |

\* In addition, Norman Waterhouse Lawyers were paid \$24,318 (2009: \$1,155) during the year for services rendered to the Company. Mr English was employed by Norman Waterhouse Lawyers during the year.

The fair value of the options issued to key management personnel has been determined using an approved valuation methodology. Refer Note 21.

The percentage of remuneration received as share based payments were:

• Mr Mike Hatcher 36.7%

## Details of Key Management Personnel Remuneration for year ended 30 June 2009

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

| <i>2009<br/>Directors</i>       | <i>Salary and commissions</i> | <i>Superannuation</i> | <i>Share based<br/>payments - Options</i> | <i>Total</i> |
|---------------------------------|-------------------------------|-----------------------|---|--------------|
|                                 | \$                            | \$                    | \$  | \$           |
| Mr Greg English*                | 125,000                       | 11,250                | -   | 136,250      |
| Mr Tom Phillips AM              | 47,783                        | 4,300                 | -   | 52,083       |
| Ms Alice McCleary               | 45,872                        | 4,128                 | -   | 50,000       |
| Mr Gerard Anderson              | 43,960                        | 3,957                 | 3,250                                     | 51,167       |
| Subtotal                        | 262,615                       | 23,635                | 3,250                                     | 289,500      |
| <i>Key Management Personnel</i> |                               |                       |   |              |
| Mr Craig Gooden                 | 44,379                        | -                     | -   | 44,379       |
| Mr Wade Bollenhagen             | 140,000                       | 12,600                | 7,560                                     | 160,160      |
| Total                           | 446,994                       | 36,235                | 10,810                                    | 494,039      |

\* In addition, Norman Waterhouse Lawyers were paid \$1,155 and Watsons Lawyers were paid \$966 during the year for services rendered to the Company. Mr. English was employed by both Watsons Lawyers and Norman Waterhouse Lawyers during the year.

The fair value of the options issued to key management personnel has been determined using an approved valuation methodology. Refer Note 21.

The percentage of remuneration received as share based payments were:

• Mr Gerard Anderson 6.37%  
• Mr Wade Bollenhagen 4.71%



## Key Management Personnel Compensation

### Options Granted as Compensation

Options were granted during the year as compensation; 1,000,000 (2009: 390,000) No options were exercised during the year which were granted as compensation in prior periods.

### Options issued as part of Remuneration for the year ended 30 June 2010

No options were issued to Directors during the year. (2009: 250,000 fair value \$3,250). The CEO was issued a total of 1,000,000 options on 4 September 2009 under the Company's Employee Share Option Plan (2009: 140,000). The options have an exercise price of 20 cents and expiry date of 31 December 2012. The fair value of these options was \$68,900. (2009: \$7,560)

The inputs utilised in determining the fair value of options is outlined in Note 21 to the Financial Statements.

At balance date, all the options issued to CEO Mike Hatcher have vested.

No options previously granted as compensation in prior periods have been exercised.

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

| Key Management Personnel | Balance 1/07/09 | Granted as Compensation | Options Exercised | Net other Changes | Balance 30/06/10 | Total vested | Total exercisable | Total unexercisable |
|--------------------------|-----------------|-------------------------|-------------------|-------------------|------------------|--------------|-------------------|---------------------|
| Mr Gerard Anderson       | 250,000         | -                       | -                 | -                 | 250,000          | 250,000      | 250,000           | -                   |
| Mr Wade Bollenhagen      | 140,000         | -                       | -                 | -                 | 140,000          | 94,000       | 94,000            | 46,000              |
| Mr Mike Hatcher          | -               | 1,000,000               | -                 | -                 | 1,000,000        | 1,000,000    | 1,000,000         | -                   |
| Total                    | 390,000         | 1,000,000               | -                 | -                 | 1,390,000        | 1,344,000    | 1,344,000         | 46,000              |

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

| Key Management Personnel | Balance 1/07/09 | Granted as Compensation | Options Lapsed* | Net other Changes | Balance 30/06/10 | Total vested | Total exercisable | Total unexercisable |
|--------------------------|-----------------|-------------------------|-----------------|-------------------|------------------|--------------|-------------------|---------------------|
| Mr Greg English          | 5,802,399       | -                       | (5,802,399)     | -                 | -                | -            | -                 | -                   |
| Mr Tom Phillips AM       | 537,500         | -                       | (537,500)       | -                 | -                | -            | -                 | -                   |
| Ms Alice McCleary        | 750,000         | -                       | (750,000)       | -                 | -                | -            | -                 | -                   |
| Mr Gerard Anderson       | 25,000          | -                       | (25,000)        | -                 | -                | -            | -                 | -                   |
| MR John Dawkins AO       | -               | -                       | -               | -                 | -                | -            | -                 | -                   |
| Mr Craig Gooden          | 425,000         | -                       | (425,000)       | -                 | -                | -            | -                 | -                   |
| Mr Wade Bollenhagen      | -               | -                       | -               | -                 | -                | -            | -                 | -                   |
| Mr Mike Hatcher          | -               | -                       | -               | -                 | -                | -            | -                 | -                   |
| Total                    | 7,539,899       | -                       | (7,539,899)     | -                 | -                | -            | -                 | -                   |

\* During the year the listed share options expired.

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

| <i>Key Management Person</i> | <i>Balance on 1/7/09</i> | <i>Received as Compensation</i> | <i>Options Exercised</i> | <i>Net Other Change</i> | <i>Balance 30/06/10</i> |
|------------------------------|--------------------------|---------------------------------|--------------------------|-------------------------|-------------------------|
| Mr Greg English              | 11,604,798               | -                               | -                        | -                       | 11,604,798              |
| Mr Tom Phillips AM           | 1,075,000                | -                               | -                        | -                       | 1,075,000               |
| Ms Alice McCleary            | 1,500,000                | -                               | -                        | 240,000                 | 1,740,000               |
| Mr Gerard Anderson           | 50,000                   | -                               | -                        | -                       | 50,000                  |
| Mr John Dawkins AO           | -                        | -                               | -                        | -                       | -                       |
| Mr Craig Gooden              | 850,000                  | -                               | -                        | -                       | 850,000                 |
| Mr Wade Bollenhagen          | 175,000                  | -                               | -                        | -                       | 175,000                 |
| Mr Mike Hatcher              | -                        | -                               | -                        | -                       | -                       |
| Total                        | 15,254,798               | -                               | -                        | 240,000                 | 15,494,798              |

## Employment contract of the CEO 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> |
|------------------|---------------------|-----------------------------|---|--|
| Michael Hatcher  | CEO                 | 24 Months (1)               | Immediate                               | 2 Months   |
| Wade Bollenhagen | Exploration Manager | 33 Months (2)               | Immediate                               | 4 weeks  |

- Note 1) Contract commenced 25 August 2009  
 2) Contract renewed until 31 March 2012.  
 3) For termination with good cause.

## Meetings of Directors

During the financial year, 12 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      | 12  | 12              |
| Mr Tom Phillips AM   | 11  | 12              |
| Ms Alice McCleary    | 11  | 12              |
| Mr Gerard Anderson   | 11  | 12              |
| Mr John Dawkins AO * | 2   | 2               |

\* 2 meetings were held after Mr. Dawkins AO was appointed and he attended both meetings.

Since balance date the Company has formed a separate Audit and Risk Committee. The Company has not formed a Remuneration Committee, or a Corporate Governance Committee. The Board as a whole considers these matters. The Board considers this appropriate given the size and nature of the Company at this time.

## Indemnifying Officers or Auditor

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

The Company has paid premiums to insure each of the directors, officers and consultants against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or executive of the company, other than conduct involving wilful breach of duty or a lack of good faith in relation to the company. The policy does not specify the individual premium for each officer covered. Since the end of the year the Company has paid, or agreed to pay, premiums in respect of such contracts for the year ending 30 June 2011.

## Options

The following options are unexercised at the date of this Annual 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> |
|-------------------|--------------------|--|-----------------------|--------------------|
| 21 November 2008  | Unlisted           | 250,000  | \$0.25                | 14 July 2011       |
| 29 June 2009      | Unlisted           | 270,000  | \$0.09                | 29 June 2012       |
| 4 September 2009  | Unlisted           | 1,000,000                                      | \$0.20                | 31 December 2012   |

During the year ended 30 June 2010 10,000 Listed Bonus Options were exercised prior to expiring in February 2010.

No options issued to employees were exercised.

No person entitled to exercise employee 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

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

## Non-Audit Services

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

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

The following fees for non-audit services were paid to the external auditors during the year ended 30 June 2010:

|                          |                |
|--------------------------|----------------|
| <i>Taxation services</i> | <i>\$5,175</i> |
|                          | <i>\$5,175</i> |

## Auditor's Independence Declaration

The lead auditor's independence for the year ended 30 June 2010 has been received and can be found on page 22 of the Financial Report.

Signed in accordance with a resolution of the Board of Directors



*Greg English*  
Chairman

*Adelaide*

*Dated this 23<sup>rd</sup> day of September 2010*



## Auditor's Independence Declaration



Grant Thornton

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67 Greenhill Rd  
Wayville SA 5034  
GPO Box 1270  
Adelaide SA 5001  
  
T 61 8 8372 6666  
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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 2010, 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

Adelaide, 23 September 2010

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## Corporate Governance Statement

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

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

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

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

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

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

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

### **Principle 2: Structuring the board to add value**

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

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

*Tom Phillips AM*  
*Alice McCleary*  
*Gerard Anderson*  
*John Dawkins AO*

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

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

and considers that it does not presently require a Nomination Committee given the present size of both the Company and the Board.

The Corporate Governance Manual sets out the process for evaluating the effectiveness of the Board. The Board has followed this process in the 2010 year.

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

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

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

The Corporate Governance Manual outlines a clear policy applicable to all staff and directors in relation to trading in the Company's shares. 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.

### **Principle 4: Safeguarding integrity in financial reporting**

During the financial year, the Company did not have a separate audit committee due to the current size of the Company and its operations. The Board as a whole had responsibility for the functions of an audit committee and carries out these functions in its monthly board meetings. Since balance date, the decision not to have a separate audit committee was reviewed and an Audit and Risk Committee has been established. The Chair of the committee is director Alice McCleary with directors Tom Phillips AM and Gerard Anderson as members. All directors are given notice of meetings and are free to attend.

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

## Corporate Governance Statement

### **Principle 5: Making timely and balanced disclosure**

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

### **Principle 6: Respecting the rights of shareholders**

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

### **Principle 7: Recognising and managing risk**

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

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

### **Principle 8: Remunerate fairly and responsibly**

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

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.

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





**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2010**

|  |              | <i>Consolidated Group</i> |                    |
|--|--------------|---------------------------|--------------------|
|  | <i>Notes</i> | <i>2010</i>               | <i>2009</i>        |
|  |              | <i>\$</i>                 | <i>\$</i>          |
| Revenues from ordinary activities  | 2            | 252,150                   | 374,191            |
| Depreciation and amortisation expenses   |              | (17,922)                  | (24,527)           |
| Impairment - exploration assets  |              | -                         | (865,203)          |
| Employee benefits expense  |              | (454,200)                 | (379,661)          |
| Finance costs  |              | (3,187)                   | (4,459)            |
| Occupancy expense  |              | (39,656)                  | (37,696)           |
| Consultants expense  |              | (62,362)                  | (56,610)           |
| ASX listing and registry expense   |              | (51,502)                  | (45,874)           |
| Other corporate expenses from ordinary activities                                    |              | (193,933)                 | (250,119)          |
| <b>Loss before income tax</b>  |              | <b>(570,612)</b>          | <b>(1,289,958)</b> |
| Income tax benefit   | 3            | 95,149                    | 178,855            |
| <b>Loss for year</b>   |              | <b>(475,463)</b>          | <b>(1,111,103)</b> |
| <b>Loss attributable to members of the parent entity</b>                             |              | <b>(475,463)</b>          | <b>(1,111,103)</b> |
| Other comprehensive income   |              | -                         | -                  |
| <b>Total comprehensive income for the year</b>                                       |              | <b>(475,463)</b>          | <b>(1,111,103)</b> |
| Total comprehensive income for the year attributable to members of the parent entity |              | (475,463)                 | (1,111,103)        |
|  |              | <i>Cents</i>              | <i>Cents</i>       |
| <b>Earnings per Share</b>  |              |                           |                    |
| Basic loss per share   | 6            | (0.7)                     | (1.8)              |

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

**STATEMENT of FINANCIAL POSITION**  
**AS AT 30 JUNE 2010**

|  |              | <i>Consolidated Group</i> |                  |
|--|--------------|---------------------------|------------------|
|  | <i>Notes</i> | <i>2010</i>               | <i>2009</i>      |
|  |              | <i>\$</i>                 | <i>\$</i>        |
| <b>ASSETS</b>                          |              |                           |                  |
| <b>CURRENT ASSETS</b>                  |              |                           |                  |
| Cash and cash equivalents              | 7            | 3,929,824                 | 4,973,186        |
| Trade and other receivables            | 8            | 118,689                   | 206,862          |
| <b>Total Current Assets</b>            |              | <b>4,048,513</b>          | <b>5,180,048</b> |
| <b>NON-CURRENT ASSETS</b>              |              |                           |                  |
| Plant and equipment                    | 10           | 97,884                    | 92,730           |
| Exploration and evaluation expenditure | 11           | 4,833,783                 | 4,162,123        |
| <b>Total Non-current Assets</b>        |              | <b>4,931,667</b>          | <b>4,254,853</b> |
| <b>TOTAL ASSETS</b>                    |              | <b>8,980,180</b>          | <b>9,434,901</b> |
| <b>CURRENT LIABILITIES</b>             |              |                           |                  |
| Trade and other payables               | 12           | 102,185                   | 144,185          |
| Financial liabilities                  | 13           | 21,016                    | 17,453           |
| Short-term provisions                  | 14           | 19,736                    | 19,070           |
| <b>TOTAL CURRENT LIABILITIES</b>       |              | <b>142,937</b>            | <b>180,708</b>   |
| <b>NON CURRENT LIABILITIES</b>         |              |                           |                  |
| Financial liabilities                  | 14           | -                         | 21,030           |
| Long-term provisions                   |              | 4,816                     | 1,587            |
| <b>TOTAL NON CURRENT LIABILITIES</b>   |              | <b>4,816</b>              | <b>22,617</b>    |
| <b>TOTAL LIABILITIES</b>               |              | <b>147,753</b>            | <b>203,325</b>   |
| <b>NET ASSETS</b>                      |              | <b>8,832,427</b>          | <b>9,231,576</b> |
| <b>EQUITY</b>                          |              |                           |                  |
| Issued capital                         | 15           | 10,699,698                | 10,697,198       |
| Reserves                               |              | 81,978                    | 8,164            |
| Retained earnings                      |              | (1,949,249)               | (1,473,786)      |
| <b>TOTAL EQUITY</b>                    |              | <b>8,832,427</b>          | <b>9,231,576</b> |

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



**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2010**

|                                     | <i>Issued<br/>Capital</i> | <i>Retained<br/>Earnings</i> | <i>Share Option<br/>Reserve</i> | <i>Total</i>      |
|-------------------------------------|---------------------------|------------------------------|---------------------------------|-------------------|
|                                     | \$                        | \$                           | \$                              | \$                |
| <b>Consolidated Group</b>           |                           |                              |                                 |                   |
| <b>Balance at 1 July 2008</b>       | <b>10,697,198</b>         | <b>(362,683)</b>             | <b>-</b>                        | <b>10,334,515</b> |
| Fair value of options issued        | -                         | -                            | 8,164                           | 8,164             |
| Total comprehensive income for year | -                         | (1,111,103)                  | -                               | (1,111,103)       |
| <b>Balance at 30 June 2009</b>      | <b>10,697,198</b>         | <b>(1,473,786)</b>           | <b>8,164</b>                    | <b>9,231,576</b>  |
| Fair value of options issued        | -                         | -                            | 73,814                          | 73,814            |
| Listed share options exercised      | 2,500                     | -                            | -                               | 2,500             |
| Total comprehensive income for year | -                         | (475,463)                    | -                               | (475,463)         |
| <b>Balance at 30 June 2010</b>      | <b>10,699,698</b>         | <b>(1,949,249)</b>           | <b>81,978</b>                   | <b>8,832,427</b>  |

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

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

|  | <i>Notes</i> | <i>Consolidated Group</i> |                    |
|--|--------------|---------------------------|--------------------|
|  |              | <i>2010</i>               | <i>2009</i>        |
|  |              | <i>\$</i>                 | <i>\$</i>          |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                |              |                           |                    |
| Receipts from consulting services                          |              | 22,223                    | 13,781             |
| Payments to suppliers and employees                        |              | (769,026)                 | (700,249)          |
| Interest received  |              | 227,842                   | 360,410            |
| Research & Development concessional tax refund             |              | 178,855                   | -                  |
| Finance costs  |              | (3,187)                   | (4,459)            |
| <b>NET CASH (USED IN) OPERATING ACTIVITIES</b>             | <i>20</i>    | <b>(343,293)</b>          | <b>(330,517)</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                |              |                           |                    |
| Payments for exploration expenditure                       |              | (654,381)                 | (1,069,607)        |
| Receipts from sale of plant & Equipment                    |              | 15,454                    | -                  |
| Payments for plant and equipment                           |              | (46,175)                  | (48,290)           |
| <b>NET CASH (USED IN) INVESTING ACTIVITIES</b>             |              | <b>(685,102)</b>          | <b>(1,117,897)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                |              |                           |                    |
| Proceeds from the issues of ordinary shares                |              | 2,500                     | -                  |
| Proceeds from borrowings                                   |              | -                         | 52,975             |
| Repayment of borrowings                                    |              | (17,467)                  | (14,492)           |
| <b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b> |              | <b>(14,967)</b>           | <b>38,483</b>      |
| Net (decrease) in cash held                                |              | (1,043,362)               | (1,409,931)        |
| Cash at the beginning of the financial year                |              | 4,973,186                 | 6,383,117          |
| Cash at the end of the financial year                      | <i>7</i>     | <b>3,929,824</b>          | <b>4,973,186</b>   |

*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').

### 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 9 to the financial statements.

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

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

### Business Combinations

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

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

### b) Income Tax

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

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

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

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



**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**

Plant and equipment is carried at cost 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 Statement of Comprehensive Income 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 Statement of Comprehensive Income.

**d) Exploration and Evaluation Expenditure**

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

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

**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 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 Statement of Comprehensive Income

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

**h) Interests in Joint Venture**

The Consolidated Group's share of assets, liabilities, revenue and expenses of the joint venture operations are included in the appropriate items of the Consolidated Financial Statements. Details of the Consolidated Group's interest is shown in Note 17.

**l) 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 Statement of Comprehensive Income. 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.

**j) Provisions**

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

**k) Cash and Cash 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 Statement of Financial Position.

**l) Revenue**

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

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



**NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES** *continued***m) Borrowing Costs**

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

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

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

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

**o) Comparative Figures**

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

**p) Critical Accounting Estimates and Judgments**

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

**Key estimates***Impairment*

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

No impairment has been recognised in respect of non current assets for the year ended 30 June 2010.

*Exploration and evaluation*

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

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

During the current year the Group adopted all of the new and revised Australia Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statement of Archer Exploration Limited.

**AASA 8: Operating Segments**

In February 2007 the Australian Standards Boards issued AASB 8 which replaced AASB 114: Segment Reporting. As a result, some of the required operating segment disclosure have changed with the addition of a possible impact of the impairment testing of goodwill allocated to the cash generating unit (CGUs) of the entity. Below is an overview of the key changes and the impact on the Group's financial statements.

*Measurement Impacted*

Identification and measurement of segments – AASB 8 requires the 'management approach' to the identification measurement and disclosure of operating segments. The 'management approach' requires that operating segments be identified on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker, for the purpose of allocating resources and assessing performance. This could also include the identification of operating segments which sell primarily or exclusively to other internal operating segments. Under the AASB 114, segments were identified by business and geographical area, and only segments deriving revenue from external sources were considered.

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

Under AASB 8, operating segments are determined based on management reports using the 'management approach', whereas under AASB 114 financial results of such segments were recognised and measured in accordance with Australian Accounting Standards. This has resulted in changes to the presentation of segment results, with inter-segment sales and expenses such as depreciation and impairment now being reported for each segment rather than in aggregate for total group operations, as this is how they are reviewed by the chief operating decision maker.

**AASB 101: Presentation of Financial Statements**

In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Group's financial statements.

*Disclosure Impact*

**Terminology changes** – The revised version of the AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

**Reporting changes in equity** – The revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

**Statement of comprehensive income** – The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of the comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The Group's financial statements now contain a statement of comprehensive income.

**Other comprehensive income** – The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expenses that are not recognised in profit or loss as required

by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose in income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

**New Accounting Standards for Application in Future Periods**

The AASB has issued new and amended accounting standards and interpretation that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

- **AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB9 [AASB 1,3,4,5,7,101,102,108,112,118,121,127,128,131,132,136,139,1023 & 1038 and Interpretations 10 & 12]** (applicable for annual reporting periods commencing on or after 1 January 2013).
  - These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Group has not yet determined the potential impact on the financial statements.
  - The changes made to accounting requirements include:
    - Simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
    - Simplifying the requirements of embedded derivatives;
    - Removing the tainting rules associated with held-to-maturity assets;
    - Removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
    - Allowing an irrevocable election on initial recognition to present gains and losses on investment in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and

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

- Reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:
  - a) the objective of the entity's business model for managing the financial assets; and
  - b) the characteristics of the contractual cash flows.
- AASB 2009-8: Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Group.

- AASB 2009-10: Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132] (applicable for annual reporting periods commencing on or after 1 February 2010).
- These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the Group.
- AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretation 2, 4, 16, 1039 & 1052] applicable for annual reporting periods commencing on or after 1 January 2001).

This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities know to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the Group.

AASB 2009-13: Amendments to Australia Accounting Standards arising from Interpretation 19 [AASB1] (applicable for annual reporting periods commencing on or after 1 July 2010).

This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provision in Interpretation 19. This standard is not expected to impact the Group.

AASB 2009-14: Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

The financial report was authorised for issue on 23<sup>rd</sup> September 2010 by the Board of Directors.

**NOTE 2 – REVENUE**

Operating activities

- Consulting fees
- Gain of sale of asset
- Interest received

Total Revenue

**NOTE 3 – INCOME TAX BENEFIT**

- a) The components of income tax benefit 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% (2009 : 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

Research and development tax concession

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>2010</i>               | <i>2009</i> |
| \$                        | \$          |
|                           |             |
| 18,858                    | 13,781      |
| 514                       | -           |
| 232,778                   | 360,410     |
| 252,150                   | 374,191     |
|                           |             |
| 95,149                    | 178,855     |
| -                         | -           |
| 95,149                    | 178,855     |
|                           |             |
| (570,612)                 | (1,289,958) |
|                           |             |
| (171,184)                 | (386,987)   |
|                           |             |
|                           |             |
| (59,185)                  | (59,185)    |
| (235,648)                 | 266,198     |
| (466,017)                 | (179,974)   |
|                           |             |
| 95,149                    | 178,855     |
|                           |             |
| 466,017                   | 179,974     |
| 95,149                    | 178,855     |
|                           |             |
| 1,757,261                 | 1,291,244   |



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

|                     |                                 |                                   |
|---------------------|---------------------------------|-----------------------------------|
| Mr Greg English     | <i>Chairman – Non-executive</i> | <i>appointed 9 May 2007</i>       |
| Mr Tom Phillips AM  | <i>Director – Non-executive</i> | <i>appointed 16 February 2007</i> |
| Ms Alice McCleary   | <i>Director – Non-executive</i> | <i>appointed 16 February 2007</i> |
| Mr Craig Gooden     | <i>Company Secretary</i>        | <i>appointed 16 February 2007</i> |
| Mr Gerard Anderson  | <i>Director – Non-executive</i> | <i>appointed 14 July 2008</i>     |
| Mr John Dawkins AO  | <i>Director – Non-executive</i> | <i>appointed 30 April 2010</i>    |
| Mr Wade Bollenhagen | <i>Exploration Manager</i>      | <i>appointed 26 March 2008</i>    |
| Mr Mike Hatcher     | <i>Chief Executive Officer</i>  | <i>appointed 12 August 2009</i>   |

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

**b) Key Management Personnel Compensation**

Refer to the Remuneration Report contained in the Report of Director's for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2010.

The total of remuneration paid to KMP of the Group during the year are as follows:

|                         | <i>2010</i>   | <i>2009</i>   |
|-------------------------|---------------|---------------|
| Short term benefits     | 516,424       | 446,994       |
| Post employment benefit | 42,740        | 36,235        |
| Share - based payments  | 68,900        | 10,810        |
|                         | <hr/> 628,064 | <hr/> 494,039 |

**c) Options Granted as Compensation**

1,000,000 (2009: 390,000) Options were granted during the year to key management as compensation with a fair value of \$68,900 (2009:\$10,810).

No options were exercised during the year which were granted as compensation in prior periods.

**NOTE 4 – KEY MANAGEMENT PERSONNEL COMPENSATION** *continued***d) Option Holdings****Number of options held by Key Management Personnel****2010**

| <i>Key Management Personnel</i> | <i>Balance<br/>1.07.09</i> | <i>Granted as<br/>compensation</i> | <i>Options<br/>exercised</i> | <i>Options<br/>expired</i> | <i>Balance<br/>30.06.10</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)                | -                           | -                       | -                            | -                              |
| Mr Tom Phillips AM              | 537,500                    | -                                  | -                            | (537,500)                  | -                           | -                       | -                            | -                              |
| Ms Alice McCleary               | 750,000                    | -                                  | -                            | (750,000)                  | -                           | -                       | -                            | -                              |
| Mr Gerard Anderson              | 275,000                    | -                                  | -                            | (25,000)                   | 250,000                     | 250,000                 | 250,000                      | -                              |
| Mr John Dawkins AO              | -                          | -                                  | -                            | -                          | -                           | -                       | -                            | -                              |
| Mr Craig Gooden                 | 425,000                    | -                                  | -                            | (425,000)                  | -                           | -                       | -                            | -                              |
| Mr W Bollenhagen                | 140,000                    | -                                  | -                            | -                          | 140,000                     | 94,000                  | 94,000                       | 46,000                         |
| Mr Mike Hatcher*                | -                          | 1,000,000                          | -                            | -                          | 1,000,000                   | 1,000,000               | 1,000,000                    | -                              |
| <b>Total</b>                    | <b>7,929,899</b>           | <b>1,000,000</b>                   | <b>-</b>                     | <b>(7,539,899)</b>         | <b>1,390,000</b>            | <b>1,344,000</b>        | <b>1,344,000</b>             | <b>46,000</b>                  |

\* Unlisted options issued to an employee.

**2009**

| <i>Key Management Personnel</i> | <i>Balance<br/>1.07.08</i> | <i>Granted as<br/>compensation</i> | <i>Options<br/>exercised</i> | <i>Net other<br/>Changes</i> | <i>Balance<br/>30.06.09</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              | -                          | 250,000**                          | -                            | 25,000                       | 275,000                     | 275,000                 | 275,000                      | -                              |
| Mr Craig Gooden*                | 425,000                    | -                                  | -                            | -                            | 425,000                     | 425,000                 | 425,000                      | -                              |
| Mr W Bollenhagen                | -                          | 140,000**                          | -                            | -                            | 140,000                     | 47,000                  | 47,000                       | 93,000                         |
| <b>Total</b>                    | <b>7,514,899</b>           | <b>390,000</b>                     | <b>-</b>                     | <b>25,000</b>                | <b>7,929,899</b>            | <b>7,836,899</b>        | <b>7,836,899</b>             | <b>93,000</b>                  |

\* All of the listed options were escrowed until 14 August 2009.

\*\* Unlisted options issued to a Director and employee.

**e) Shareholdings****Number of shares held by Key Management Personnel****2010**

| <i>Key Management Personnel</i> | <i>Balance<br/>1.7.09</i> | <i>Received as<br/>Compensation</i> | <i>Options<br/>Exercised</i> | <i>Net Other<br/>Change</i> | <i>Balance<br/>30.6.2010</i> |
|---------------------------------|---------------------------|-------------------------------------|------------------------------|-----------------------------|------------------------------|
| Mr Greg English                 | 11,604,798*               | -                                   | -                            | -                           | 11,604,798                   |
| Mr Tom Phillips AM              | 1,075,000**               | -                                   | -                            | -                           | 1,075,000                    |
| Ms Alice McCleary               | 1,500,000*                | -                                   | -                            | 240,000                     | 1,740,000                    |
| Mr John Dawkins AO              | -                         | -                                   | -                            | -                           | -                            |
| Mr Craig Gooden                 | 850,000**                 | -                                   | -                            | -                           | 850,000                      |
| Mr Gerard Anderson              | 50,000                    | -                                   | -                            | -                           | 50,000                       |
| Mr W Bollenhagen                | 175,000                   | -                                   | -                            | -                           | 175,000                      |
| Mr M Hatcher                    | -                         | -                                   | -                            | -                           | -                            |
| <b>Total</b>                    | <b>15,254,798</b>         | <b>-</b>                            | <b>-</b>                     | <b>240,000</b>              | <b>15,494,798</b>            |

\* Greg English's and Alice McCleary's shares were escrowed and could not be sold before 14 August 2009.

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

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

**e) Shareholdings** *continued*

**Number of shares held by Key Management Personnel**

**2009**

| <i>Key Management Personnel</i> | <i>Balance on 1.7.2008</i> | <i>Received as Compensation</i> | <i>Options Exercised</i> | <i>Net Other Change</i> | <i>Balance 30.6.2009</i> |
|---------------------------------|----------------------------|---------------------------------|--------------------------|-------------------------|--------------------------|
| Mr Greg English                 | 11,604,798*                | -                               | -                        | -                       | 11,604,798*              |
| Mr Tom Phillips AM              | 1,075,000**                | -                               | -                        | -                       | 1,075,000**              |
| Ms Alice McCleary               | 1,500,000*                 | -                               | -                        | -                       | 1,500,000                |
| Mr Gerard Anderson              | -                          | -                               | -                        | 50,000                  | 50,000                   |
| Mr Craig Gooden                 | 850,000**                  | -                               | -                        | -                       | 850,000                  |
| Mr W Bollenhagen                | 80,000                     | -                               | -                        | 95,000                  | 175,000                  |
| <b>Total</b>                    | <b>15,109,798</b>          | <b>-</b>                        | <b>-</b>                 | <b>145,000</b>          | <b>15,254,798</b>        |

\* Greg English's and Alice McCleary's shares were escrowed and could not be sold before 14 August 2009.

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

**NOTE 5 – AUDITORS' REMUNERATION**

Remuneration of the auditor for:

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

*Consolidated Group*

| <i>2010</i>   | <i>2009</i>   |
|---------------|---------------|
| <i>\$</i>     | <i>\$</i>     |
| 24,000        | 20,000        |
| 5,175         | 15,415        |
| <b>29,175</b> | <b>35,415</b> |
| (475,463)     | (1,111,103)   |

**NOTE 6 – EARNINGS PER SHARE**

Reconciliation of earnings to Profit or Loss

Loss for year used to calculate basic EPS

*Number* *Number*

- |   |            |            |
|---|------------|------------|
| a) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS.   | 64,422,847 | 64,418,477 |
| 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. |            |            |

#### NOTE 7 – CASH AND CASH EQUIVALENTS

|                                | <i>Consolidated Group</i> |             |
|--------------------------------|---------------------------|-------------|
|                                | <i>2010</i>               | <i>2009</i> |
|                                | <i>\$</i>                 | <i>\$</i>   |
| Short term deposits            | 3,831,191                 | 4,757,558   |
| Cash at bank and on hand       | 98,633                    | 215,628     |
| Total Cash at bank and on hand | 3,929,824                 | 4,973,186   |

The effective interest rate on short term bank deposits was 6.2%. These deposits have an average maturity of 247 days. The Group's exposure to interest rate risk is summarised at Note 24.

#### NOTE 8 – TRADE AND OTHER RECEIVABLES

##### CURRENT

|                   |         |         |
|-------------------|---------|---------|
| Other receivables | 118,689 | 206,862 |
|                   | 118,689 | 206,862 |

At 30 June 2010 the consolidated entity did not have any receivables which were outside normal trading terms (past due but not impaired).

#### NOTE 9 – INVESTMENTS IN CONTROLLED ENTITIES

|   |                                 | <i>Percentage Owned</i> |                         |
|---|---------------------------------|-------------------------|-------------------------|
|   | <i>Country of Incorporation</i> | <i>2010</i><br><i>%</i> | <i>2009</i><br><i>%</i> |
| Parent Entity                               |                                 |                         |                         |
| - Archer Exploration Limited                | Australia                       | -                       | -                       |
| Subsidiaries of Archer Exploration Limited: |                                 |                         |                         |
| - Pirie Resources Pty Ltd                   | Australia                       | 100                     | 100                     |
| - Kensington Exploration Pty Ltd            | Australia                       | 100                     | 100                     |
| - Leigh Creek Magnesite Pty Ltd (a)         | Australia                       | 100                     | -                       |

- a) Leigh Creek Magnesite Pty Ltd was incorporated on 17 May 2010



|  | <i>Consolidated Group</i> |             |
|--|---------------------------|-------------|
|  | <i>2010</i>               | <i>2009</i> |
|  | <i>\$</i>                 | <i>\$</i>   |
| <b>NOTE 10 – PLANT AND EQUIPMENT</b>   |                           |             |
| Plant and Equipment at cost  | 139,070                   | 119,259     |
| Accumulated depreciation   | (41,186)                  | (26,529)    |
|  | 97,884                    | 92,730      |
| <b>a) Movements in carrying amounts:</b>   |                           |             |
| Balance at the beginning of the year   | 92,730                    | 98,474      |
| Additions  | 46,690                    | 18,783      |
| Depreciation   | (26,081)                  | (24,527)    |
| Disposals  | (15,455)                  | -           |
| Balance at 30 June   | 97,884                    | 92,730      |
| <b>NOTE 11 – EXPLORATION AND EVALUATION EXPENDITURE</b>  |                           |             |
| Costs carried forward in respect of areas of interest in:  |                           |             |
| Exploration and evaluation phase at cost   | 4,833,783                 | 4,162,123   |
|  | 4,833,783                 | 4,162,123   |
| <b>a) Movements in carrying amounts:</b>   |                           |             |
| <b>Exploration and evaluation</b>  |                           |             |
| Balance at the beginning of the year   | 4,162,123                 | 4,198,503   |
| Amounts capitalised during the year  | 671,660                   | 828,823     |
| Impairment expense during the year   | -                         | (865,203)   |
| Balance at 30 June   | 4,833,783                 | 4,162,123   |
| During the year \$8,159 (2009: Nil) of equipment depreciation was included in the amount capitalised as exploration and evaluation.  |                           |             |
| A summary by tenement is included at <i>Note 17</i>  |                           |             |
| <b>NOTE 12 – TRADE AND OTHER PAYABLES</b>  |                           |             |
| <b>CURRENT</b>   |                           |             |
| Unsecured liabilities:   |                           |             |
| Trade payables   | 55,657                    | 86,169      |
| Other creditors and accruals   | 46,528                    | 58,016      |
|  | 102,185                   | 144,185     |
| Nil (2009: \$1,155) is owed to Norman Waterhouse Lawyers for legal services. Mr G English is a partner of Norman Waterhouse Lawyers. |                           |             |

|  | <i>Consolidated Group</i> |             |
|--|---------------------------|-------------|
|  | <i>2010</i>               | <i>2009</i> |
|  | <i>\$</i>                 | <i>\$</i>   |
| <b>NOTE 13 – FINANCIAL LIABILITIES</b>                                     |                           |             |
| CURRENT  |                           |             |
| Hire purchase liabilities  | 21,016                    | 17,453      |
| NON-CURRENT  |                           |             |
| Hire purchase liabilities  | -                         | 21,030      |
| The hire purchase liabilities are secured by a charge over a term deposit. |                           |             |
| <b>NOTE 14 – SHORT-TERM PROVISIONS</b>                                     |                           |             |
| CURRENT  |                           |             |
| Employee entitlements  | 19,736                    | 19,070      |
| NON-CURRENT  |                           |             |
| Employee entitlements  | 4,816                     | 1,587       |
| <b>NOTE 15 - ISSUED CAPITAL</b>  | <i>\$</i>                 | <i>\$</i>   |
| 64,428,477 (2009: 64,418,477) fully paid ordinary shares                   | 10,699,698                | 10,697,198  |

**a) Ordinary Shares**

|                                     | <i>Number</i> |
|-------------------------------------|---------------|
| At 1 July 200                       | 64,418,477    |
| Shares issued during the year       | -             |
| Total shares issued at 30 June 2009 | 64,418,477    |
| Shares issued during the year       | 10,000        |
| Total shares issued at 30 June 2010 | 64,428,477    |

18,604,798 ordinary shares were held by vendor shareholders, directors or director related entities and were unlisted until 14 August 2009 as a result of being escrowed.

**NOTE 15 - ISSUED CAPITAL** *continued*

**b) Issued Capital**

|                                     | <i>Consolidated Group</i> |             |
|-------------------------------------|---------------------------|-------------|
|                                     | <i>2010</i>               | <i>2009</i> |
|                                     | \$                        | \$          |
| At 1 July 2008                      | 10,697,198                | 10,697,198  |
| Shares issued                       | -                         | -           |
| Total shares issued at 30 June 2009 | 10,697,198                | 10,697,198  |
| Shares issued during the year       | 2,500                     | -           |
| Total shares issued at 30 June 2010 | 10,699,698                | 10,697,198  |

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.

**c) Options on issue**

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> | <i>2010<br/>Number</i> | <i>2009<br/>Number</i> |
|----------------------------------|--------------------|-----------------------|------------------------|------------------------|
| 13 February 2008                 |                    |                       |                        |                        |
| <i>Bonus options</i>             | <i>13 Feb 2010</i> | <i>0.25</i>           | -                      | 32,195,201             |
| 14 July 2008                     |                    |                       |                        |                        |
| <i>Unlisted employee options</i> | <i>14 Jul 2011</i> | <i>0.25</i>           | 250,000                | 250,000                |
| 29 June 2009                     |                    |                       |                        |                        |
| <i>Unlisted employee options</i> | <i>29 Jun 2012</i> | <i>0.09</i>           | 270,000                | 270,000                |
| 3 September 2009                 |                    |                       |                        |                        |
| <i>Unlisted employee options</i> | <i>31 Dec 2012</i> | <i>0.20</i>           | 1,000,000              | -                      |
|                                  |                    |                       | 1,520,000              | 32,715,201             |

**d) Capital management**

Management controls the capital of the Group in order to maintain a good debt equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year. The strategy is to ensure that the Group's gearing ratio remains minimal. At 30 June 2010 the Company had debt of \$21,016 (2009: \$38,483) resulting from a hire purchase liability. See *Note 13*.

**NOTE 16 - RESERVES**

**a) Share option reserve**

The share option reserve records items recognised as an expense on valuation of employee share options.

## NOTE 17 – TENEMENTS

The Company's interest in tenements are as follows:

*All tenements are within South Australia*

| Project             | Tenement | Commodity   | Consolidated Group   |                      |
|---------------------|----------|-------------|----------------------|----------------------|
|                     |          |             | 2010<br>\$           | 2009<br>\$           |
|                     |          |             | Carrying value<br>\$ | Carrying value<br>\$ |
| Yalamboo            | EL3721   | Base Metals | 780,052              | 760,385              |
| Andamooka           | EL 3722  | Base Metals | 765,975              | 748,781              |
| Woomera             | EL 3724  | Base Metals | 519,097              | 503,591              |
| Baroota             | EL 4202  | Base Metals | 81,215               | 63,096               |
| Wilmington          | EL 4249  | Base Metals | 26,370               | 12,185               |
| Pinda               | EL 4202  | Base Metals | 46,776               | 29,144               |
| Worlds End          | EL 4230  | Base Metals | 214,195              | 179,216              |
| Carapsee Hill       | EL 3711  | Base Metals | 581,773              | 492,958              |
| Lake Gairdner North | EL 3851  | Base Metals | 897,401              | 871,836              |
| Lake Gairdner South | EL 3869  | Base Metals | 510,595              | 491,960              |
| North Burra         | EL 4266  | Base Metals | 290,050              | 7,726                |
| North Cowell        | EL 4277  | Base Metals | 53,455               | 1,245                |
| Australia Plains    | EL 4482  | Base Metals | 11,882               | -                    |
| Elbow Hill          | EL 3653* | Base Metals | 17,987               | -                    |
| Wildhorse Plains    | EL 3377* | Base Metals | 36,960               | -                    |

Carrying value of exploration costs

4,833,783 4,162,123

All tenements are owned 100% other than those marked \* which are joint ventures to earn 100% of any minerals excluding Uranium.

## NOTE 18 - CAPITAL AND OTHER EXPENDITURE COMMITMENTS

### Capital commitments relating to tenements

The Consolidated Group is required to meet minimum expenditure requirements of various Australian Government bodies. These obligations are subject to re-negotiation, may be farmed out or may be relinquished and have not been provided for in the financial statements.

### Exploration expenditure commitments

|                        |           |           |
|------------------------|-----------|-----------|
| - due within one year  | 1,270,000 | 1,075,000 |
| - due within 1-5 years | -         | -         |
| - due over 5 years     | -         | -         |

1,270,000 1,075,000

### Operating Lease commitments

Commitments for minimum lease payments in relation to non-cancellable operating leases not provided for in the financial statements.

### Lease expenditure commitments

|                        |        |        |
|------------------------|--------|--------|
| - due within one year  | 26,400 | 14,088 |
| - due within 1-5 years | -      | -      |
| - due over 5 years     | -      | -      |

26,400 14,088



## Consolidated Group

|  | 2010      | 2009        |
|--|-----------|-------------|
|  | \$        | \$          |
| <b>NOTE 18 - 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  | 293,000   | 293,914     |
| - due within 1-5 years   | 255,500   | -           |
| - due within 6-10 years  | -         | -           |
|  | 548,500   | 293,914     |
| Details relating to the employment contracts are set out in the Remuneration Report.   |           |             |
| <b>NOTE 19 - SEGMENT REPORTING</b>   |           |             |
| The directors have considered the requirements of AASB 8 – Operating Segments and the internal reports that are reviewed by the chief operating decision maker (the Board) in allocating resources and have concluded that at this time there are no separately identifiable segments. |           |             |
| The Group remains focused on mineral exploration over areas of interest solely in South Australia.   |           |             |
| <b>NOTE 20 - CASH FLOW INFORMATION</b>   |           |             |
| <b>a) Reconciliation of cash flows from operations with (Loss) from ordinary activities after income tax</b>   |           |             |
| (Loss) from ordinary activities after income tax   | (475,463) | (1,111,103) |
| Non cash flows in operating (loss)   |           |             |
| - Depreciation (net of capitalisation)   | 17,408    | 24,527      |
| - Share-based payments   | 73,814    | 8,164       |
| - Exploration impairment   | -         | 865,203     |
| Changes in assets and liabilities, net of the effects of purchase of subsidiaries  |           |             |
| - (Increase)/Decrease in trade and other receivables   | 88,174    | (170,776)   |
| - Increase/(Decrease) in trade and other payables  | (51,121)  | 41,710      |
| - Increase in provisions   | 3,895     | 11,758      |
| Net cash provided by operating activities  | (343,293) | (330,517)   |

**NOTE 20 - CASH FLOW INFORMATION** *continued***b) Non Cash Financing and Investing Activities**

There were no non cash financing and investing activities in 2010 or 2009.

**c) Business Combinations**

There were no non cash business combinations in 2010 or 2009

**NOTE 21 - SHARE BASED PAYMENTS**

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

The following share-based payment arrangements existed at 30 June 2010.

1,000,000 options were issued on 4 September 2009 at a 20 cent exercise price expiring on 31 December 2012. These options were issued from the Archer Exploration Share Option Plan. The options have no voting rights and are not transferable. At balance date, 30 June 2010, none of the options have been exercised. The fair value of the options issued during the year was \$68,900.

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

The following share-based payment arrangements existed at 30 June 2009.

250,000 options were issued on 14 July 2008 at a 25 cent exercise price expiring in 3 years. These options were not issued from the Archer Exploration Share Option Plan. 270,000 options were issued on 29 June 2009 with an exercise price of 9 cents expiring in 3 years from the Archer Exploration Limited Employee Share Option Plan. The options have no voting rights and are not transferable. At balance date, 30 June 2009, none of the options have been exercised. The fair value of the options issued during the year was \$17,830.

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

|  | <i>Consolidated Group</i> |   |                          |   |
|--|---------------------------|---|--------------------------|---|
|  | <i>2010</i>               |   | <i>2009</i>              |   |
|  | <i>Number of Options</i>  | <i>Weighted Average Exercise Price \$</i> | <i>Number of Options</i> | <i>Weighted Average Exercise Price \$</i> |
| Outstanding at the beginning of the year | 520,000                   | 0.17                                      | -                        | -   |
| Granted                                  | 1,000,000                 | 0.20                                      | 520,000                  | 0.17                                      |
| Forfeited                                | -                         | -   | -                        | -   |
| Exercised                                | -                         | -   | -                        | -   |
| Expired                                  | -                         | -   | -                        | -   |
| Outstanding at year-end                  | 1,520,000                 | 0.189                                     | 520,000                  | 0.17                                      |
| Unexercisable at year-end                | 87,000                    | 0.184                                     | 520,000                  | 0.17                                      |

The options outstanding at 30 June 2010 had a weighted average exercise price of \$0.19 and a weighted average remaining contractual life of 1.9 years.

The weighted average fair value of the options granted during the year was \$0.07.

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

**NOTE 21 - SHARE BASED PAYMENTS** *continued*

|                                     |                   | <i>Employees</i>    |                     |
|-------------------------------------|-------------------|---------------------|---------------------|
|                                     | <i>4 Sep 2009</i> | <i>14 July 2008</i> | <i>29 June 2009</i> |
| Weighted average exercise price     | \$0.20            | \$0.25              | \$0.09              |
| Weighted average life of the option | 3.3 years         | 3 years             | 3 years             |
| Underlying share price              | \$0.115           | \$0.05              | \$0.07              |
| Expected share price volatility     | 107%              | 96%                 | 142%                |
| Risk free interest rate             | 4.15%             | 6.00%               | 4.15%               |

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

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

Included under employee benefits expense in the income statement is \$68,900 (2009: \$8,164), which relates in full, to equity settled share-based payment transactions.

**NOTE 22 - EVENTS AFTER THE BALANCE SHEET DATE**

Other than as disclosed, there have been no material events after balance date.

**NOTE 23 - RELATED PARTY TRANSACTIONS****a) Subsidiaries**

Interests in subsidiaries are disclosed in *Note 9*.

**b) Key Management Personnel**

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

**c) Other transactions with related parties**

Norman Waterhouse Lawyers were paid a total of \$24,318 (2009: \$1,155) for legal services.

**NOTE 24 - FINANCIAL INSTRUMENTS****a) Financial Risk Management Policies**

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

**i) Treasury Risk Management**

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

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

**ii) Financial Risk Exposure and Management**

The main risk the Group is exposed to through its financial instruments is interest rate risk.

**Interest Rate Risk**

Interest rate risk is managed with a mixture of fixed and floating rate cash deposits. At 30 June 2010 approximately 97% of Group deposits are fixed. It is the policy of the Group to keep between 90% and 100% of surplus cash in high yielding deposits.

**NOTE 24 - FINANCIAL INSTRUMENTS** *continued*

|  | <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>     |                  |
|  | 2010<br>%                      | 2009<br>% | 2010<br>\$                     | 2009<br>\$       | 2010<br>\$                  | 2009<br>\$       | 2010<br>\$       | 2009<br>\$       |
| <b>Financial Assets</b>                              |                                |           |                                |                  |                             |                  |                  |                  |
| Cash at bank   | 0.30%                          | 0.30%     | 98,633                         | 215,628          | -                           | -                | 98,633           | 215,628          |
| Deposits   | 6.29%                          | 4.30%     | 3,831,191                      | 4,757,558        | -                           | -                | 3,831,191        | 4,757,558        |
| Receivables  | -                              | -         | -                              | -                | 118,689                     | 206,862          | 118,689          | 206,863          |
| <b>Total Financial Assets</b>                        | -                              | -         | <b>3,929,824</b>               | <b>4,973,186</b> | <b>118,689</b>              | <b>206,862</b>   | <b>4,048,513</b> | <b>5,180,049</b> |
| <b>Financial liabilities</b>                         |                                |           |                                |                  |                             |                  |                  |                  |
| Payables   | -                              | -         | -                              | -                | (102,185)                   | (144,185)        | (102,185)        | (144,185)        |
| Financial liabilities                                | 10.40%                         | 10.40%    | (21,016)                       | (38,483)         | -                           | -                | (21,016)         | (38,483)         |
| <b>Total Financial Liabilities</b>                   | -                              | -         | -                              | -                | <b>(102,185)</b>            | <b>(144,185)</b> | <b>(123,201)</b> | <b>(182,668)</b> |
| <b>Total Net Financial Assets/<br/>(Liabilities)</b> | -                              | -         | <b>3,908,808</b>               | <b>4,934,703</b> | <b>16,504</b>               | <b>(62,677)</b>  | <b>3,925,312</b> | <b>4,997,381</b> |

**NOTE 24 - FINANCIAL INSTRUMENTS** *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.

*Interest Rate Sensitivity Analysis*

At 30 June 2010, 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> |            |
|------------------------------------|---------------------------|------------|
|                                    | 2010<br>\$                | 2009<br>\$ |
| <b>Change in loss</b>              |                           |            |
| - Increase in interest rates by 2% | 72,000                    | 95,000     |
| - Decrease in interest rates by 2% | (72,000)                  | (95,000)   |
| <b>Change in equity</b>            |                           |            |
| - Increase in interest rates by 2% | 72,000                    | 95,000     |
| - Decrease in interest rates by 2% | (72,000)                  | (95,000)   |

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

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

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

**d) Credit Risk**

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

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



|  | Parent Entity |             |
|--|---------------|-------------|
|  | 2010          | 2009        |
|  | \$            | \$          |
| <b>NOTE 25 - ARCHER EXPLORATION LIMITED<br/>PARENT COMPANY INFORMATION</b>   |               |             |
| <b>Parent Entity</b>   |               |             |
| <b>Assets</b>  |               |             |
| Current Assets   | 2,039,512     | 3,163,148   |
| Non-current assets   |               |             |
| - Loans to subsidiaries  | 4,266,546     | 3,664,390   |
| - Investments in subsidiaries  | 2,479,738     | 2,471,255   |
| Other non-current assets   | 97,882        | 92,730      |
| Total assets   | 8,883,678     | 9,391,523   |
| <b>Liabilities</b>   |               |             |
| Current Liabilities  | 127,117       | 138,917     |
| Non current Liabilities  | -             | 21,030      |
| Total Liabilities  | 127,117       | 159,947     |
| <b>Equity</b>  |               |             |
| Issued Capital   | 10,699,698    | 10,697,198  |
| Retained earnings  | (2,025,115)   | (1,473,786) |
| <b>Reserves</b>  |               |             |
| Share options reserve  | 81,978        | 8,164       |
| Total reserves   | 81,978        | 8,164       |
| <b>Financial Performance</b>   |               |             |
| Loss for the year  | (551,328)     | (1,111,103) |
| Other comprehensive income   | -             | -           |
| Total comprehensive income   | (551,328)     | (1,111,103) |
| <b>Guarantees in relation to relation to the debts<br/>of subsidiaries</b>   |               |             |
| Archer Exploration Limited has not entered into a deed of cross guarantee with its wholly-owned subsidiaries Pirie Resources Pty Ltd, Kensington Exploration Pty Ltd and Leigh Creek Magnesite Pty Ltd |               |             |
| <b>Contingent Liabilities</b>  |               |             |
| Lease expenditure commitments  | 26,400        | 14,088      |
| Employment and consultant commitments  | 548,500       | 233,914     |
| <b>Contractual Commitments</b>   |               |             |
| There are no contractual capital commitments for the acquisition of property, plant or equipment   |               |             |



## *Directors' Declaration*

The Directors of the Company declare that:

- 1 the Financial Statements and Notes as set out on pages 26 to 50 are in accordance with the *Corporations Act 2001* and:
  - a) comply with Australian Accounting Standards and International Financial Reporting Standards as disclosed in Note 1; and
  - b) give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the Company and Consolidated Group;
- 2 the Chief Executive Officer and the Chief Financial officer have each declared that:
  - a) the financial records of the Company for the year ended have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
  - b) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - c) the financial statements and notes give a true and fair view;
- 3 in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

*Greg English*  
*Chairman*

*Adelaide*

*Dated this 23<sup>rd</sup> September 2010*

# *Independent Audit Report*



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W [www.grantthornton.com.au](http://www.grantthornton.com.au)

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

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

We have audited the accompanying financial report of Archer Exploration Limited (the "Company"), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes to the financial report 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.

### **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 are 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. The directors also state, in the notes to the financial report, 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.

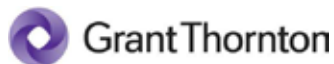
### **Auditor's responsibility**

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 whether the financial report is free from material misstatement.

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

### **Auditor's responsibility Cont**

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 circumstances, 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 have complied with the independence requirements of the Corporations Act 2001.

### **Auditor's opinion**

In our opinion,

- a the financial report of Archer Exploration Limited is in accordance with the Corporations Act 2001, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its 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 the notes to the financial statements.

### **Report on the remuneration report**

We have audited the Remuneration Report included in pages 17 to 20 of the directors' report for the year ended 30 June 2010. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.





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

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

In our opinion, the Remuneration Report of Archer Exploration Limited for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.

GRANT THORNTON  
South Australian Partnership  
Chartered Accountants

A handwritten signature in blue ink, appearing to read "J L Humphrey", written over a faint, illegible stamp.

J L Humphrey  
Partner

Adelaide, 23 September 2010



## Additional Information

*Compiled as at 17 September 2010*

### 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> |
|--|------------------------------|----------|
| Raffles Equities Limited                                     | 11,721,249                   | 18.19    |
| GDE Exploration (SA) Pty Ltd (Dragon Mining Investments A/C) | 7,534,798                    | 11.69    |
| GDE Exploration (SA) Pty Ltd (A1 English Family A/C)         | 3,570,000                    | 5.54     |

### Distribution of Ordinary Shares

Ordinary Shares

| <i>Range</i>            | <i>Total Holders</i> | <i>Units</i>      | <i>% Issued Capital</i> |
|-------------------------|----------------------|-------------------|-------------------------|
| 1 – 1,000               | 17                   | 2,101             | 0.00                    |
| 1,001 - 5,000           | 62                   | 235,764           | 0.37                    |
| 5,001 – 10,000          | 173                  | 1,656,910         | 2.57                    |
| 10,001 – 100,000        | 409                  | 15,078,165        | 23.66                   |
| 100,001 – 9,999,999,999 | 61                   | 47,455,537        | 73.66                   |
| <b>Total</b>            | <b>722</b>           | <b>64,428,477</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 \$0.105 per unit | 4,762                      | 60             | 142,965      |

**Distribution of 14 July 2011 Unlisted Options (Exercise price is 25 cents)**

| <i>Range</i>            | <i>Total Holders</i> | <i>Units</i>   | <i>% Issued Capital</i> |
|-------------------------|----------------------|----------------|-------------------------|
| 1 - 1,000               |                      |                |                         |
| 1,001 - 5,000           |                      |                |                         |
| 5,001 - 10,000          |                      |                |                         |
| 10,001 - 100,000        | 1                    | 250,000        | 100.00                  |
| 100,001 - 9,999,999,999 |                      |                |                         |
| <b>Total</b>            | <b>1</b>             | <b>250,000</b> | <b>100.00</b>           |

**Distribution of 29 June 2012 Unlisted Options (Exercise price is 9 cents)**

| <i>Range</i>            | <i>Total Holders</i> | <i>Units</i>   | <i>% Issued Capital</i> |
|-------------------------|----------------------|----------------|-------------------------|
| 1 - 1,000               | -                    | -              | -                       |
| 1,001 - 5,000           | -                    | -              | -                       |
| 5,001 - 10,000          | -                    | -              | -                       |
| 10,001 - 100,000        | 2                    | 130,000        | 48.15                   |
| 100,001 - 9,999,999,999 | 1                    | 140,000        | 51.85                   |
| <b>Total</b>            | <b>3</b>             | <b>270,000</b> | <b>100.00</b>           |

**Distribution of 31 December 2012 Unlisted Options (Exercise price is 20 cents)**

| <i>Range</i>            | <i>Total Holders</i> | <i>Units</i>     | <i>% Issued Capital</i> |
|-------------------------|----------------------|------------------|-------------------------|
| 1 - 1,000               | -                    | -                | -                       |
| 1,001 - 5,000           | -                    | -                | -                       |
| 5,001 - 10,000          | -                    | -                | -                       |
| 10,001 - 100,000        | -                    | -                | -                       |
| 100,001 - 9,999,999,999 | 1                    | 1,000,000        | 100.00                  |
| <b>Total</b>            | <b>1</b>             | <b>1,000,000</b> | <b>100.00</b>           |

**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.



## 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           | Raffles Equities Limited                   | 11,721,249   | 18.19                   |
| 2           | GDE Exploration (SA) Pty Ltd               | 7,534,798    | 11.69                   |
| 3           | GDE Exploration (SA) Pty Ltd               | 3,570,000    | 5.54                    |
| 4           | Valentina Nowak                            | 2,609,750    | 4.05                    |
| 5           | UraniumSA Limited                          | 2,000,000    | 3.10                    |
| 6           | Deborah Annette Rossiter                   | 1,883,679    | 2.92                    |
| 7           | Ms Alice McCleary & Mr Brian John McCleary | 1,720,000    | 2.67                    |
| 8           | EAP Nominees Pty Ltd                       | 1,075,000    | 1.67                    |
| 9           | Mr Heung Ming Lam                          | 1,050,000    | 1.63                    |
| 10          | Mr Craig Gooden & Mrs Virginia Gooden      | 850,000      | 1.32                    |
| 11          | Bluck Holdings Pty Ltd                     | 750,000      | 1.16                    |
| 12          | Mr Roger Edward Koch                       | 675,000      | 1.05                    |
| 13          | Mr Sivanandam Narayanasamy                 | 600,000      | 0.93                    |
| 14          | GDE Exploration (SA) Pty Ltd               | 500,000      | 0.78                    |
| 15          | Mr Jacob Mathew                            | 500,000      | 0.78                    |
| 16          | Mr Ganesan Sivanandam                      | 500,000      | 0.78                    |
| 17          | Mr Ming Teck Yau                           | 500,000      | 0.78                    |
| 18          | Pacway Investments Pty Ltd                 | 495,630      | 0.77                    |
| 19          | Wynnwood Pty Ltd                           | 473,204      | 0.73                    |
| 20          | Citicorp Nominees Pty Limited              | 417,193      | 0.65                    |
| Total       |  | 39,425,503   | 61.19                   |

### Holders of 14 July 2011 Unlisted Options (Exercise price 25 cents)

| <i>Rank</i> | <i>Name</i>     | <i>Units</i> | <i>% Issued capital</i> |
|-------------|-----------------|--------------|-------------------------|
| 1           | Gerard Anderson | 250,000      | 100.00                  |
| Total       |                 | 250,000      | 100.00                  |

### Holders of 29 June 2012 Unlisted Options (Exercise price 9 cents)

| <i>Rank</i> | <i>Name</i>     | <i>Units</i> | <i>% Issued capital</i> |
|-------------|-----------------|--------------|-------------------------|
| 1           | Wade Bolenhagen | 140,000      | 51.85                   |
| 2           | Claude Walter   | 80,000       | 29.63                   |
| 3           | Louise Howie    | 50,000       | 18.52                   |
| Total       |                 | 270,000      | 100.00                  |

### Holders of 31 December 2012 Unlisted Options (Exercise price 20 cents)

| <i>Rank</i> | <i>Name</i>  | <i>Units</i> | <i>% Issued capital</i> |
|-------------|--------------|--------------|-------------------------|
| 1           | Mike Hatcher | 1,000,000    | 100.00                  |
| Total       |              | 1,000,000    | 100.00                  |

### 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 and administrative office in Australia is:

Archer Exploration Limited  
Level 1, 28 Greenhill Road  
Wayville SA 5034  
Tel: +61 8 8272 3288  
Fax: +61 8 8272 3888

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>Tenement</i> | <i>Tenement Name</i> | <i>Commodity</i> | <i>Archer Interest</i> |
|-----------------|----------------------|------------------|------------------------|
| EL 3851         | Lake Gairdner North  | Base Metals      | 100%                   |
| EL 3869         | Lake Gairdner South  | Base Metals      | 100%                   |
| EL 3724         | Woomera              | Base Metals      | 100%                   |
| EL 3722         | Andamooka            | Base Metals      | 100%                   |
| EL 3721         | Yalymboo             | Base Metals      | 100%                   |
| EL 3711         | Carrappee Hill       | Base Metals      | 100%                   |
| EL 4201         | Baroota              | Base Metals      | 100%                   |
| EL 4202         | Pinda                | Base Metals      | 100%                   |
| EL 4249         | Spring Creek         | Base Metals      | 100%                   |
| EL 4230         | World's End          | Base Metals      | 100%                   |
| EL 4266         | Burra North          | Base Metals      | 100%                   |
| EL 4277         | North Cowell         | Base Metals      | 100%                   |
| EL 4482         | Australia Plains     | Base Metals      | 100%                   |
| EL 4563         | Riverton             | Base Metals      | 100%                   |
| ELA 31/10       | Termination Hill     | Magnesium        | 100%                   |
| ELA 173/10      | Witchelina           | Magnesium        | 100%                   |
| ELA 4564        | Kanayka              | Manganese        | 100%                   |
| ELA 113/10      | Napoleons Hat        | Gold             | 100%                   |
| EL 3377         | Wildhorse Plains     | Base Metals      | JV*                    |
| EL 3653         | Elbow Hill           | Base Metals      | JV*                    |

\* To earn 100% of base metals, excluding uranium, when expenditures in accordance with Joint Venture are met.

## On Market Buy-back

There is currently no on-market buy-back.





