



Corporate Directory

Archer Exploration Limited

ABN 64 123 993 233

Directors

Greg English
Chairman

Gerard Anderson
Managing Director

Tom Phillips AM
Director (Non-Executive)

Alice McCleary
Director (Non-Executive)

Peter Meers
Director (Non-Executive)

John Dawkins AO
Director (Non-Executive)

Company Secretary

Craig Gooden

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Bankers

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Contents

Highlights and Achievements	1
Letter from Chairman	4
Review of Operations	6
• Graphite	8
• Magnesite	21
• Manganese	27
• Copper	48
• Gold	62
• Uranium	64
• Nickel	66
• Coal	68
• Industrial minerals	69
Director's Report	72
Auditor's Independence Declaration	82
Corporate Governance Statement	83
Financial Information	86
Directors' Declaration	111
Independent Audit Report	112
Additional Information	116

*Graphene is a new
material, with
exceptional physical
and chemical properties,
made from graphite*

Competent persons statement

The exploration results reported herein, insofar as they relate to mineralisation, are based on information compiled by Mr Wade Bollenhagen, Exploration Manager of Archer Exploration Limited. Mr. Bollenhagen is a Member of the Australasian Institute of Mining and Metallurgy who has more than 17 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.

Forward looking statements

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



Highlights and Achievements

Archer's main focus in 2011 was to progress those projects from the Company's high quality, South Australian tenement portfolio that offered the best chance of hosting economic deposits. The three main projects were:

Graphite

Graphite presents a rapidly emerging opportunity for Archer and is the number one priority for the Company.

Significant advances were made on the Company's graphite project at Carappee Hill (Sugarloaf graphite deposit) with drilling demonstrating an Exploration Target* of 24-37Mt grading 10-12% C. The deposit which is open along strike and down-dip, averages 40m in thickness and shows no sign of thinning with depth.

During 2011, Archer met the expenditure conditions of a farm-in agreement with UraniumSA Limited and in doing so earned the right to 100% of minerals other than uranium on EL4693 Wildhorse Plain and EL 3653 Elbow Hill. Several new graphite bodies were identified on Wildhorse Plain and samples showed that much prized large flake graphite was present at Campoona, Campoona South and Council Pit. Several additional graphite occurrences on Wildhorse Plain are still being evaluated.

Archer increased its already large landholding in the highly prospective Cleve Uplands by applying for a further tenement west of Wildhorse Plain. ELA 148/11 called Cleve West, is expected to be granted during 2012.

The outlook for graphite in Archer's view is very strong. The Company is in a good position to accelerate exploration and capitalize on the burgeoning worldwide demand for graphite. Graphite will be the Company's main focus for 2012.

Magnesite

During 2011 Archer identified that ground formerly owned by Magnesium Developments Pty Ltd had become available for mining and immediately applied for two exploration licences over the Leigh Creek magnesite deposits using its wholly owned subsidiary, Leigh Creek Magnesite Pty Ltd.

Leigh Creek Magnesite Pty Ltd was granted Exploration Licence EL4567 on 20 September 2010 for an initial period of 2 years. EL4567 has a total area of 540 km² and covers the Mt Hutton, Mt Playfair, Termination Hill and Pug Hill magnesite resources. On the 2 June 2010 Leigh Creek Magnesite Pty Ltd made application for ELA 173/10 covering 452km² and the Witchelina magnesite resource. This ELA was approved by the Government of South Australia on 5 December 2010 and was granted to Archer as Exploration Licence EL4729 on 2 May 2011.

* The potential quantities and grades presented are conceptual in nature, there has been insufficient exploration to define an overall Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.



Magnesite *continued*

Archer applied for the tenements for three main reasons:

- The deposits were known to be World Class both in terms of tonnage and grade.
- The belief that a project based on the production of Caustic Calcined Magnesia ('CCM') which would negate the high capital costs commanded by a magnesium metal plant, might present a very long-term profitable business case.
- Previous exploration was sufficient to support the estimation of JORC Measured, Indicated and Inferred Resources of 413Mt grading 41.3% MgO. At Mt Hutton, JORC Reserves as well as other attendant studies needed to support a Mining Lease Application had been completed.

It is rare that a Company is able to acquire such potentially significant resources for the price equivalent to the application costs for two Exploration Licences.

Archer does not underestimate the barriers to entry that exist for new entrants into the competitive magnesia 'industrial minerals' market. However, the Company believes that the comparatively modest expenditure needed to attempt to identify the optimum process flow sheet is well worth the risk. Archer is confident that, should this be achievable, considerable value would be unlocked through the ownership of such resources. The Company acknowledges that having 100% ownership broadens the opportunity to consider partnerships to co-develop the project.

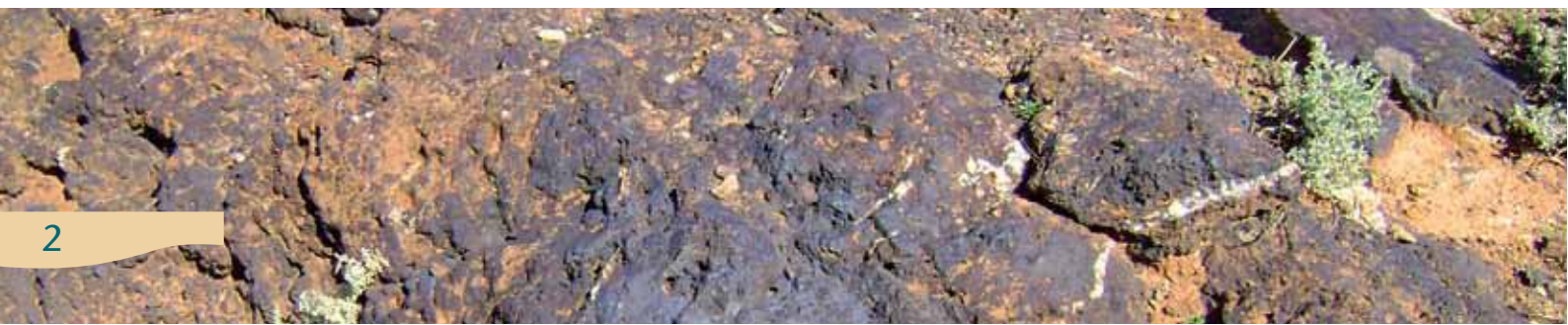
During the year calcination tests were conducted on un-beneficiated run-of-mine magnesite samples to gauge the quality of magnesia produced. The tests provided magnesia grading $\approx 92\%$ MgO and $>4.5\%$ SiO₂. The main issue limiting this product's marketability is the SiO₂ which occurs predominantly in the form of talc. Talc is a hydrated magnesium silicate with the chemical formula $H_2Mg_3(SiO_3)_4$ or $Mg_3Si_4O_{10}(OH)_2$.

During 2012 further tests including flotation will be undertaken to try to produce magnesia grading $>95\%$ MgO and $<3\%$ SiO₂ in order to maximise magnesia marketing opportunities.

Manganese

Manganese is the fourth most used metal in terms of tonnage, being ranked behind iron, aluminum and copper. The bulk of globally traded manganese ore is in the high grade range ($\geq 40\%$ Mn). Few deposits have run-of-mine ore grading $>40\%$ Mn and most rely on beneficiation to increase manganese grades. Australian mining operations at Bootu Creek mine lower grade ore ($\leq 20\%$ Mn) and beneficiate to produce saleable product.

Archer has 100% interest seven manganese deposits and prospects (Ketchowla, Stone Hut, Kanyaka and Neale's Flat in the Adelaidean; Salt Creek, Miltalie and North Cowell on Eyre Peninsula). In addition Archer has a Farm-Out Agreement with OMM Holdings Limited covering manganese and iron at Jamieson Tank. OMM Holdings Limited can earn a 60% interest in the manganese and iron on EL3711 Carappee Hill ore by spending \$600,000 on exploration.



Manganese continued

The current more advanced Archer manganese prospects (Ketchowla and Salt Creek) have grades ranging from 15% - 20% Mn. Beneficiation tests conducted during 2011 on Ketchowla K1 ore indicates that potentially saleable manganese grading $\approx 40\%$ Mn (including highly anomalous Ni 0.4%; Co 0.3%; Cu 0.3%; Zn 0.25% and high REE content including $\approx 400\text{ppm}$ Yt) can be recovered at an excellent recovery of 23%.

Nineteen RC drill holes were completed at Salt Creek during 2011. Metallurgical test work indicated that the manganese at Salt Creek could be upgraded but at a lower head grade of around 30% Mn.

Despite the beneficiated grades being slightly lower than conventional DSO (Direct Shipping Ore) grade, the aggregate Exploration Target of these two deposits is considered to be large enough to warrant continued expenditure to determine resource size.

Archer also has early exploration manganese targets (Stone Hut, Neale's Flat, Kanyaka, Miltalie and North Cowell) that need assessment.

Drilling is required to better test the numerous deposits and conduct further beneficiation tests to determine if economic manganese can be produced from the lower grade ores. If such a tonnage could be outlined then there is a reasonable prospect of being able to develop a DSO operation in Archer's own right or via a joint venture.

Other exploration conducted in 2011 included:

- Iron Ore – three RC drill holes were completed on Wildhorse Plain to test ground gravity anomalies at Campoona and Mt Desperate. The drilling intersected BIF and pegmatite at Campoona and amphibolite at Mt Desperate. The amphibolite is the most likely source of the gravity anomalism.
- Copper – three RC drill holes were completed to test for extensions to the historic Emu Plain copper mine. All holes intersected disseminated sulphides in the footwall of the main lode with a best intercept of 10m grading 0.5% Cu. Further drilling is planned for the main lode.
- Growing asset base:
 - During 2011 Archer was granted a further six tenements: Riverton EL4563 (Gold); Kanyaka EL4564 (Manganese and Iron); Termination Hill EL 4567 and Witchelina EL 4729 (Magnesite); Napoleon's Hat EL4668 (Gold); and Mt Shannon EL4673 (Graphite).
 - Three tenement applications were pending at year's end: Eudunda ELA388/10 (Phosphate, Barite, REE); Ediacara ELA11/11 (Coal); and Cleve West ELA148/11 (Graphite).





Letter from Chairman

Dear Fellow Shareholder,

It is pleasing to report that our Company has made encouraging progress over the course of the past financial year toward realising its objective of establishing a pipeline of greenfields and advanced projects. Our project pipeline is much improved from last year with our options for growth enhanced.

Achievements

Recognising the importance of maintaining a range of development options, the Company during the year increased its investment in project generation activities, with the objective of identifying new opportunities for exploration and evaluation, with notable achievements over the last 12 months being:

- **Graphite** – large flake graphite has been discovered on Wildhorse Plain tenements and drilling at Carappee Hill (Sugarloaf graphite deposit) identified an Exploration Target* of 24-37Mt grading 10-12% carbon.
- **Magnesite** – Company was granted tenements covering almost 1,000km² on which a substantial JORC Measured, Indicated and Inferred magnesite resource of 413 million tonnes grading 41.3% MgO was reported by previous explorers. During 2012 further tests including flotation will be undertaken to try to produce a commercial grade magnesia product.
- **Manganese** – Company consolidated its interest in seven manganese deposits and prospects with drilling at Ketchowla and Salt Creek reporting grades ranging from 15% - 20% Mn. Beneficiation tests on Ketchowla manganese showed that DSO quality manganese could be produced at good recovery levels.

To prepare ourselves for the next stage of the Company's growth the Board took the decision that a full-time Managing Director was required and so in October 2010 appointed Gerard Anderson to that role. The appointment of a full-time Managing Director ensures a tight focus on our core objectives and allows for a broad range of investment opportunities to be generated, regardless of commodity. During the year Mike Hatcher resigned as CEO and we thank him for his contribution to the Company.

As part of the strengthening of our Board, Peter Meers joined the Board in November 2011 as a Non-Executive Director. Peter brings to the Board strong experience in banking and finance in industrial and resource companies.

On the capital management front, the Company raised approximately \$475,000 through a placement of shares to sophisticated investors. Our disciplined approach to capital management has meant that this was the first capital raise undertaken by the Company since ASX listing four years ago.

Strategic direction

Throughout last year the Company completed a thorough review of our projects. This led to the affirmation of our long standing core objective being to add value to shareholders by exploring for high value assets, driven not by choice of commodity but rather by the quality of each opportunity. To deliver on our objective, the Company will continue to concentrate on progressing the graphite, magnesite and manganese assets.

In graphite and magnesite we have unique assets that are critical to the growth of the world's developed and developing economies. Graphite has a very positive outlook based on increasing demand and supply side constraints.

Our diverse portfolio gives us the capability to attract investment from a wide number of sources including explorers, miners, commodity end users and from retail and institutional funds.

Outlook

There continues to be a strong focus on exploration in order to increase our resource base and to assist with the possible future development of mining projects. The Company maintains a small but highly experienced team which during the next year will focus the Company's exploration efforts on a few core opportunities, namely Eyre Peninsula graphite, Leigh Creek magnesite and the South Australian manganese projects.

The year ahead promises to be an exciting period for our Company, in particular, continued exploration success of the Company's graphite projects on the Eyre Peninsula has the potential to transform the Company.

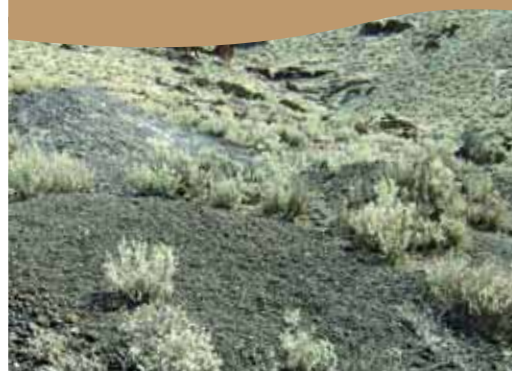
Our Company has a clear strategy for growing our value, within a disciplined framework and using prudent decision-making. With the right people, the right assets and a clear strategy and focus, we are confident that the Company is solidly based and well positioned to provide returns for shareholders into the future.

Finally, I would like to thank shareholders, my fellow Directors and the team at Archer Exploration for their support during the past 12 months.

Yours sincerely,



Greg English
Chairman



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Review of Operations

Archer's exploration portfolio has a number of significant projects





Graphite presents a significant and rapidly emerging opportunity for Archer.

Graphite due to its rarity, its unique physical and chemical properties and its growing importance in high technology applications and green energy initiatives has been declared a strategic mineral by both the USA and the European Union.

The strategic mineral status also acknowledges the dominance of China in having huge reserves and production capacity. China produces around 80% of the world's graphite. Chinese graphite is declining in quality as easily mined surface oxide deposits are being depleted. Costs of production are increasing as mines become deeper. Costs are also under considerable pressure from tightening labor and environmental standards. The majority of Chinese graphite mines are small and operate seasonally. Mines located in far northern China stop during the severe winter months. China now has a 20% export duty on graphite, as well as a 17% VAT and has instituted an export licensing system to ensure supply to its domestic economy including its burgeoning steel industry which internally consumes a great deal of graphite. These measures are creating supply concerns for the rest of the world.

The USA has no crystalline flake graphite production.

Substitution of graphite by other minerals is highly unlikely as there is simply no mineral so versatile and with such unique and important physical and chemical properties.

The commercial market for graphite is facing increasing demand from a multitude of diverse industrial sectors across both developing and advanced economies. Steel industries in China, Japan, India, South Korea and North America continue to require large tonnages of graphite in what is seen as traditional uses for graphite.

Greater volumes of graphite will be required from established technologies such as carbon-based applications, electronics and computers, for brake linings and pads and spare parts for the automotive industry.

Emerging high tech uses are being constantly identified. The lithium-ion battery market is likely to have a significant impact on the graphite market especially for the prized flake graphite as the demand for mobile energy storage systems increases.

Future demand for graphite is also likely to be driven by the push for green energy solutions. Governments worldwide are responding to the threat of climate change caused by CO₂ generated by the burning of fossil fuels. Fuel cell technology is seen as the future for sustainable, portable, self-contained energy solutions.

Vehicle manufactures the world over are looking to create sleeker, faster and more appealing yet environmental friendly electric vehicles (EV) and hybrid electric vehicles (HEV). The USA has 200,000,000 of the estimated 750,000,000 cars in the world. Research by the University of California predicts that by 2030, 64% of all US made cars will be electric. If similar trends are seen worldwide then demand for graphite will experience exponential growth.

Uses for graphite and graphite derived materials are constantly being developed. One such product, graphene, is predicted to have a profound impact on the future development of mankind. Potential applications for graphene include a highly efficient replacement for silicon in semi-conductors; replacing of carbon fibres in composite materials to enable lighter and stronger aircraft; as an additive or coating to plastics to enable them to conduct electricity; increasing the efficiency of electric batteries; transparent conductive coatings for solar cells; stronger wind turbines; stronger medical implants; better sports equipment; super-capacitors; high-power high frequency electronic devices and touch screens and LCD's. The list is expanding all the time.

Archer likens the emerging importance of graphite to that of the recent history of Rare Earth Elements ("REE"). Few people realised how quickly REE would increase in importance as more and more advanced applications were discovered. Fewer understood the strategic importance of REEs.



Substitution of graphite by other minerals is highly unlikely as there is simply no mineral so versatile and with such unique and important physical and chemical properties.

The short, medium and long-term outlook for graphite in Archer's view is very strong. Archer with its extensive landholding in the highly prospective Cleve Uplands hosting a number of graphite occurrences (including valuable coarse flake graphite) is in a strong position to rapidly advance exploration and capitalize on the burgeoning demand for graphite.

What is Graphite?

Graphite is a natural form of carbon with the chemical formula C and is characterized by its hexagonal crystalline structure. It occurs naturally in metamorphic rocks such as marble, schist and gneiss.

It is a lustrous black carbon mineral, greasy and relatively soft with a hardness of 1-2 on the Moh's scale. Graphite is an excellent conductor of heat and electricity and has the highest natural strength and stiffness of any material. It maintains its strength and stability to temperatures in excess of 3,600°C and is very resistant to chemical attack. It is also one of the lightest of all reinforcing agents and has high natural lubricity.

Some of the key physical and chemical properties of graphite, which render it indispensable to modern industry, are:

- High melting temperature
- Stability and strength at high temperatures (up to 4,500 F in non-oxidizing atmospheres)
- High thermal and electrical conductivity
- Chemically inert
- High resistance to thermal shock
- High conductivity of solid; low conductivity of porous foam, cloth and tape
- Low coefficient of thermal expansion
- Good electrical conductivity. It is the only non-metal that is a good conductor of electricity
- High radiation emissivity
- Flame retardant
- Absorbs radio waves
- High compressive strength
- Stiffness of solid; flexibility of filament, cloth or tape
- High resistance to erosion
- Good machinability Low friction; self-lubrication
- High resistance to chemical attack and corrosion
- High absorption of gases and vapours
- High moderating ratio; i.e., ratio of fast neutron slowing-down
- Power to bulk neutron absorption coefficient
- High ratio of thermal neutron scattering, into the absorption crosses section.

Graphite Market

The graphite market consists of two main products - Amorphous graphite and Flake graphite.

Amorphous Graphite

Microcrystalline graphite is commercially called amorphous graphite. Amorphous graphite has very small crystals with graphite content ranging from 15% to 98% resulting in more limited uses. The value can be as little as 10% of the coarsely crystalline variety. Older and more basic technologies make use of this grade of graphite for its high melting point, resistance to thermal shock, lubricating and coating properties.

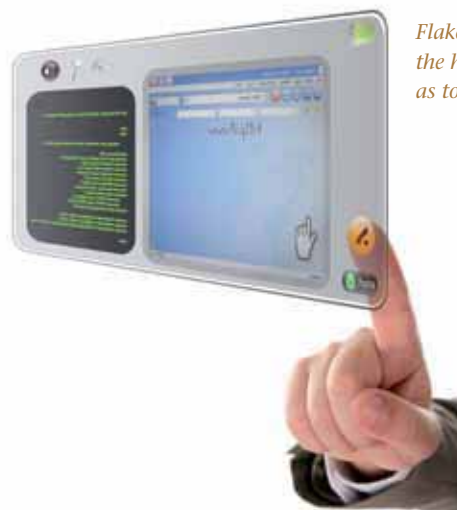
Crystalline Flake Graphite

Flake graphite is rare. It usually occurs as flat platy crystals disseminated in metamorphic rocks and occasionally in veins.

Flake graphite is classified based on the size of the crystal flakes and graded according to their graphitic carbon content. Quality is determined by the carbon content and the particle size. The flake form occurs in only a few locations around the world.

Global demand for coarsely crystalline flake has increased 40% over the last five years and is expected to continue to increase for the foreseeable future. The high-tech sector is the main consumer of high-quality flake graphite. Flake graphite is used for industrial applications requiring high carbon content to ensure high-performance levels. Although this requires additional processing costs to assure the quality product demanded for these applications, the profit margins are correspondingly greater.

The trend in this market sector is for higher carbon and higher purity levels. The advent of advanced purification methods facilitates new applications for graphite across all industry sectors.



Flake graphite is used in the high-tech sector, such as touchscreen tablets

World Graphite Production

China is the world's largest producer of graphite. The majority of graphite mining is centred on Heilongjiang in the north-east and Shandong in east China. As much of China's graphite supply is in the north of the country it tends to be affected by poor weather, with mines closing over the winter period nominally from November to March. As a result the global market is affected by seasonal availability and supply, usually leading to tightening prices during the northern hemisphere's winter period.

2009 World Graphite and Production Capacity (Source USGS)

Country	Production ('000tpa)	Capacity ('000tpa)
China	1,000 – 1,200	1,600?
India	140	140
North Korea	120	120
Brazil	75	125
Turkey	50	50
Mexico	10	25
Ukraine	11	60
Canada	9	25
Sri Lanka	7	10
Madagascar	5	20
Austria	5	30
Other	8	73
Total	1,200 – 1,500	2,228

2009 Top 10 World Graphite Producers

Company	Location	Capacity (tpa)
Jixi Liumao Graphite Resource Heilongjiang	China	90,000
Heilongjiang Aoyu Graphite Group Heilongjiang	China	80,000
Qingdao Haida Graphite Co. Shandong	China	75,000
Chenzhou Luteng Crystalline Graphite Hunan	China	70,000
Nacional de Grafite Bahia,	Brazil	70,000
Karaback Metal & Mining	Turkey	50,000
Qingdao Hensen Graphite Shandong	China	38,000
Lubei Yxiang Graphite	China	30,000
Extractive Metaquina Bahia	Brazil	30,000
Grafitbergbau Kaiserburg	Austria	30,000

Traditional Uses for Graphite

Amorphous graphite is used for carbon parts; coatings; friction materials; lubricants; pencils. Its use in the iron and steel industries has been replaced by the higher grades of graphite. Amorphous graphite is still being used as a carbon additive in many of the developing nations as it is cheap and readily available.

Traditional demand for graphite is largely tied to the steel industry where it is used as a liner for ladles and crucibles, as a component in bricks which line furnaces and as an agent to increase the carbon content of steel. In the automotive industry it is used in brake linings, gaskets and clutch materials. Graphite also has a myriad of other uses in batteries, lubricants, fire retardants, and reinforcements in plastics.

Industrial demand for graphite has been growing at about 5 per cent per annum for most of this decade due to the ongoing industrialization in China, India and other emerging economies.

The uses for crystalline flake graphite are changing rapidly as new uses are being constantly developed. Some of the main uses are in; brake linings/pads; batteries; friction materials, fuel cells; gaskets; seals; bearings; foils; shrouds; electrical brushes; bricks; composites; crucibles; carbon pans; coatings; medical applications; graphite sheets; sports equipment; lubricants; powder metal; refractories and computer circuit boards.

Rapidly Growing Demand for Graphite from "Green Initiatives"

Graphite demand is surging in response to a number of green initiatives including lithium-ion batteries, fuel cells, solar energy, semi-conductors, and nuclear energy. Many of these applications have the potential to consume more graphite than all current uses combined.

The market for graphite exceeds one million tonnes per year with some 600,000 tonnes produced as amorphous graphite powder and 400,000 tonnes of various sized crystalline flake graphite.

The demand for graphite is surging as the world seeks newer and better energy storage solutions to provide clean portable energy, alternative fuel for the automotive industry (the emergence of hybrid electric vehicles) and energy storage solutions for green energy initiatives such as solar energy.



Graphite is used in many 'green initiatives'.

Consumer demand for lithium-ion batteries



Graphite is in strong demand for use lithium-ion batteries. Lithium-ion batteries are smaller, lighter and more powerful than traditional batteries. They have no memory effect and a very low rate of discharge

when not in use. As a result, most portable consumer devices such as laptops, mobile phones, MP3 players and digital cameras use lithium-ion batteries. These batteries are now also being used in power tools.

However, lithium-ion batteries are now being used in hybrid electric vehicles ("HEV"), plug in electric vehicles ("PEV") and all electric vehicles ("EV") where the batteries are large and the potential demand for graphite huge. There is twenty times more graphite than lithium in lithium-ion batteries.

While batteries store electrical energy for subsequent use, fuel cells also generate electricity through chemical reactions and therefore need to be periodically "refueled". Fuel cells can be used in both stationary and mobile applications. Fuel cells use substantially more graphite than lithium ion batteries. Fuel cells have no moving parts, are long lasting, low maintenance, quiet and reliable and produce little or no waste products.

Graphite use is also expected to rise sharply due to its growing use in Pebble Bed Nuclear Reactors ("PBNR"). These reactors are small, modular nuclear reactors. The fuel is uranium imbedded in graphite balls the size of tennis balls. These reactors have a number of advantages over large traditional reactors including lower capital and operating costs, use inert gases as coolants rather than complex water cooling, they cool naturally when shut down, they operate at higher temperatures leading to more efficient use of the fuel and they can directly heat fluids for low pressure gas turbines.

The first prototype is operating in China and the country has firm plans to build 30 by 2020. China ultimately plans to build up to 300 Gigawatts of capacity and PBNRs are a major part of the strategy.

Small, modular reactors are attractive to small population centers or large and especially remote industrial applications. Companies such as Hitachi are currently working on turn-key solutions. Researchers at West Virginia

University estimate that 500 new 100GW pebble reactors will be installed in the US by 2020 with an estimated graphite requirement of 400,000 tonnes. This alone is equal to the world's current annual production of flake graphite without taking into account pebble reactor demand from the rest of the world, growing industrial demand and growing demand from other applications such as lithium-ion batteries. Each pebble reactor is predicted to need 300 tonnes of graphite at start up and 60-100 tonnes per year to operate.

Surging Demand Pushes Graphite Prices

The price varies depending on the classification of the graphite – amorphous or flake graphite. There are distinct differences between these grades. Each has its own pricing structure and even within each category, price is strongly affected by purity, types of contamination and crystal size. There is also a very large specialized market for synthetic graphite.

Surging demand has and continues to drive graphite prices higher.

2010 Year End Graphite Prices per Tonne

<i>Amorphous high grade powder grading</i>	
<i>99% to 99.9% C, +400 mesh[#]</i>	<i>\$35,000</i>
<i>Large flake graphite, 94% to 97% C, +80 mesh</i>	<i>\$2,500</i>
<i>Large flake graphite grading 90% C, +80 mesh</i>	<i>\$1,375</i>
<i>Fine flake 94% to 97% C, -80 +100 mesh</i>	<i>\$1,795</i>
<i>Fine flake 90% C, -80 +100 mesh</i>	<i>\$1,150</i>
<i>Fine flake 85% to 87% C, -80 +100 mesh</i>	<i>\$1,020</i>
<i>Amorphous graphite 94% to 97% C, +100 mesh</i>	<i>\$1,489</i>
<i>Amorphous graphite 90% C, -100 mesh</i>	<i>\$1,050</i>
<i>Amorphous graphite 80% to 85C</i>	<i>\$850</i>

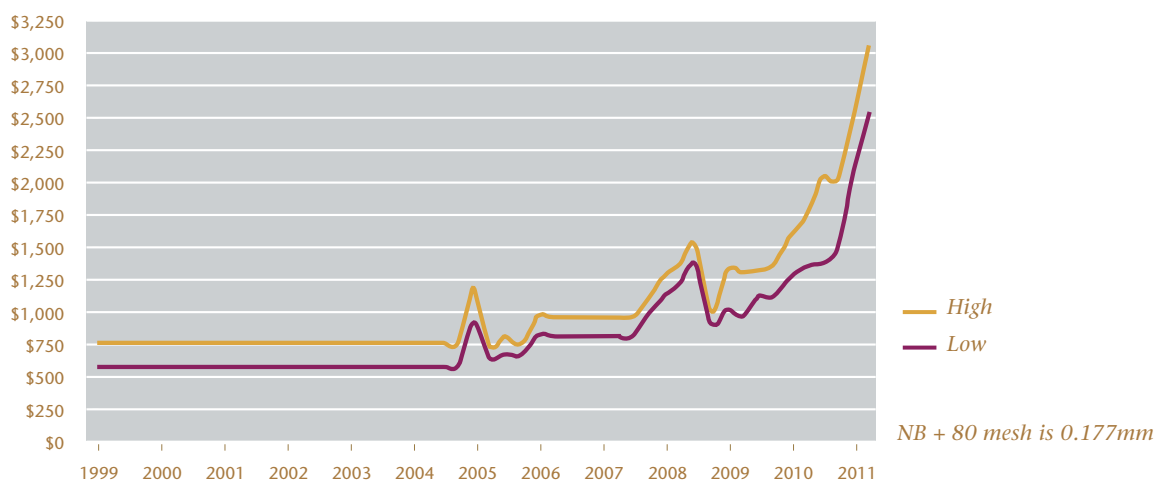
Source : www.megagraphite.com

[#] Denotes number of openings per (linear) inch of mesh. 400 mesh is equivalent to a size of 37 microns.



Archer's graphite from drilling results

Price Range for +80 mesh, 94-97%C graphite (US\$/tonne)



Demand Trends

Refractories remain the largest end use for the graphite market (35%), where flake and amorphous grades are used in various applications. Flake graphite provides good oxidation and corrosion resistance, while improving the structural strength of castable and shaped refractories. Amorphous graphite is applied where a flexible and deformable product is required. The short and medium-term outlook for the refractories industry is very promising - particularly in the steelmaking segment, where global crude output is continuing to rise.

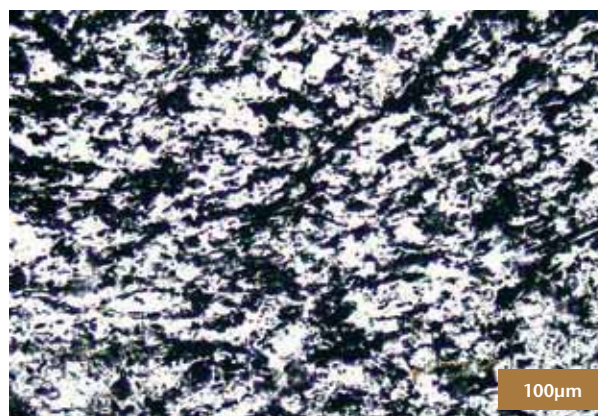
Mobile energy markets, currently the second largest consumer of graphite (25%), are experiencing significant growth especially in batteries where it is intercalated with lithium ions - creating a very stable battery that provides a high energy density.

The production of spherical graphite for Lithium-ion batteries destroys around 60-70% of the feedstock flake graphite. It is estimated that up to 100,000 tonnes of flake graphite (or 25% of total current world production) is already dedicated to Lithium-ion batteries. Exponential growth is predicted for electric cars as the world's economies drive towards green power initiatives. The automotive industry projects that by 2025, 400,000 tonnes of flake graphite (100% of today's world production) would be required to manufacture spherical graphite for Lithium-ion batteries/fuel cells.

In the medium and long-term the Lithium-ion market is facing a huge graphite shortfall which is exacerbated by the lack of graphite exploration and development over the last 20 years.

Of significance is that China produces most of the world's graphite which has strategic implications for the long-term supply to the Western World.

Prices appear set for sustained growth on the back of surging demand.



Archer's 2008 regional drilling results:

Photomicrograph of thin section of graphite rock under ordinary transmitted light showing typical mode of occurrence and flake size of black-opaque graphite within (muscovite) quartz-rich metasiltstone.

Archer's Graphite Projects

The principal area of focus is the Cleve upland which is located on the Eyre Peninsula, South Australia. Archer has three tenements and one tenement application all covering identified and prospective graphite ground.

Prospective ground is considered to be of high metamorphic grade, where the rocks have experienced high pressures due to burial and subsequent exposure.

In the tenements these rocks are called gneiss and schist. It is these rocks that are prospective for the flake graphite which attracts the highest premium.

Within the tenements, an exploration target has been announced for the Sugarloaf Project, as well as regional occurrences identified through literature searches of historic work.

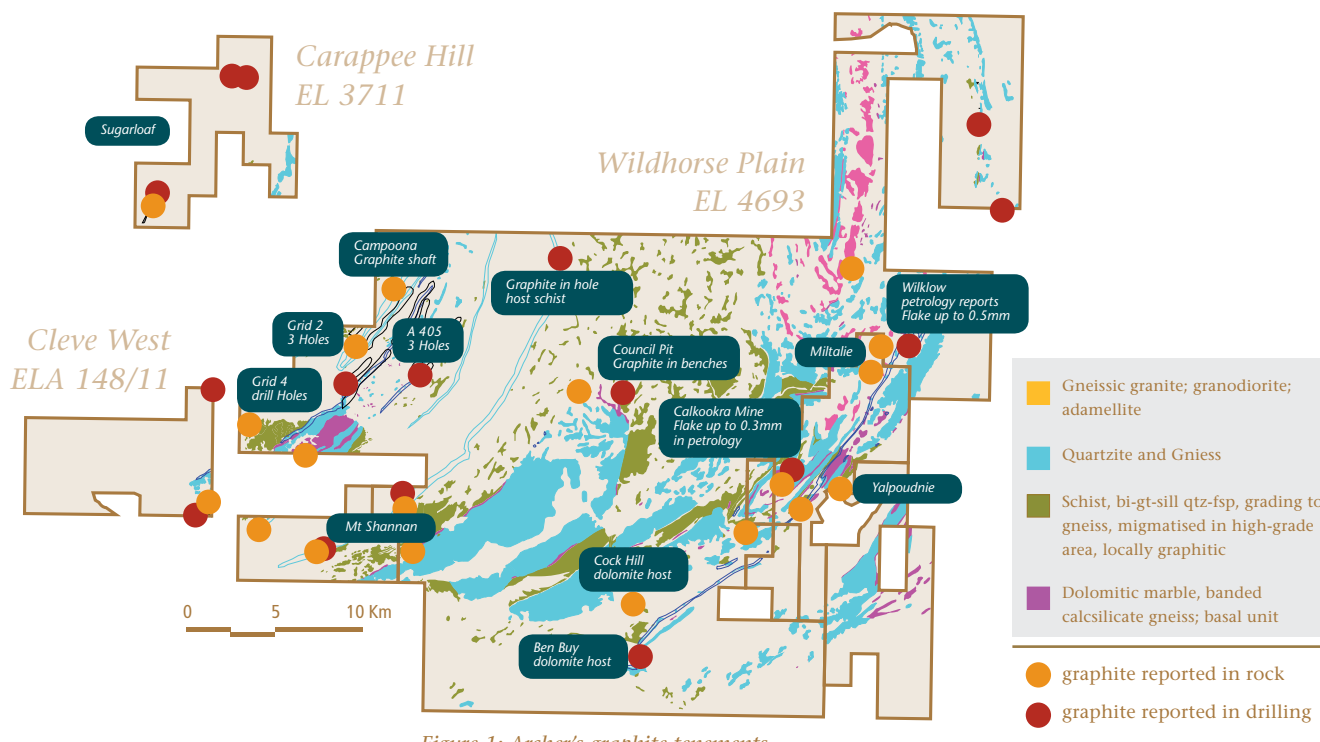


Figure 1: Archer's graphite tenements

Sugarloaf Deposit

In 2008 graphite was reported by Archer in the regional drilling of EL 3711. A number of drill intervals were assayed to identify economic intervals of graphite. Values of up to 20% total carbon were identified.

In 2010 the flake graphite was identified through petrology of a sample taken at the crest of a historical graphite shaft.

Detailed petrology of this sample revealed the presence of fine, medium and large flake sized graphite. The presence of flake graphite greatly increases both the marketability and price of graphite. This initial work identified an average of 100µm sized flakes, with a range from 20µm to 200µm in length. Most flakes were independently arranged in the matrix. Some graphite flakes were arranged in 'booklets' up to 50µm in width.

Hole ID	From (m)	To (m)	Interval (m)	Total Carbon %
SLRC11_001	60	82	22	12.31%
SLRC11_001	96	144	48	10.02%
SLRC11_002	0	20	20	6.31%
SLRC11_002	28	93	65	9.00%
SLRC11_003	47	53	6	9.90%
SLRC11_004	81	151	70	10.04%

Significant intervals of Total Carbon (TC) % for 2011 drilling

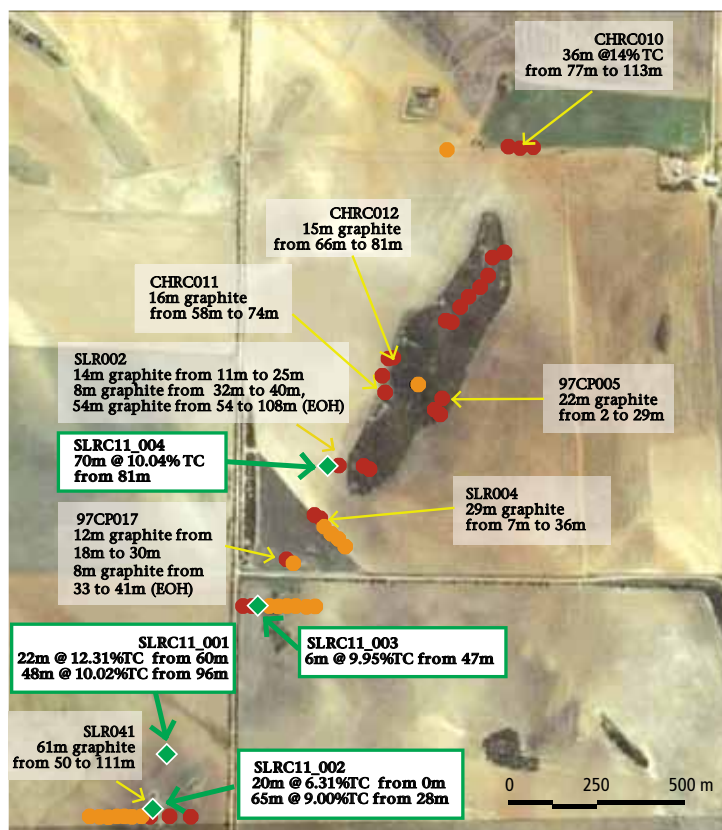


Figure 2: Location of 2011 Sugarloaf Drill holes (SLRC11_)

Sugarloaf Drilling

From this result it was decided to drill test the southern end of Sugarloaf.

Figure 2, shows the locations of the four holes drilled which cover a strike length of 1000m. SLRC11_002, 003 and 004 were drilled near historic holes that had reported (but not assayed) intervals of highly graphitic schist. Holes 001, 002 and 004 intersected very wide graphitic intervals confirming the accuracy of the historic mineralogical logging. Hole 003 did not repeat the intervals that were previously reported. Archer does not believe that the historical log for the corresponding hole was incorrect. Analysis suggests that the orientation of the drill hole may have been incorrectly recorded. It is believed that hole SLRC11_003 should have been drilled towards 270 degrees and not 090.

Flake Size Determination

Nine samples were selected randomly from chip trays for detailed petrological examination to confirm the flake size and morphology of the graphite.

Hole SLRC11_004

Four Intervals were submitted, 83 to 84m, 96 to 97m, 112 to 113m and 124 to 125m. These 4 samples represent 2 zones reported in SLRC11_004, the first zone from 81 to 114m (10% C) and the second 124 to 151m (11.9% C).

Hole SLRC11_001

Four Intervals were submitted, 96 to 97m, 122 to 123m, 128 to 129m and 134 to 135m. These 4 samples are from the lower graphitic interval of 48m (from 96m) at 10% C.



Plate 2: Photo of SLRC11_004 96 to 97m, graphite flakes are circled



Plate 3: Photo of SLRC11_004 124 to 125m, graphite flakes are circled



Plate 5: Photo of SLRC11_001 96 to 97m, graphite flakes are circled.

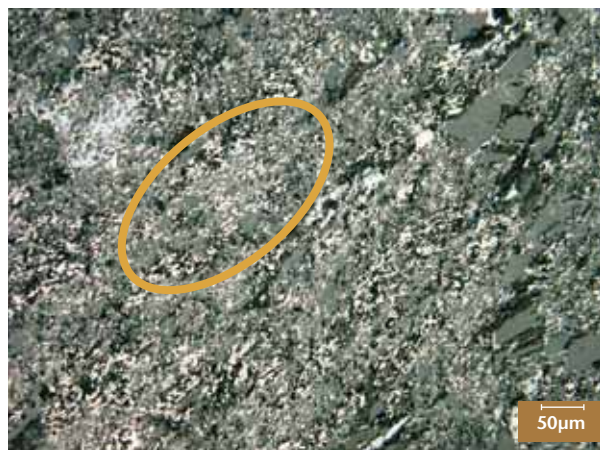


Plate 4: Photo of SLRC11_004 112 to 113m, graphite flakes are circled



Plate 6: Photo of SLRC11_001 128 to 129m, graphite flakes are circled. Brightest material is sulphide.

Hole ID	From (m)	To (m)	Width (µm)	Length (µm)	Max (µm)	Carbon%
SLRC11_004	96	97	20	40	55	13.6
SLRC11_004	112	113	10	40	65	17.75
SLRC11_004	124	125	20	60	150	10.15

Table 1: Reported average dimensions and maximum length of graphite flakes observed

Hole ID	From (m)	To (m)	Width (µm)	Length (µm)	Max (µm)	Carbon%
SLRC11_001	96	97	15	45	50	5.06
SLRC11_001	122	123	5	15	15	10.85
SLRC11_001	128	129	5	20	20	16.25
SLRC11_001	134	135	10	20	35	10.9

Table 2: Reported average dimensions and maximum length of graphite flakes observed

Hole SLRC11_002

One interval (3-4m) from within an 8m interval (from surface) grading 9.7% carbon was selected. This sample was powder due to the effects of weathering and no chips were present after drilling.

Although the graphite is reported as very fine compared to other deposits the amount of test work and material examined to date is very small in comparison to the projected volume of the graphitic schist.

Hole ID	From (m)	To (m)	Width (µm)	Length (µm)	Max (µm)	Carbon%
SLRC11_002	3	4	10	20	50	13.6

Table 3: reported average sizes and maximum length of graphite flake observed



Plate 7: Photo of SLRC11_002
3 to 4m, graphite flakes are circled. Brightest material is weathered sulphide.

Exploration Potential

Tonnage*

When combined all drilling results confirm that the graphitic-rich body consists of two steeply dipping zones of graphitic schist that in aggregate average 40m in true width, extend to a vertical depth of at least 120m and show no sign of thinning at depth. Drilling results are limited to a strike length of 2km however the deposit remains open along strike and at depth. The host rock is a muscovite bearing quartz-rich metasiltstone. No density measurements have been conducted at this time but given the dominant quartz and muscovite composition it is reasonable to ascribe a density of 2.5gm/cc.

The lower bound exploration potential assuming a strike length of 2,000m, a width of 40m, a down-dip extent of 120m and a specific gravity of 2.5gm/cc is estimated at 24Mt.

The upper bound exploration target assumed a strike of 2,500m and a vertical extent to the deposit of 150m is estimated at 37Mt.

Grade*

Prior to the April 2011 drilling Archer was reluctant to allocate a grade range for the graphitic schist due to the paucity of assay results. The April 2011 drilling when combined with the 4 holes assayed in 2009 is now considered sufficient in terms of the number of assayed intervals to enable a conservative estimate of the Total Carbon grade for the graphitic schist. The arithmetic average of all drill intervals of graphitic schist (sample size n=319) is 10.9% Total Carbon. Intervals chosen for the analysis had to have visible graphite however no lower grade cut-off was used. In view of no lower cut-off grade being applied it is therefore reasonable to assume that the likely grade will be between 10 – 12% Total Carbon.

The depth of oxidation in the area is approximately 80m vertically below surface corresponding with the current water table. Petrological observations when combined with field observations of this large oxidised portion of the deposit suggest that the run-of-mine total carbon grade may be able to be significantly upgraded by dry screening out coarse gangue material (largely quartz).

* The potential quantities and grades presented are conceptual in nature, there has been insufficient exploration to define an overall Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource

Wildhorse Plain Graphite Prospects

The Eyre Peninsula has long been explored for its uranium and base metal potential. Many companies including Kerr McGee, Esso, BHP and Shell explored the area and reported graphitic rocks.

Historic electro-magnetic surveys identified numerous conductors which when drilled recorded graphitic rocks. Graphite was targeted as it was considered a favourable host for Alligator River style uranium mineralisation.

Literature searches and ground inspections for EL4693 Wildhorse Plain has identified a number of highly prospective graphite occurrences including the identification of large flake graphite at Campoona, Campoona South, A405, Wilklow and Calkookra. At Ben Buy graphite to 0.1mm (US 140 mesh) is recorded. In addition abundant graphite is recorded at High Bluff (Grid 2), Mt Shannan and Cock Hill.

Archer through a farm-in agreement has earned the rights to 100% of the minerals other than uranium on EL4693.

Large Flake Graphite Occurrences on Wildhorse Plain EL4693

Campoona - Coarse Flake

In the mid 1980s airborne electro-magnetic surveys were conducted as part of exploration focused on base metals. A highly conductive graphitic schist over 4km long was identified adjacent to the Lower Middleback Jaspilite in the Campoona Hill region. A small historic shaft exists on the graphitic schist however literature searches have failed to find production records.

Other elongate EM conductors, which are parallel to the graphitic schist were also thought to be graphitic in origin. This was confirmed by drilling by ESSO where 3 holes were drilled at High Bluff.

In 1991 PIRSA received a petrology report on the graphite. The graphite displayed a limited range of 0.1mm to 0.3mm with an average flake size of 0.2mm.

Two samples were collected in June 2011 and submitted for petrological examination by Pontifex and Associates in Adelaide.

The graphite content was reported as 25-30%. Overall size ranged mostly 10 m to 50 m (width) x 250 m (length). The average length was estimated by Pontifex as 100µm. The graphite occurs within "fairly homogeneous, quartz-graphite schist, incorporating minor 'porphyroblasts' of muscovite crystals and small lenses of extremely fine sillimanite."

Plates 8, 9 and 10 are photomicrographs of thin sections that show the graphite at different scales, the scale bar is located in the lower right hand corner of each image. In all images the graphite flakes can be compared to the scale bar.



Plate 8: Transmitted light, graphite is the black mineral, scale is 500µm (0.5mm).

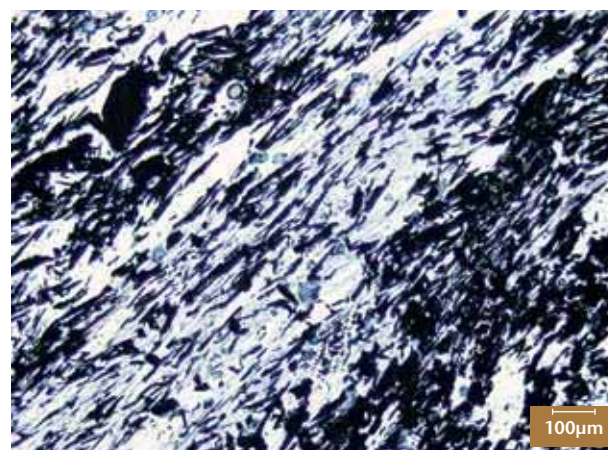


Plate 9: Transmitted light, graphite is the black mineral, scale is 100µm (0.1mm).

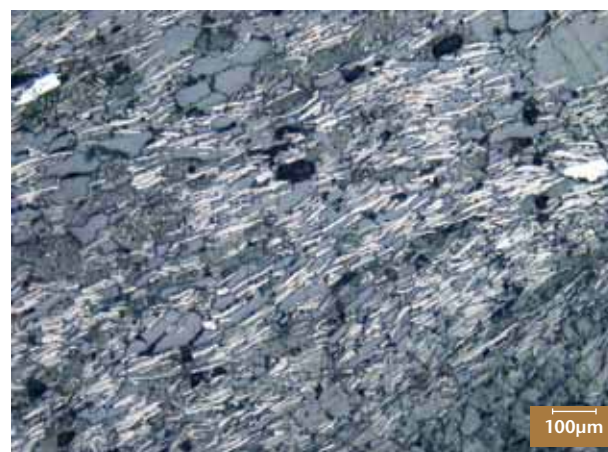


Plate 10: Reflected light, graphite is the white mineral, scale is 100µm (0.1mm).

Campoona South - Coarse Flake

At the southern end of the Campoona EM anomalies there is an outcrop of graphite that has visible large flake graphite to 1mm. The outcrop of crystalline graphite was sampled and returned 25.4% Total Carbon.

In June 2011 one sample of the outcrop was submitted for petrology.

The graphite content was reported as 15-20%. Overall graphite size ranged from 5m to 80µm (width) x 300m (length) with an average size estimated by Pontifex of 50µm x 250m. Petrological examination reported the graphite as occurring within 'heterogeneous, fine layered quartz-feldspar microgneiss, together with quartz-graphite schist'. This includes "minor quartz-clay-sericite-altered

ex-sillimanite, and scattered small lenses of relatively concentrated graphite.'

Another component seen in this hand specimen and unique to it are small individual black lenses, varying in size from 2mm x 4mm of concentrated graphite (see Plates 13 and 14).

The presence of sillimanite is important as it reflects that a high grade metamorphic overprint has occurred. The metamorphism of a rock refers to the temperature and pressure that the rock has experienced over time. As metamorphic grade increases, higher pressures and temperatures generally enable the development of larger crystals sizes and, in the case of the graphite occurrences tested on Wildhorse Plain, is conducive to the formation of large crystalline flake graphite.



Plate 11: Prominent outcrop of high grade coarse grained graphite at Campoona South.

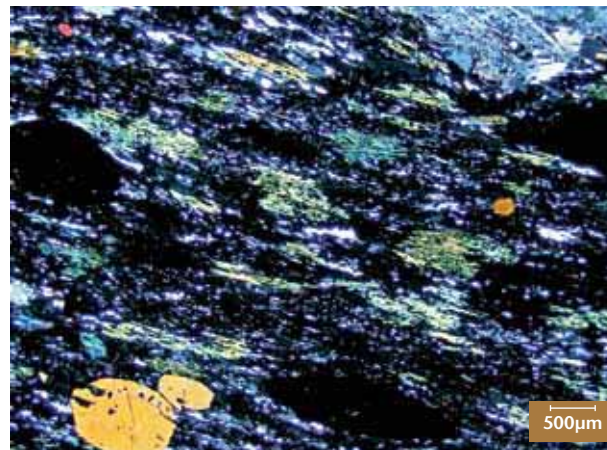


Plate 13: Transmitted light, graphite is the black mineral, scale is 500µm (0.5mm).



Plate 12: Close up of hand specimen from Campoona South showing coarse graphite flakes up to 1mm.



Plate 14: Reflected light, graphite clots are the white aggregates, scale is 200µm (0.2mm).

Council Pit - Coarse Flake

The Council pit is a disused historic borrow pit.

The graphite content was reported between 15-20%. The overall size of graphite ranges from 2m to 50µm (width) x 1000m (length) with the average estimated by Pontifex of 20µm x 300µm. The range in length to 1,000µm is classified in the graphite market as Super Large graphite. The graphite occurs within "schistose micro-gneiss, with thin intricately intercalated schistose layers of quartz-feldspar-graphite also scattered amphiboles".

Plates 15 and 16 are photomicrographs of the graphite within the rocks.

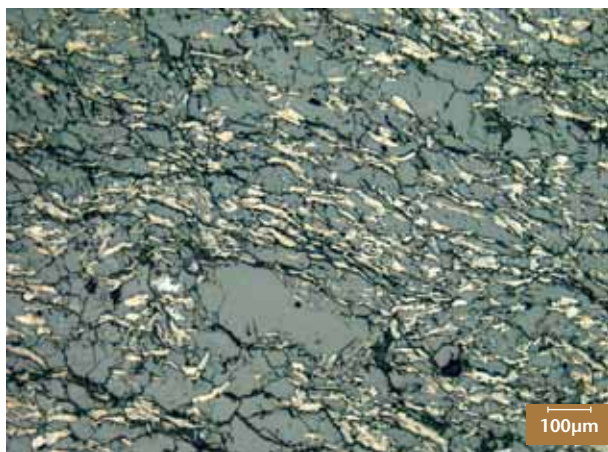


Plate 15: Reflected light photograph, graphite is light yellowish brown, scale is 100µm.

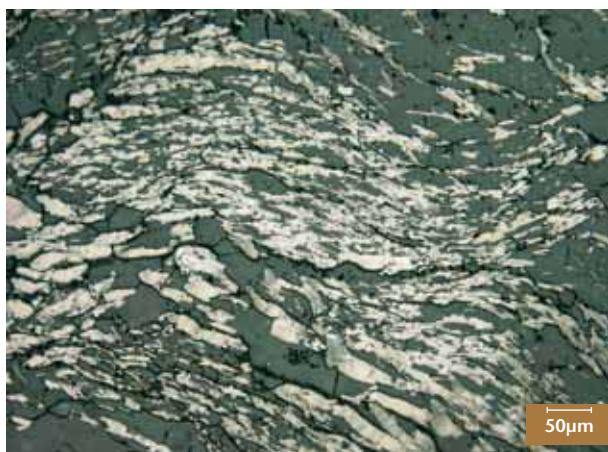


Plate 16: Reflected light photograph, graphite is white to light yellowish, scale is 50µm.

A405 - Large Flake

Graphite was reported in drill holes as a part of uranium exploration in 1968 by Kerr McGee. These drill holes were sampled by Archer and reported 16.5m @ 0.32g/t Au and 7.43 g/t Ag (September 2010 quarterly).

- Hole A405/2 graphite flakes were reported from 32 to 56 metres, within altered dolomites.
- Hole A405/3 medium crystalline graphite was reported over a few metres.
- Hole A405/3A common graphite flakes were reported from 28 to 41m downhole.
- Hole A 405/3B trace graphite flake from 41 to 52m (EOH)

Archer will recover samples from the hole to examine the quality of the graphitic material.

Wilklow - Large Flake

Graphite was reported during exploration for uranium. Historically a sample of graphitic schist was taken from the surface that yielded 4.25% of flake graphite which assayed 39.25% carbon'.

Two holes were drilled in 1952, both intersected graphite within clay-rich weathered quartzite, the only comment was recovery was poor and graphite appeared fine.

One hole was drilled in 1991 to test a IP/resistivity anomaly intersected high grade metamorphic rocks with graphite. The IP anomaly was attributed to the graphite.

One sample submitted for petrology at the time (1990) contained graphite, it was reported "moderate amounts of graphite forming well developed flakes up to 0.5mm in length."

The metamorphic grade of these rocks is conducive to graphite flake development.

Calkookra - Large Flake

Campona was a historic underground copper mine. In 1968 regional exploration for uranium identified graphite in an exploration drill hole. Although no qualitative work was performed on the graphite, the metamorphic grade of the surrounding rocks (mylonite and amphibolite) provides encouragement for large flake development.

A copper enriched sample was submitted for petrology in 1983, it was reported as having 5% graphite with flakes of approximately 0.3mm in length.

Medium Flake Graphite Occurrences on Wildhorse Plain EL4693

Ben Buy - Medium Flake

In 1980 graphitic schists were identified within altered dolomite units during exploration for uranium. IP surveys were able to trace out the graphitic units.

One petrology sample was collected by PIRSA from a trench in 1991 and recorded graphite flakes in the range 0.05 to 0.1mm.

Other Graphite Occurrences on EL4693 Wildhorse Plain

In addition to the coarse and medium graphite recorded above, three other graphite bodies have been identified at Wildhorse Plain. The grain size of these deposits is yet to be determined.

High Bluff (Grid 2) - Medium Flake

High Bluff was tested for base metal mineralisation by ESSO with 3 + 150m holes spaced at 200m apart. Graphitic schist was reported in all holes. The holes lie on the southerly extent of one of the Campoona EM conductors.

Drill hole logs report:

- Hole G2P-1 0 to 147m Biotite quartz, muscovite, feldspar, garnet schist/micro gneiss with varying graphite, pyrite and magnetite as accessories.
- Hole G2P-2 0 to 161m Biotite quartz, muscovite, feldspar graphite schist, intruded by pegmatites.
- Hole G2P-3 0 to 150m Biotite quartz schist with varying feldspar, garnet graphite, chlorite and pyrite, with minor pegmatites.

No petrological or qualitative work was performed on the graphite occurring in the drill holes. Within the drill logs high grade metamorphic minerals such as sillimanite and cordierite as well as zone of migmatite provide encouragement for graphitic flake development.

Mt Shannan - Medium Flake

This area comprises a number of historical drill intersections as well as rock chip sampling of graphitic schists associated with the Mt Shannan Iron Formation. Outcrops were identified during historical exploration for gold, base metals and uranium.

Archer will attempt to recover any historical core available from PIRSA with the intention of performing petrology to identify the graphite quality.

New Tenement Application

Archer applied for a new mineral tenement covering prospective ground west of Wildhorse Plain. The application was granted as ELA 148/11.



Throughout the 1990s and early 2000s, Magnesium Developments Pty Ltd ('MDL') and associated companies spent many millions of dollars in exploration and study costs to support a bankable feasibility study aimed at establishing a 50,000tpa magnesium metal plant based on extensive magnesite deposits at Leigh Creek. The plan was not realised for a variety of factors key being falling magnesium metals prices due to Chinese dumping cheap 'Pigeon Process' magnesium onto the market and high projected capital and operating costs. MDL elected to relinquish its exploration licences but retained ownership over the small Myrtle Springs magnesite mine.

During 2011 Archer through its wholly owned subsidiary, Leigh Creek Magnesite Pty Ltd, identified that the ground formerly owned by MDL had become available for mining and applied for and was eventually granted two exploration licences over the southern portion of MDL's magnesite deposits.

Archer's philosophy in applying for the tenements was threefold:

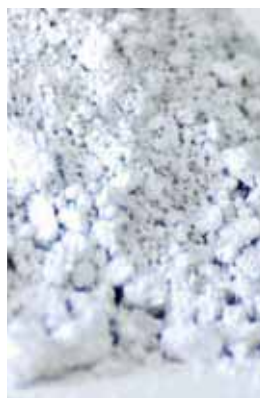
- 1) The deposits were known to be World Class both in terms of tonnage and grade having JORC Measured, Indicated and Inferred Resources of 413Mt grading 41.3% MgO.
- 2) The belief that a project based on the production of Caustic Calcined Magnesia ('CCM') or Dead-burned Magnesia ('DBM'), which would negate the high capital costs commanded by a magnesium metal plant, might present a very long-term profitable business case.
- 3) Previous exploration was sufficient to support the estimation of JORC Measured, Indicated and Inferred Resources and in the case of Mt Hutton JORC Reserves as well as other attendant studies needed to support a Mining Lease Application. In essence much of the work needed to develop an operation had already been completed albeit the information was somewhat dated and would require updating.

It is rare that a Company is able to acquire such potentially significant resources for the price equivalent to the application costs for two Exploration Licences.

Archer's Leigh Creek magnesite deposits have several significant comparative advantages:

- The adage 'grade is king' remains as true today as ever before. Grade can overcome a myriad of obstacles and provide the operator with the financial cushion needed to ride out periodic price cycles. Archer's Leigh Creek magnesite resources, with an average grade of 41.3% MgO, has grade on its side.
- A large magnesia operation by world standards would be an operation producing 150,000tpa of CCM. Such an operation would require around 315,000tpa of magnesite feed. With JORC resources of 413Mt it is not difficult to realize that the Leigh Creek magnesite resources represent an 'almost inexhaustible' source of high grade magnesia.
- The Mt Hutton deposit lies within 20km of the privately owned Leigh Creek to Port Augusta standard gauge rail line potentially providing an efficient supply chain. With a JORC Reserve of 7Mt, Mt Hutton alone could support a large magnesia operation (150,000tpa CCM) for over 20 years.

Archer does not underestimate the barriers to entry that exist for new entrants into the extremely competitive magnesia 'industrial minerals' market. However, the Company believes that the comparatively modest expenditure needed to attempt to identify the optimum process flow sheet is well worth the risk. Archer is confident that, should this be achievable, considerable value would be unlocked through the ownership of such World Class magnesite resources. The Company acknowledges that having 100% ownership broadens the opportunity to consider partnerships to co-develop the project.



Project	Measured* (mt)	Indicated* (Mt)	Inferred* (Mt)	Mgo ¹
Mt Hutton	18.3	42	53	42.9%
Mt Playfair	-	11	23	42.5%
Pug Hill	-	10	10	42.75
Termination Hill	4	5	20	42.8%
Witchelina	23.7	94	99	40.0%
Total	46	162	205	

Archer's Leigh Creek Magnesite Project is an advanced project. With a total of 413Mt JORC resource*, the scale, grade and quality of the magnesite is world class.

*Source: Reproduced from MDL Report "Economic Evaluation of the Pug Hill Magnesite Deposit, North Flinders Ranges, South Australia. 2001. Note full BFS completed and JORC resources for 5 deposits and JORC reserve for Mt Hutton calculated. The independent resource estimates were completed by Mr. Colin Arthur (BSc, MSc, FGS, MAusIMM, CGeol, CEng) Manager, Micromine Resource Centre, August 1999. The estimates were based on 69 fully cored DDHs and all other attendant studies required to support resource and reserve estimation.

¹ Pure magnesite is 47.8% MgO

Introduction

Archer's 100% owned Leigh Creek magnesite deposits located at Leigh Creek in South Australia form an advanced project with a JORC Measured, Indicated and Inferred resource of 413 million tonnes grading 41.3% MgO. The former owner completed comprehensive mining plans and environmental base line studies and other attendant studies needed to support a full feasibility study into the manufacture of magnesium metal.

The large outcropping deposits can be exploited with low cost open pit mining. There is existing standard gauge rail 20km to the southeast of the deposits that connects the Leigh Creek Coalfield to Port Augusta. Leigh Creek, a well established township lies 25 km from the deposits.

Development options for the advanced project include direct shipping the low impurity magnesite ore through one of the Spencer Gulf ports, utilizing local natural gas to produce caustic calcined magnesia or deadburn magnesia and with potential for magnesium metals production at later stage.

Location

The magnesite deposits are located immediately northwest of the Leigh Creek Coal Mine 220km north of Port Augusta. (Fig 1)

Leigh Creek is a coal mining town with a population of approximately 700. The mine supplies approximately 2.5Mtpa of coal to the Port Augusta Power station 250km south by standard gauge rail. Leigh Creek is connected to Port Augusta by an all weather sealed bitumen road.

Tenements

Archer through its 100% subsidiary Leigh Creek Magnesite Pty Ltd was granted Exploration Licence (EL) 4567 on 20th September 2010 for an initial period of 2 years. EL4567 has a total area of 540 km² and covers the Mt Hutton, Mt Playfair, Termination Hill and Pug Hill magnesite resources. On the 2nd June 2010 Leigh Creek Magnesite made application for ELA 173/10 covering 452 km² and the Witchelina magnesite resource. This ELA was approved by the Government of South Australia on 5 December 2010 and was granted to Archer as Exploration Licence EL4729 on 2 May 2011.

History

The first documented mining of magnesite in the Leigh Creek region was in 1919. Prior to 1984, F.H.Fauldings Co Ltd mined small quantities of magnesite for pharmaceutical and chemical use. In 1984-85 Commercial Minerals mined 30,000 tonnes for use in water filtration by Queensland

Alumina Ltd. The weekly production grades were consistent and varied from 42.9% to 45.9% MgO and averaged 44.7% MgO; 2.4% CaO; 4.2% SiO₂; 0.13% Al₂O₃ and 0.16% Fe₂O₃.

In 1999 SAMAG Ltd announced plans to open a major magnesite mine at Mt Hutton northwest of Leigh Creek to supply a magnesium metal plant to be built at Port Pirie on Spencer Gulf (Fig 1). SAMAG undertook a comprehensive independently audited study of the Leigh Creek magnesite deposits that included JORC Resources and Reserves, comprehensive mineralogical studies, chemical analyses and an Environmental Impact Study with a baseline-monitoring and environmental management plan (EMMP). SAMAG undertook beneficiation and mine planning studies and negotiated access agreements with traditional land owners and station owners.

The project was abandoned in 2003-04 when SAMAG failed to raise the necessary capital to develop the magnesium metal plant.



Figure 1: Leigh Creek Project Location

Geology, Mineralogy and Trace Element Chemistry

Magnesite chemical sediments occur in the Neoproterozoic Skillogalee Dolomite and in the Leigh Creek region these interbeds are extensively developed over 120km extending NW from Leigh Creek. (Fig 2) Magnesite beds were formed by almost pure magnesite precipitation in ancient, shallow marginal marine lagoons and mud flats. The magnesite beds have been reworked in-part by storm and tidal activity to produce conglomerates with variable magnesite clast size (1-100mm) and minor and trace amounts of detrital silt and dolomite.

Each magnesite bed has unique chemical and mineralogical characteristics making beds easily identifiable in outcrop or core over several kilometres. The repetitive magnesite beds up to 8m thick are interbedded with dolomite beds (fig 3).

The Mt Hutton deposit is typical of the Pug Hill, Termination Hill and Mt Playfair Deposits. It is structurally simple with a continuous, moderately dipping sequence of magnesite and dolomite interbeds over 24.5km of strike. A total of 86 magnesite beds were intersected during evaluation of Mt Hutton. 76 of these beds are continuous over the entire length of the deposit with 10 being lensoidal.

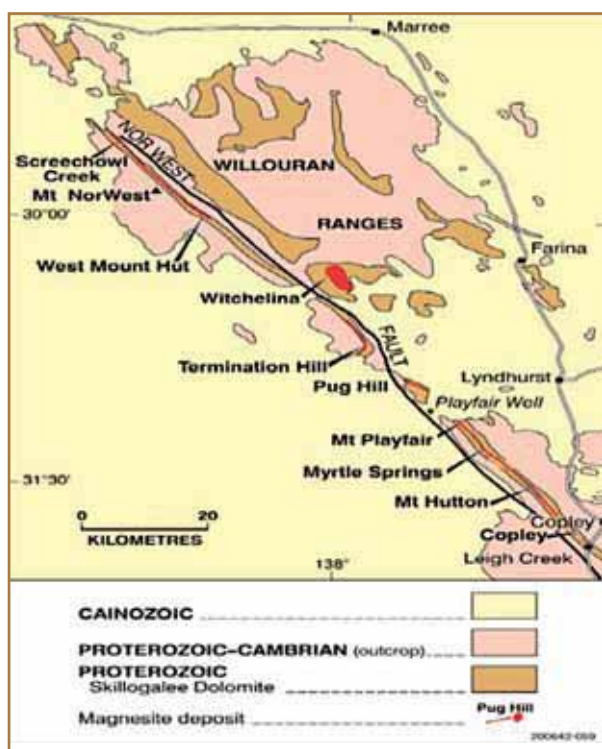


Figure 2: Geology Leigh Creek Magnesite Deposits. Archer's deposits are Mt Hutton, Mt Playfair, Pug Hill, Termination Hill and Wichelina.

An average of 1.2m of alluvium covers the Mt Hutton Deposit, but much of the deposit is outcropping (Fig 4). Minor weathering of magnesite on joints and cracks can be distinguished to a maximum depth of 20 vertical metres.

Semi-quantitative mineralogical investigations of Mt Hutton magnesite beds produced the following mineral distribution: 80% - 90% magnesite; 5% - 10% dolomite; 3% - 7% talc; 1% - 3% albite; trace detrital quartz. Samples of core from the Leigh Creek Deposits were examined petrographically by Pontifex and Associates and with SEM and XRD analysis by CSIRO.

Cryptocrystalline magnesite clasts are set in a microcrystalline dolomite and talc matrix. The metamorphic talc commonly forms an ultrafine halo around magnesite clasts. (Figs 5 & 6)

An indication of the magnesite trace element chemistry can be gauged from the analysis of a sample systematically collected from a 100 tonne bulk sample at Mt Hutton and reported in 2001 (Table 1). The low level of contaminants reflects the chemical sedimentary nature of these deposits.



Figure 3: Interbedded magnesite (white) & dolomite at the nearby Myrtle Springs mine.



Figure 4: Outcropping Magnesite Mt Hutton.



Figure 5: Hand specimen of Magnesite.

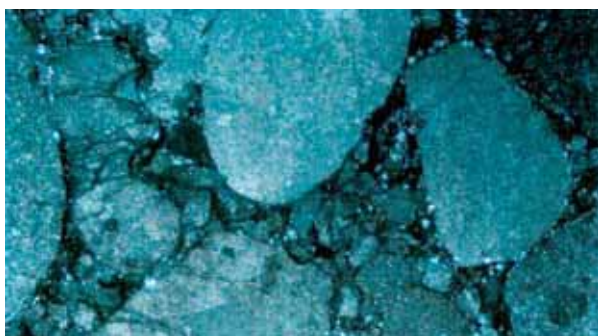


Figure 6: Microscopic image rounded magnesite in matrix of fine talc and dolomite.

Mineral Resources

In 1998 and 1999 SAMAG carried out 8,093m of diamond drilling at Pug Hill, Termination Hill, Mt Playfair, Witchelina and Mt Hutton, where 61 holes were completed.

All drill holes were fully cored with NQ2 double tube barrels and all drill core was orientated. Holes were surveyed with an Eastman single shot camera at 15m, 50m and end of hole. Core was assayed at AMDEL laboratories in Adelaide, South Australia, a NATA registered laboratory.

In August 1999, Colin Arthur of the Mineral Resource Centre, undertook an independent resource estimate of the Leigh Creek Magnesite Deposits. Magnesite beds from drill traverses and outcrop were geologically interpreted and digitized. An inverse-distance method was used to estimate tonnes and grade into 10m north by 0.5m east and 1.0m RL tabular blocks for Measured category blocks and a simple volumetric estimate for Indicated and Inferred resources. A minimum magnesite bed mining width of 0.5m was used. (Table 2)

Element Unit	MgO %	CaO %	Fe %	Mn %	Al %	Si %
Detection Limit	0.01	0.01	0.01	0.005	0.005	0.005
Total Digest	41.7	3.2	0.2	0	0.2	3.9

Element Unit	Sr ppm	B ppm	S ppm	Ag ppm	As ppm	Bi ppm	Cd ppm	Co ppm
Detection Limit	20	5	20	0.01	0.5	1	5	1
Total Digest	72	141	0.01	0	1.1	0	0	0

Element Unit	Cr ppm	Cu ppm	Mo ppm	Ni ppm	Pb ppm	Sb ppm	V ppm	Zn ppm
Detection Limit	1	2	1	1	1	5	5	1
Total Digest	2.6	1	0	1.1	0.8	0	7.2	4.1

Table 1. 100t Bulk sample Mt Hutton Chemistry.

Area	Regional Historic Resources			MgoO
	Measured (mt)	Indicated (Mt)	Inferred (mt)	
Pug Hill	-	10	10	42.7%
Termination Hill	4.0	5	20	42.8%
Mt Hutton	18.3	42	53	42.9%
Mt Playfair	-	11	23	42.5%
Witchelina	23.7	94	99	40.0%
Total	46	162	205	41.3%

Table 2: SAMAG 1999
JORC Resource Estimate

Magnesite has a theoretical maximum magnesia (MgO) content of 47.8%. The resource estimate extended to 60m vertical depth.

In 1999 consultant John Goulevitch carried out a due diligence on the resource estimates and reported on the quality control, sample preparation and assay procedures. Australian Mining Consultants audited the resource estimate in November 2000.

Mine Planning

SAMAG selected the Mt Hutton Resource for detailed mine planning study as it offered high grade magnesium and a short road haul (20 km) to the Telford rail siding. The planned mine site is in a broad flat area, dipping at 1% from north to south with little vegetation between two northwest trending ridges. (Fig 7)

The Mt Hutton magnesite occurs as a 100m wide package of steeply dipping magnesite and dolomite beds. In April 2001, MINARCO was commissioned to undertake mining study of the Mount Hutton magnesite deposit. BFP Consultants conducted a geotechnical study at Mt Hutton. The 2001 mine design has 4 x 10m benches (Fig 8) and includes pit drainage. The study involved ore loss and dilution evaluation and a comprehensive risk analysis.

The MINARCO pit design contained 7.1m tonnes of 23.7% Mg; 2.1% Ca; 106ppm B; 443ppm Al; 82 ppm Mn; 1,842ppm Fe and 11% insoluble (mostly talc and silica). The pit contained 10.9m bcm of waste.

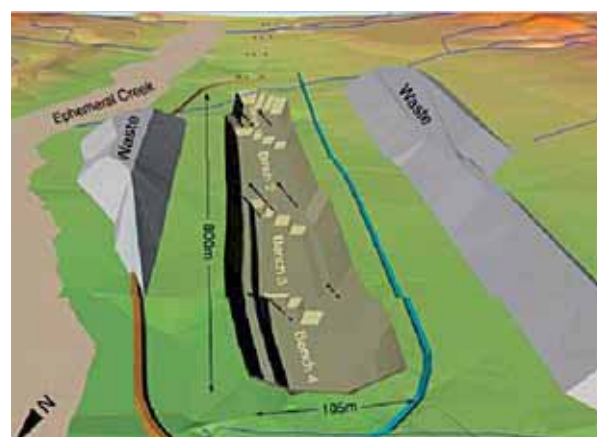


Figure 8: 2001 Mt Hutton Pit Design

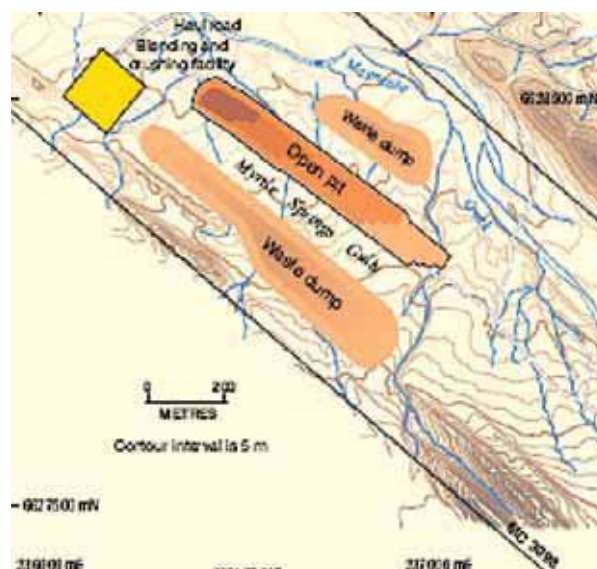


Figure 9: Mt Hutton Pit and Waste Dumps

Figure 7: Cleared Mt Hutton Mine Site

Beneficiation

A series of laboratory-scale calcining tests were carried out to establish the magnesia products that could be obtained by calcining at differing temperatures.

The calcining tests to 1000oC produced magnesia with a grade ranging between 90-94% MgO; 4.5% SiO₂; 0.3% Al₂O₃; 0.6% CaO and 0.4% Fe₂O₃. The results indicate that flotation will be necessary prior to calcining to reduce the talc and hence SiO₂ levels. Test work is in progress.

Logistics

Archer's Leigh Creek magnesite deposits lie just 20 km northwest of the privately owner Leigh Creek to Port Augusta rail line. Archer is in negotiation with the rail owner regarding third party access. Discussions thus far have indicated that access is possible and subject to reaching commercial agreement, is likely.

Native Title and Environmental Studies

SAMAG signed a Mining Native Title Agreement with the Adnyamathnanha People in February 2001. This was achieved through many Work Area Clearance (WAC) surveys and lengthy negotiations.

An EMMP (Environmental Monitoring and Management Plan), which provides a framework for control, monitoring and management of potential environmental impacts from the operation and closure of the mine was implemented at Mt Hutton in 2001. A comprehensive baseline study of flora and fauna at Mt Hutton was completed.

Archer will re-initiate Native Title discussions with the Claimants covering of all of the Company's Leigh Creek magnesite resources.

Conclusion

The Leigh Creek Magnesite Project is an advanced project. The scale, grade and quality of the magnesite is world class and the outcropping deposits can be exploited with low cost open pit mining. Their location close to rail and infrastructure has the potential to minimise mine capital expenditure.

Development options include direct shipping the low impurity magnesite ore through either Port Pirie or Port Adelaide or more practically to utilize local natural gas to produce caustic calcined magnesia or deadburn magnesia.



Figure 10: Archer's magnesite from drilling results

Manganese

Manganese is the fourth most used metal in terms of tonnage, being ranked behind iron, aluminum and copper, with in the order of 40 million tonnes of ore being mined annually. The main manganese minerals are pyrolusite (MnO_2), rhodochrosite (MnCO_3), manganite ($\text{MnO}(\text{OH})$) and psilomelane ($(\text{Ba},\text{H}_2\text{O})_2\text{Mn}_5\text{O}_{10}$).

The major deposits of manganese include;

- Chemical sedimentary - Clastic sediments of varying composition to iron formations and carbonate rocks in either a geosynclinal or stable platform structural setting.
- Surficial/residual - Formed near the surface by the supergene processes of leaching and residual enrichment of either existing manganese deposits or low-grade manganese-bearing protore.
- Hydrothermal - Emplaced by rising thermal waters.
- Metamorphosed - Thermal and/or dynamic metamorphism.

Manganese also occurs abundantly on the ocean floor in the form of nodules which usually also contain cobalt, nickel, copper, and iron. It is estimated that up to 1.5 trillion metric tonnes of manganese nodules may occur on the world's ocean floors. Currently, there is no profitable method for removing these ores.

The bulk of globally traded manganese ore is in the high grade range ($\geq 40\%$ Mn). Few deposits can be mined at these grades and many operations such as the Australian mining operations at Bootu Creek mine lower grade ore ($\leq 20\%$ Mn) and beneficiate to produce saleable product.

Archer has 100% interest seven manganese deposits and prospects (Ketchowla, Stone Hut, Kanyaka and Neale's Flat in the Adelaidean; Salt Creek, Miltalie and North Cowell on Eyre Peninsula). In addition Archer has a Farm-In Agreement with OMM Holdings Limited covering manganese and iron at Jamieson Tank. OMM can earn a 60% interest in the manganese and iron on EL3711 Carapsee Hill ore by spending \$600,000.

The current more advanced Archer manganese prospects (Ketchowla and Salt Creek) have grades ranging from 15% - 20% Mn. Beneficiation tests on Ketchowla K1 ore indicates that saleable manganese grading $\approx 40\%$ Mn (Ni 0.4%; Co 0.3%; Cu 0.3%; Zn 0.25% and high REE content including $\approx 400\text{ppm}$ Yt) can be recovered at an excellent recovery of 23%. Salt Creek also has manganese that can be beneficiated but at a lower head grade of around 30% Mn. Nonetheless the aggregate Exploration Potential of these two deposits is considered to be significant enough to warrant continued expenditure to determine resource size.

Archer also has early exploration manganese targets (Stone Hut, Neale's Flat, Kanyaka and North Cowell) that need assessment.

Drilling is required to enable the determination of the resource size and provide samples for further beneficiation tests to determine if economic manganese can be produced from the lower grade ores.

If such a tonnage could be outlined then there is a reasonable prospect of being able to develop a DSO operation in Archer's own right or via a joint venture.

Uses

Almost all manganese production goes into steel production.

World Manganese Production and Reserves

Country	Mine Production (kt)		Reserves (kt)
	2008	2009	
Australia	2,320	1,600	87,000
Brazil	1,380	990	29,000
China	2,200	2,400	40,000
Gabon	1,600	810	52,000
India	960	960	56,000
Mexico	170	94	4,000
South Africa	2,900	1,300	130,000
Ukraine	490	310	140,000
Others	1,310	1,200	Small
Total	13,300	9,600	540,000

World Manganese Production and Reserves

Substitution

No substitute for manganese in steel has been identified which combines its price with outstanding technical benefits such as the ability to combine with sulphur and a powerful de-oxidation capacity. This is unlikely to change. Manganese is recycled incidentally as a minor constituent of ferrous and nonferrous scrap; however, scrap recovery specifically for manganese is negligible. Manganese is recovered from steel slag.



Archer's Advanced Manganese Projects

This summary covers the Ketchowla and Salt Creek deposits which are the most advanced in terms of exploration.

Ketchowla Manganese Project

The area has been explored for copper and molybdenum mineralisation historically. Most exploration was focused on the eastern side of the tenement where extensive shallow drilling has been performed. This exploration for copper and molybdenum did not identify significant targets. The drilling did however report widespread manganese to less than 1% over vast areas of the tenement.

Many small quartz blows exist throughout the tenure which are mineralised with both gold and copper to low levels (0.1g/t and 0.1% respectively). Many of these blows have minor amounts of manganese which appears as veins.

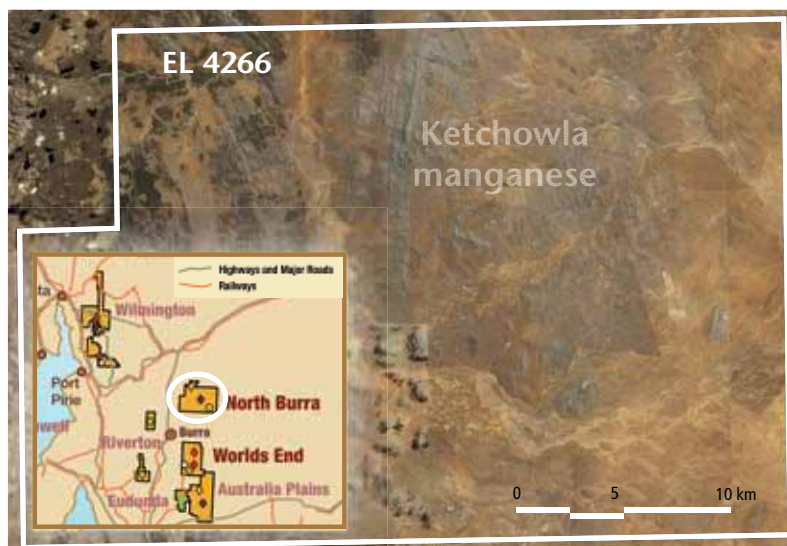
The Ketchowla Hill Manganese Mine (Figure 1) was last worked in 1941 when it produced 358 tonnes of ore, but little other information exists on historic production. Site investigations outlined a 320m strike length of manganese oxide outcrop centred on a small, shallow open pit. The manganese oxide outcrop disappears under cover to the south and north and the possibility of the mineralisation continuing under the cover is considered to be high (figs 2, 3 and 4).

A total of 12 rock chip samples were systematically collected (Figure 2) by the Company over the full strike length of the outcropping manganese to test the

manganese grade continuity along strike. The results are presented in Table 1. In addition to manganese (average grade 32.8% Mn with a maximum of 42% Mn) the samples contained other significant metals including:

- Copper – average grade of 0.38% Cu with a maximum of 0.86% Cu;
- Cobalt – average grade of 0.22% Co with a maximum of 0.48% Co;
- Nickel – average of 0.35% Ni and maximum of 0.75% Ni; and
- Zinc – average of 0.26% Zn with a maximum of 0.54% Zn.

Figure 1: Location of EL 4266 and initial sampling of the Ketchowla manganese mine



Sample No	Easting	Northing	Mn%	Co %	Cu %	Ni %	Zn %
13457	332010	6313173	33.7	0.10	0.22	0.37	0.28
13458	332013	6313200	34.1	0.33	0.44	0.60	0.41
13459	332012	6313218	40.6	0.26	0.86	0.49	0.29
13460	332015	6313226	35	0.42	0.45	0.75	0.44
13461	332016	6313238	37	0.18	0.23	0.49	0.54
13462	332017	6313258	34.7	0.23	0.13	0.18	0.28
13463	332023	6313278	18.7	0.10	0.10	0.15	0.21
13464	332023	6313299	42	0.09	0.16	0.09	0.20
13465	332027	6313343	27.6	0.18	0.32	0.11	0.09
13466	332029	6313381	32.7	0.14	0.45	0.24	0.15
13467	332029	6313437	33.3	0.48	0.64	0.30	0.15
13468	332030	6313479	23.8	0.14	0.52	0.43	0.13

Table 1: Reported significant values for the rock chip samples.

Ketchowla manganese Project

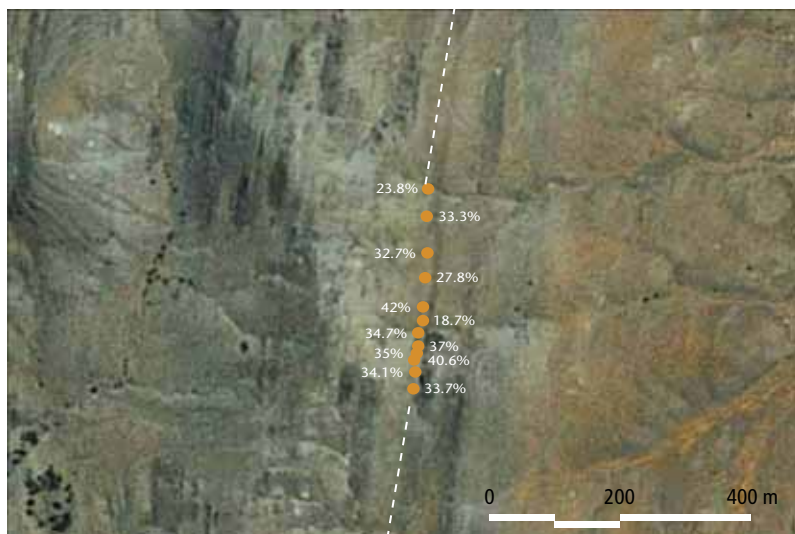


Figure 2: Location and Manganese grade (Mn%) of rock chip samples.

Geological Setting

The manganese occurrences appear to be strataform, closely associated with Nuccaleena Dolomite and its contact with bleached purple shales within a sequence of sandstone, tillite and siltstones. The sequence is isoclinally folded. Manganese has been recorded over a large area.



Figure 3: Looking south from Ketchowla Mn workings



Figure 4: Looking North from the Ketchowla Hill Mn workings



Figure 5: An example of the manganese outcrop (length of line is approximately 1 metre)



Figure 6: An exposure of the manganese in a shallow pit (the line is approximately 1 metre long)

Ketchowla Manganese Prospects

Archer has identified 5 main manganese occurrences at Ketchowla; K1, K2, K6, K8 and K9.

K1

Following the results from the old Ketchowla Mine (K1), Archer Exploration undertook systematic reconnaissance of the eastern half of the 810 km² licence area focussing on outcrops of the pale brown, flaggy Nuccaleena Dolomite, which appears to be associated with the manganese mineralisation. Figure 7 shows the location of reconnaissance sampling of outcrops of manganese mineralisation over a 18 kms x 7.5 kms area and the location of substantial manganese occurrences, which are reported in more detail below.

The northern and southern extensions to the K1 deposit were traversed and relatively small exposures of manganese in rubbly outcrop or in small pits were identified up to 4.7 kms north (sample No 22172, 22173) and 2.3 kms south of K1. (sample No 22187) (fig 7 and Table 2).

Assay results for extension samples with Mn assays greater than 10% are summarised in table 2.

The immediate southern extension to K1 is masked by a substantial shallow creek. Only one sample recorded a manganese grade greater than 10% Mn and this was 2.3 kms south of K1. (22187).

Along strike to the north of K1 there was better outcrop and more manganese mineralisation was located. Samples were collected over 4.5kms strike length north of K1 and the extension sampling was strongly anomalous for zinc, cobalt, copper, molybdenum, nickel, and platinum. (Table 2).

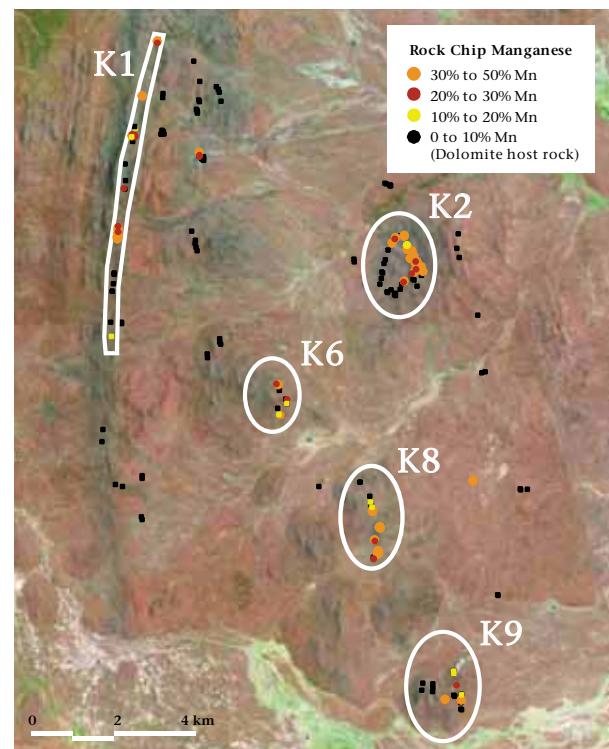


Fig 7: Ketchowla Manganese results and Prospect Locations

Sample No	Fe %	Mn %	P %	Zn %	Co %	Cu 5	Mo ppm	Ni %	Pt ppm
Southern Extension									
22187	14.75	19.35	0.11	0.36	0.17	0.04	21.8	0.14	<0.03
Northern Extension									
22172	1.89	32.10	0.23	0.33	0.59	0.33	149	0.33	0.06
22173	1.99	23.30	0.09	0.41	0.34	0.16	102.5	0.49	0.04
22174	1.58	29.30	0.13	0.21	0.02	0.20	295	0.20	0.08
22198	1.56	16.95	0.07	0.06	0.53	0.18	38.7	0.28	<0.03
22199	1.37	39.30	0.23	0.19	0.26	0.26	203	0.09	<0.03
22201	1.15	26.10	0.15	0.26	0.24	0.26	410	0.54	0.05
22202	1.38	27.70	0.15	0.26	0.26	0.28	410	0.54	0.07
22203	1.17	34.00	0.11	0.28	0.17	0.26	470	0.54	0.05
22204	1.85	19.05	0.15	0.22	0.17	0.21	540	0.51	0.07

Table 2: K1 Extensions Mn > 10%.

K2

K2 is on the eastern limb of a shallow dipping syncline approximately 7 kms ESE of K1. This is an area of low undulating terrain cut by broad creeks. The ridges are dominated by the Nuccaleena Dolomite and the ridge slopes are scree covered. Discontinuous manganese outcrops were traced over 1.3 kms (Figures 8, 9 and 10). In the north, the manganese outcrops disappear under a broad alluvium covered drainage. The southernmost manganese outcrops are in a creek bed and characterized by resistive quartz veining. Manganese mineralisation occurs within the Nuccaleena Dolomite close to the contact with bleached grey siltstone where pods up to 9m thick are located.

A total of 30 rock chip samples were collected from K2. It is important to note these are rock chip

samples of available rubbly manganese outcrop as illustrated in the photographs in this report and are not representative channel samples of the mineralized system. The average and maximum values for a range of elements is summarised below.

- Manganese – average grade 32.5% with a maximum of 48.1% Mn.
- Copper – average grade of 0.14% Cu with a maximum of 0.49% Cu;
- Cobalt – average grade of 0.21% Co with a maximum of 0.50% Co;
- Nickel – average grade of 0.11% Ni and maximum of 0.62% Ni; and
- Zinc – average grade of 0.16% Zn with a maximum of 0.44% Zn.

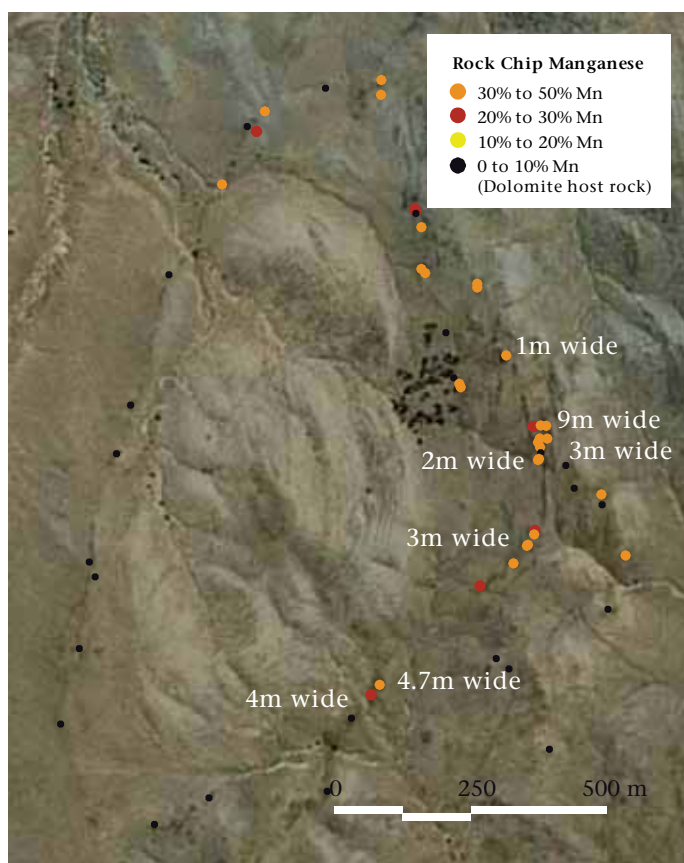


Figure 10: K2 sample locations and rock chip Mn analysis results



Figure 8: K2 Junction Manganese Pod



Figure 9: 9m wide Manganese Pod at K2

K6-K8-K9 (Southern Zone)

K6 and K8 have scattered outcrops of manganese mineralisation on low ridges separated by 3 km of shallow scree and aeolian sand covered alluvial flats. K9 is an additional 3.7 km south of K8. Figures 11 and 12 show the terrain between K8 and K6 to the north and K9 to the south. In total the three ridges with outcrops of manganese mineralisation (K6, K8 and K9) separated by broad areas of shallow, sandy alluvium cover 9.2 km strike length.

In the southern zone K9, has the most continuous exposure of manganese mineralisation. Manganese is exposed on the southern bank of a broad sandy creek and can be traced 400m south as illustrated in Figure 15 and a further 150m as subcrop before it disappears under cover. The manganese outcrop appears more siliceous in this area.

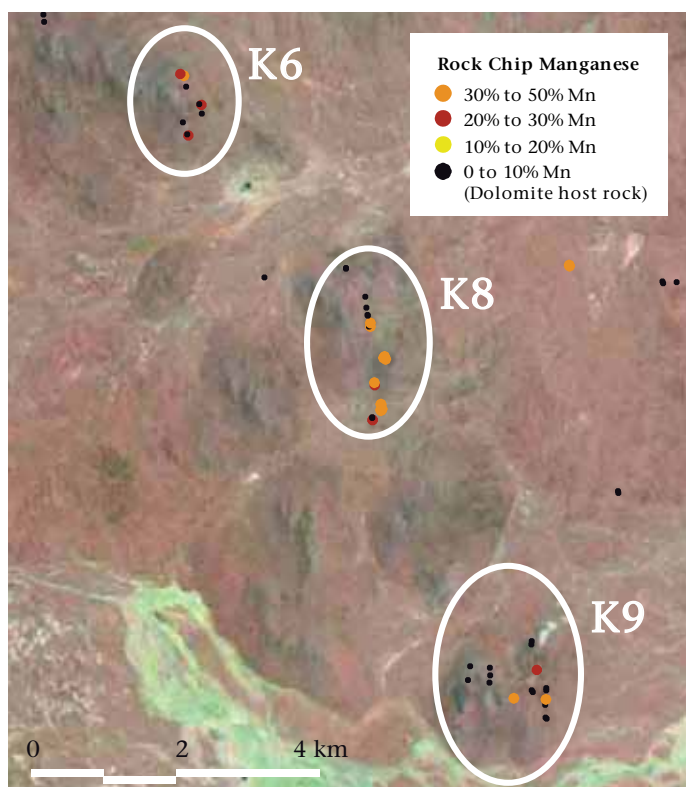


Figure 13: Southern Zone K6-K8-K9



Figure 15.: K9 Old Manganese Trench

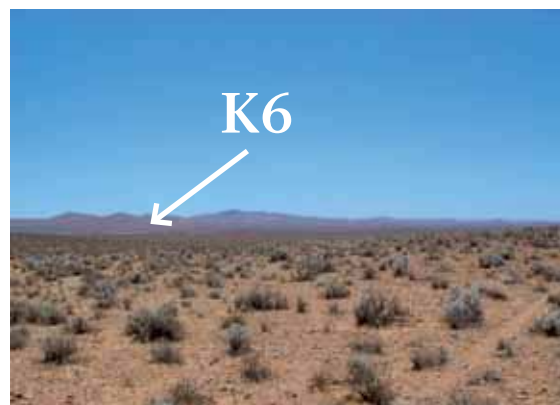


Figure 11: Looking from K8 in foreground north 3 kms to K6

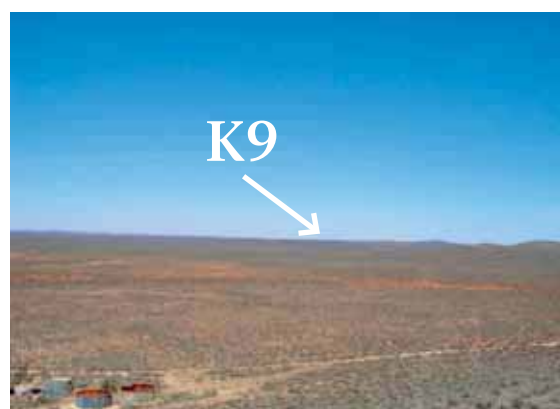


Figure 12: Looking from K8 in foreground 3.7 kms south to K9



Figure 14: Southern extension from Trench at K9



Figure 16: K8 Manganese Ridge

Any immediate northern extension of the mineralization is covered by a steep sided creek, but the creek sand contains transported manganese gravel (sample 22288) and 550m north of the Old Manganese Trench there is outcrop of a manganese mineralisation (sample 22301 and 22302) in the northern bank of the creek.

In addition to lower manganese grades, which in part may be related to the silicified nature of the surface outcrops, the zinc and cobalt grades are lower and copper, molybdenum and nickel are substantially lower than K1 and K2. In total the K9 mineralisation is exposed over approximately 1km and is open to the north and south.

K8 is located 3.7 kms along strike north of K9 on the eastern side of a low ridge of outcrop. Manganese mineralisation is exposed in several relatively narrow pods

the largest outcropping pod is 45m x 6m (figure 16).

The rock chip sample results from K8 are summarised below in Table 4 and were collected over a strike length of 1.1 kms.

While they are anomalous the zinc, cobalt, copper, molybdenum, and nickel values associated with the manganese mineralisation are significantly lower than K1.

K6 is approximately 3 kms north of K8 in an area of poor outcrop. Here there are sparse manganese outcrops up to 4m wide over a strikelength of 750m on the eastern side of a low ridge. The manganese mineralisation is closely associated with the Nuccaleena Dolomite. Table 5 contains the results of samples collected at K6.

Sample No	Fe %	Mn %	P %	Zn %	Co %	Cu %	Mo ppm	Ni %
22288	2.16	21.60	0.37	0.11	0.25	0.04	5.75	0.03
22295	3.56	6.96	0.08	0.002	0.002	0.002	8.07	0.005
22296	2.27	4.40	0.04	0.07	0.03	0.02	8.35	0.04
22297	2.31	6.59	0.04	0.06	0.05	0.03	18.95	0.05
22298	0.8	46.30	0.23	0.20	0.13	0.004	32.9	0.03
22299	3.64	13.70	0.11	0.08	0.04	0.03	48.5	0.05
22300	2.32	14.15	0.06	0.06	0.02	0.01	42.7	0.02
22301	1.77	15.95	0.14	0.26	0.09	0.16	39.7	0.07
22302	0.72	14.25	1.00	0.18	0.04	0.10	27.6	0.04

Table 3:
K9 manganese
geochemistry

Sample No	Fe %	Mn %	P %	Zn %	Co %	Cu %	Mo ppm	Ni %
22270	4.33	22.80	0.16	0.03	0.09	0.02	58.2	0.04
22271	3.07	34.60	0.35	0.06	0.15	0.03	58.6	0.09
22272	3.28	38.30	0.11	0.10	0.22	0.01	28.6	0.07
22273	0.93	44.40	0.08	0.10	0.08	0.03	37.3	0.05
22274	6.45	38.60	0.18	0.04	0.11	0.02	67	0.04
22275	3.3	30.10	0.14	0.05	0.07	0.01	21.3	0.04
22276	3.78	4.26	0.29	0.004	0.003	0.005	10.1	0.005
22277	1.36	35.10	1.00	0.10	0.25	0.15	43.4	0.20
22278	2.37	32.40	0.23	0.13	0.21	0.22	87.6	0.25
22279	5.2	15.60	0.16	0.03	0.04	0.01	24.8	0.05
22280	4.99	13.40	0.25	0.004	0.007	0.08	9.33	0.01
22281	5.99	12.90	0.15	0.01	0.005	0.02	7.17	0.02

Table 4:
K8 analysis
results

Sample No	Fe %	Mn %	P %	Zn %	Co %	Cu %	Mo ppm	Ni %
22261	2.25	32.40	0.24	0.25	0.19	0.13	67	0.15
22262	1.81	21.60	0.17	0.18	0.18	0.14	44.1	0.11
22263	1.19	25.30	0.16	0.09	0.07	0.06	16.1	0.05
22264	1.84	3.95	0.07	0.02	0.02	0.003	5.37	0.02
22265	2.39	18.80	0.27	0.13	0.24	0.51	85	0.16
22266	3.22	26.10	0.35	0.18	0.29	0.21	13.75	0.29
22267	2.56	15.00	0.19	0.09	0.18	0.10	10.1	0.18

Table 5:
K6 analysis
results

Ketchowla Drill results

In February 2010 Archer completed its maiden drill program at the Ketchowla Manganese Project. Many of the holes intersected intervals of mineralisation exceeding 5% manganese, the best results are summarised in Table 6.

Figure 17 shows the location of the significant manganese mineralised zones and higher grade drill hole intersections.

Figure 18 is an east west cross section through the K9 drilling and it shows the relatively flat dip and strataform nature of the manganese mineralisation, characteristic of the K2, K6, K8 and K9 deposits.

Hole ID	Target Area	From (m)	To (m)	Width (m)	Mn %
K1RC001	K1	6	14	8	15.6
K1RC004	K1	11	15	4	17.5
K2RC003	K2	3	4	1	33.6
K2RC004	K2	1	2	1	31.7
K8RC002	K8	2	4	2	17.5
K8RC003	K8	2	4	2	12.0
K8RC006	K8	1	5	4	12.5
K8RC016	K8	0	2	2	18.8
K9RC004	K9	2	6	4	16.3
K9RC006	K9	5	9	4	29.3
K9RC010	K9	4	8	4	11.1

Table 6: RC Drilling - Manganese mineralized Zones Ketchowla

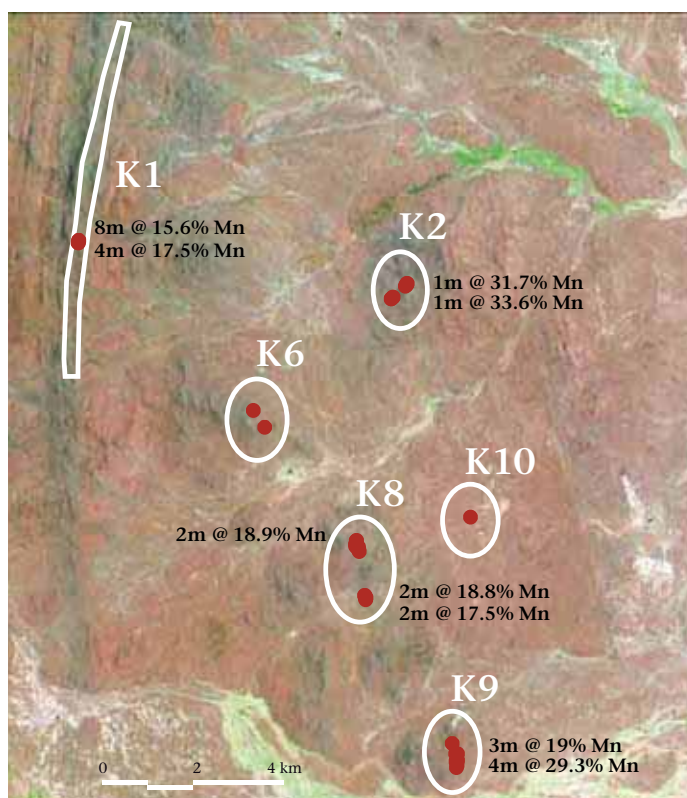


Figure 17: RC drill hole locations and manganese intersections from 2010 drilling

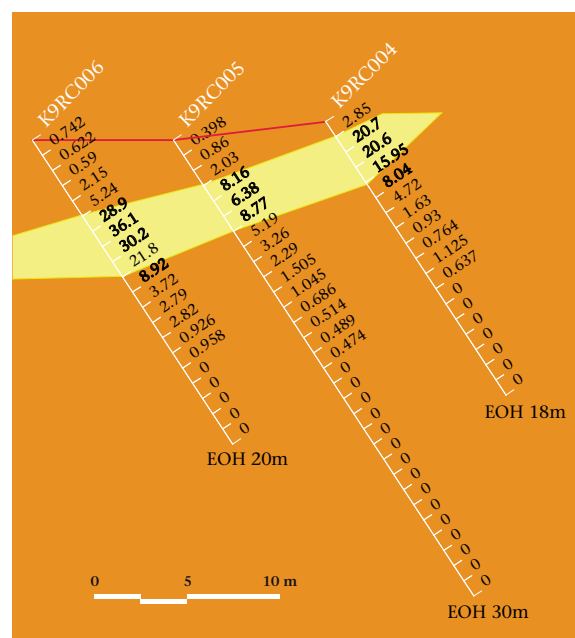


Figure 18: K9 cross section with manganese grades in %

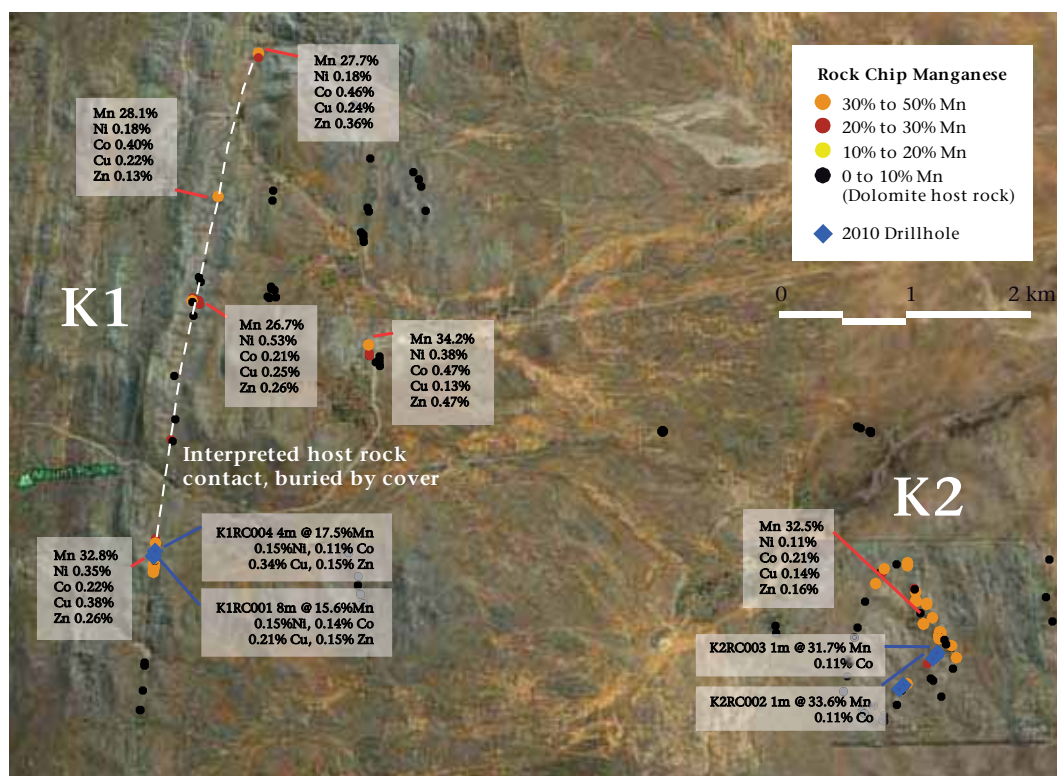


Figure 19: Rock chip grades (red) and drill hole results (blue) K1 and K2 Ketchowla

Rock chip sampling in the K1 and K2 areas has identified copper (Cu), cobalt (Co), nickel (Ni) and zinc (Zn) mineralisation. These metals appear to be associated with manganese (Mn) in the historic workings at K1 and in small exposures of manganese in rubbly outcrop or in small pits up to 4.7km north of the workings (figure 19).

The K1 workings and the north part of K2 were not drill tested, because of the steep terrain. However, holes K1RC001 and K1RC004 drilled immediately north of K1 workings to test the potential extension of the mineralisation confirmed the association between manganese, copper, cobalt, nickel and zinc at depth.

- K1RC001 4 - 12m, 8 metres @ 15.6% Mn; 0.21% Cu; 0.14% Co; 0.24% Ni and 0.15% Zn.
- K1RC004 11 - 15m, 4 metres @ 17.5% Mn; 0.34% Cu; 0.11% Co; 0.24% Ni and 0.15% Zn.

Another encouraging aspect of the results from K1001 and K1004 was the width of manganese mineralization intersected below small rubbly manganese outcrops < 1m wide on a scree covered slope. This highlights the potential of the 4.7 km northern extension of K1.

The original 2,500m drill program was only partially completed, because of the unavailability of the track mounted rig originally contracted to carry out the program. Access was restricted to relatively flat areas, because the replacement rig was truck mounted. This meant the steeper and most prospective areas of K1 and K2 were not drill tested.

Bench Scale Leach Tests

25 kgs of manganese-rich drill cuttings were collected from two drill holes drilled into K1 and subjected to agitated acid leach tests at AMMTEC. Agitated acid leaching demonstrated metal recoveries of >95% were achieved for all elements tested (Mn, Ni, Co, Cu and Zn).

Rare Earth Elements

As a result of test work to determine the recoveries of the nickel, cobalt, copper and zinc it was decided to analyse for a larger suite of elements. This revealed significant assays for the Rare Earth Elements Yttrium, Neodymium and Cerium in four of Archer's Ketchowla manganese deposits K1, K2, K3 and K9. Lithium is also highly anomalous.

The potential economic significance of the REE values is not known at this time.

1) REE from Rock Chip Sampling

Previously reported manganese rich rock chip samples returned REE assays up to:

- Cerium to 2,200ppm
- Lanthanum to 172ppm
- Terbium to 413ppm
- Yttrium to 1695ppm
- Neodymium to 759ppm

The rock chip samples also returned Lithium values to 4400ppm. Assaying was by four acid digest followed by ICPMS.

2) REE in RC Drilling

Significant REE values from K9 drilling (manganese results previously reported) are as follows;

- 2m @ 0.3% REE (K9RC0093 to 5m)
- 3m @ 0.12% REE (K9RC0105 to 8m)

Rare Earth Element enrichment appears to be confined to Mn poor rocks at K9. Shallow thin clay-rich intervals for K9RC009 and K9RC010 reported elevated REE's as well as strontium. This material appears to be a weathered intrusive rock having caused chlorite alteration to the surrounding dolomite and siltstones.

The REE's may have been introduced through fluids into the rocks from a local source. This is supported by an isolated hole (K9RC011) drilled vertically into siltstones to the north that reports 7m @ 103ppm Ce (entire length of hole), see figure 2.

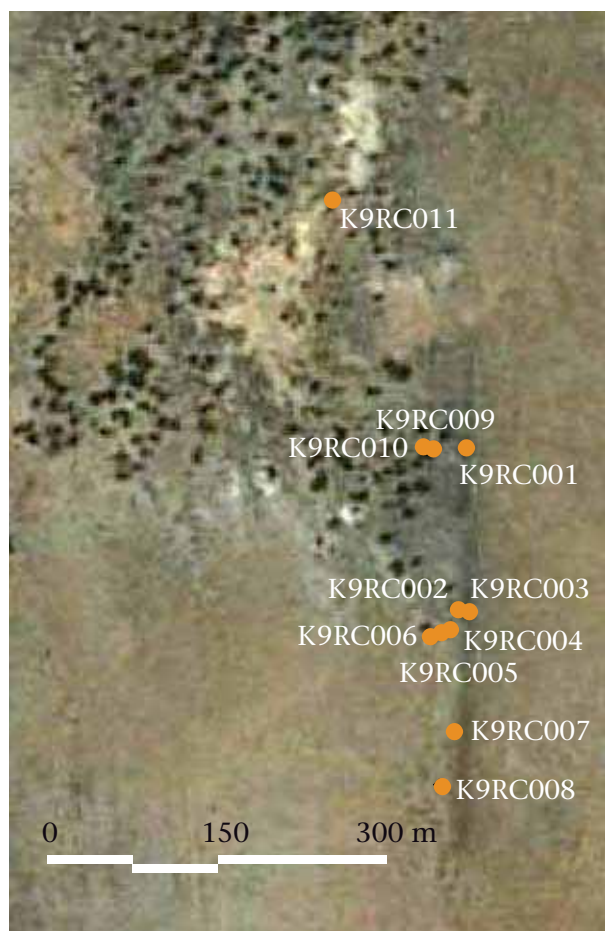


Figure 20: Plan of drill holes at K9

No other sampling of the siltstones or country rocks has been undertaken to the north due to the lack of manganese. The 2 anomalous holes reside in a "basin-like" area possibly reflecting an as yet unseen intrusive body, which maybe the source of the REEs.

In addition to these intervals is the presence of anomalous molybdenum (Mo) in a 1m interval in each hole that reports 1850ppm Mo (K9RC009) and 250ppm (K9RC010).

Drilling revealed intercepts of:

- K9RC009 3 - 5m, 2 metres @ 0.9% Mn, 279ppm Nd, 226ppm Dy, 1223 ppm Y, 288ppm Ce, 149ppm Sc, as well as Er, Gd, Sm and Yb all reporting above 100ppm
- K9RC010 5 - 7m, 2 metres @ 9.6% Mn, 192ppm Nd, 120ppm Dy, 540 ppm Y, 153ppm Ce, 60ppm Sc and 110ppm Gd.

These results indicated that other drill samples, both Mn rich and Mn poor should be re-assayed to determine the extent of REE mineralisation.

K1 Manganese Deposit

The manganese enrichment appears to be controlled by a 7.5km NS fault, with rafted blocks of siltstone being observed in the face of historic workings, these rafted blocks imply some form of emplacement of the manganese i.e. fluid origin.

This is the only location this is observed due to historic workings.

Drilling to the immediate north of the workings revealed intercepts of:

- K1RC001 6 - 14m, 6 metres @ 15.6% Mn; 0.21% Cu; 0.14% Co; 0.24% Ni, 0.15% Zn, 0.12% Li, 255ppm Mo, 637ppm Sr and 272ppm Yttrium
- K1RC004 11 - 15m, 4 metres @ 17.5% Mn; 0.34% Cu; 0.11% Co; 0.24% Ni, 0.15% Zn, 0.10% Li, 126ppm Mo, 338ppm Sr and 311ppm Yttrium

The high manganese assays imply a scavenging of these other elements. The presence of an aluminium – lithium mineral species called lithiophorite may explain the concentrations of Ni, Co, Cu and Zn previously reported with the manganese. It may also explain the presence of elevated rare earth elements, lithium and strontium.

K1 Rock Chip Results

8 rock chip samples were collected from an area 2.4km along strike to the north of the K1 drilling. This area has never been drill tested. These samples reported an average of;

These 8 samples were taken from an area of 70m by 40m from sub cropping manganese-rich material on the K1. Elevated REE's are also observed at the K3 prospect and the K2 prospect, neither of which were targeted during previous drilling, see figure 3.

Element	ppm	Element	%
Cerium	446	Manganese	26.67
Lanthanum	103	Nickel	0.52
Scandium	111	Cobalt	0.23
Yttrium	1160	Zinc	0.25
Dysprosium	194	Copper	0.28
Erbium	120		
Gadolinium	214		
Neodymium	555		
Samarium	194		
Ytterbium	133		
Total REE	3474.9		
NON REE's			
Strontium	111		
Lithium	2557		

Table 7: Average grades of 8 rock chip samples North of Ketchowla mine

Ketchowla Metallurgical Testwork

Manganese, Base Metals and REE

A composite RC drill hole sample from the Ketchowla manganese deposit was sent to Nagrom in Kelmscott, Perth for dense media separation and analysis. Test work using density separation and gravity concentration successfully upgraded the 17.47% Mn sample to >35% Mn (23.21% recovery) as shown in the table below.

Product Summary	Yield (%)	Mn %	Fe dist	%	Sio ₂ dist	%	dist
Coarse Concentrate	11.99%	36.49	25.04%	1.77	5.12%	17.42	5.21%
Fines Concentrate	2.58%	38.95	5.74%	5.42	3.37%	8.75	0.56%
Middlings	8.64%	33.67	16.65%	3.65	7.61%	18.68	4.02%
Waste	76.79%	11.96	52.56%	4.53	83.91%	47.11	90.21%
Calculated Head	100.00%	17.47	100.00%	4.15	100.00%	40.11	100.00%

Table 8: Ketchowla K1 manganese beneficiation results

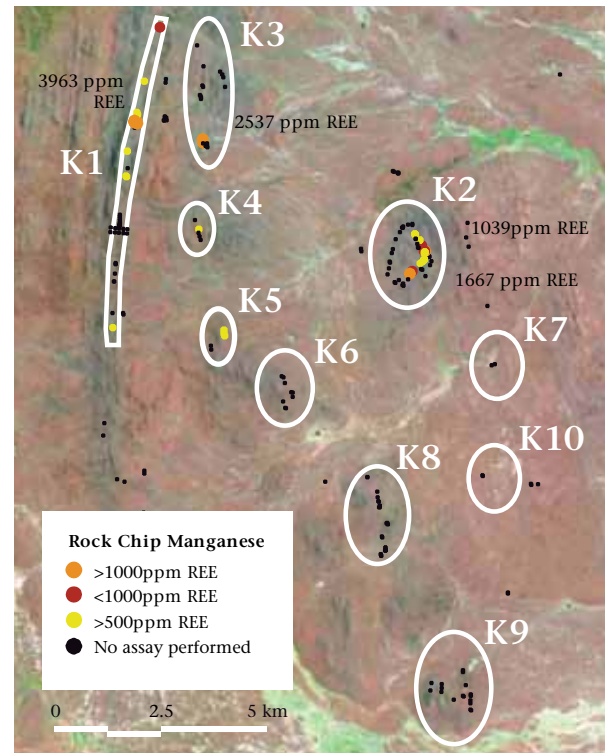


Figure 21: Plan view of anomalous REE results from rock chips at Ketchowla

The test work also demonstrated upgrading of the Ni (0.258% to 0.412%); Co (0.175% to 0.296%); Cu (0.226% to 0.377%) and Zn (0.164% to 0.277%) in the combined coarse and fine concentrate and the middlings products. Yttrium similarly increased from 113.2ppm to 204ppm.

Ketchowla Geophysical Surveys

A trial ground gravity survey was used at the K1 and K9 prospects to see if a contrast between the siltstone and dolomite rocks could be seen. It was expected that a small gravity high might occur where the manganese occurs due to the density contrast between the mineralisation and the dolomite.

This does not appear to be the situation from the results, which are discussed below.

K1

A gravity high was expected at the location where the Mn outcrops, figures 22 and 23 demonstrate the results of the survey. Figure 22 highlights where the Mn outcrops from the rock chip samples as well as the drill holes, in both cases the Mn mineralisation appears to be related to the a drop in the gravity signature, which may reflect an increase in the silicification of the mineralisation.

Irrespective, the density of the gravity stations and the results indicate that gravity can be used to indicate the presence of Mn mineralisation.

The area in figure 23 highlighted by the blue border is

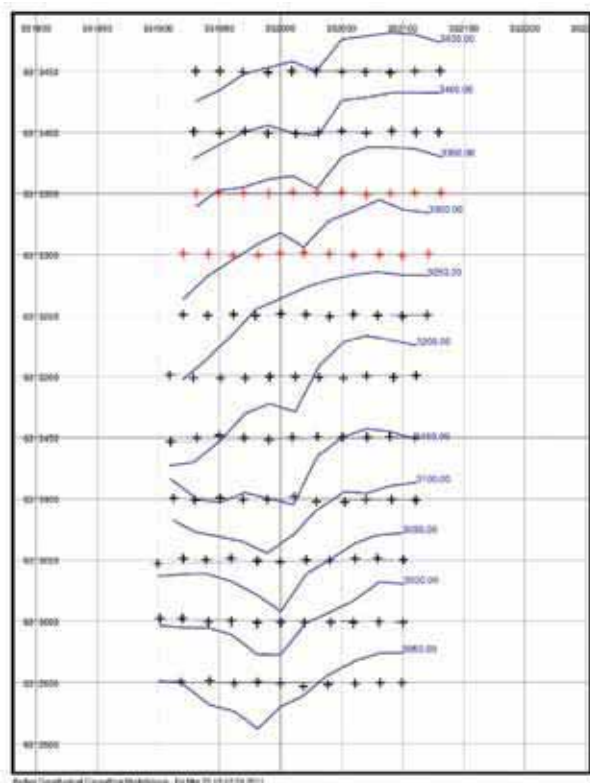


Figure 22: Raw gravity data with stations from K1

where no Mn mineralisation occurs at the surface, it is a low valley covered by alluvium of unknown depth. This material was sampled by AXE as a part of a broad soil sampling program to test for Mn mineralisation, the peak values (7,670 and 1,350 ppm) roughly correspond to the gravity contrast. This may indicate the presence of low volume mineralisation or significantly deep mineralisation.

Immediately to the north of this area, the Mn outcrops and is exposed by historic mine workings. The limited signature may again reflect the narrow widths of the ore (5-8m).

To the north again where 2010 drilling was performed a greater signature can be seen extending to the west, this may reflect an increase in the mineralisation ie a 'pod'.

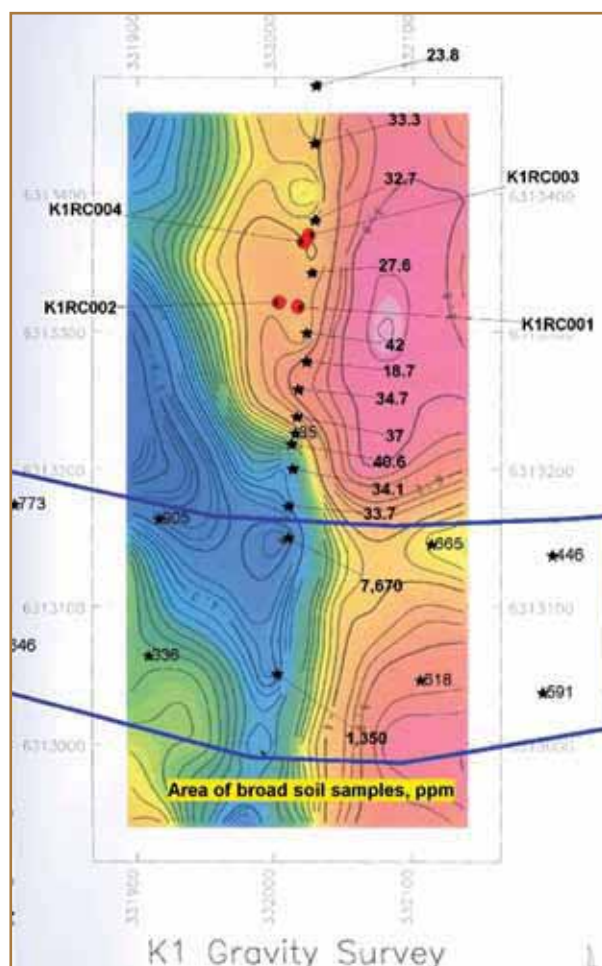


Figure 23: Bouguer anomaly with geochemical and drill hole sample sites, with corresponding manganese grades.

K9

The K9 prospect is distinctly different to all other Ketchowla prospects, from its surface appearance to the types of rocks intercepted in drilling. The topography is that the mineralisation resides on the eastern edge of a large 'breakaway' basin. Whilst porphyry rocks mineralised with low copper and molybdenum were intercepted in holes K9RC009 and 10.

The gravity shows a density contrast between the siltstones and dolomites, the two lines of holes (circled) that intercepted mineralisation, were on this contrast or to the west of the contrast. Holes drilled to the south appear to be to far west of the contrast, this area will need to be tested in the future.

The need for an appropriate geophysical methodology for determining manganese potential under cover is essential for EL 4266, figure 26 shows the numerous occurrences reported historically from either drilling or rock chip sampling.

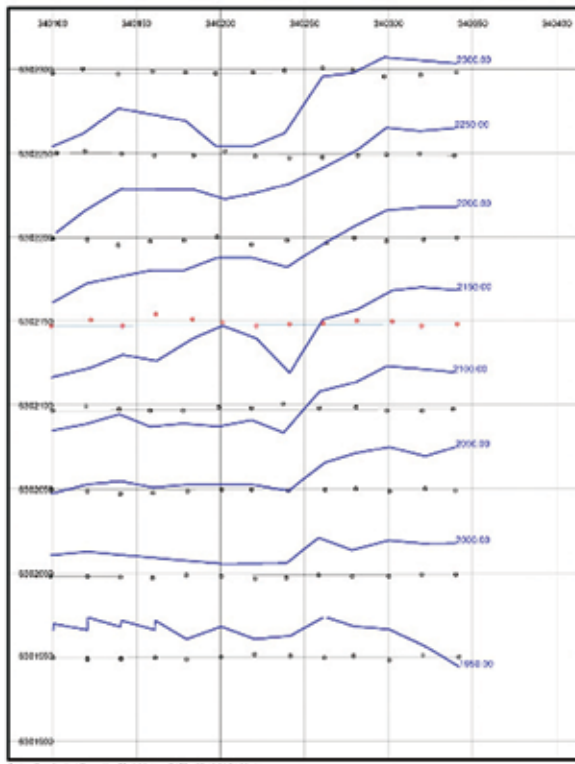


Figure 24: Raw gravity data with stations from K9

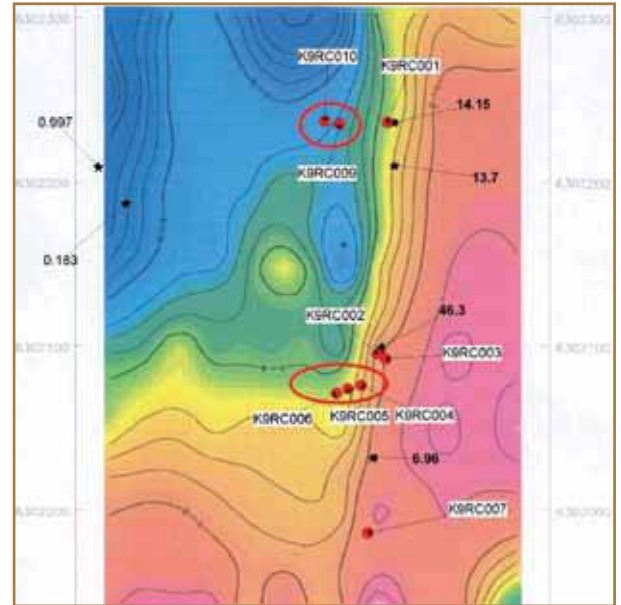


Fig 25: Bouguer anomaly with geochemical and drill hole sample sites, with corresponding manganese grades.

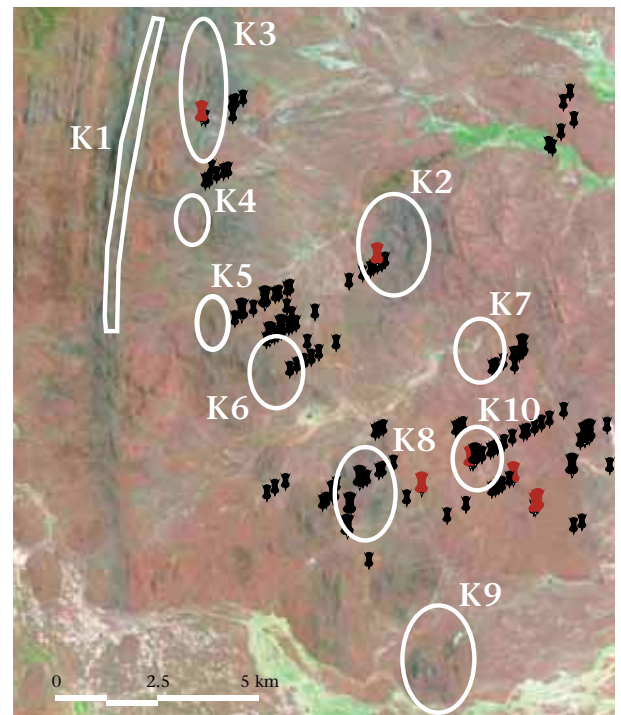


Figure 26: Historic occurrences of Mn (black) and Cu (red) for EL4266.

Salt Creek Manganese Project

Background

Manganese mineralisation on the Eyre Peninsula is associated with the Lower Middleback Jaspilite and appears to be enriched at the surface. In 1978 CRA identified manganese in rock chip sampling at Salt Creek, figure 27. The CRA work was followed up by Shell in 1986 with traverses across the manganese outcrops. Both reported surface grades of approximately 20% Mn over 4km contained in two parallel horizons, thought to be the limbs of a truncated syncline at the surface.

The manganese occurs in cropping paddocks and is covered by soils for most of the strike length. One hole was drilled in 1986 by Shell to the west of the outcrop and is interpreted by Archer as not having been drilled deep enough to intersect the mineralisation.

Archer's initial sampling was conducted at the time of meeting landowners for introductions.

A 19 hole RC drill program to determine mineralisation extents and develop a model for the mineralisation was completed in April 2011. The program focused only on the western limb of the mineralisation. subsequent to the drilling a synclinal model has been developed for mineralisation. Figure 28 shows the location of the drill holes, with the manganese enriched outcrops evident as the darker untouched areas within the paddocks.

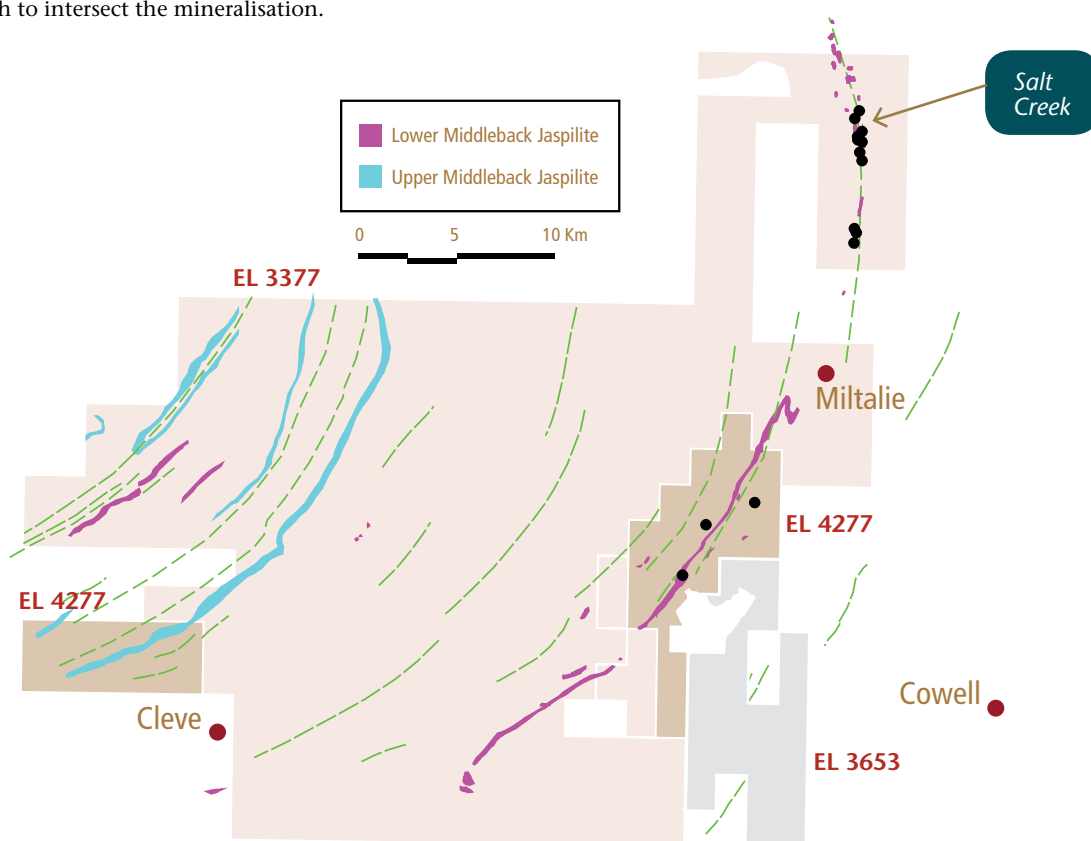


Figure 27: Rock Chip samples reporting over 10% manganese across WHP tenements

Drilling

The drilling highlighted that manganese occurs in three different rock units:

- 1) High iron manganese associated with weathered Lower Middleback banded iron formation.
- 2) Fine manganese in weathered pelitic sediments (clays and schists).
- 3) Up to 5mm fine manganese nodules within transported silica-rich sand.

Significant manganese intercepts included:

- 5m at 12.47% Mn from 14 to 19m in SCRC11_002
- 57m @ 6.44% Mn from 0-57m in SCRC_003 including 11m at 12.35% Mn from 42 to 53m
- 7m at 12.12% Mn from 5 to 12m in SCRC11_005

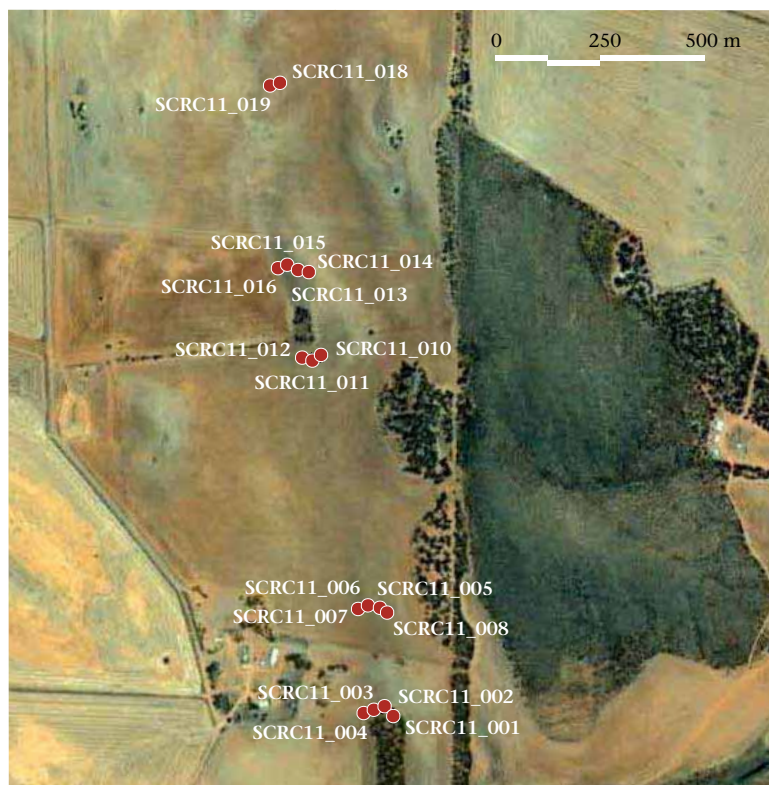


Fig 28: Location of 2011 RC drill holes at Salt Creek.

The manganese units appear to comprise two limbs of an overturned syncline (figure 29) with a western limb consisting of sporadic outcrops of high-iron manganese and an eastern limb of manganese and silica-rich manganese adjacent to quartzite/leached BIF. The drilling only targeted the easternmost portion of the western limb with the eastern limb yet to be drill tested.

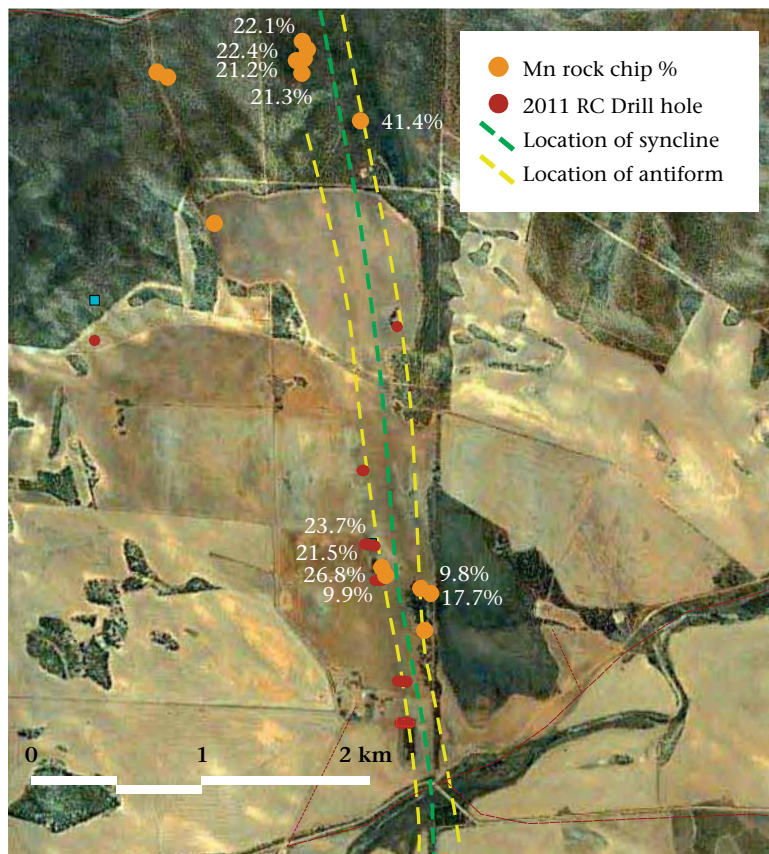


Figure 29: A plan view of the trace of the fold structures, with regional rock chip results

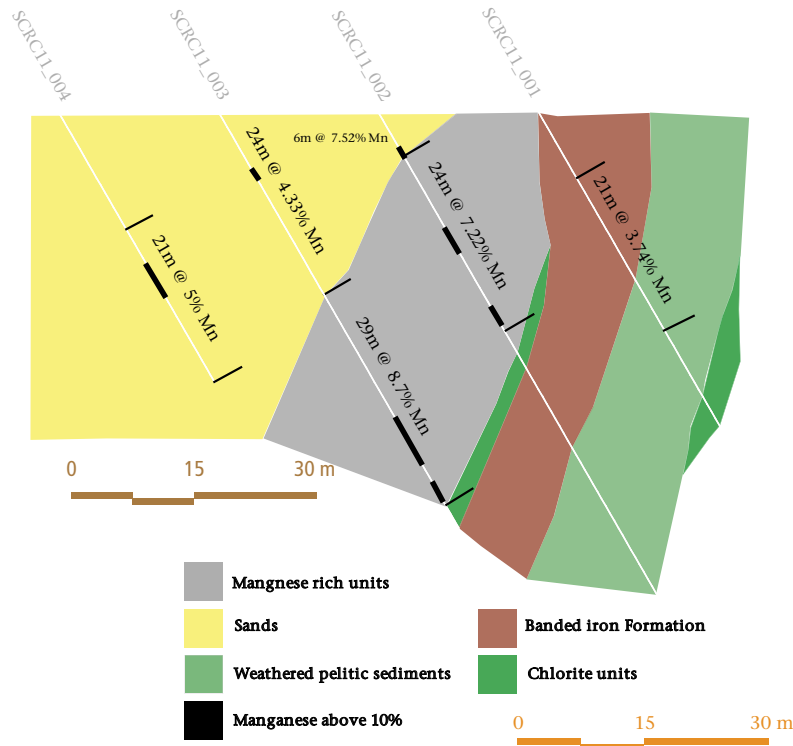


Figure 30: Geology of southern drill line with manganese intervals reported.

The presence of fine (<5mm) nodular manganese within unconsolidated silica-rich sand suggests that the manganese was locally remobilized and re-precipitated. The silica-rich sand units are thought to represent an old scarp (cliff face) possibly formed as a result of faulting. The silica-rich sand hosted nodular manganese was intersected in holes SCRC_001 - SCRC_004. Holes SCRC_005 – SCRC_019 were drilled to the east of the silica-rich sands. The implication is that manganese mineralisation may continue to the west of the drilling, as well as to the east in the buried syncline, see figure 30 for section.

Manganese associated with weathered Lower Middleback banded iron formation is high in iron.

The degree of iron enrichment encountered during drilling is highlighted in a rock sample, see plate 1.



Plate 1: Limonite and manganese within outcrop

All 19 drill holes encountered highly anomalous manganese as shown in table 9, below.

Hole ID	From (m)	To (m)	interval	Mn (%)	Fe (%)	Lithology
SCRC11_001	0	9	9	1.13	22.9	schist and BIF
and	9	30	21	3.74	39	weathered BIF
SCRC11_002	0	6	6	7.52	36	weathered BIF
and	6	30	24	7.22	26.32	weathered schist
SCRC11_003	0	24	24	4.33	4.2	Silica sand with nodules
and	24	53	29	8.7	26.89	weathered schist
SCRC11_004	16	37	21	5.04	5.9	Silica sand with nodules
SCRC11_005	0	12	12	9.62	25	weathered schist
SCRC11_006	12	26	14	4.3	25.48	weathered schist
SCRC11_007	44	59	15	2.41	24.31	weathered schist
SCRC11_008	8	19	11	2.54	17.05	weathered schist
SCRC11_009	0	24	24	5.45	26.94	weathered schist
SCRC11_010	0	27	27	3.48	22.45	weathered schist
SCRC11_011	10	42	32	5.26	23.75	weathered schist
SCRC11_012	30	38	8	2.35	22.92	weathered schist
SCRC11_013	0	14	14	1.67	30.75	weathered BIF
and	14	28	14	4.72	21.25	weathered schist
SCRC11_014	10	30	20	4.61	34.42	weathered BIF
and	41	46	5	4.84	13.68	weathered schist
SCRC11_015	23	46	23	2.65	29.57	weathered BIF
SCRC11_016	32	43	11	2.89	33.24	weathered BIF
SCRC11_017	4	12	8	3.4	1.08	highly silicified
SCRC11_018	1	3	2	5.99	13.69	weathered schist
SCRC11_019	0	25	25	2.98	9.34	weathered schist

Table 9: Manganese intervals for all Salt Creek drill holes, 2011.

Five samples were selected to represent a variety of mineralisation styles intersected during drilling.

- **Sample 1** Manganese enriched schist (SLRC011-002 14-29m)
- **Sample 2** Clay and Manganese (SLRC011-003 25-37m)
- **Sample 3** Clay and manganese (SLRC011-003 40-53m)
- **Sample 4** Sand and Manganese nodules (SLRC011-004 21-37m)
- **Sample 5** Banded Iron Formation (BIF) and Manganese (SLRC011-005 1-12m)

Figure 31, shows the upgraded intervals in respect to their location in drill sections and in their interpreted mineralised units. Samples 1, 2 and 3 are representative of the manganese enriched sediments, which are believed to be the westerly dipping limb of an antiformal structure.

The five samples comprised composite sampling of a number of continuous drill intervals enriched in manganese. Samples 1-3 and 5 were crushed to 5mm. Sample 4, being mostly sand did not require crushing. All samples were then wet screened into 5 size fractions: +3.35mm; -3.35mm +2mm; -2mm +1mm; -1mm +0.5mm; and -5mm.

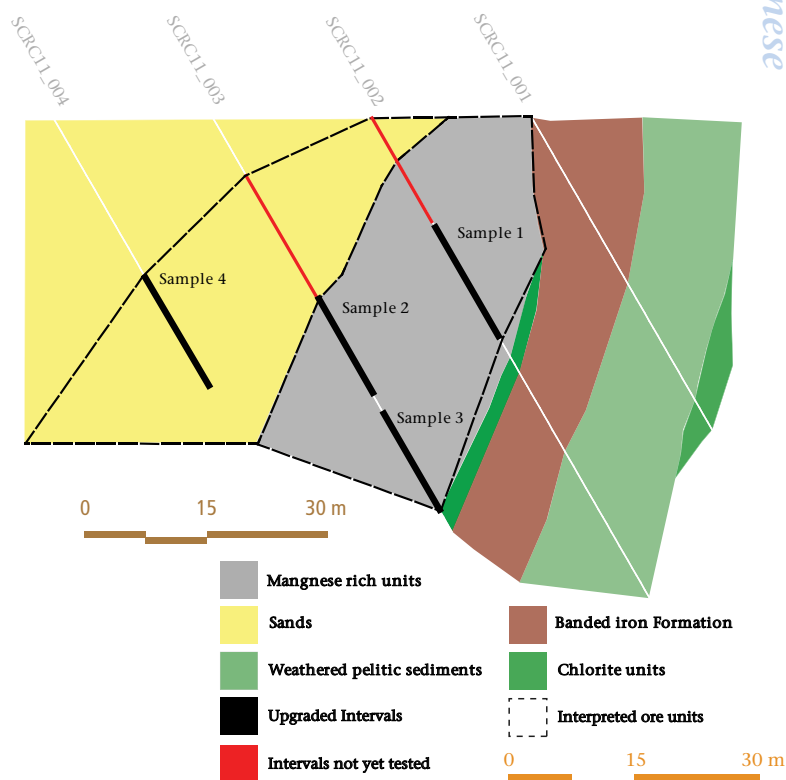


Figure 31: Cross section of southerly line showing location of samples taken for beneficiation

Beneficiation test work

Table 10 is the summary of the 5 samples, each sample is discussed separately below.

Sample	Head Assay			Recovery%	Recovery Assay		
	MnO(%)	Sio ₂ %	Fe ₂ O ₃ %		MnO(%)	Sio ₂ %	Fe ₂ O ₃ %
Sample 1	11	18.7	36.2	18.94	23.59	8.31	41.93
Sample 2	8.1	24.3	44.7	25.42	18.56	7.62	52.51
Sample 3	14.1	21.7	39.4	35.95	21.78	16.84	40.84
Sample 4	6.3	70.3	7.81	23.48	20.20	53.39	11.21
Sample 5	15.1	18.2	39.5	30.42	21.24	14.29	39.12

Table 10: Initial upgrade from wet screening of selected drill intervals.

Sample 1: Consisted of 15 drill intervals from hole SCRC11_002 from 15 to 29m down hole and was made up of weathered sediments (schists).

The test demonstrates that significant upgrading in manganese can be achieved through wet screening with silica and aluminium preferentially reporting to the fines (-0.5mm). It is believed that additional Dense Media Separation will improve the manganese grades.

Size Fraction	Recovery%	MnO(%)	Fe ₂ O ₃ %	SiO ₂ %	Al ₂ O ₃ %
+3.35mm	1.47	27.3	33.2	8.81	8.30
-3.35 +2.00mm	4.24	28.0	35.0	7.59	7.44
-2.00 +1.00mm	7.14	26.5	36.7	7.48	7.33
-1.00 +0.50mm	6.09	16.2	55.0	9.67	2.90
-0.50mm	81.06	6.9	36.7	21.80	16.60
Total +0.5mm	18.94	23.6	41.9	8.31	6.01
Head Assay	-	11.0	36.2	18.7	14.50

Table 11: Size fraction results and assays for screening of Sample 1.

Sample 2: Comprised of 12 drill intervals from hole SCRC11_003 from 25 to 37m down hole. The material consisted of weathered sediments and the material screened off was dominated by clays.

Of note is the tenor of the iron, which reports >55% in the +1mm and coarser fractions. Iron at 52.51% Fe₂O₃% in the plus 0.5mm fraction confirms that iron and manganese are mineralogically associated.

Size Fraction	Recovery%	MnO(%)	Fe ₂ O ₃ %	SiO ₂ %	Al ₂ O ₃ %
+3.35mm	3.52	17.2	55.1	9.06	2.55
-3.35 +2.00mm	6.60	16.8	56.3	7.78	2.71
-2.00 +1.00mm	8.50	15.5	58.5	7.12	2.84
-1.00 +0.50mm	6.81	24.8	40.0	7.36	6.88
-0.50mm	74.58	5.6	41.6	29.8	8.91
Total +0.5mm	25.42	18.6	52.5	7.62	3.85
Head Assay	-	8.1	44.7	24.30	7.82

Table 12: Size fraction results and assays for screening of Sample 2.

Sample 3: Comprised of 12 drill intervals from hole SCRC11_003 from 40 to 53m down hole. This sample is a downhole continuation of sample 2, to the end of mineralisation.

When sample 2 and 3 are combined they comprise some 25m at 30% recovery with 20% MnO and 46% Fe₂O₃, not including the 3m of waste separating the two mineralised horizons.

Size Fraction	Recovery%	MnO(%)	Fe ₂ O ₃ %	SiO ₂ %	Al ₂ O ₃ %
+3.35mm	3.29	23.7	38.5	16.80	3.30
-3.35 +2.00mm	10.41	23.3	38.9	17.20	3.51
-2.00 +1.00mm	12.76	21.3	41.8	16.60	3.57
-1.00 +0.50mm	9.48	20.1	42.5	16.80	3.76
-0.50mm	64.05	10.5	38.7	24.70	10.4
Total +0.5mm	35.95	21.8	40.8	16.84	3.58
Head Assay	-	14.1	39.4	21.70	8.28

Table 13: Size fraction results and assays for screening of Sample 3.

Sample 4: This sample comprised of 16 drill intervals from hole SCRC11_004 from 21 to 37m downhole. This interval ended in mineralisation, in which manganese nodules have precipitated in transported sands.

Although there is considerable upgrade in the MnO values the residual silica values indicate that further upgrading is likely. It appears that sand is still attached to the nodules which can be liberated, possibly through fine crushing and screening.

Size Fraction	Recovery%	MnO(%)	Fe ₂ O ₃ %	SiO ₂ %	Al ₂ O ₃ %
+6.30mm	3.96	22.7	9.1	52.8	2.02
-6.30 +3.35mm	4.55	22.9	10.2	51.5	2.04
-3.35 +2.00mm	4.05	21.7	12.4	49.6	2.50
-2.00 +1.00mm	5.57	20.8	14.0	47.8	3.15
-1.00 +0.50mm	5.35	14.3	9.8	64.1	2.44
-0.50mm	76.52	3.1	6.64	76.1	7.96
Total +0.5mm	23.48	20.2	11.2	53.4	2.47
Head Assay	6.3	7.8	70.3	7.39	

Table 14: Size fraction results and assays for screening of Sample 4.

Sample 5: This sample comprised of 12 drill intervals from hole SCRC11_005 from 1 to 12m down hole. This sample is of weathered BIF and is considered to be common for the mineralisation encountered at the surface on the western limb.

During drilling it was noticed that both the manganese and iron have been mobilised by weathering as evidenced by the presence of manganese nodules in the sands and the leached BIF's.

It is believed that the syncline, shown in Figure 3, has potential to host manganese mineralisation that has been weathered out of both the east and west sheared limbs.

Size Fraction	Recovery%	MnO(%)	Fe ₂ O ₃ %	SiO ₂ %	Al ₂ O ₃ %
-6.30 +3.35mm	1.85	19.9	36.4	16.9	3.76
-3.35 +2.00mm	7.93	20.6	38.0	15.4	3.75
-2.00 +1.00mm	11.38	21.6	38.9	14.3	3.64
-1.00 +0.50mm	9.27	21.6	40.9	12.8	3.75
-0.50mm	69.58	12.6	39.9	20.3	9.65
Total +0.5mm	30.42	21.2	39.1	14.3	3.71
Head Assay	15.1	39.5	18.2	7.77	

Table 15: Size fraction results and assays for screening of Sample 5.

Model of mineralisation and local potential

The drilling syncline model for mineralisation similar to that of the local hematite mineralisation. Given that the manganese can be seen to have been remobilised there is potential for economic manganese and iron mineralisation within the keel of the syncline to the east of the drilling.

Figure 32 below, shows a sectional interpretation of the geology and mineralisation relative to the results of the drilling.

Within the immediate area manganese mineralisation has been recorded for some +10km of strike, this strike extends to the north and the south of the 2011 drilling and has had recent exploration performed over it.

Additional to this local occurrence, the Banded Iron Formation is known to strike a further +20km to the south west of Salt Creek and is evinced in the magnetic images of the region as subtle highs. As the stratigraphy has not changed significantly over the tenement area apart from folding and intrusions, potential exists for additional 'blind' occurrences (figure 27).

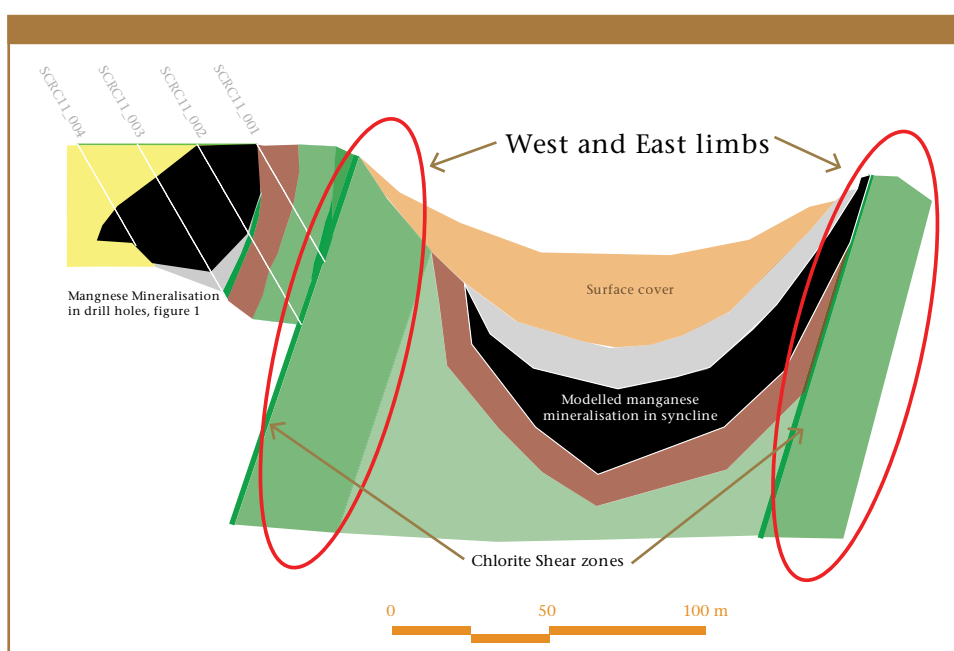


Figure 32: A simple cross section of the modeled mineralisation hosted in the syncline

Copper

Copper occurs naturally in the Earth's crust in a variety of forms. It can be found in sulfide deposits (chalcopyrite, bornite), in transition sulphite deposits (chalcocite, covellite), in carbonate deposits (as azurite and malachite), in silicate deposits (as chrysocolla and diopside) and as pure 'native' copper.

Pure copper metal is generally produced from a multistage process, beginning with the mining and concentrating of low-grade ores containing copper minerals, and followed by smelting and electrolytic refining to produce a pure copper cathode. An increasing share of copper is produced from acid leaching of oxidized ores.

Copper is one of the oldest metals ever used and has been one of the important materials in the development of civilization. Because of its high ductility, malleability, and thermal and electrical conductivity, and its resistance to corrosion, copper has become a major industrial metal, ranking third after iron and aluminum in terms of quantities consumed.

Electrical uses of copper, including power transmission and generation, building wiring, electrical and electronic products and telecommunications account for about 75% of total copper use. Building construction is the single largest market, followed by electronics and electronic products, transportation, industrial machinery, and consumer and general products. Copper byproducts from manufacturing and obsolete copper products are readily recycled and contribute significantly to supply.

Aluminum substitutes for copper in power cables, electrical equipment, automobile radiators, and cooling and refrigeration tube; titanium and steel are used in heat exchangers; optical fiber substitutes for copper in telecommunications applications; and plastics substitute for copper in water pipe, drain pipe, and plumbing fixtures. However the unique properties of copper mean that it remains the preferred metal in power transmission and generation, building wiring, telecommunication, and electrical and electronic products.

Copper is one of the most recycled of all metals and can be recycled over and over again without losing its special properties. Recycled copper (known as secondary copper) cannot be distinguished from primary copper.

With the onset of the global economic crisis, the London Metal Exchange Ltd. (LME) price, which had averaged \$3.65 per pound of copper during the first 9 months of 2008, fell sharply to an average of only \$1.45 per pound in December 2008. Prices have since trended upward as supplies remain tight and demand rebounded.

The global demand for copper continues to grow: world refined usage has surged by around 300% in the last 50 years due to expansion in industries such as electrical and electronic products, building construction, industrial machinery and equipment, transportation equipment, and consumer and general products.

The price of copper is volatile as demand and supply are not overly sensitive to price changes in the short run.

Archer has a large and varied copper prospect portfolio including IOCG targets, breccia hosted copper, lode copper, and structurally emplaced copper targets that present the Company with exciting exploration targets.



Native copper

Archer's Copper Projects

Emu Plain

Emu Plain is located on EL4693 near Cleve on Eyre Peninsula, South Australia. The area hosts the historic Emu Plain copper mine that was first developed in the early 1900s and last re-developed in the 1950s. No production records have been located.

Early regional reconnaissance undertaken around the Emu Plain copper shaft identified iron oxide 'blebs' that were interpreted to represent oxidised expressions of an unknown primary sulphide. Petrological examination confirmed the oxide blebs were most likely highly weathered chalcopyrite.



Figure 1: Polished section (PS), (x50). Gossanous/goethite box-work with a fine trellis texture interpreted to represent original chalcopyrite now completely oxidised and leached.

In 2011 Archer conducted a three hole RC drill program to test in the vicinity of the historic shaft. The drilling intersected large intervals of mainly muscovite rich schists. In some intervals considerable oxidation of sulphides had occurred resulting in the development of minor hematite. In other intervals (as shallow as 20m below the surface) chalcopyrite was observed in trace to minor amounts.

Results included:

- 37m @ 0.13% Cu and 4.2g/t Ag from 0 to 37m in EPRC11_001 (EOH)
- 60m @ 0.11% Cu and 1.0g/t Ag from 0 to 60m in EPRC11_002
- 10m @ 0.50% Cu, 6.9g/t Ag and 600ppm Mo from 27 to 38m in EPRC11_003 including 1m @ 2.18% Cu and 6g/t Ag from 29m.

Because of the style of the alteration to the rocks and the low levels of copper it is believed that the drill holes intersected form part of a much greater mineralisation system. The size and nature of the system is unknown at this time.

Hole EPRC11_001 was collared 27m west of the Emu Plain shaft. The rocks intersected consisted of highly altered muscovite and silica schists. Where minor hematite was observed the copper and molybdenum values increased from back ground values of 400ppm Cu and 70ppm Mo to 3950ppm Cu and 400ppm Mo.

Hole EPRC11_002 was drilled at a steeper angle to the first (70 degrees) at the same azimuth, to intersect mineralisation at a greater depth. Biotite was the dominant mineralogy with variable muscovite content. At 50m the hole intersected loose mine backfill. The hole was terminated at 67m still in fill. Chalcopyrite was observed at 36m where the copper values report up to 0.2% Cu in a 4m composite sample.

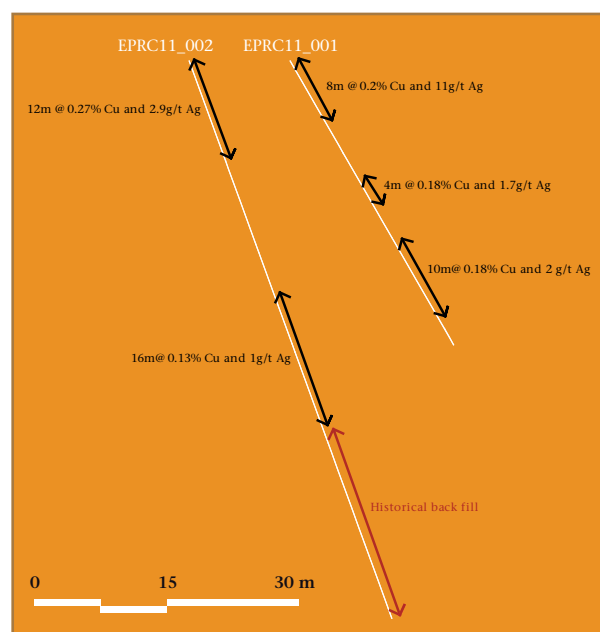


Figure 2: Cross section of holes EPRC11_001 and 002, note blank intervals relate to composite intervals not yet assayed.

Hole EPRC11_003 was designed to miss the slope fill recorded in hole 2 and intersected dominant muscovite and biotite and accessory limonite, hematite and chalcopyrite. The interval 27 to 35m which was dominated by muscovite, limonite and chalcopyrite reported 8m @ 0.7% Cu, 7g/t Ag and 450ppm Mo. The highest grade in this interval was **1m @ 2.18% Cu from 29m.**

The interval 65 to 99m had muscovite and biotite changing as the dominant mineral with higher copper grades being associated with the muscovite dominant mineralogy. This interval recorded 34m @ 0.15% Cu, 2g/t Ag and 81ppm Mo. The highest grade in this interval was **1m @ 1.5% Cu from 93m.**

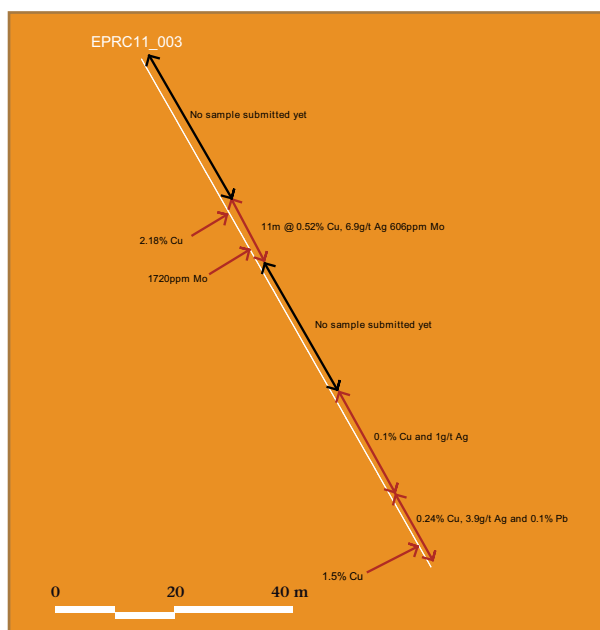


Figure 3: Cross section of EPRC11_003, with anomalous copper and silver intervals

Whilst all three drill holes each intersected broad zones of highly anomalous copper mineralisation it is believed that the holes were drilled in the footwall of the main copper lode which is believed to have been at least 7m in width and grading several percent copper. The scale and intensity of alteration suggests that the drilling intersected part of a much larger alteration and mineralisation system.

Future exploration will consist of an IP electrical geophysical survey and to take further samples of the highly altered rocks to understand the nature and scale of the copper and silver mineralisation and to enable the formulation of a further drilling program.

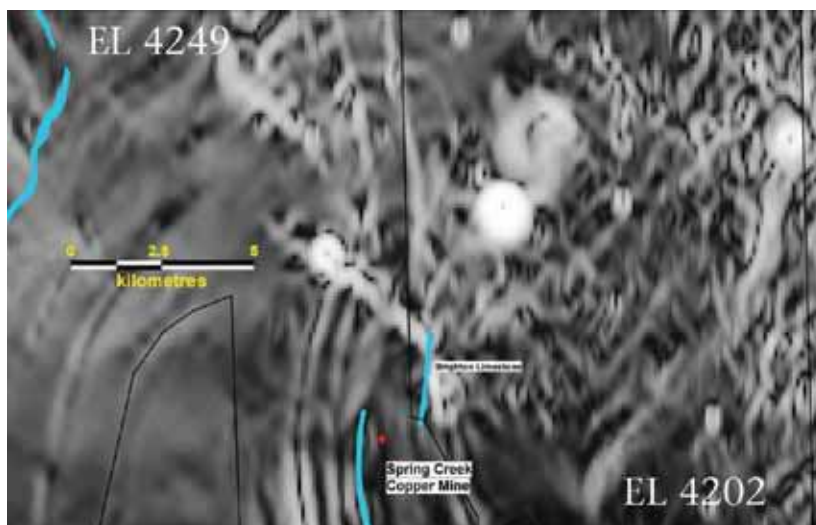


Figure 4: Magnetic image of Spring Creek area, note NNW structure north of Spring Creek Mine. Blue lines indicate location of Brighton limestone.

Spring Creek

Copper was historically mined on the Spring Creek tenement, at the Spring Creek mine until early in the 20th Century when water inflows caused the cessation of the mining operations. Similarly so, in surrounding areas such as the Melrose Mine the mining of copper ceased due to water inflows.

Copper mineralisation at Spring Creek occurs at the surface as oxides and carbonates, the products of weathering. Deeper sources (sulphide) have not been explored but it is logical to conclude that the definitive structural setting has sulphide roots.

The Spring Creek Copper Mine occurs within an east-west striking breccia. Copper mineralisation to the depths explored are dominated by copper carbonates, typically malachite. Copper carbonates exist on the surface above the mine and within the backs and walls of the un-worked sections of the drives. Two drives were mined down to a final level of 30m with approximately 20m between the drives. The overall width of the mineralisation appears to be approximately 10m wide at the surface and at least 120m in strike.

Two targets present themselves:

- The breccia is approximately 2.5km from a large regional fault. Insufficient work has been performed to determine the relationship of the fault to the sub-parallel breccia. The total vertical extent of the breccia is unknown and may be of considerable volume, figures 3 and 4.
- Alternatively, fluids associated with the breccia may have developed a skarn deposit at depth when exposed to the Brighton Limestone.

DDH 1/29, intersected copper carbonates some 60m below the base of historical workings returning an assay of 1.8% Cu over a 21m interval (Figure 6).



Figure 5: Aerial view of Spring Creek with location of historical drill holes.

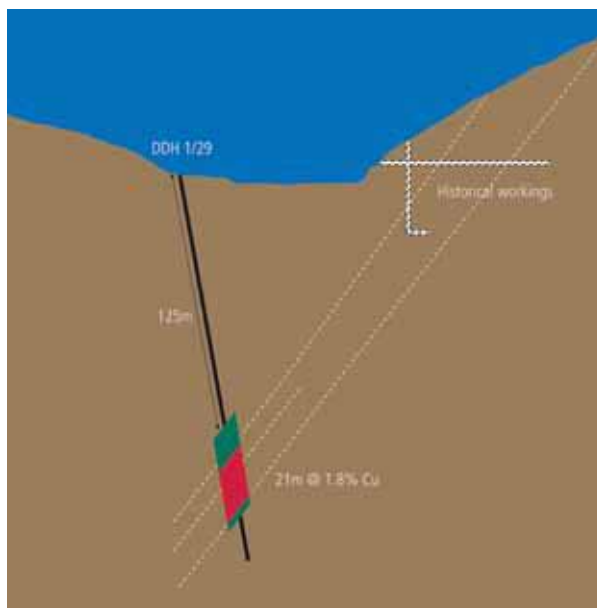


Figure 6: Cross section of drill hole DDH1/29.

It is believed that DDH1/29 did not intersect the prospective Brighton Limestone contact which is highly prospective for high grade metasomatic skarn copper mineralisation.

Whyte Park

The Whyte Park copper mine is a historic working related to an intrusive body, either a diapir or diatreme. Archer commenced work to the north of known copper mineralisation to determine the extent of surface mineralisation.

Exploration to date has consisted of soil sampling, using a partial digest technique. Figures 8, 9 and 10 show the anomalism from soil sampling.

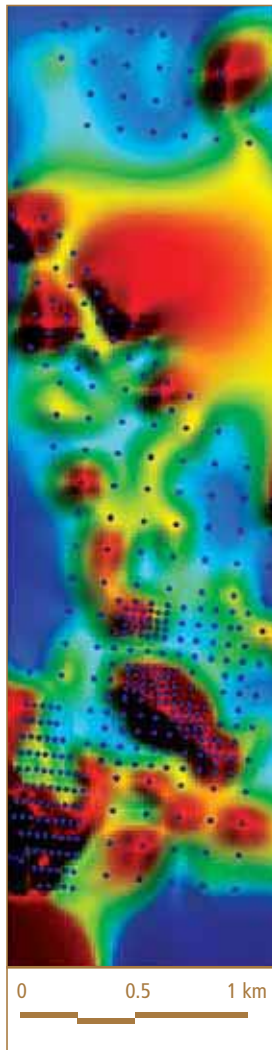


Figure 8: Copper anomaly (ppb) from soils

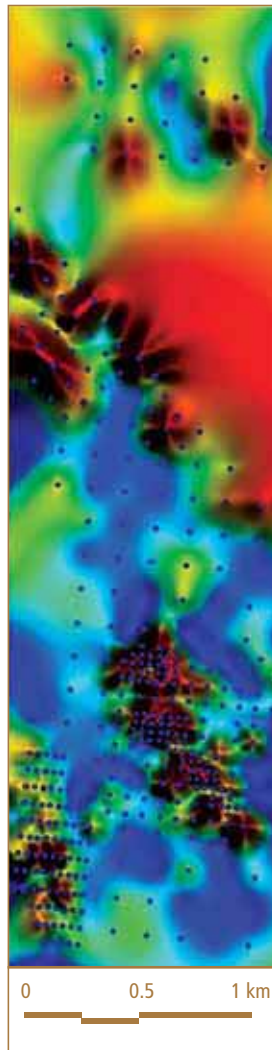


Figure 9: Gold anomaly (ppb) from soils

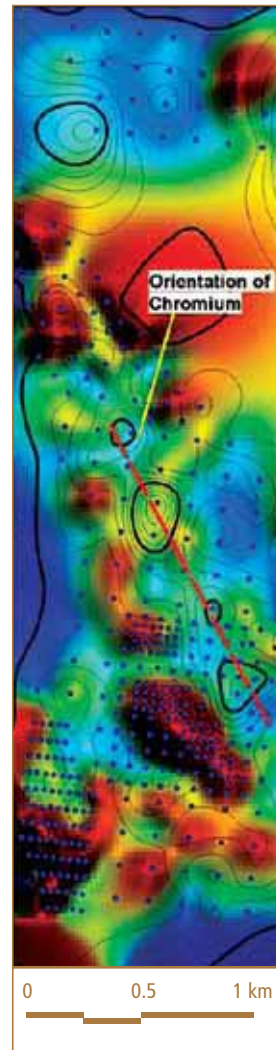


Figure 10: Chromium contours with copper anomalism.

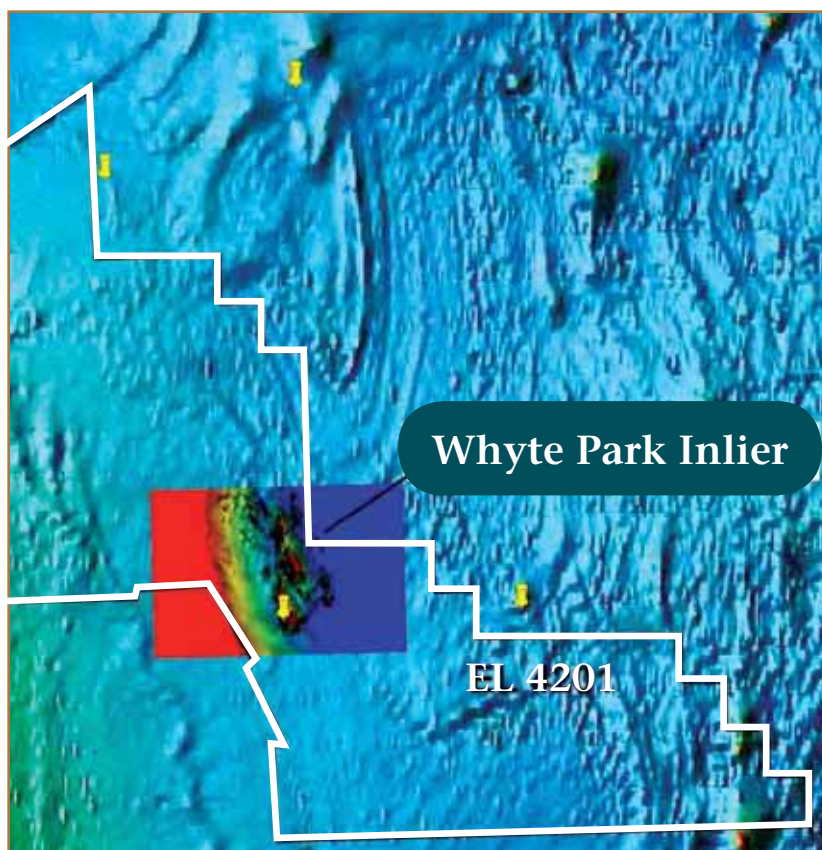


Figure 7: Regional magnetic s with reprocessed magnetic for Whyte Park

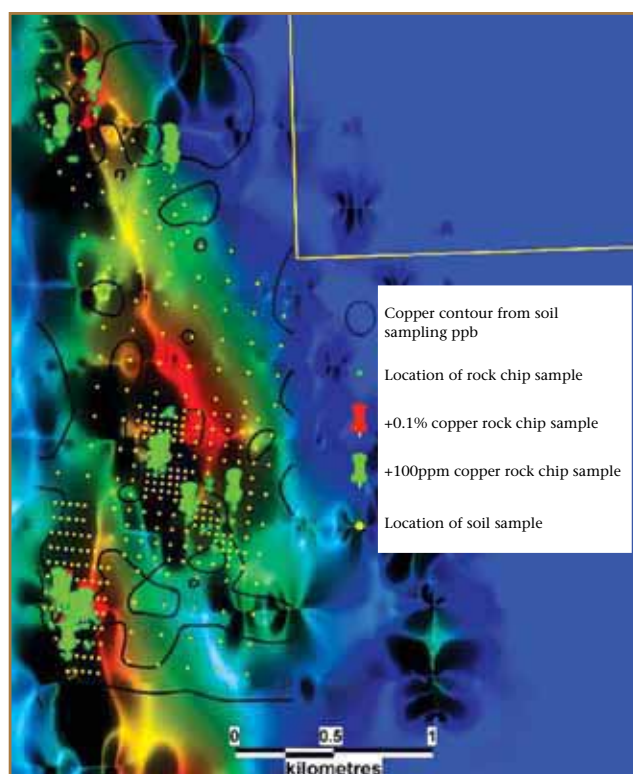


Figure 11: local magnetic response with overlying copper contour from soils.

Outcrop in the area is scarce. To determine the presence of mafic rocks elements such as chromium were also contoured. Figure 10 shows the copper anomalism from figure 6, overlain with chromium contours (in ppb). Importantly, a chromium anomaly can be seen that is orientated roughly parallel to the copper high. Whether this reflects a buried mafic unit or some fluid enriched environment is to be tested by drilling.

Additional support is provided by the buried magnetic signature for a mafic origin to the anomalism.

Worlds End (EL 4230)

EL 4230 was initially acquired from Peninsula Minerals for \$90,000 in late 2008, after they had unsuccessfully explored for uranium around the old Fairview phosphate workings.

Worlds End has two potentially significant copper targets; Robertstown and Mimic.

Robertstown

At Robertstown cuprite (Cu_2O) was identified in highly ferruginous gossan. Also of importance was the identification of marker unit NMS 9, which has been flagged by PIRSA as a critical marker unit for copper mineralisation at the Monster Mine at Burra. Whilst the copper anomaly at Robertstown is small, a buried copper deposit remains a possibility and needs to be tested given that the only surface expression of copper mineralisation at the famous Monster Mine at Burra was a 2 metre long iron-copper gossan.

Mimic

The Mimic Prospect is centered on an untested, lithological and structural target that has compelling affinities with the Monster Mine which located 23km WNW of the Mimic target.

It was stated by Drexel (2009) 'the entire outcrop length of the $\approx 150\text{m}$ thick Koorunga Member holds potential for copper mineralisation'. The Koorunga Member has been located in outcrop at Robertstown, which resides 14km south along strike of the proposed survey area.

The Mimic target is compelling due to the listed similar features to the Burra Monster Mine;

- Antiformal structure
- Presence of Koorunga Member
- Presence of cross cutting and oblique structures
- Elevated potassium at surface
- Presence of surface ferruginisation
- Presence of distal copper mineralisation with cuprite, south of target, similar to the Princess Royal mine.

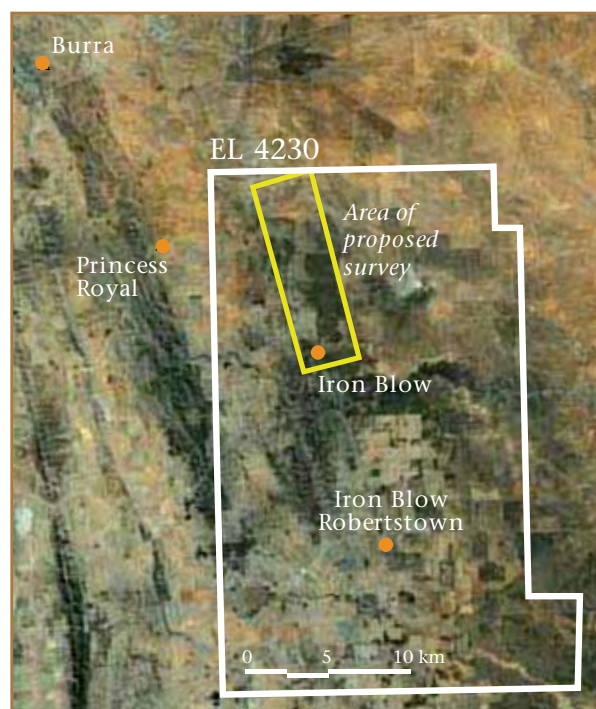


Figure 12: Location of EL 4230 and proposed future EM survey area.

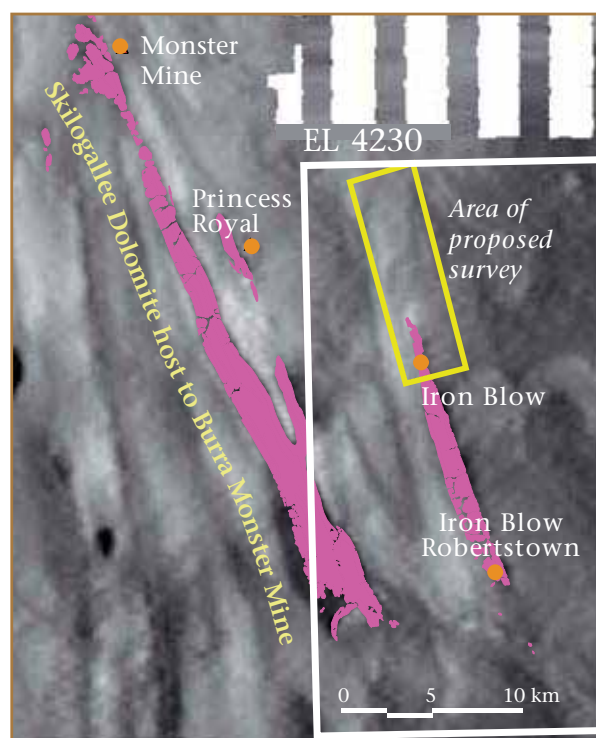


Figure 13: A background image of the total radiometric count highlights the underlying folds

On a district scale the folding of the Skillogalee Dolomite has resulted in the two hinges that occur on the tenement (Figure 13). The Northern hinge is considered to be a prime copper target and is interpreted to be a geological mirror-image of the Monster Mine at Burra having the same favourable lithology and the same fold hinge setting thought to have controlled and concentrated hydrothermal fluid flow and provided the right conditions for copper deposition. The southern hinge is also a very prospective target albeit having been modified by WNW faulting.

Figure 15 below shows the regional setting of a proposed future EM survey as well as highlighting the potential mineralisation setting. Using the setting of the Monster Mine (MM) at Burra, it can be evinced that the MM resides

between two north plunging synforms highlighted by the Tapley Hill Formation. The Kingston Fault, a NNW trending late stage fault, has been documented as a control for the copper mineralization. As noted by historical researchers and PIRSA publications it is the Koorunga Member within the Skillogalee Dolomite that is the desirable exploration target. The easterly limb of the Skillogalee Dolomite has been mapped within EL 4230 and is modeled as the western limb of a similar antiform to that which hosts the MM.

South of the proposed survey area at Robertstown, Archer has identified an outcrop of the Koorunga Member close to the Robertstown copper occurrence. A copper soil anomaly exists at this location and cuprite has been identified by mineralogist Dr. David Tilley. The Robertstown copper

anomaly supports and gives confidence to the proposed model. The model is further supported by the presence of a large iron blow within the survey area. It was noted in Drexel (2009) that “near vertical ferruginous pipes and larger areas of ferruginisation, sometimes with coarse limonite pseudomorphs after pyrite, occur within and adjacent to the copper mineralisation”. The iron occurrence within the proposed survey area is believed to be one of these ferruginisation events.

Additionally the Robertstown copper occurrence is roughly the same distance from the proposed survey area as the Princess Royal mine is from the Monster Mine. This copper occurrence on EL 4230 adds support for the repetition of the copper mineralisation.

The geophysics of the area supports the structural model for mineralisation.

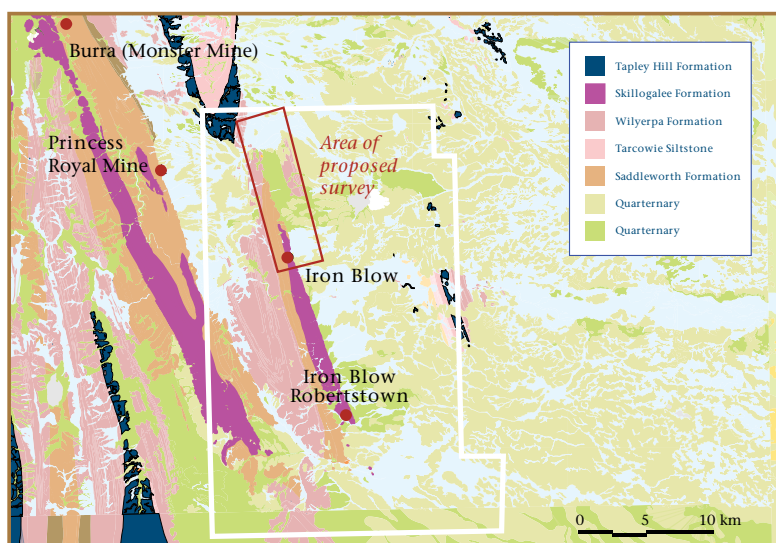
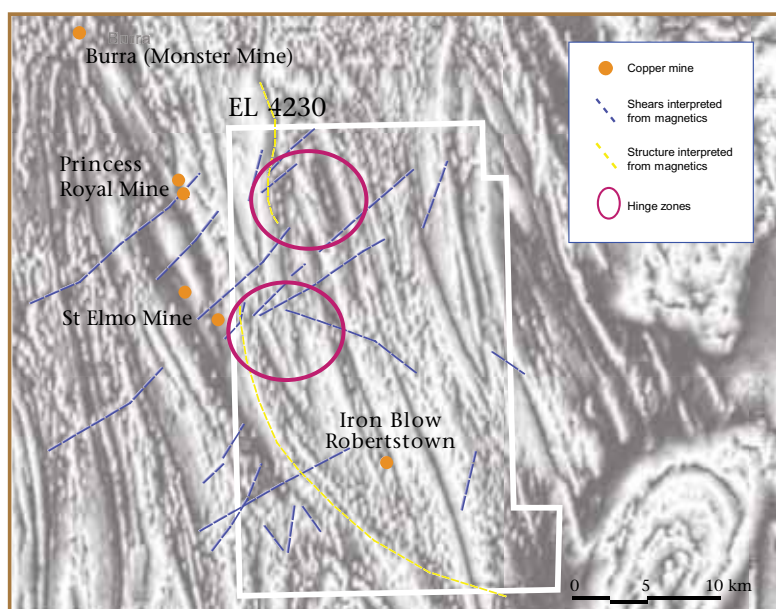


Figure 14 (above): Magnetic image showing the Mimic faulted hinge copper target.

Figure 15 (Left): Regional geological setting of survey area with respect to the Monster Mine and its geological setting.

Magnetics

Pre-existing magnetic data has been re-processed to allow interpretation. Figures 16 to 18 display the reprocessed magnetic data at sun angles of 45°, 90° and 135°. These orientations best highlight the cross cutting structures within the tenement. On all figures, the trace of an interpreted structure is drawn immediately north of the feature however not all features are traced as they would clutter the image. The NW structures within the proposed areas may be similar in timing to that of the Kingston Fault, thus they may have acted as a control on mineralisation.

The magnetics have identified a number of structures that cross cut the stratigraphy, all of which (depending on timing) could provide fluid pathways for copper ores. They do not appear to have caused horizontal displacement in the northern part of the tenement. The mineralisation model for Burra is considered to be contemporaneous with deposition, Drexel (2009).

Target style

Mineralisation being modeled is that of a deposit similar to that of the Monster Mine (MM) at Burra that had recorded production of 86,000 tonnes of copper taken from largely copper carbonate-rich ores. The MM is also known to have a copper sulphide association. The aim is to define a target using an electrical geophysical method and to then target drilling at the conductive bodies.

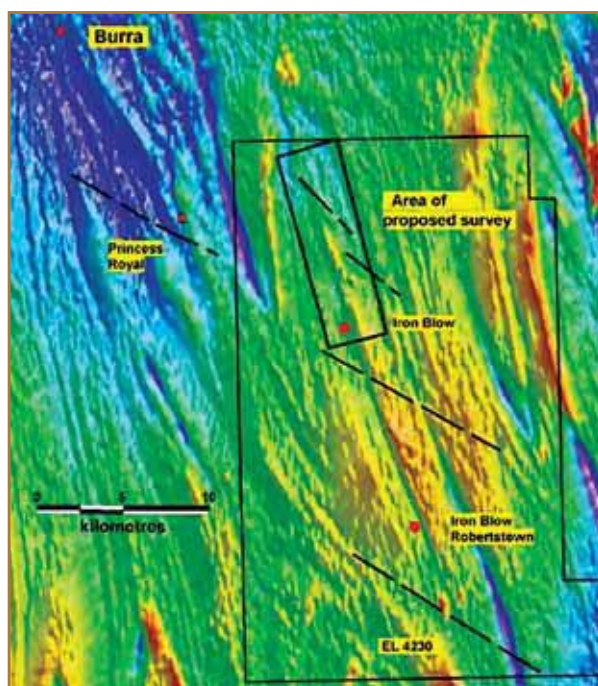


Figure 16: Magnetics with a sun angle of 45°, best highlight the 135° to 315° orientated structures.

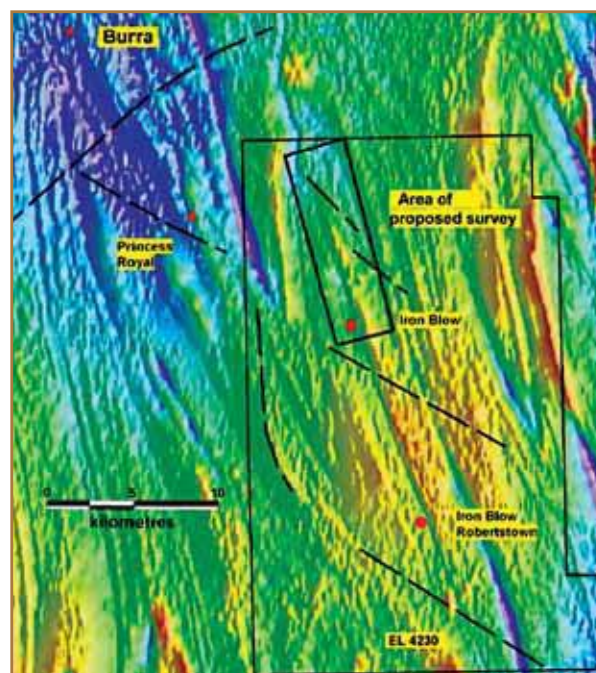


Figure 17: Magnetics with a sun angle of 90°, highlights most structures.

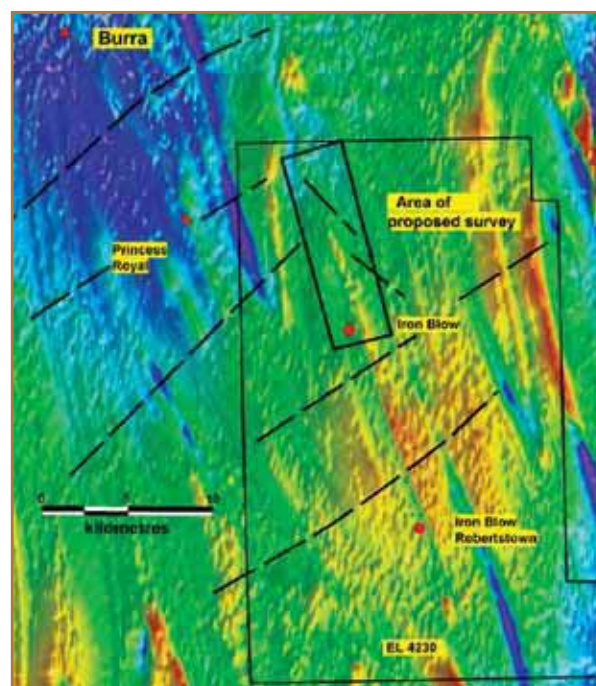


Figure 18: Magnetics with a sun angle of 135°, best highlight the 45° to 225° orientated structures.

North Cowell (EL 4277)

The North Cowell tenement occurs in 2 parts (Figure 19). The tenement was applied for due to the proximity of the Polda Lineament (EW), the Kalinjala Shear (NNE) and the Eyre Peninsula Conductivity Anomaly (NS), all of which are deep crustal structures forming boundaries to the tenement areas. These structures may have acted as a focus for hydrothermal fluid flow – a precursor to the formation of mineral deposits. The tenement also contains numerous NNW structures which have been highlighted as significant controls on mineralizing fluids for the Eyre Peninsula.

The area has been explored for in the past for Broken Hill style mineralisation with limited success. The limited success may be attributable to the area undergoing considerable alteration due to the later stage intrusion of felsic rocks. The fluids associated with the intrusion could have remobilized base metal deposits into pre-existing structures. Rock chip assays of over 10% lead have been collected by Archer.

The possibility also exists for an IOCGU deposit, as the Hiltaba granite has been mapped by PIRSA 20km to the east of the tenement and appears to have the correct plumbing to connect the area. As a side note the area has been commented on before as containing vein style uranium, which could support this notion. All copper occurrences are carbonates (malachite and azurite) and have been reported to “pinch out” at depth, which is expected to occur where fluids have exploited pre-existing structures. Any economic mineralisation for copper is expected to be greater than 100m below the surface and structurally controlled.

Work to date has been limited to reconnaissance rock chip sampling around areas of known mineralization. Samples with peak values of 151,000ppm (15.1% Cu) form a prominent ridge (figure 20).

Future exploration is likely to include a gravity survey and possible EM survey prior to drilling.

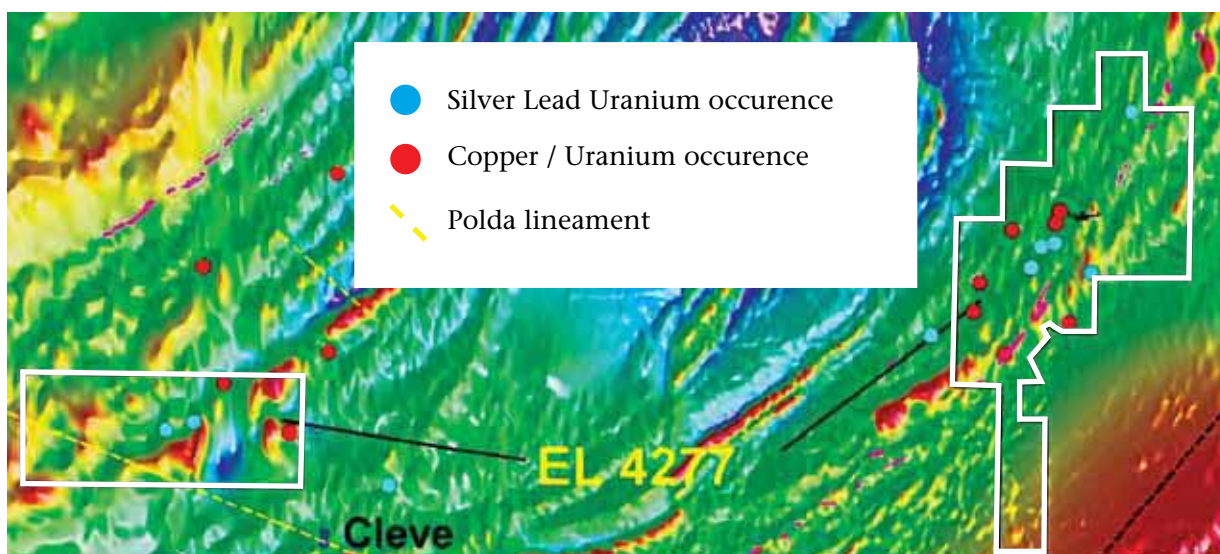


Figure 19: North Cowell tenement, showing historic workings and mines.

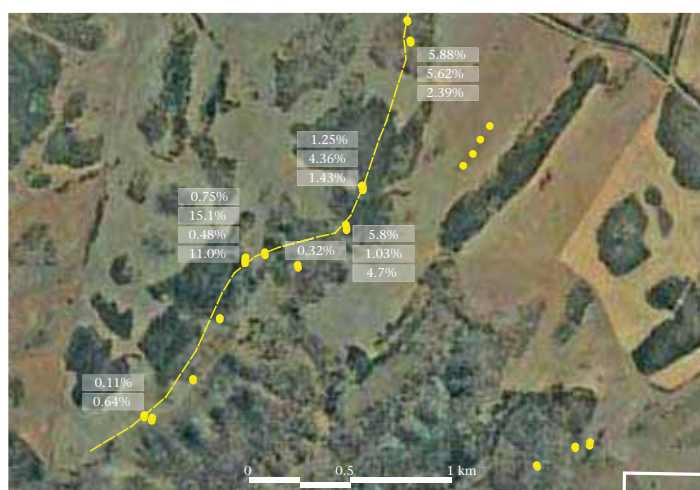


Figure 20: Copper (%) from rock chip sampling, note the offsets in the strike thought to be caused by NNW faults.

IOCG Copper

Archer has a 100% interest in 5 contiguous Exploration Licences covering some 4,200kms² of the highly prospective Stuart Shelf region, which flanks the eastern margin of the Gawler Craton. The tenements are located 140kms north west of Pt Augusta and are immediately west of major rail and road corridors. This region hosts Olympic Dam, the world's preeminent 8,300 M tonne IOCGU (iron oxide copper, gold uranium) resource.

More recent IOCG discoveries at Prominent Hill (2001), Carapateena (2005) and Punt Hill (2006) have further demonstrated the exploration potential of the region. The high density and magnetic response of the hematite/sulphide altered and brecciated granitic host rocks and the masking effect of the Pandurra Formation cover rocks means targeting gravity highs in areas of structural complexity has been an effective method of exploring for hidden IOCG mineralized systems.

In 2007 Archer Exploration listed on the ASX and raised funds for the purpose of exploring West Roxby and the company's other Projects in South Australia. In 2007/08 Archer commenced improving the geological model for the areas with an infill gravity survey over three first order target areas -

- Evelyn Dam - a 8 kms long, elliptical NNW trending, >4 milligal gravity high that may be associated with a dense compact deep IOCG system
- Island Lagoon - a complex gravity high associated with the intersection of regional NW and NE trending structures.

As a consequence of the presence of the Gairdner Dykes impacting on the gravity model it was decided that additional data would be needed to isolate the impact the dykes had on the gravity data. Thus, in 2008 low level, 100m line spaced aeromagnetic surveys were flown over each target area to assist in the development of an algorithm to remove the effect of the Gairdner Dykes on the IOCG model. Sourcing of a student to undertake the research appropriate for the development of the algorithm is ongoing.

The Olympic Dam IOCG Province is a high risk -high reward exploration region and Archer holds a large contiguous ground position with two defined exploration targets ready to drill.

Due to issues relating to site access these targets are yet to be drill tested. However recent positive steps with the Native Title Claimants are likely to result in site clearances being undertaken as a precursor to a renewed exploration focus.

Evelyn Dam

The Evelyn Dam project is a greenfields play which is exploring a gravity target in the western portion of the Stuart Shelf that was identified by the PACE 2006 gravity survey. The anomaly is isolated and well defined by a 3 mGal gravity high. The conceptual target is hematite alteration with IOCG mineralisation.

The Evelyn Dam project is located in the western portion of the Stuart Shelf. On the basis of the regional gravity data, the eastern margin of basal(?) Gawler Range Volcanics is inferred to trend north-northeast through the area, and to coincide with a sub-parallel trending step-increase in depth to basement (taken as Gawler Range Volcanics, contours drawn on the basis of the limited number of drill holes in the area which have intersected Gawler Range Volcanics). A generally coincident, sub-parallel trending gradient can also be inferred in the regional magnetic data.

Northeast oriented cross trends passing through and about the Evelyn Dam anomaly can also be inferred from the regional data.

Pandurra Formation crops out across the area. Limited regional drill data (Figure 22) indicates thicknesses of a few tens of meters west of the target to several hundred meters across and east of the target. Variably altered and sparsely mineralized Gawler Range Volcanics has been intersected at depths of between 587m and 803m at the Churchill Dam prospect, located some 70km to the north.

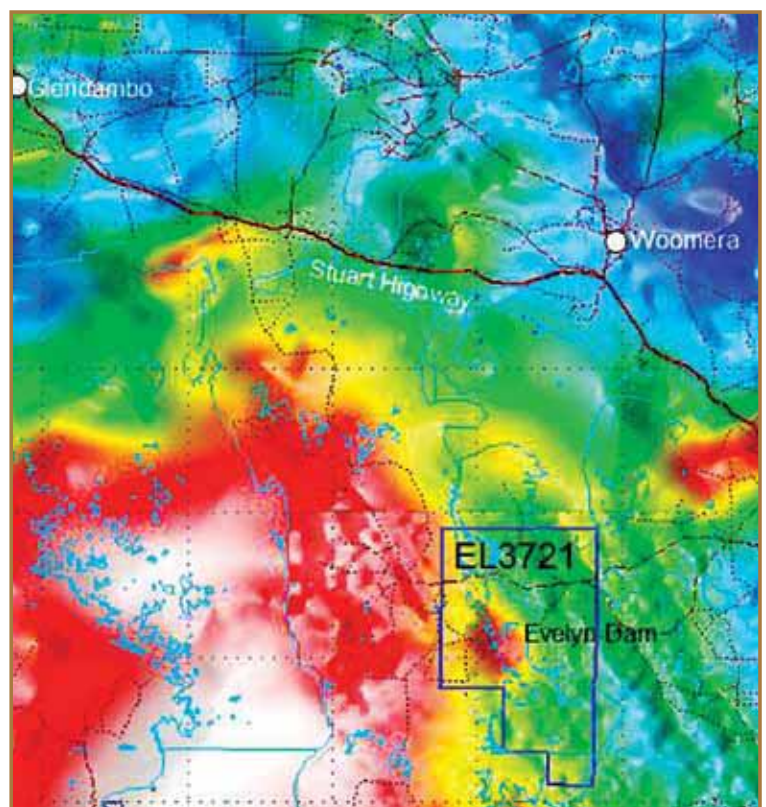


Figure 21: Location of Evelyn Dam, with PACE 2006 gravity survey image

Geophysical Data

The gravity feature now named the Evelyn Dam anomaly was identified by the PACE 2006 regional gravity survey. The anomaly has since been defined by detailed surveying on a 400m x 400m grid, with detailed 100m station data collected along north-south and east-west profiles.

The broad scale gravity anomaly of interest is of the order of 3 mGal.

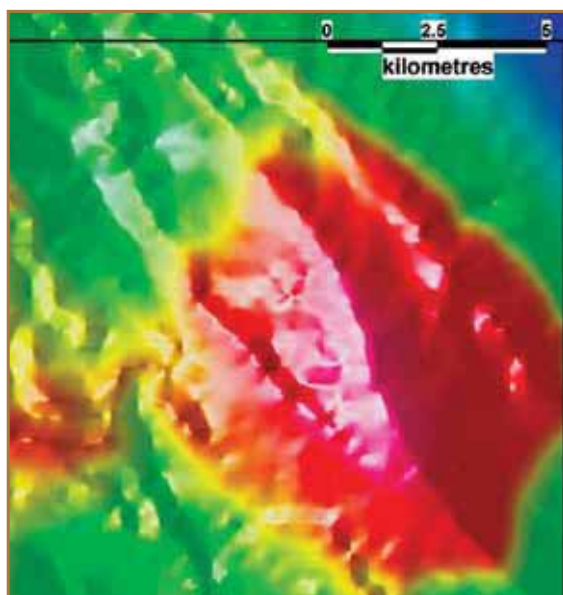


Figure 23: Gravity Image.

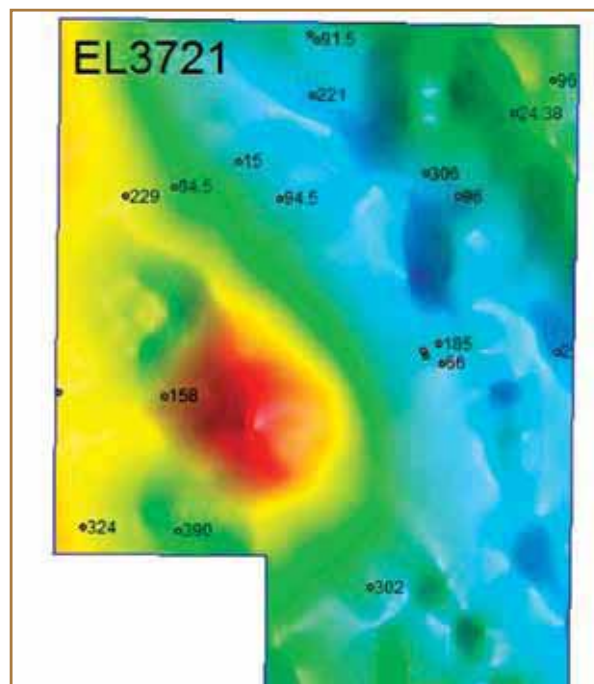


Figure 22: Pace 2006 gravity survey highlighting the anomaly and current drill holes and depths at present.

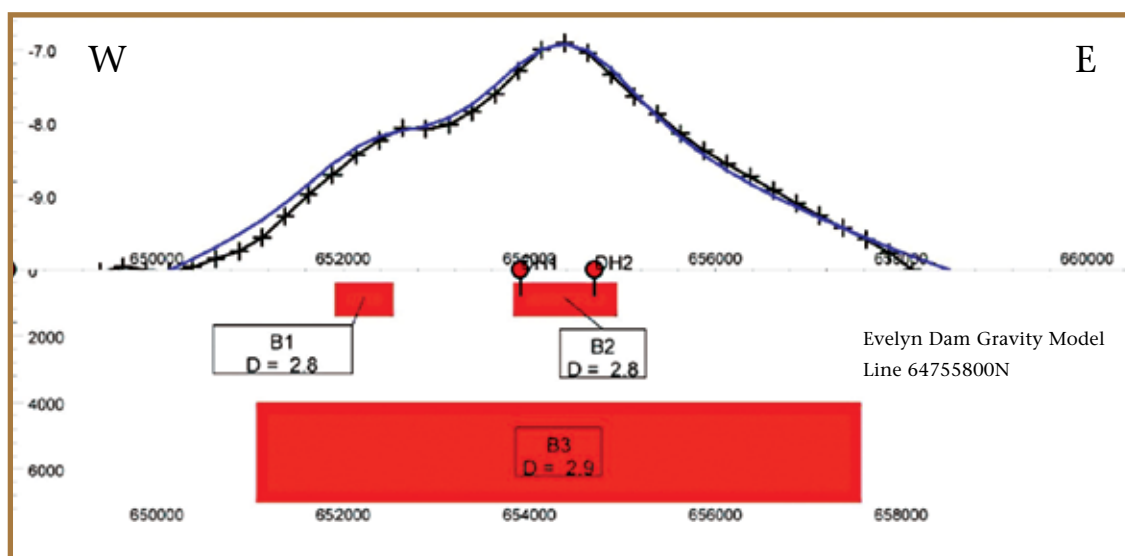


Figure 24: Gravity Profile, with influence of Gairdner Dykes removed.

Target style

The Evelyn Dam anomaly is a well defined, moderate to high amplitude, isolated, gravity anomaly. There is no significant discernable associated magnetic signature.

The geophysical interpretation assumes an essentially cylindrical body as the source of the gravity high, with flanking gravity lows reflecting proximal granite intrusive bodies.

There is a very limited range of possible source rock assemblages that can account for the geophysical signature in this geological setting. The most probable cause of the anomaly is considered to be a body of disseminated to massive hematite flanked by granite stocks.

An IOCGU target with associated sulphides as conductive bodies are to be tested using VTEM.

The exploration target is iron-oxide-copper-gold mineralisation associated with the inferred hematite body. Future exploration, subject to satisfactory resolution of land access, is likely to be staged and comprise;

- 1) A VTEM survey to identify a conductive body at depth, with a view to determine if the anomaly can be modeled as disseminated or massive sulphides.
- 2) Merge this data with known data to improve the geological model of the area.
- 3) Drilling of the best defined and prominent feature to determine if disseminated to massive copper sulphide is the source.

Island Lagoon

The Island Lagoon project is a greenfields play which is exploring a gravity target in the western portion of the Stuart Shelf.

The Island Lagoon project is located on the intersection of regional northwest-southeast and southwest-northeast trends, and has been a focus for Gardiner dike intrusion which largely swamps out the gravity signature. Integration and analysis of the gravity and magnetic models has identified locations where there is significant excess mass not associated with magnetic dikes. The project is in a favorable structural location and the excess mass may be attributable to IOCG style alteration and mineralisation.

The proposition is that penetrative structures which are well developed and which have been pathways for channeling mineralising fluids are frequently also utilised by pre and post

mineralisation events. The confluence of deep structures that can generate a major deposit are also utilised by unrelated non-mineralising events.

The purpose is to identify disseminated sulphides at depth to improve the model for IOCGU mineralisation, as the Island Lagoon anomaly does present itself as a hexagonal feature, similar to other calderas in the region.

Depths to target are estimated to be around of 600 metres.

Figure 25. Location of Island Lagoon prospect, background image is derived from PACE 2006 funded magnetic survey.

Regional geological setting

The Island Lagoon project is located in the western portion of the Stuart Shelf. On the basis of the regional gravity data, the eastern margin of basal(?) Gawler Range Volcanics is inferred to trend north-northeast through the area, and to coincide with a sub-parallel trending step-increase in depth to basement (taken as Gawler Range Volcanics, contours drawn on the basis of the limited number of drill holes in the area which have intersected Gawler Range Volcanics). A generally coincident, sub-parallel trending gradient can also be inferred in the regional magnetic data.

The magnetic data show the Island Lagoon project is located on a northeast oriented cross trend. Modeling of the magnetic data shows magnetic tops at depths of 50m over the trend, with depths to magnetic top at 120m – 150m off trend. It is inferred that the regional magnetic signature is reflecting a northeast oriented block uplifted some 120 to 150m with respect to its surrounds.

Regional magnetic data map a large number of northwest-southeast trending magnetic Gardiner dikes. There is a localised confluence of these dykes in the Island Lagoon project area.

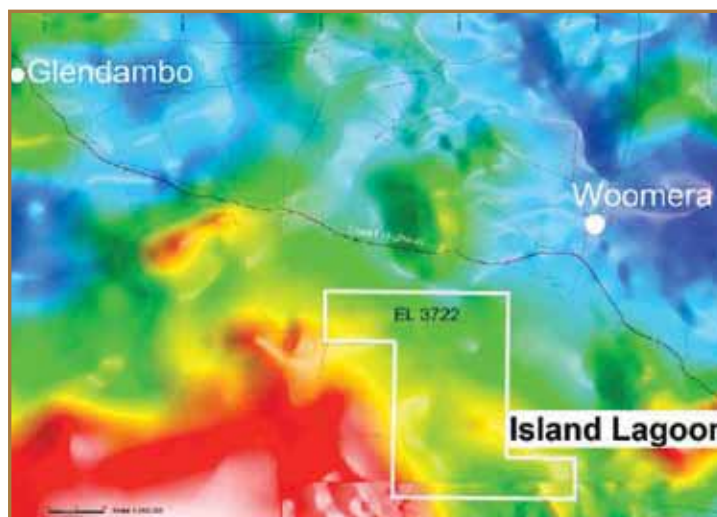


Figure 25: Location of Island Lagoon prospect, background image is derived from PACE 2006 funded magnetic survey.

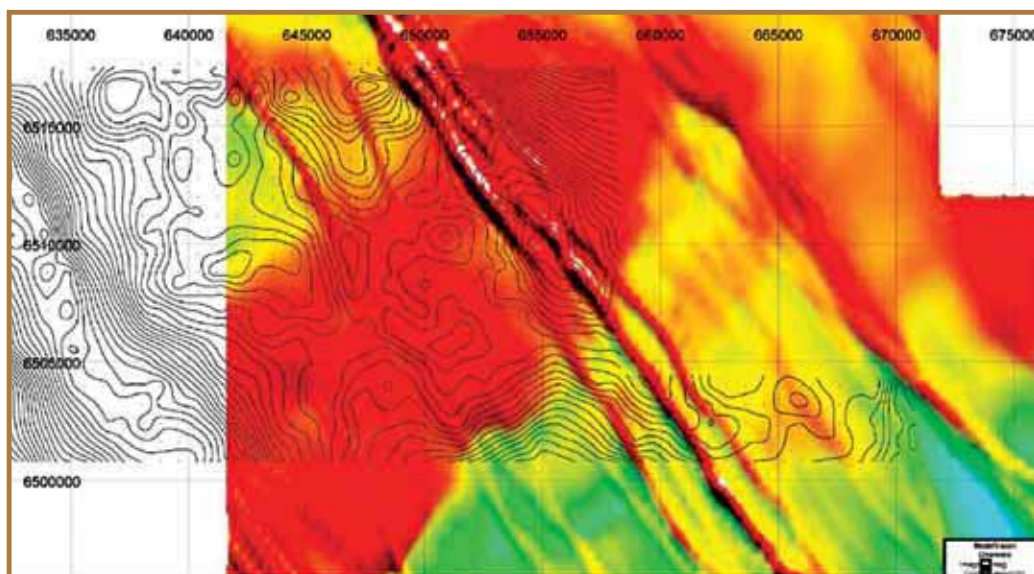


Figure 26: Surveyed gravity data over PACE funded magnetic data.

Pandurra Formation crops out across the area. Limited regional drill data indicates thicknesses of a few tens of meters west of the target to several hundred meters south and north of the target. Variably altered and sparsely mineralized Gawler Range Volcanics has been intersected at depths of between 587m and 803m at the Churchill Dam prospect, located some 70km to the north.

Geophysical data

Gravity anomalism within the current area of interest at Island Lagoon is of the order of up to 2 mGal over about 5km in width, figure 26.

Target style

The Island Lagoon anomaly is a well defined, moderate to high amplitude, isolated, gravity anomaly, associated with a magnetic high, which is separate to that exhibited by the Gairdner Dykes.

There are a very limited range of possible source rock assemblages that can account for the geophysical signature in this geological setting. The most probable cause of the anomaly is considered to be a body of disseminated to massive hematite flanked by granite stocks.

As with Evelyn Dam the scope of future exploration is likely to include a VTEM survey to identify any conductive body at depth, with a view to determine if the anomaly can be modeled as disseminated or massive sulphides followed by re-modelling and drill testing.

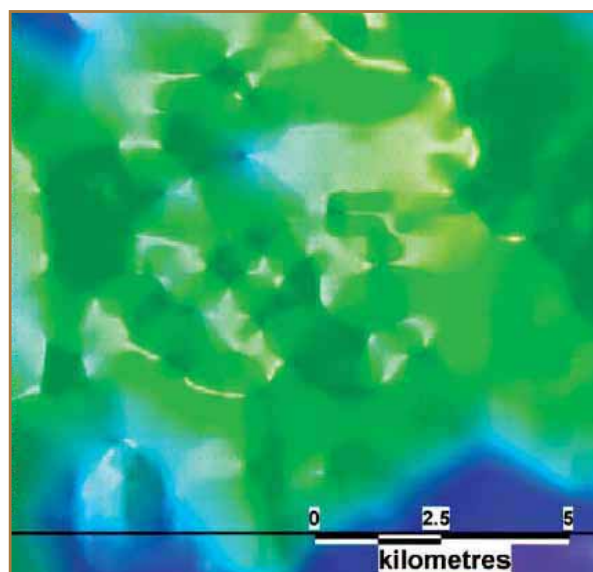


Figure 27: Gravity Image with flight lines for survey.

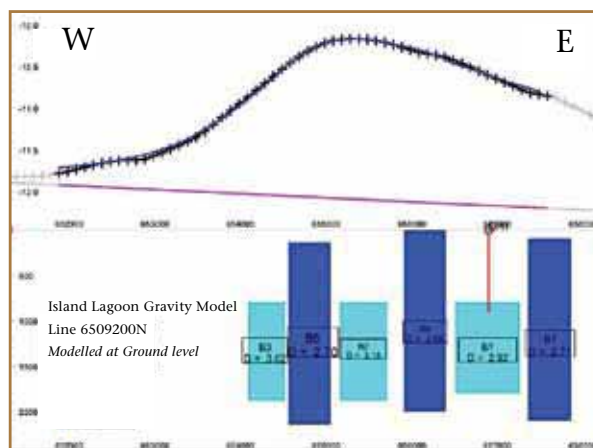


Figure 28: Section through anomaly showing location of the proposed drill hole DH-1.



Gold

During the year low level exploration advanced two gold prospects within the tenement portfolio, at Wildhorse Plain and Napoleons Hat.

Wildhorse Plain

Historic core was sourced from the PIRSA core library and composite samples taken and assayed for gold and multi-elements.

Hole A405_2 reported an average of 16.5m @ 0.32g/t Au, 7g/t Ag and 146 ppm Mo from 32m down hole. The mineralised intervals appear as quartz filled voids, with flourite and hydraulic breccias, indicating a possible epithermal-style deposit. The type of gold system may yield higher grades at depth.

Additionally hole A405_3A located some 200m NE of hole A405_2 (figure 1), reported an intercept of 5.8m @ 0.48 g/t Au and 2.93 g/t Ag from 31.4m down-hole.

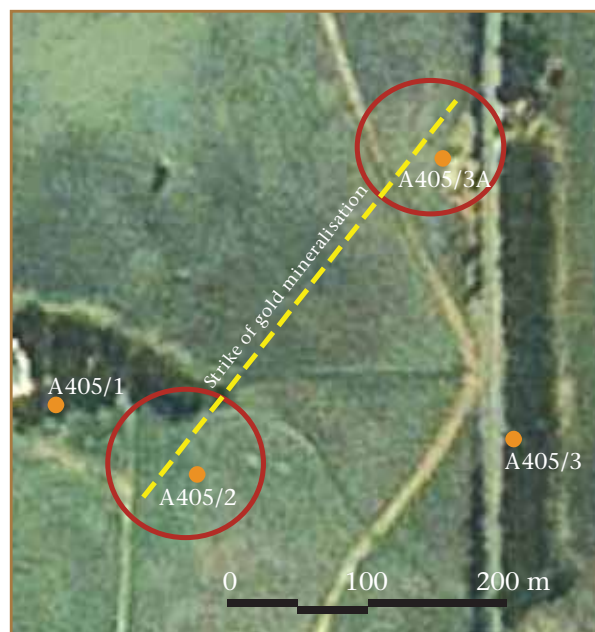


Figure 1: Location of historical holes sampled for gold, EL 4693.

Napoleons Hat

EL 4668 was granted to Archer on 21st February 2011 for a period of 2 years. The EL covers the historic Wonna gold workings.

Napoleons Hat is located immediately north of Archer's North Burra (EL 4266) tenement which reported gold in rock chip samples in 2010 (figure 2).

Hydrothermal fluids carrying gold in solution require changes in either pressure or temperature or both to enable gold to precipitate out of solution. Structural

flexures like the one that exists on Napoleons Hat offer very large 'openings' and they may provide the important depositional environment needed to precipitate gold. The importance of the large flexure at Napoleons Hat is increased due to the fact that known favourable lithological units such as the Appila Tillite, the Watervale Sandstone and the Cox Sandstone occur in the flexure.

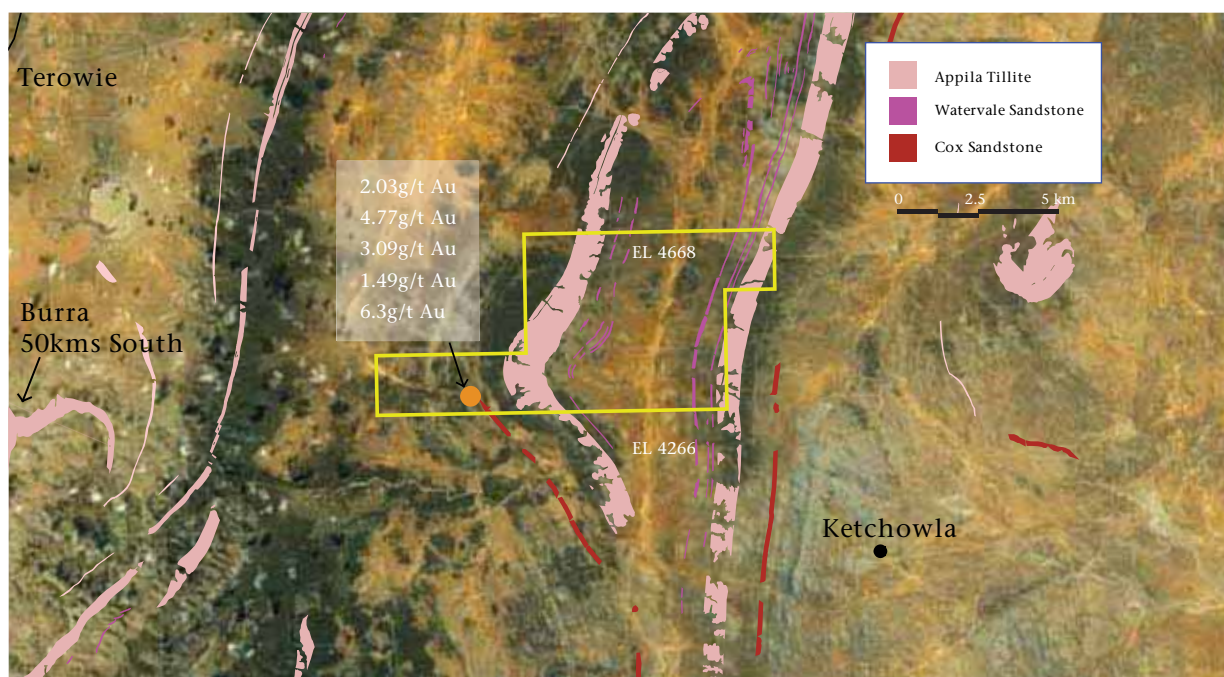


Figure 2: Location of Napoleons Hat, EL 4668 and significant gold results.

The extensive historic Wonna workings have been described as being alluvial gold deposits. Archer inspected several of the shafts and workings and it is clear that the gold mineralisation is not alluvial, but rather related to sheeted quartz veining within competent sediments.

Gold in the district is reported to have a very high nugget variance making sampling for gold a “hit-and-miss” proposition. It has been well documented that the surface gold is associated with iron which is a product of possible weathering of sulphides.

Archer’s intention is to explore for a primary gold at depth. Underground lodes in the district have been documented by government mine inspectors in the early 1900’s as appearing to be associated with strong sulphide alteration and +1oz gold grades. At the time the miners could not extract the gold associated with sulphides and this form of mineralisation was not mined. It is these occurrences that Archer will be exploring for as they may represent potential high grade and even bonanza grade opportunities.

Future exploration is likely to include geophysics to identify sulphide roots followed by drilling.

Watervale Project

Sampling of quartz veins within the Watervale Sandstone identified gold with associated arsenopyrite, figure 3. Additional test work led to the conclusion that the occurrence is similar to other gold occurrences in the area in that it is nuggety. It is thought that electrical methods may be able to define highly charged deep responses thus assisting to better target potential gold lodes.

Drilling in the region has been noted as being very costly due to the broken nature of the weathered surficial rocks, which has often led to the abandonment of drill holes before targets are reached.

Riverton

Limited work has been performed on the tenement (figure4) where the exploration target is the Watervale Sandstone for gold mineralisation. Historic occurrences of gold were reported from a prospectors drill hole (that has not been located by previous explorers), which recorded as having gold mineralisation at;

- @168m 3.3g/t
- @195m 2.5g/t
- @335m 2.8g/t

Similar to the approach for the other gold targets in the Burra area, future exploration is likely to include an electrical based survey to identify prospective targets within and along the Watervale Sandstone. If the geophysics identifies conductive bodies they will be tested by drilling.

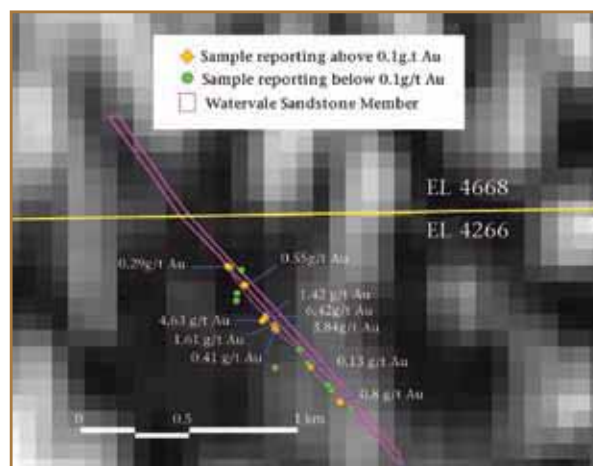


Figure 3: Wonna and Watervale gold prospects. NB the flexure between the Wonna and Watervale.

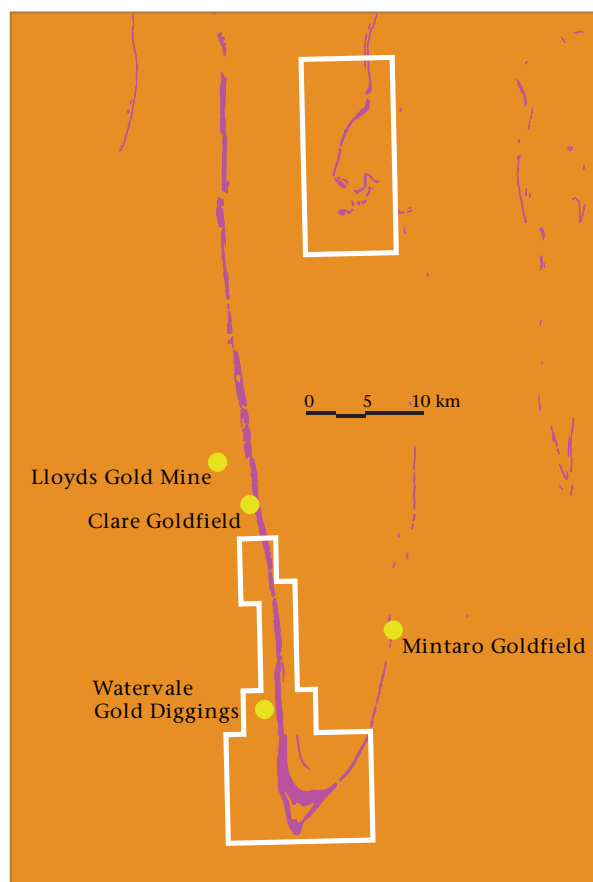


Figure 4: Riverton EL with Watervale in pink.

Uranium

Uranium (U) is a radioactive metal with a high specific gravity of 18.7.

In nature uranium consists of a mixture of three isotopes in the following proportions: U^{238} (99.28%), U^{235} (0.71%) and U^{234} (0.01%).

When U^{235} interacts with neutrons its nucleus may be split into two parts. This splitting is termed fission. Fission releases large amounts of heat energy and more neutrons, starting a nuclear chain reaction. Nuclear reactors harness the heat to generate electricity.

There are 4 main uranium minerals; uraninite (UO_2); pitchblende (a mixed oxide, usually U_3O_8); brannerite (a complex oxide of uranium, rare-earths, iron and titanium) and coffinite (uranium silicate). Most of the world's uranium is produced from pitchblende ores.

Australia has some of the largest uranium deposits in the world and major uranium deposits occur in a number of distinct geological settings and rock types. Uranium mining in Australia started about 1910 at Radium Hill and Mount Painter in South Australia and continued to 1931. Mining was primarily for radium, a daughter product of uranium which was used mainly for medical purposes. In 1949 the Rum Jungle deposit was discovered followed soon after with the discovery of the Mary Kathleen deposit in Queensland and a number of small deposits in the South Alligator Valley of the Northern Territory.

A series of important deposits were discovered from 1969 at Nabarlek, Ranger, Koongarra and Jabiluka in the Northern Territory, at Beverley and Honeymoon in the Lake Frome

area of South Australia and at Yeelirrie and Lake Way in Western Australia. The Olympic Dam deposit in South Australia was discovered in 1975 and the Kintyre deposit in Western Australia discovered in 1985.

Australia currently has three uranium mining operations - Ranger, Olympic Dam and Beverley. Ranger is a large unconformity-related deposit. Olympic Dam is the world's largest uranium deposit in terms of total reserves and resources of uranium with mineralization occurring in a hematite-rich granite breccia. The mine produces uranium, copper, gold and silver.

Beverley occurs in the Lake Frome area of South Australia and is an in situ leach operation where uranium occurs in unconsolidated sands which were deposited in a confined palaeochannel sequence. Acid leach solutions and oxygen are used to dissolve uranium in situ, and resin-type ion-exchange techniques are used to recover uranium in the processing plant.

Australia has the world's largest resources of low-cost uranium (recoverable at costs of less than US\$40/kg U), with approximately 43% of world resources in this category.

Uranium has two major peaceful uses as the fuel in nuclear power reactors to generate electricity and in the manufacture of radioisotopes. The other major use is based on military applications.

Uranium – West Roxby Area Apollo Prospect Exploration History

During 2007 4,276 gravity readings were collected on 800x800m and in some locations 400x400m spaced stations mostly at Evelyn Dam, Apollo and Island Lagoon. The reprocessed gravity image for the West Roxby tenements is shown in Fig 1 below.

In July 2008 Archer flew a 3,760 line km magnetic surveys at a height of 30m and 100m line spacing over Evelyn Dam, Island Lagoon and Apollo targets.

Apollo is a 3km diameter circular 7-8milligal gravity low, which is coincident with a 20-30m deep topographic depression and significant disruption to regional magnetic trends. The surface depression may be the result of intense alteration associated with the source of the magnetic/gravity anomaly. Figs 2a - c shows the coincident topographic depression, the highly disrupted magnetic image and the bulls-eye gravity signature. NB No drilling has been undertaken due to issues relating to land access.

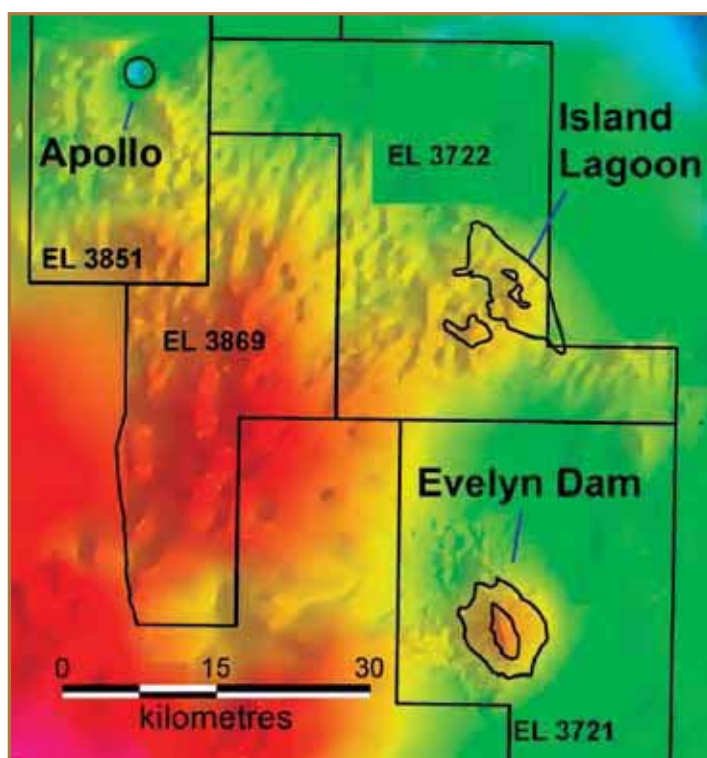


Fig 1: Reprocessed gravity image for the West Roxby tenements

The Apollo target (fig 3) has striking similarities to the Rabbit Lake Athabasca-style unconformity uranium deposit located in Northern Saskatchewan Canada. Rabbit Lake was discovered in 1965, first production was in 1975 and in 2008 Cameco produced 3.6Mlbs of uranium.

Apollo Access

The Apollo Prospect falls within the Kokatha Uwankara Native Title Claim SC09/1. The previous overlapping claim has been resolved and the Kokatha claim is the recognised claim.

Archer has been in contact the Claimants with the aim of entering into a Part 9B Native Title Mining Agreement (NTMA) to be able to conduct exploration drilling not only Apollo but also at the Company's West Roxby IOCG targets at Evelyn Dam and Island Lagoon. Negotiations are progressing. The Company reasonably expects that the parties will enter into an NTMA during 2011 which will open the way for site clearance surveys. Drilling could commence once the clearance report has been received.

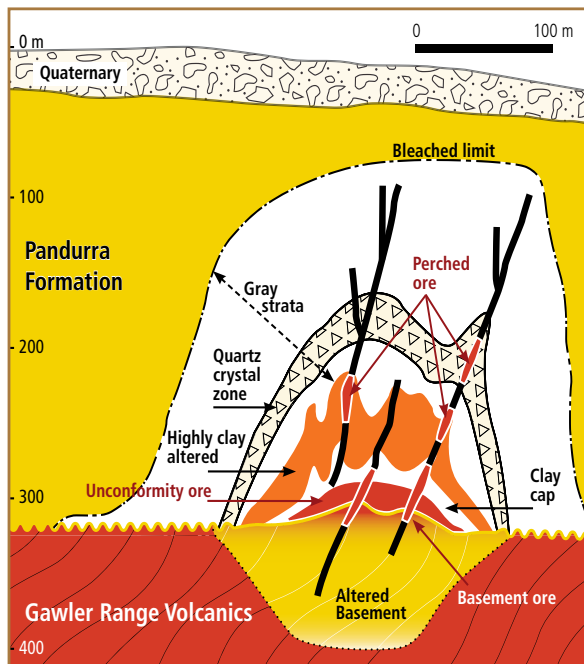


Figure 3: Model for unconformity Athabasca-style uranium deposits

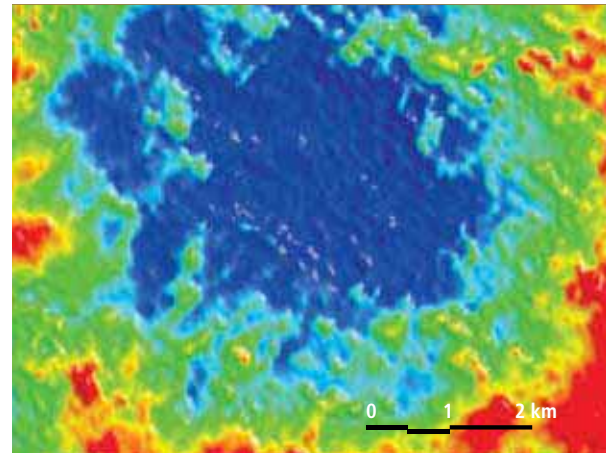


Figure 2a: Apollo Topography

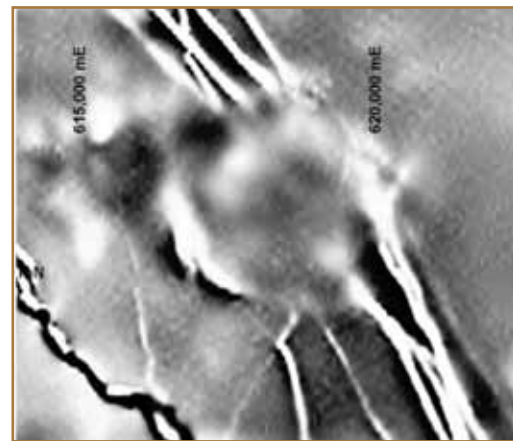


Figure 2b: Apollo magnetics

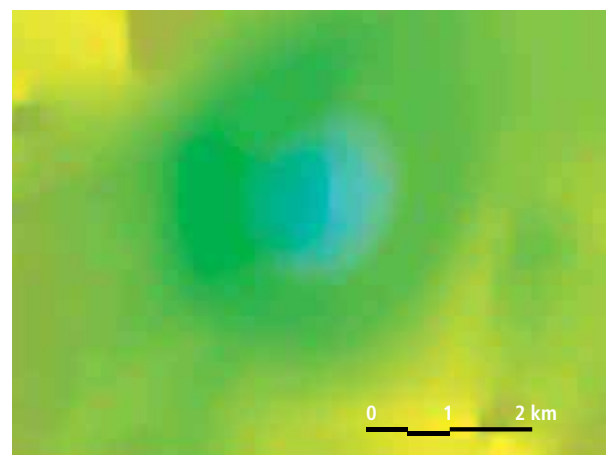


Figure 2c: Apollo Gravity Anomaly

Nickel

The Pindari magnetic anomaly was identified in the 1960's as a possible kimberlitic intrusion. 5 RAB holes were drilled by Shell in 1984. None of the holes penetrated through the wet weathered schist at the surface. Later in 1987, 2 diamond holes were drilled. It was determined at the time from petrology that neither hole intersected kimberlitic material. No further work was performed at the prospect.

Archer recovered core from PIRSA in 2009 and submitted intervals for assay to understand the geochemistry of the material drilled. Petrological examination was also conducted on a number of intervals. It was discovered that primary nickel sulphides (violarite and pentlandite) and primary copper (chalcopyrite) existed within the core as well as elevated nickel and chromium was reported in the weathered part of the core. Figure 1, below, shows the sulphides from thin section.

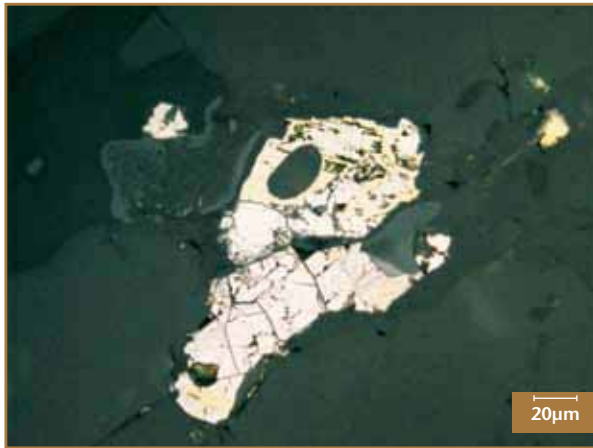


Figure 1: Small composite sulphide grains in peridotite, mostly violarite ± pale pentlandite with yellow chalcopyrite locally enclosing lamellar of low-temperature pyrite.

Early in 2010, Archer completed a bedrock geochemical drill program over part of the Pindari anomaly. This resulted in a circular anomaly mimicking the magnetic anomaly, see figure 36. Seven holes were drilled later in 2010 to test for nickel mineralisation. As a part of this drill program, EM anomalies identified in 2009 were to be tested as well. No economic nickel mineralisation was intersected, the southern EM signature is now thought to be due to the presence of graphite. The source of the central EM high remains unknown.

After drilling the EM data was reprocessed to determine the behaviour beyond 120m, figures 3 and 4 show depth slices at 85m and 195m respectively.

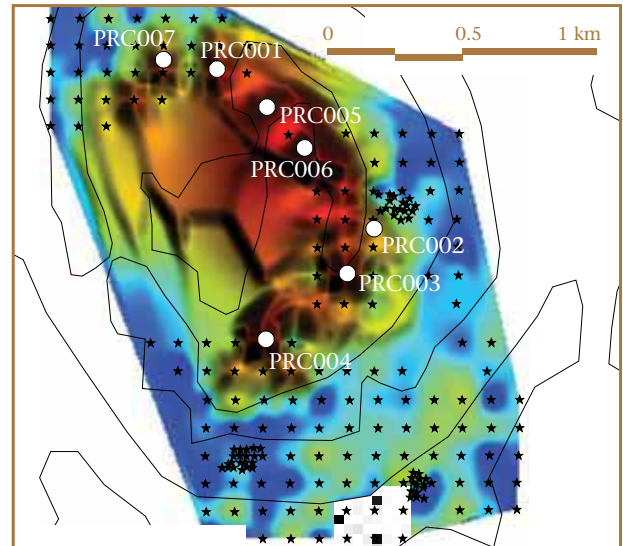


Figure 2: Ni anomaly defined from bedrock drilling campaign

From the assay results hole PRC001 was not deep enough (100m angled) to intersect mineralisation, however sulphide was intersected (81 to 98m) with weakly anomalous Cu. Hole PRC002 failed to penetrate the porphyry (56m), however, elevated Ni (+100ppm) was reported at the end of the hole. Hole PRC003 intersected carbonate rich mafics down to 40m, nickel was still reporting above 500ppm at the end of the hole with copper in excess of 100ppm. Hole PRC004 was similar in that considerable carbonate has been eroded from the rock, the end of hole assays report above 1000ppm nickel. Hole PRC005 intersected a pegmatite and ended at 43m,

Ni values in excess of 200ppm were reported at the end of the hole. Hole PRC006 still had considerable carbonate present as well as elevated Ni and Cu at the end of the hole (1130 ppm Ni and 167ppm Cu at 43m). Hole PRC007 ended at 58m, did not penetrate a sulphide host, the hole is dominated by porphyry material which in all cases contains elevated REE's (Nb and Y).

The initial geological model of a layered igneous complex intruded by later felsic rocks is still thought to be the case at Pindari. The later stage felsic rocks would have disturbed any pre-existing sulphides and probably resulted in a disseminated Ni- Cu sulphide system. A deeper hole is

required to drill test to the west of PRC007 as well as at the same location as PRC002.

The presence of the REE anomaly is also of interest as the carbonate seen in the drilling results may be a source for the REE's in the south of the anomaly.

The nickel anomaly is believed to be a consequence of weathering of buried amphibolite rocks. The source of the electromagnetic highs was not tested as drilling was hampered by high water inflows. The source is still modeled to be a sulphide target and future exploration is likely to include deeper drilling.

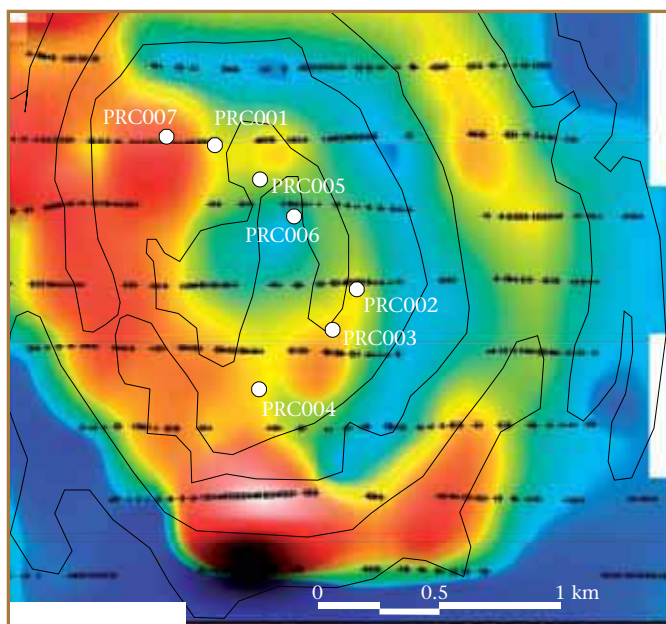


Figure 3: EM signature from 85m

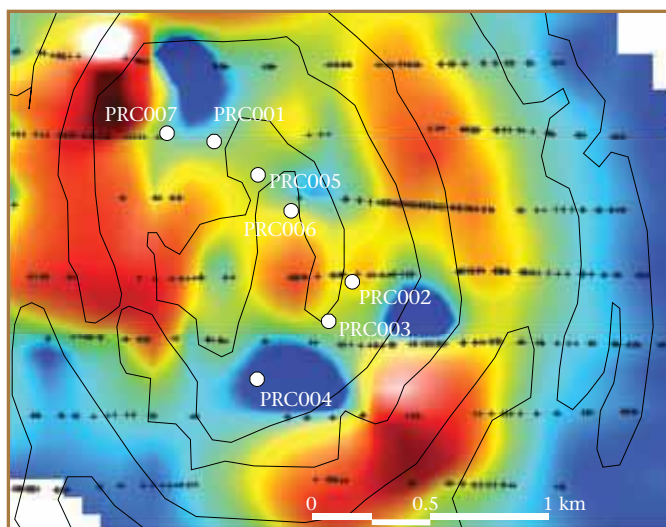


Figure 4: EM signature from 195 m



During 2011 Archer applied for an Exploration Licence covering 885km² of ground to the southwest of Leigh Creek and stretching to the east of Lake Gairdner. The application was accepted as ELA 11/11.

The application excludes all ground associated with the Ediacara Fossil Reserve.

The tenement was initially applied for to cover areas where historical exploration was focused on base metals, industrial minerals and coal.

In 1983, the Commonwealth Aluminum Company (Comalco) whilst exploring for northern and southern extensions to lead and copper mineralisation found within the reserve, intersected lignitic material in three holes; CT1 (located in the north of the ELA); and CT2 and CT3 (located some 8km inside the SW boundary), figure 2. Other holes that have historically intersected lignitic material are also shown on figure 3.

Hole CT1 intersected sandy lignite and lignite from 256m to 289m below competent and firm transported clay.

Hole CT2 intersected sandy lignite and lignite from 254m to 290m below competent and firm transported clay.

Hole CT2 intersected sandy lignite and coal fragments from 234m to 244m below competent and firm transported clay and recorded two wide intervals of lignite and coal:

- 264 to 276 sandy lignite
- 298 310m (EOH) clay with sub bituminous coal

All the CT holes appear to reside on the western side of the Ediacara Range. The consistency of intercepts in terms of depth and thickness strongly suggest the lignite and coal intercepts are from one deposition environment.

No additional exploration was performed by Comalco in the areas of the CT holes for coal and or lignite.

Subsequent to the ELA, Archer through a wholly owned subsidiary, Archer Energy and Resources Pty Ltd, applied for a PELA (567) to cover the prospective area of lignite.

Remnant drill samples for the CT holes exist with PIRSA. It is Archer's intention to recover the lignitic material with a view to determine the amenability of the material for gasification or other products once the tenement has been granted.

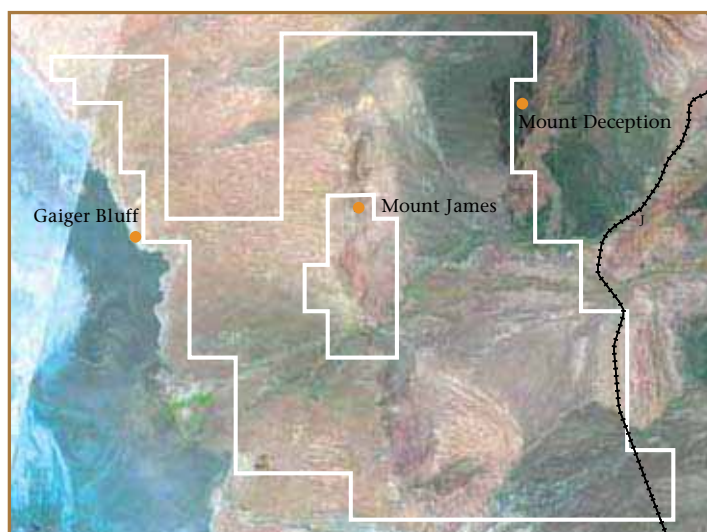


Figure 1: Location of ELA 11/11.

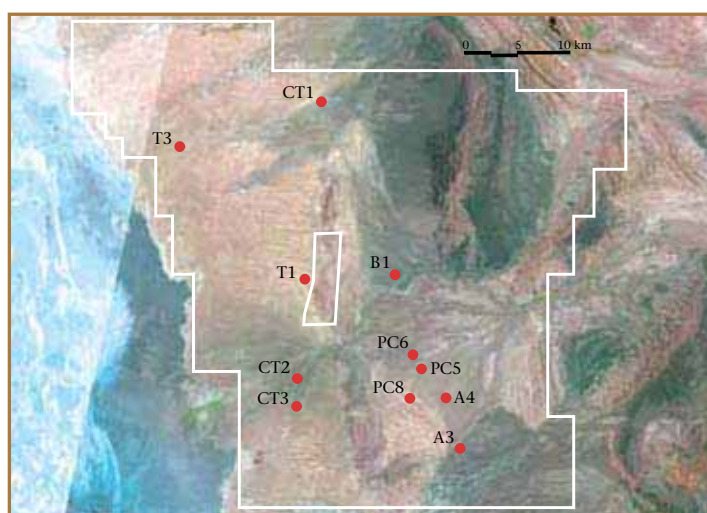


Figure 2: Location of PELA 567.

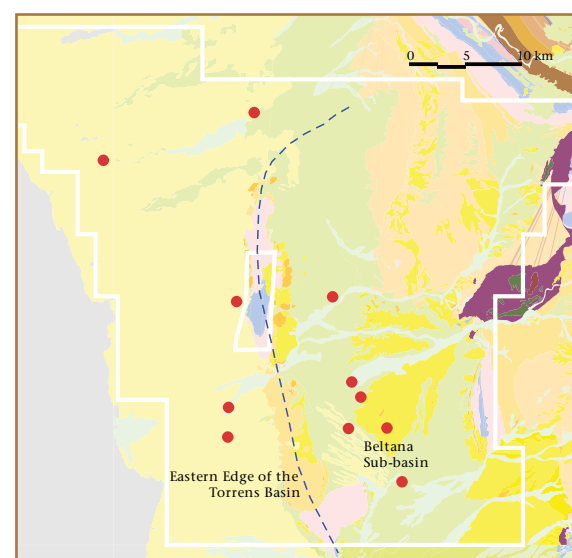


Figure 3: Location of historic regional drill holes that have intersected lignitic material.



Industrial Minerals - Phosphate and Barite

Archer has two tenements and a Exploration Licence Application covering prospective phosphate and barite prospects.

Reconnaissance level exploration including literature searches and rock chip sampling has been conducted for phosphate. Exploration for barite evolved from its potential as a standalone project to a possible indicator of carbonatite intrusives. Carbonatite intrusive may be enriched in Rare Earth Elements (REE).

Primary focus has been on the tenements Worlds End (EL 4230) and Australia Plains (EL 4482). Archer also applied for additional ground west of Australia Plains EL4482 which has been registered as ELA 388/10 (Eudunda).

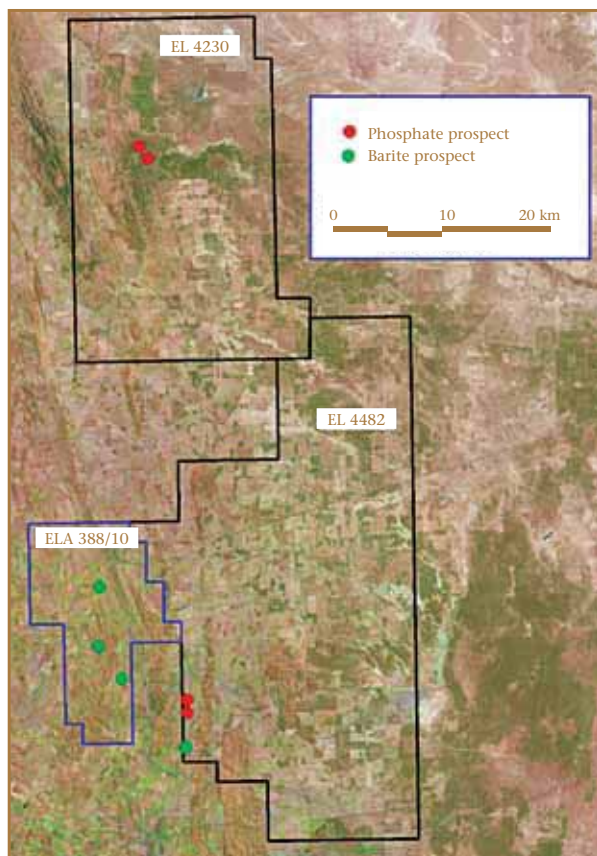


Figure 1: Locality of phosphate and barite prospects.

Phosphate Worlds End (EL 4230)

Historic phosphate mines exist on both the Worlds End (EL4230) and Australia Plain (EL 4482) tenements.

Mines Department records indicate that production from these areas was limited and operations ceased before 1920.

Reconnaissance exploration has consisted of soil sampling and selected rock chip sampling. The Fairview Phosphatic unit was reported to have a width that varied from 60m to 120m and extended to a depth of 22m (figure 2).

Historic records indicate that the phosphatic units occur over a strike length of approximately 12kms stretching approximately 6km to both the north and south of the Fairview workings.

Future work will focus on rock chip sampling and to see if the phosphatic units can be traced using available radiometric data. Once the strike is known and further rock chip sampling is conducted across and along strike to confirm likely phosphate grades, it should be possible to determine the probability of identifying an economic deposit prior to committing funds for drilling.

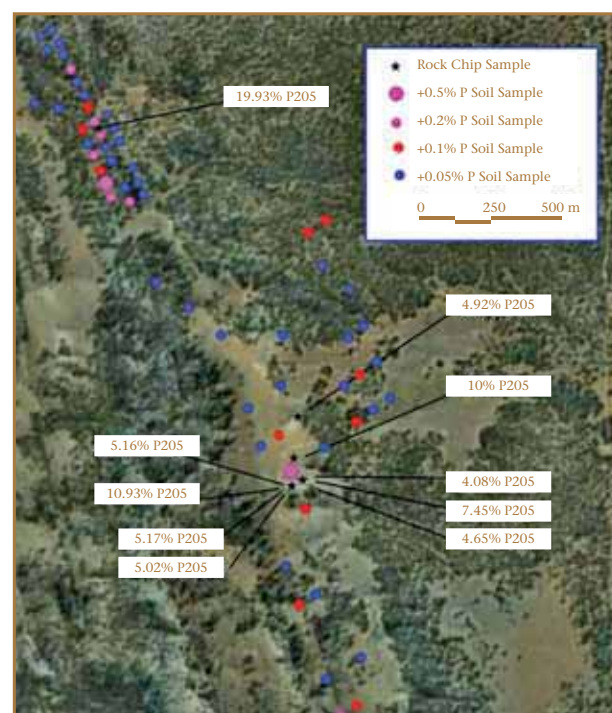


Figure 2: Phosphate work to date at Fairview, EL 4230.

Australia Plains (EL 4482)

Phosphate was reported in 1909 at the Rices Mine, where a 50ft shaft was sunk. The occurrence was noted to be ill-defined. Iron ore flux was once sourced from this occurrence. To the north (1.2km) along strike is another mine working, the Eime Phosphate Mine. No production records could be found for this mine (figure 3).

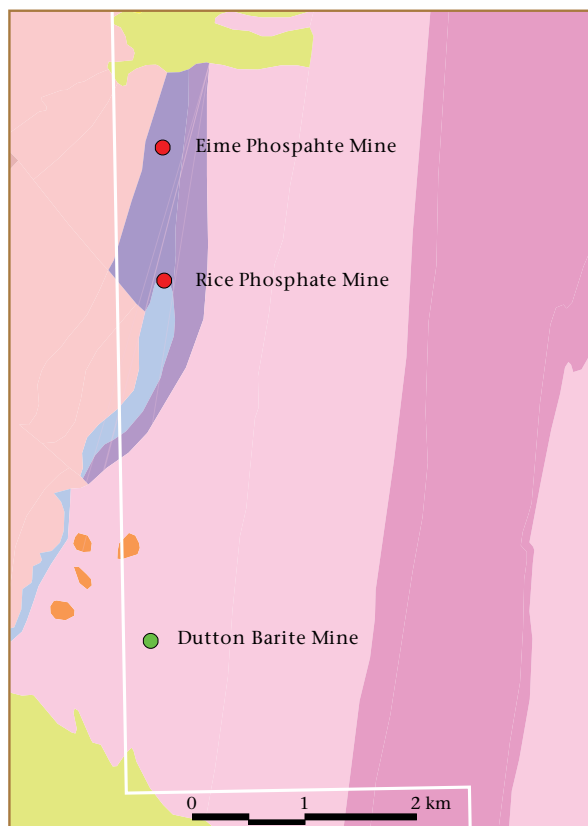
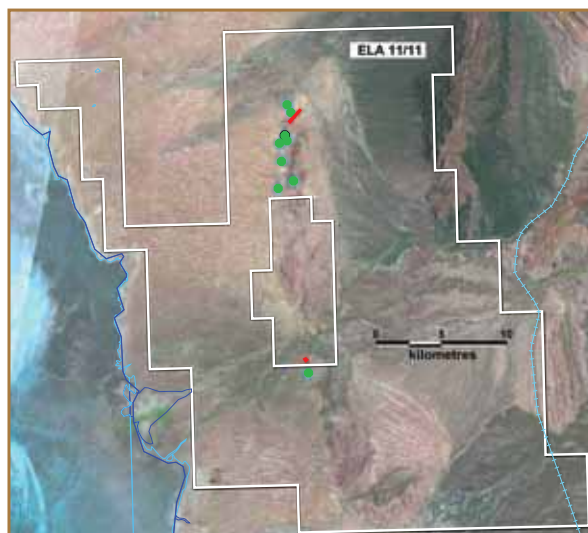


Figure 3: Location of Phosphate on Australia Plains

**Barite**

Two tenements were applied for during the year Eudunda (ELA 388/10) and Ediacara (ELA 11/11). The tenements were applied for primarily for their barite potential and possible Rare Earth Element (REE) potential. Both are still in the application stage.

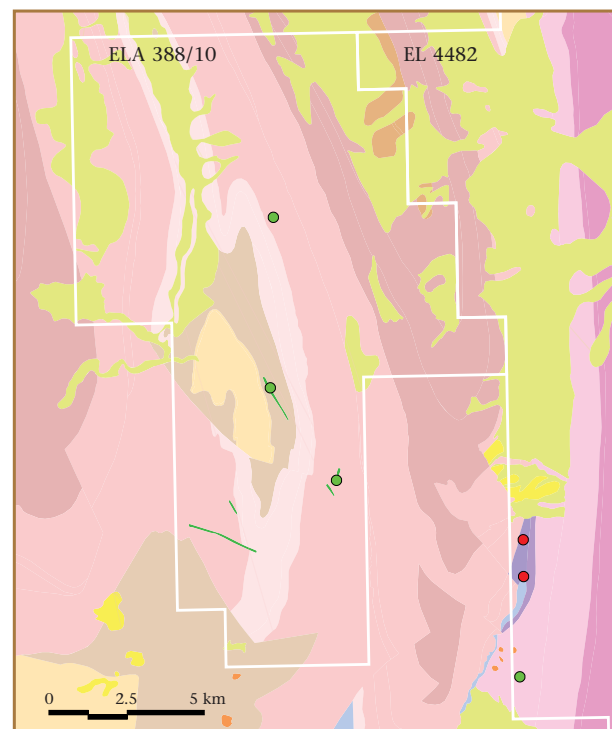
Eudunda

Figure 4: Location of barite prospect shown in green on Eudunda and Australia Plain.

Ediacara

The tenement application resides SW of Leigh Creek and to the east coast of Lake Torrens. The barite appears to be associated with a fault system which forms a mineralised scarp down the centre of the tenement application.

Future exploration will include literature searches and upon grant, rock chip and soil sampling to determine the size and tenor of the barite occurrences.

Figure 5: Location of barite occurrences on ELA 11/11, one small gold ML is shown to exist on the lease (red)



Directors' Report

Your Directors present this report on Archer Exploration Limited and its consolidated entities ('Group' or 'Archer'), for the year ended 30 June 2011.

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
- Peter Meers

The above named Directors held office during and since the end of the financial year, except for Mr Peter Meers who was appointed a Director of the Company on 12 November 2010.

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

Principal Activities

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

Operating Results

The loss of the Group was \$976,877 after receiving a research and development concession of \$9,757.

Dividends

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

Review of Operations

During the year employees conducted technical evaluations of all of the Group's owned Exploration Licences. Field work including geophysical surveys, geological mapping, soil sampling, rock chip sampling and drilling was conducted on several of the Company's tenements. In addition, Archer conducted exploration activities on one third party tenement as part of a farm-in agreement.

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

On 4 July 2011 the Company issued 2,714,286 fully paid shares to sophisticated investors raising \$475,000 before costs. Other than as mentioned above, 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

Since listing on the ASX in August 2007, the Company has developed a long pipeline of projects. During the financial year the Company prioritised its exploration and development focus towards two principal strategic commodities; graphite and magnesite. This push will continue throughout 2012.

Archer's graphite interests grew rapidly during 2011 to compliment the Company's 100% owned Carapsee Hill EL3711 that hosts the Sugarloaf graphite deposit. Archer, by meeting its expenditure obligations under a farm-in agreement with Gingertom Pty Ltd (a wholly owned subsidiary of UraniumSA Limited), earned the right to all minerals other than uranium on Gingertom's EL4693 Wildhorse Plain. In addition Archer applied for and was granted ELA148/11 covering 54km² of ground highly prospective for extensions to and or repetitions of graphitic horizons identified on Carapsee Hill and Wildhorse Plain. Graphite is a highly prized strategic mineral critical in the worldwide push to find 'green energy' solutions. The area controlled by the Company has several occurrences of coarse flake graphite which is critical in the development of spherical graphite for use in fuel cells and lithium-ion batteries. Demand for graphite is experiencing unprecedented growth and the outlook given the automotive industry's push towards electric vehicles, looks set to continue.

During 2011 both the Termination Hill EL4567 and Witchelina EL4729 were granted giving Archer 100% interest in JORC Measured, Indicated and Inferred Resources of 413 million tonnes grading 41.3% MgO.

These resources are World Class in terms of resource tonnage and grade. A priority for the Company will be to develop a process flow sheet that can ensure the delivery of high grade saleable magnesia. If this can be achieved significant value would be unlocked.

In addition to graphite and magnesite the Company will continue exploration for other minerals including manganese, copper, gold and uranium.

Except as disclosed elsewhere in this Annual Report, 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 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 is Chairman of ASX listed Core Exploration Ltd and was a previous director of ASX listed Gawler Resources Ltd.

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

Special Responsibilities - Chairman



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

Gerard Anderson is a geologist with 37 years of experience including 20 years in senior exploration and mine management roles including Exploration Superintendent at the Boddington Gold Mine for Worsley Alumina, Chief Geologist at Kalgoorlie Consolidated Mines, General Manager of Golden Grove zinc/copper/lead operations for Normandy and Newmont, General Manager Joint Ventures for Newmont, Managing Director of Croesus Mining NL and Managing Director of Centrex Metals Ltd (both ASX listed).

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



Tom Phillips AM MBA FAICD
Director (Non-Executive)

Tom Phillips holds board positions with several not-for-profit Organisations. Tom is the Chair of Safework Australia and also Chairs the Southern Adelaide Development Board and Flinders Partners Pty Ltd. He is a director of Intercast & Forge Pty Ltd, is a Non-Executive Director of 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 - Member, Audit & Risk Committee.



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

Alice McCleary is a Chartered Accountant. She is a director of UraniumSA Limited (ASX listed) and Adelaide Community Healthcare Alliance Inc (ACHA), a Councillor of the South Australian Chamber of Mines and Energy (SACOME), and a member of the International Ethics Standards Board for Accountants. She is a member of the Corporations and Markets Advisory Committee (CAMAC), and recently completed more than a decade of service on the Takeovers Panel. Previous leadership roles include Deputy Chancellor of the University of South Australia and National President of the Taxation Institute of Australia. Previous board appointments include National ICT Australia Ltd, Great Southern Ltd and Dragon Energy Ltd. She has been a tax partner in Coopers & Lybrand and was intimately involved with the Ralph Review of Business Taxation. Alice's professional interests include financial management and corporate governance.

Special Responsibilities - Chair Audit & Risk Committee.

Information on Directors' and Management



Peter Meers BA (Economics), FAIB
Director (Non-Executive)

Peter Meers is Chairman and Chief Executive Officer of Hudson Resources Limited, Chairman of Australian Bauxite Limited, Director of Sovereign Gold Limited and CEO of Tiaro Coal Limited (All ASX listed companies).

Peter has broad experience across a range of industries including financial services (consumer, commercial and investment banking, securities trading and origination), mining and exploration and building materials.

In the area of financial services he was responsible for establishment of new business operations in China, Vietnam, Philippines and Indonesia.



Craig Gooden CA
Company Secretary

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



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, Sovereign Gold Company Limited, and is a director of MGM Wireless Ltd (All ASX listed) and Government Relations Australia. He is Chair of the Australian Qualifications Framework Council and the National Quality Council.

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% (Managing Director 10%), and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation and/or elected to increase superannuation contributions a part of their salary package.

All remuneration paid to Directors and executives is valued at the cost to the 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 \$500,000 per annum which has not changed since the Company listed on the ASX in August 2007. These amounts are not linked to the financial performance of the consolidated Group. However, to align director's interests with shareholder interests, the directors are encouraged to hold shares in 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.

Service Agreements

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

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

Mr Anderson was appointed a non executive Director of the Company in July 2008 and was appointed to Managing Director and Chief Executive Officer on 25 October 2010, on the following terms:

- Contract term; Three years but may be terminated early by either party giving minimum 3 months notice.
- Remuneration; \$300,000 per annum plus 10% superannuation and the issue of 5,000,000 unlisted options (refer elsewhere in this Directors' Report).
- Bonus; Discretionary up to 30% of salary each year and is determined with reference to key performance indicators as set by the Board annually. The 2011 KPI's included OH&S, project management, share price, investor relations and business development.
- Termination payments; Calculated based on reason for termination, and limited to 3 months salary plus leave entitlements.

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

Base remuneration.

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

Base remuneration.

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

Base remuneration.

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

Base remuneration.

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

Base remuneration.

• *Peter Meers, Non-Executive Director, Archer Exploration Limited*

Base remuneration.

• *Wade Bollenhagen, Exploration Manager Archer Exploration Limited*

- Contract Term; Extended in March 2010 for 2 years and nine months to December 2012
- Remuneration \$170,000 per annum plus 9% superannuation and a discretionary bonus as approved by the Board.
- Termination payments; Calculated based on reasons for termination from 4 weeks plus leave entitlements and up to 12 months salary plus leave entitlements if 50% of the Board resign or are replaced and the employee is directed to move permanently interstate and elects to terminate instead of moving.

Details of Key Management Personnel Remuneration for year ended 30 June 2011

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.

2011				
<i>Directors</i>	<i>Salary and commissions</i>	<i>Superannuation</i>	<i>Share based</i>	<i>Total</i>
	\$	\$	payments - Options	\$
Greg English*	59,633	5,367	-	65,000
Tom Phillips AM	36,697	3,303	-	40,000
Alice McCleary	36,697	3,303	-	40,000
Gerard Anderson	222,365	22,114	109,332	353,811
John Dawkins AO	36,697	3,303	-	40,000
Peter Meers	23,241	2,092	-	25,333
Subtotal	415,330	39,482	109,332	564,144
<i>Key Management Personnel</i>				
Craig Gooden	65,972	-	-	65,972
Wade Bollenhagen	160,000	14,437	-	174,437
Mike Hatcher	111,989	6,609	-	118,598
Total	753,291	60,528	109,332	923,151

* In addition, Norman Waterhouse Lawyers were paid \$24,417 (2010: \$24,318) during the year for services rendered to the Company. Mr English is a partner of 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 30.9%

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.

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

Key Management Personnel Compensation

Options Granted as Compensation

Options were granted during the year as compensation; 5,000,000 (2009: 1,000,000) No options were exercised during the year which were granted as compensation in prior periods.

Options issued as part of Remuneration to Directors or Key Management Personnel for the year ended 30 June 2011

5,000,000 options were issued to the Managing Director during the year. (2010: 1,000,000 to the CEO).

The total fair value of the options was \$174,000, an exercise price of 20 cents and an expiry date of 30 November 2013. The 1,000,000 options issued to the CEO on 4 September 2009 under the Company's Employee Share Option Plan had an exercise price of 20 cents and expiry date of 31 December 2012. The fair value of these options was \$68,900.

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

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

Shares issued as part of Remuneration to Directors or Key Management Personnel for the year ended 30 June 2011

No shares were issued to Directors or Key Management Personnel as part of their remuneration during the year.

Number of Unlisted Options held by Directors and Key Management Personnel

Key Management Personnel	Balance 1/07/10	Granted as Compensation	Options Exercised	Net other Changes	Balance 30/06/11	Total vested	Total exercisable	Total unexercisable
Gerard Anderson	250,000	5,000,000	-	-	5,250,000	2,250,000	2,250,000	3,000,000
Wade Bollenhagen	140,000	-	-	-	140,000	140,000	140,000	-
Mike Hatcher*	1,000,000	-	-	(1,000,000)	-	-	-	-
Total	1,390,000	5,000,000	-	(1,000,000)	5,390,000	2,390,000	2,390,000	3,000,000

* Mr Hatcher, CEO resigned in September 2010

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

Key Management Person	Balance on 1/7/10	Received as Compensation	Options Exercised	Net Other Change	Balance 30/06/11
Greg English	11,604,798	-	-	311,500	11,916,298
Tom Phillips AM	1,075,000	-	-	-	1,075,000
Alice McCleary	1,740,000	-	-	287,917	2,027,917
Gerard Anderson	50,000	-	-	-	50,000
John Dawkins AO	-	-	-	-	-
Peter Meers	-	-	-	-	-
Craig Gooden	850,000	-	-	100,000	950,000
Wade Bollenhagen	175,000	-	-	-	175,000
Total	15,494,798	-	-	699,417	16,194,215

Employment contract of the Managing Director and Exploration Manager

<i>Name</i>	<i>Position</i>	<i>Duration of Contract</i>	<i>Period of Termination Notice</i>	<i>Termination Payment provided for under the contract</i>
Gerard Anderson	MD/CEO	36 Months (1)	Immediate (3)	3 months
Wade Bollenhagen	Exploration Manager	33 Months (2)	Immediate (3)	4 weeks

Note 1) Contract commenced 25 October 2010

2) Contract renewed until 31 March 2012

3) For termination with good cause.

Meetings of Directors

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

<i>Name</i>	<i>Number of Directors meetings whilst a Director</i>	
	<i>Held</i>	<i>Attended</i>
Greg English	11	11
Tom Phillips AM	11	11
Alice McCleary	11	11
Gerard Anderson	11	11
John Dawkins AO	11	11
Peter Meers*	7	7

* 7 meetings were held after Mr Peter Meers was appointed and he attended all meetings.

The Company has formed a separate Audit and Risk Committee during the year. One meeting was held and the three members attended being Alice McCleary as Chair, Gerard Anderson and Tom Phillips. In addition, Directors Greg English and Peter Meers also attended by invitation. 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 2012.

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 subject to Options</i>	<i>Exercise Price</i>	<i>Expiry Date</i>
29 June 2009	Unlisted	270,000	\$0.09	29 June 2012
4 September 2009	Unlisted	1,000,000	\$0.20	31 December 2012
3 December 2010	Unlisted	5,000,000	\$0.20	30 November 2013

During the year ended 30 June 2011 no options issued to employees were exercised. No person entitled to exercise an employee option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

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 2011:

Taxation services \$16,420

Auditor's Independence Declaration

The lead auditor's independence for the year ended 30 June 2011 has been received and can be found on page 82 of the Financial Report.

Signed in accordance with a resolution of the Board of Directors



Greg English
Chairman

Adelaide

Dated this 21st day of September 2011



Auditor's Independence Declaration



Grant Thornton

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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 2011, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants

J L Humphrey
J L Humphrey
Partner

Adelaide, 21 September 2011

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Corporate Governance Statement

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

www.archerexploration.com.au

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

Principle 1: Laying Solid Foundations for management and oversight

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

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

We also advise that a formal performance appraisal of the 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
Peter Meers

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 2011 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

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 2011

	<i>Notes</i>	<i>Consolidated Group</i>	
		<i>2011</i>	<i>2010</i>
		<i>\$</i>	<i>\$</i>
Revenues from ordinary activities	2	200,305	252,150
Depreciation and amortisation expenses		(25,601)	(17,922)
Impairment-exploration assets		(76,530)	-
Employee benefits expense		(712,411)	(454,200)
Finance costs		(1,338)	(3,187)
Occupancy expense		(26,701)	(39,656)
Consultants expense		(74,767)	(62,362)
ASX listing and registry expense		(46,003)	(51,502)
Other corporate expenses from ordinary activities		(223,588)	(193,933)
Loss before income tax		(986,634)	(570,612)
Income tax benefit	3	9,757	95,149
Loss for year		(976,877)	(475,463)
Loss attributable to members of the parent entity		(976,877)	(475,463)
Other comprehensive income		-	-
Total comprehensive income for the year		(976,877)	(475,463)
Total comprehensive income for the year attributable to members of the parent entity		(976,877)	(475,463)
		<i>Cents</i>	<i>Cents</i>
Earnings per Share			
Basic loss per share	6	(1.5)	(0.7)

The accompanying notes form part of the financial statements.

STATEMENT of FINANCIAL POSITION
AS AT 30 JUNE 2011

		Consolidated Group	
	Notes	2011 \$	2010 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	2,674,176	3,929,824
Trade and other receivables	8	37,857	118,689
Total Current Assets		2,712,033	4,048,513
NON-CURRENT ASSETS			
Plant and equipment	10	105,525	97,884
Exploration and evaluation expenditure	11	5,688,265	4,833,783
Total Non-current Assets		5,793,790	4,931,667
TOTAL ASSETS		8,505,823	8,980,180
CURRENT LIABILITIES			
Trade and other payables	12	421,084	102,185
Financial liabilities	13	1,690	21,016
Short-term provisions	14	102,823	19,736
TOTAL CURRENT LIABILITIES		525,597	142,937
NON CURRENT LIABILITIES			
Long-term provisions	14	10,592	4,816
TOTAL NON CURRENT LIABILITIES		10,592	4,816
TOTAL LIABILITIES		536,189	147,753
NET ASSETS		7,969,634	8,832,427
EQUITY			
Issued capital	15	10,699,698	10,699,698
Reserves	16	196,062	81,978
Retained earnings		(2,926,126)	(1,949,249)
TOTAL EQUITY		7,969,634	8,832,427

The accompanying notes form part of the financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

	<i>Issued Capital</i>	<i>Retained Earnings</i>	<i>Share Option Reserve</i>	<i>Total</i>
	\$	\$	\$	\$
Consolidated Group				
Balance at 1 July 2009	10,697,198	(1,473,786)	8,164	9,231,576
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)
Balance at 30 June 2010	10,699,698	(1,949,249)	81,978	8,832,427
Fair value of options issued	-	-	114,084	114,084
Total comprehensive income for year	-	(976,377)	-	(976,877)
Balance at 30 June 2011	10,699,698	(2,926,126)	196,062	7,969,634

The accompanying notes form part of the financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011

	<i>Notes</i>	<i>Consolidated Group</i>	
		<i>2011</i>	<i>2010</i>
		<i>\$</i>	<i>\$</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from consulting services		5,573	22,223
Payments to suppliers and employees		(897,604)	(769,026)
Interest received		197,918	227,842
Research & Development concessional tax refund		104,906	178,855
Finance costs		(1,315)	(3,187)
NET CASH (USED IN) OPERATING ACTIVITIES	<i>20</i>	(590,522)	(343,293)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration expenditure		(903,322)	(654,381)
Receipts from sale of plant & Equipment		-	15,454
Payments for plant and equipment		(42,477)	(46,175)
NET CASH (USED IN) INVESTING ACTIVITIES		(945,799)	(685,102)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issues of ordinary shares		-	2,500
Share capital applications received		300,000	-
Repayment of borrowings		(19,327)	(17,467)
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES		280,673	(14,967)
Net (decrease) in cash held		(1,255,648)	(1,043,362)
Cash at the beginning of the financial year		3,929,824	4,973,186
Cash at the end of the financial year	<i>7</i>	2,674,176	3,929,824

The accompanying notes form part of the financial statements.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Preparation

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

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 Non Current Asset</i>	<i>Depreciation Rate</i>	<i>Basis of 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 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 Equivalents

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

l) Revenue

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

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

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

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

n) Goods and Services Tax (GST)

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

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

o) Comparative Figures

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

p) Critical Accounting Estimates and Judgments

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

Key estimates*Impairment*

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

Impairment was recognised in respect of non current assets for the year ended 30 June 2011 (2010: Nil).

Exploration and evaluation

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

q) Adoption of New and Revised Accounting Standards

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

Recently issued accounting standards to be applied in future reporting periods

The accounting standards that have not been early adopted for the year ended 30 June 2011, but will be applicable to the Company in future reporting periods, are detailed below. Apart from these standards, we have considered other accounting standards that will be applicable in future periods, however they have been considered insignificant to Archer Exploration Limited.

1) Consolidated Financial Statements

IFRS 10: "Consolidated Financial Statements" was issued by the IASB in May 2011 and replaces both the existing IAS 27: "Consolidated and Separate Financial Statements" and SIC 12: "Consolidation - Special Purpose Entities". This new standard revises the definition of control and related application guidance so that a single control model can be applied to all entities. This standard will apply to Archer Exploration Limited from 1 July 2013 and it is believed there will be insignificant impact.

2) Joint Arrangements

IFRS 11: "Joint Arrangements" was also issued by the IASB in May 2011 and provides for a more realistic reflection of joint arrangements by focussing on the rights and obligations of the arrangement, rather than its legal form. The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. This standard is applicable from 1 July 2013, with early adoption permitted. Management is assessing the impact on the Group but at this stage it is believed there will be insignificant impact on the company.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued***3) Disclosure of Interests in Other Entities**

IFRS 12: “Disclosure of Interests in other Entities” was issued by the IASB in May 2011 and is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. This standard is applicable from 1 July 2013 and management is currently assessing the impacts of the standard, which will be limited to disclosure impacts only. There have also been consequential amendments to IAS 28: “Investment in Associates” as a result of the above new standard. These amendments are applicable from 1 July 2013 and at this stage it is believed there will be no impact.

4) Fair Value Measurement

IFRS 13: “Fair Value Measurement” was issued by the IASB in May 2011 and provides a precise definition of a fair value, is a single source of fair value measurement and prescribes disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting, but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. The standard will apply to the Group from 1 July 2013 and at this stage it is believed there will be no impact.

5) Other

In addition to the above recently issued accounting standards that are applicable in future years, we note the following new accounting standards that are applicable in future years:

- AASB 124: “Related Party Disclosures”;
- AASB 2009-12: “Amendments to Australian Accounting Standards”;
- AASB 2010-4: “Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project”;
- AASB 2010-5: “Amendments to Australian Accounting Standards”;
- AASB 2010-8: “Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets”; and
- AASB 2011-4 “Amendments to Australian

Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements”.

We do not expect these accounting standards to materially impact our financial results upon adoption.

r) Carbon tax

On 10 July 2011, the Commonwealth Government announced the ‘Securing a Clean Energy Future - the Australian Government’s Climate Change Plan’. Whilst the announcement provides further details of the framework for a carbon pricing mechanism, uncertainties continue to exist on the impact of any carbon pricing mechanism on the Group as legislation must be voted on and passed by both houses of Parliament. In addition, as the Group will not fall within the ‘Top 500 Australian Polluters’, the impact of the Carbon Scheme will be through indirect effects of increased prices on many production inputs and general business expenses as suppliers subject to the carbon pricing mechanism are likely to pass on their carbon price burden to their customers in the form of increased prices.

The financial report was authorised for issue on 21st September 2011 by the Board of Directors.

NOTE 2 – REVENUE

Operating activities

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

Total Revenue

Consolidated Group

2011

\$

2010

\$

2,387

-

197,918

200,305

18,858

514

232,778

252,150

NOTE 3 – INCOME TAX BENEFIT

a) The components of income tax benefit comprise:

- Current tax
- Deferred tax

9,757

-

9,757

95,149

-

95,149

b) The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows 30% (2010 : 30%):

Net Loss

(986,634)

(570,612)

Prima facie tax benefit on loss

from ordinary activities before income tax at 30%

(295,990)

(171,184)

Add/(less):

Tax effect of:

- capital raising costs deductible
- other non allowable

(59,185)

68,526

(286,649)

(59,185)

(235,648)

(466,017)

Research and development tax concession

9,757

95,149

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

286,649

466,017

Income Tax attributable to operating loss

9,757

95,149

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

1,974,498

1,757,261

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 Peter Meers	<i>Director - Non-executive</i>	<i>appointed 12 November 2010</i>
Mr Wade Bollenhagen	<i>Exploration Manager</i>	<i>appointed 26 March 2008</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 2011.

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

	<i>2011</i>	<i>2010</i>
Short term benefits	753,291	516,424
Post employment benefit	60,528	42,740
Share - based payments	109,332	68,900
	<hr/> 923,151	<hr/> 628,064

c) Options Granted as Compensation

5,000,000 (2010: 1,000,000) Options were granted during the year to key management as compensation with a fair value of \$174,000 (2010:\$68,900).

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****2011**

<i>Key Management Personnel</i>	<i>Balance 1.07.10</i>	<i>Granted as compensation</i>	<i>Options exercised</i>	<i>Options expired</i>	<i>Net other changes</i>	<i>Balance 30.06.11</i>	<i>Total Vested</i>	<i>Total Exercisable</i>	<i>Total Unexercisable</i>
Mr Greg English	-	-	-	-	-	-	-	-	-
Mr Tom Phillips AM	-	-	-	-	-	-	-	-	-
Ms Alice McCleary	-	-	-	-	-	-	-	-	-
Mr Gerard Anderson*	250,000	5,000,000	-	-	-	5,250,000	2,250,000	2,250,000	3,000,000
Mr John Dawkins AO	-	-	-	-	-	-	-	-	-
Mr Peter Meers	-	-	-	-	-	-	-	-	-
Mr Craig Gooden	-	-	-	-	-	-	-	-	-
Mr Wade Bollenhagen	140,000	-	-	-	-	140,000	140,000	140,000	-
Mr Mike Hatcher**	1,000,000	-	-	-	(1,000,000)	-	-	-	-
Total	1,390,000	5,000,000	-	-	(1,000,000)	5,390,000	2,390,000	2,390,000	3,000,000

* Unlisted options issued to an employee. ** Mr Mike Hatcher resigned September 2010.

2010

<i>Key Management Personnel</i>	<i>Balance 1.07.09</i>	<i>Granted as compensation</i>	<i>Options exercised</i>	<i>Options expired</i>	<i>Balance 30.06.10</i>	<i>Total Vested</i>	<i>Total Exercisable</i>	<i>Total 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	-
Total	7,929,899	1,000,000	-	(7,539,899)	1,390,000	1,344,000	1,344,000	46,000

* Unlisted options issued to an employee.

e) Shareholdings**Number of shares held by Key Management Personnel****2011**

<i>Key Management Personnel</i>	<i>Balance 1.7.10</i>	<i>Received as Compensation</i>	<i>Options Exercised</i>	<i>Net Other Change</i>	<i>Balance 30.6.11</i>
Mr Greg English	11,604,798	-	-	311,500	11,916,298
Mr Tom Phillips AM	1,075,000	-	-	-	1,075,000
Ms Alice McCleary	1,740,000	-	-	287,917	2,027,917
Mr Gerard Anderson	50,000	-	-	-	50,000
Mr John Dawkins AO	-	-	-	-	-
Mr Peter Meers	-	-	-	-	-
Mr Craig Gooden	850,000	-	-	100,000	950,000
Mr Wade Bollenhagen	175,000	-	-	-	175,000
Mr Mike Hatcher*	-	-	-	-	-
Total	15,494,798	-	-	699,417	16,194,215

* Mr Hatcher resigned in September 2010.

NOTE 4 – KEY MANAGEMENT PERSONNEL COMPENSATION *continued***e) Shareholdings** *continued***Number of shares held by Key Management Personnel****2010**

<i>Key Management Personnel</i>	<i>Balance 1.7.09</i>	<i>Received as Compensation</i>	<i>Options Exercised</i>	<i>Net Other Change</i>	<i>Balance 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	-	-	-	-	-
Total	15,254,798	-	-	240,000	15,494,798

* 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>2011 \$</i>	<i>2010 \$</i>
24,000	24,000
16,420	5,175
40,420	29,175

NOTE 6 – EARNINGS PER SHARE

Reconciliation of earnings to Profit or Loss

Loss for year used to calculate basic EPS

(976,877)	(475,463)
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- a) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS.

<i>Number</i>	<i>Number</i>
64,428,477	64,422,847

- 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>2011</i>	<i>2010</i>
	<i>\$</i>	<i>\$</i>
Short term deposits	2,347,137	3,831,191
Cash at bank and on hand	327,039	98,633
Total Cash at bank and on hand	2,674,176	3,929,824

The effective interest rate on short term bank deposits was 6.0%. These deposits have an average maturity of 87 days. The Group's exposure to interest rate risk is summarised at Note 24.

NOTE 8 – TRADE AND OTHER RECEIVABLES

CURRENT

Other receivables	37,857	118,689
	37,857	118,689

At 30 June 2011 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>2011</i> %	<i>2010</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	Australia	100	100
- Archer Exploration & Resources Pty Ltd (a)	Australia	100	-

- a) Archer Energy & Resources Pty Ltd was incorporated on 22 February 2011

Consolidated Group

	2011	2010
	\$	\$
NOTE 10 – PLANT AND EQUIPMENT		
Plant and Equipment at cost	181,547	139,070
Accumulated depreciation	(76,022)	(41,186)
	105,525	97,884
a) Movements in carrying amounts:		
Balance at the beginning of the year	97,884	92,730
Additions	42,477	46,690
Depreciation	(34,836)	(26,081)
Disposals	-	(15,455)
Balance at 30 June	105,525	97,884
NOTE 11 – EXPLORATION AND EVALUATION EXPENDITURE		
Costs carried forward in respect of areas of interest in:		
Exploration and evaluation phase at cost	5,688,265	4,833,783
	5,688,265	4,833,783
a) Movements in carrying amounts:		
Exploration and evaluation		
Balance at the beginning of the year	4,833,783	4,162,123
Amounts capitalised during the year	931,012	671,660
Impairment expense during the year	(76,530)	-
Balance at 30 June	5,688,265	4,833,783
During the year \$9,235 (2010: 8,159) of equipment depreciation was included in the amount capitalised as exploration and evaluation.		
A summary by tenement is included at <i>Note 17</i>		
NOTE 12 – TRADE AND OTHER PAYABLES		
CURRENT		
Unsecured liabilities:		
Trade payables	60,114	55,657
Other creditors and accruals	60,970	46,528
Advances received for share capital placement	300,000	-
	421,084	102,185
\$4,840 (2010: Nil) is owed to Norman Waterhouse Lawyers for legal services. Mr G English is a partner of Norman Waterhouse Lawyers.		

	<i>Consolidated Group</i>	
	<i>2011</i>	<i>2010</i>
	<i>\$</i>	<i>\$</i>
NOTE 13 – FINANCIAL LIABILITIES		
CURRENT		
Hire purchase liabilities	1,690	21,016
NON-CURRENT		
Hire purchase liabilities	-	21,016
The hire purchase liabilities are secured by a charge over a term deposit.		
NOTE 14 – SHORT-TERM PROVISIONS		
CURRENT		
Employee entitlements	26,323	19,736
Provision for remuneration bonus	76,500	-
	102,823	19,736
NON-CURRENT		
Employee entitlements	10,592	4,816
During the year a remuneration bonus provision of \$76,500 (2010: Nil) has been provided for in accordance with employment agreements. The bonus remains payable at the discretion of the board.		
NOTE 15 - ISSUED CAPITAL	\$	\$
64,428,477 (2010: 64,428,477) fully paid ordinary shares	10,699,698	10,697,198

a) Ordinary Shares

	<i>Number</i>
At 1 July 2009	64,418,477
Shares issued during the year	10,000
Total shares issued at 30 June 2010	64,428,477
Shares issued during the year	-
Total shares issued at 30 June 2011	64,428,477

*Consolidated Group**2011**\$***NOTE 15 - ISSUED CAPITAL** *continued***b) Issued Capital**

At 1 July 2009

10,697,198

Shares issued

2,500

Total shares issued at 30 June 2010

10,699,698

Shares issued during the year

-

Total shares issued at 30 June 2011

10,699,698

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>2011</i>	<i>2010</i>
		<i>\$</i>	<i>Number</i>	<i>Number</i>
<i>Unlisted employee options</i>	<i>14 Jul 2011</i>	<i>0.25</i>	<i>250,000</i>	<i>250,000</i>
29 June 2009				
<i>Unlisted employee options</i>	<i>29 Jun 2012</i>	<i>0.09</i>	<i>270,000</i>	<i>270,000</i>
3 September 2009				
<i>Unlisted employee options</i>	<i>31 Dec 2012</i>	<i>0.20</i>	<i>1,000,000</i>	<i>1,000,000</i>
3 December 2010				
<i>Unlisted employee options</i>	<i>30 Nov 2013</i>	<i>0.20</i>	<i>5,000,000</i>	<i>-</i>
			<i>6,520,000</i>	<i>1,520,000</i>

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 2011 the Company had debt of \$1,690 (2010: \$21,016) resulting from a hire purchase liability. See *Note 13*.

NOTE 16 - RESERVES**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

			Consolidated Group	
			2011	2010
			\$	\$
Project	Tenement	Commodity	Carrying value	Carrying value
			\$	\$
Yalamboo	EL3721	Base Metals	784,930	780,052
Andamooka	EL 3722	Base Metals	769,990	765,975
Woomera	EL 3724	Base Metals	522,879	519,097
Baroota	EL 4202	Base Metals	85,877	81,215
Wilmington	EL 4249	Base Metals	-	26,370
Pinda	EL 4202	Base Metals	-	46,776
Worlds End	EL 4230	Base Metals	236,700	214,195
Carapsee Hill	EL 3711	Graphite	795,147	581,773
Lake Gairdner North	EL 3851	Base Metals	910,246	897,401
Lake Gairdner South	EL 3869	Base Metals	519,833	510,595
North Burra	EL 4266	Base Metals	376,442	290,050
North Cowell	EL 4277	Base Metals	83,759	53,455
Australia Plains	EL 4482	Base Metals	30,855	11,882
Elbow Hill	EL 3653*	Graphite	52,948	17,987
Wildhorse Plain	EL 4694*	Graphite	361,627	36,960
Riverton	EL 4563	Gold	11,380	-
Kanyaka	EL 4564	Base Metals	8,524	-
Napoleons Hat	EL 4668	Gold	7,384	-
Mt Shannon	EL 4673	Graphite	935	-
Eudunda	ELA 389/10	Industrial Minerals	538	-
Cleve West	ELA 148/11	Graphite	538	-
Ediacara	ELA 11/11	Coal	4,172	-
Wichelina	EL 4729	Magnesite	6,853	-
Termination Hill	EL 4567	Magnesite	116,708	-
Carrying value of exploration costs			5,688,265	4,833,783

*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	1,647,871	1,270,000
- due within 1-5 years	105,726	-
- due over 5 years	-	-
	1,753,597	1,270,000

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
- due within 1-5 years	-	-
- due over 5 years	-	-
	-	26,400

	Consolidated Group	
	2011	2010
	\$	\$
NOTE 18 - CAPITAL AND OTHER EXPENDITURE COMMITMENTS <i>continued</i>		
Employment and consultant commitments		
Commitments for the payment of salaries and other remuneration pursuant to an employment contracts not provided for in the financial statements		
Expenditure commitments		
- due within one year	474,996	293,000
- due within 1-5 years	483,662	255,500
- due within 6-10 years	-	-
	958,658	548,500

Details relating to the employment contracts are set out in the Remuneration Report.

NOTE 19 - OPERATING SEGMENTS

Segment Information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of commodities and exploration licence cost centres as each cost centre has different cash requirements. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- Leigh Creek magnesite project
- Graphite and manganese projects
- Other exploration areas in South Australia

Types of products and services by segment

Revenue

The Group has no revenue from mining at this time.

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Inter-segment transactions

An internally determined transfer price is set for all inter-entity management fees. This price is based on cost plus an overhead factor. No other administration costs are charged to the two identified segments. All such transactions are eliminated on consolidation of the Groups financial statements.

Segment Assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instance, segment assets are clearly identifiable on the basis of the nature and physical location.

Unless indicated otherwise in the segment assets note, investments in financial assets and deferred tax have not been allocated to operating segments.

NOTE 19 - OPERATING SEGMENTS *continued*

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

Unallocated items

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment. Borrowings and liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings:

- interest received;
- net gains on disposal of assets;
- impairment of assets, other than exploration, and other non-recurring item of revenue or expense;

Segment Performance

	Exploration							
	Leigh Creek Magnesite		Graphite / Manganese		Other		Total	
	30-Jun 2011	30-Jun 2010	30-Jun 2011	30-Jun 2010	30-Jun 2011	30-Jun 2010	30-Jun 2011	30-Jun 2010
	\$	\$	\$	\$	\$	\$	\$	\$
Segment results before income tax	-	-	-	-	(76,530)	-	(76,530)	-
	-	-			(76,530)	-	(76,530)	-
Reconciliation of segment results to Group net loss before tax								
Unallocated income and expenses								
Interest and other income							200,305	252,150
Depreciation							(25,601)	(17,922)
Corporate overheads							(1,084,808)	(804,840)
(Loss) before tax							(986,634)	(570,612)
Segment assets as at 30 June 2011	123,561	-	1,157,312	618,733	4,407,392	4,215,050	5,688,265	4,833,783
Segment asset increase for the year								
- exploration expenditure capitalised	123,561	-	538,579	125,775	192,342	545,886		
- expensed during the year	-	-	-	-	(76,530)	-		
Total corporate and unallocated assets							2,817,558	4,146,397
Total Group assets							8,505,823	8,980,180
Segment liabilities at 30 June 2011	10,393	-	8,527	6,559	4,501	7,943	23,421	14,502
Total corporate and unallocated liabilities							502,176	128,435
Total Group Liabilities							525,597	142,937

Consolidated Group

	2011 \$	2010 \$
a) Reconciliation of cash flows from operations with (Loss) from ordinary activities after income tax		
(Loss) from ordinary activities after income tax	(976,877)	(475,463)
Non cash flows in operating (loss)		
- Depreciation (net of capitalisation)	25,601	17,408
- Share-based payments	114,084	73,814
- Exploration impairment	76,530	-
Changes in assets and liabilities, net of the effects of purchase of subsidiaries		
- (Increase)/Decrease in trade and other receivables	80,832	88,174
- Increase/(Decrease) in trade and other payables	444	(51,121)
- Increase in provisions	88,864	3,895
Net cash provided by operating activities	(590,522)	(343,293)

NOTE 20 - CASH FLOW INFORMATION

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

(Loss) from ordinary activities after income tax
Non cash flows in operating (loss)
- Depreciation (net of capitalisation)
- Share-based payments
- Exploration impairment
Changes in assets and liabilities, net of the
effects of purchase of subsidiaries
- (Increase)/Decrease in trade and other receivables
- Increase/(Decrease) in trade and other payables
- Increase in provisions
Net cash provided by operating activities

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

There were no non cash financing and investing activities in 2011 or 2010.

c) Business Combinations

There were no non cash business combinations in 2011 or 2010.

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 2011.

5,000,000 options were issued on 3 December 2010 at a 20 cent exercise price expiring on 30 November 2013. The options have no voting rights and are not transferable. At balance date, 30 June 2011, none of the options have been exercised. The fair value of the options issued during the year was \$174,000.

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.

1,000,000 options were issued on 4 September 2009 at a 20 cent exercise price expiring in 31 December 2012. These options were not 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.

	<i>Consolidated Group</i>			
	<i>2011</i>		<i>2010</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	1,520,000	0.189	520,000	0.189
Granted	5,000,000	0.20	1,000,000	0.20
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at year-end	6,520,000	0.194	1,520,000	0.189
Unexercisable at year-end	3,000,000	0.195	87,000	0.184

The options outstanding at 30 June 2011 had a weighted average exercise price of \$0.197 and a weighted average remaining contractual life of 2.1 years.

The weighted average fair value of the options granted during the year was \$0.20.

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>3 Dec 2010</i>	<i>Employees 4 Sept 2009</i>
Weighted average exercise price	\$0.20	\$0.20
Weighted average life of the option	3 years	3.3 years
Underlying share price	\$0.145	\$0.115
Expected share price volatility	45%	107%
Risk free interest rate	4.63%	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 Statement of Comprehensive Income is \$109,332 (2010: \$68,900), 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 translations with related parties

Norman Waterhouse Lawyers were paid a total of \$24,417 (2010: \$24,318) for legal services.

Mr Greg English is a partner of Norman Waterhouse Lawyers.

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 2011 approximately 88% 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>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>%</i>	<i>%</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>
Financial Assets								
Cash at bank	0.30%	0.30%	327,039	98,633	-	-	327,039	98,633
Deposits	5.91%	6.29%	2,347,137	3,831,191	-	-	2,347,137	3,831,191
Receivables	-	-	-	-	37,857	118,689	37,857	118,689
Total Financial Assets	-	-	2,674,176	3,929,824	37,857	118,689	2,712,033	4,048,513
Financial liabilities								
Payables	-	-	-	-	(421,084)	(102,185)	(421,084)	(102,185)
Financial liabilities	10.40%	10.40%	(1,690)	(21,016)	-	-	(1,690)	(21,016)
Total Financial Liabilities	-	-	-	-	(421,084)	(102,185)	(422,774)	(123,201)
Total Net Financial Assets/ (Liabilities)	-	-	2,672,486	3,908,808	(383,227)	16,504	2,289,259	3,925,312

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 2011, the effect on loss and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	<i>Consolidated Group</i>	
	<i>2011</i>	<i>2010</i>
	<i>\$</i>	<i>\$</i>
Change in loss		
- Increase in interest rates by 2%	41,000	72,000
- Decrease in interest rates by 2%	(41,000)	(72,000)
Change in equity		
- Increase in interest rates by 2%	41,000	72,000
- Decrease in interest rates by 2%	(41,000)	(72,000)

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 any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the 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	
	2011	2010
	\$	\$
NOTE 25 - ARCHER EXPLORATION LIMITED PARENT COMPANY INFORMATION		
Parent Entity		
Assets		
Current Assets	680,928	2,039,512
Non-current assets		
- Loans to subsidiaries	5,088,355	4,266,546
- Investments in subsidiaries	2,479,739	2,479,738
Other non-current assets	105,523	97,882
Total assets	8,354,545	8,883,678
Liabilities		
Current Liabilities	481,903	127,117
Non current Liabilities	-	-
Total Liabilities	481,903	127,117
Equity		
Issued Capital	10,699,698	10,699,698
Reserves	196,062	81,978
Retained Earnings	(3,023,118)	(2,025,115)
Total Equity	7,872,642	8,756,561
Financial Performance		
Loss for the year	(998,003)	(551,328)
Other comprehensive income	-	-
Total comprehensive income	(998,003)	(551,328)
Guarantees in relation to relation to the debts of subsidiaries		
Archer Exploration Limited has not entered into a deed of cross guarantee with its wholly-owned subsidiaries Pirie Resources Pty Ltd, Kensington Exploration Pty Ltd, Leigh Creek Magnesite Pty Ltd and Archer Energy Exploration Pty Ltd.		
Contingent Liabilities & Commitments		
Lease expenditure commitments	-	26,400
Employment and consultant commitments	958,658	548,500
Contractual Commitments		
There are no contractual capital commitments for the acquisition of property, plant or equipment		



Directors' Declaration

The Directors of the Company declare that:

- 1 the Financial Statements and Notes as set out on pages 86 to 110 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 2011 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 21st September 2011



Independent Audit Report



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Independent Auditor's Report To the Members of Archer Exploration Limited

Report on the financial report

We have audited the accompanying financial report of Archer Exploration Limited (the "Entity"), which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Entity 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 Entity are responsible for the preparation of the financial report that gives a true and fair view of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, 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.

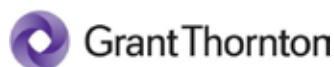
Auditor's responsibility

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.

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

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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.

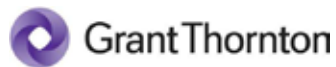
Auditor's opinion

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 2011 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the remuneration report included as part of the directors' report for the year ended 30 June 2011. The Directors of the Entity 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.



Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Archer Exploration Limited for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001.

A handwritten signature in black ink, appearing to read "J L Humphrey".

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants

A handwritten signature in black ink, appearing to read "J L Humphrey".

J L Humphrey
Partner

Adelaide, 21 September 2011



Additional Information

Compiled as at 19 September 2011

Audit committee

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

Corporate Governance Practices

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

Shareholding

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

Substantial Shareholders

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

<i>Name</i>	<i>No. of Ordinary Share</i>	<i>%</i>
GDE Exploration (SA) Pty Ltd (Dragon Mining Investments A/C)	7,534,798	11.22
Hudson Resources Limited	6,500,000	9.68
Raffles Equities Limited	6,103,249	9.09
GDE Exploration (SA) Pty Ltd (A1 English Family A/C)	3,570,000	5.32

Distribution of Ordinary Shares

Ordinary Shares

<i>Range</i>	<i>Total Holders</i>	<i>Units</i>	<i>% Issued Capital</i>
1 – 1,000	21	2,809	0.00
1,001 - 5,000	67	255,450	0.38
5,001 – 10,000	173	1,620,266	2.41
10,001 – 100,000	355	12,817,300	19.09
100,001 – 9,999,999,999	60	52,446,938	78.12
Total	676	67,142,763	100.00

<i>Unmarketable Parcels</i>	<i>Minimum parcel size</i>	<i>Holdings</i>	<i>Units</i>
Minimum \$500.00 parcel at \$0.23 per unit	2,174	23	6,335

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

<i>Range</i>	<i>Total Holders</i>	<i>Units</i>	<i>% Issued Options</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
Total	3	270,000	100.00

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

<i>Range</i>	<i>Total Holders</i>	<i>Units</i>	<i>% Issued Options</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
Total	1	1,000,000	100.00

Distribution of 30 November 2013 Unlisted Options (Exercise price is 20 cents)

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

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	GDE Exploration (SA) Pty Ltd	7,534,798	11.22
2	Hudson Resources Limited	6,500,000	9.68
3	Raffles Equities Limited	6,103,249	9.09
4	GDE Exploration (SA) Pty Ltd	3,570,000	5.32
5	Valentina Nowak	2,226,750	3.32
6	Uraniumsa Limited	2,000,000	2.98
7	HSBC Custody Nominees (Australia) Limited	1,893,694	2.82
8	Ms Alice McCleary + Mr Brian John McCleary	1,892,917	2.82
9	Deborah Annette Rossiter	1,883,679	2.81
10	JP Morgan Nominees Australia Limited	1,377,889	2.05
11	Mr Peter Irwin	1,292,264	1.92
12	Carnethy Evergreen Pty Limited	1,075,000	1.60
13	EAP Nominees Pty Ltd	1,075,000	1.60
14	Mr Heung Ming Lam	1,050,000	1.56
15	Mr Craig Gooden + Mrs Virginia Gooden	950,000	1.41
16	Bluck Holdings Pty Ltd	750,000	1.12
17	Mr Geoffrey Mark Cottle	717,500	1.07
18	Victor M Lewis Pty Ltd	600,000	0.89
19	ASB Nominees Limited	511,600	0.76
20	GDE Exploration (SA) Pty Ltd	500,000	0.74
Total		43,504,340	64.79

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

Holders of 30 November 2013 Unlisted Options (Exercise price 20 cents)

<i>Rank</i>	<i>Name</i>	<i>Units</i>	<i>% Issued capital</i>
1	Gerard Anderson	5,000,000	100.00
Total		5,000,000	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>
EL3721	Yalamboo	Base Metals	100%
EL 3722	Andamooka	Base Metals	100%
EL 3724	Woomera	Base Metals	100%
EL 4202	Baroota	Base Metals	100%
EL 4249	Wilmington	Base Metals	100%
EL 4202	Pinda	Base Metals	100%
EL 4230	Worlds End	Base Metals	100%
EL 3711	Carapsee Hill	Graphite	100%
EL 3851	Lake Gairdner North	Base Metals	100%
EL 3869	Lake Gairdner South	Base Metals	100%
EL 4266	North Burra	Base Metals	100%
EL 4277	North Cowell	Base Metals	100%
EL 4482	Australia Plains	Base Metals	100%
EL 3653*	Elbow Hill	Graphite	JV*
EL 4694*	Wildhorse Plain	Graphite	JV*
EL 4563	Riverton	Gold	100%
EL 4564	Kanyaka	Base Metals	100%
EL 4668	Napoleons Hat	Gold	100%
EL 4673	Mt Shannon	Graphite	100%
ELA 389/10	Eudunda	Industrial Minerals	100%
ELA 148/11	Cleve West	Graphite	100%
ELA 11/11	Ediacara	Coal	100%
EL 4729	Wichelina	Magnesite	100%
EL 4567	Termination Hill	Magnesite	100%

100%* 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.

[illegible]

