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ARCHER

ARCHER EXPLORATION LIMITED

ANNUAL REPORT 2017



Highlights and Achievements 2016—2017

- *Campoona Mine Lease Proposal lodged and awaiting final approval*
- *Plan to produce ultra-pure graphite and graphene suitable for Li-ion battery production*
- *Magnesia bulk sample work successfully completed, proving the ability to manufacture Caustic Calcined and Dead Burned Magnesia products*
- *Current drilling and assays confirmed the presence of high grade cobalt & manganese at Ketchowla*
- *New copper-gold discovery at Blue Hills*
- *High grade cobalt and copper discovered over a large area at North Broken Hill*

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.

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Chairman's Review

~CELEBRATING~
10
YEARS

Dear fellow Shareholders,

In August this year, Archer celebrated its tenth anniversary as an ASX listed company. Whilst tin is the traditional gift for a tenth anniversary, the Company's current focus is on developing our advanced graphite/graphene and magnesia projects and exploring our new cobalt and copper projects.

Over the past ten years Archer has successfully:

- explored and sold tenements
- discovered and developed a new graphite project on the Eyre Peninsula
- developed the Leigh Creek Magnesia project which has the potential to commence production for minimal capital costs
- made a new copper discovery at Blue Hills
- made a high grade cobalt and copper discovery at North Broken Hill.

Archer management prides itself on being able to explore projects cost effectively and to identify business development opportunities.

This last year was financially a more challenging year for the Company, as we invested a considerable amount of funds on completing the Campoona Mining Lease Application and the Leigh Creek Magnesia project bulk trial. Archer has spent a lot of time, effort, and directed capital, to completing tasks which will result in a considerable de-risking of both these projects. Both of these projects have been developed over a long period of time, with the Campoona Mining Lease Application preparation work taking nearly 3 years to complete. All of this work is very technically complex and Archer could not have completed these tasks without the support of numerous consultants, advisors and the assistance of the Cleve Community Consultative Committee.

Whilst a lot of valuable work was done on the Leigh Creek Magnesia Project and Eyre Peninsula Graphite Project to make these projects "shovel ready", the nature of the work completed has been of the type that is not necessarily reported under the ASX Listing Rules, which means that shareholders may not be fully aware of the quantity and quality of work completed by the Archer team.

At Campoona, the Company has lodged all of the documents requested by the SA Government and is hopeful that the Campoona mining lease and associated miscellaneous purposes licences will be granted before the end of calendar 2017. The grant of these mining tenements will be a major achievement for the Company and will allow Archer to more actively pursue partners for the business.

In November last year, Archer undertook a magnesia bulk trial at a commercial steel making facility in South Australia. Magnesite from near Leigh Creek was calcined in a commercial kiln and the resulting caustic calcined magnesia (CCM) and dead burned magnesia (DBM) products were used in the steel making process. The processing and use of the magnesia in steel making was a considerable achievement for the Company, as it showed that CCM and DBM can be made in a rotary kiln and is also suitable for use in steel making.

We made the decision during the year to continue to explore our tenements whilst we wait for the next stages of the graphite and magnesia projects to progress. As a result of our exploration efforts, we discovered a new copper prospect at Blue Hills (near Burra) and cobalt and copper at our North Broken Hill project. Whilst exploration is early stage, we are very excited with the early success we have achieved, especially at Blue Hills where the very first drill holes intersected copper and gold from surface.

At the end of 2016, Tom Phillips AM resigned a director of Archer. Tom joined Archer in February 2007 and served as the Company's founding Chairman and as a director for more than 10 years. Tom oversaw the initial ASX listing of Archer and brought extensive business experience to the Board and provided both the Board and management with valuable guidance and assistance. The Board is very appreciative of Tom's efforts and contribution to Archer and has continued to seek his counsel since his retirement.

As always, we could not have achieved what we did over the past year without the strong support shown by our loyal shareholders. We also acknowledge the considerable assistance provided by the Cleve Community Consultative Committee, we could not have lodged the Campoona mining lease application without their support. The Board and Management would like to thank all employees, contractors and suppliers for their hard work and support during the year.

As we celebrate the past ten years, the Board and Management of Archer are confident that we have at least another ten exciting years ahead as we look forward to watching our projects develop further.

Yours sincerely,

Greg English
Executive Chairman

Strategy

The Company's focus is on the discovery, development and monetisation of mineral deposits in Australia. During the 2016/17 period, the Company focused on the development of the Eyre Peninsula Graphite Project and the Leigh Creek Magnesite Project whilst also assessing the potential of the Company's remaining tenements.

In 2017/18 the Company will continue to explore and develop its projects. Key priorities include:

- *The granting of a mining lease and development of graphene products for the Eyre Peninsula Graphite Project.*
- *Continuation of negotiations for the supply of magnesite ore and the toll processing of Leigh Creek magnesite.*
- *Continued exploration of the Company's cobalt projects and in particular the North Broken Hill Project where the Company has identified numerous cobalt targets.*
- *Exploration of the Blue Hills Copper Project where Archer has discovered a large intrusive related copper-gold target covering an area of 20km².*
- *Reviewing the Company's tenement portfolio and identifying new development opportunities.*

Summary of financial performance

The net loss of the Group for the 2016/17 financial year was \$659,859 (2016: \$1,296,884) after accounting for R&D tax concession benefits of \$269,843 (2016: \$545,500) and includes mineral exploration impaired and written off \$35,195 (2016: \$476,114).

During the year ended 30 June 2017 the Group's net cash position decreased by \$455,087 from \$1,983,721 (1 July 2016) to \$1,582,634 (30 June 2017). This net decrease was predominantly influenced by outflows associated with exploration expenditure (\$1,417,359) including preparation of the Campoona Mining Lease Application (approx. \$485,000), magnesite bulk trial (approx. \$375,000) and wages, corporate & administration expenditure (\$989,479) which were offset largely by cash inflows associated with the share placement to sophisticated and professional investors (\$1,890,000 before costs) and a research and development tax incentive (\$112,297).

At the end of the year the Group had a net cash balance of \$1,582,634 (2016: \$1,983,721) and no corporate debt. The net assets of the Group increased by \$1,179,852 from \$15,550,781 (1 July 2016) to \$16,730,633 (30 June 2017) primarily as a result of the increase in cash attributable to the share placement (\$1,890,000 before costs) and the research and development tax incentive (\$112,297).

Changes in share capital

The number of shares on issue increased from 110,194,306 to 137,194,306 during the year as a result of the successful share placement to sophisticated and professional investors. A total of 22,177,944 share options, issued to subscribers under the Company's 2016 share purchase plan, lapsed on 30 June 2017. The share options had an exercise price of \$0.12 and none of the options were exercised. 5,000,000 share options were issued to a director (Paul Rix) after 30 June 2016, following shareholder approval. The share options have an exercise price of \$0.15 and none have been exercised as at the date of this report.

On 9 March 2017, Archer completed a share placement to sophisticated and professional investors (Placement). The oversubscribed Placement was managed by Taylor Collison. A total of 27,000,000 new shares were issued at a price of \$0.07 per share to raise \$1,890,000 (before costs). The Placement shares were issued without shareholder approval under the Company's 15% and 10% placement capacity under ASX Listing Rule 7.1 and 7.1A.

During the year a total of 2,700,000 performance rights (Rights) were issued to directors, officers and employees of the Company. At the 2016 Annual General Meeting, shareholders approved the issue of a total of 1,800,000 of those Rights to directors. Following director Tom Phillip's retirement on 31 December 2016, 450,000 Rights that were issued to him were forfeited.

The remaining 2,250,000 Rights are to vest in three equal tranches, upon the achievement of certain share price hurdles. The share price hurdles for 2016/17 were not achieved, meaning that the first tranche of 750,000 Rights did not vest and were forfeited on 3 July 2017. A total of 1,500,000 Rights remain on issue as at the date of this report.

Eyre Peninsula Graphite Project

Campoona Mine Lease Proposal lodged and awaiting final approval.

Plan to produce ultra-pure graphite and graphene suitable for Li-Battery production.

Graphene commercialisation work underway with ARC Graphene Research Hub.

The Eyre Peninsula Graphite Project (EPGP), is an advanced graphite and graphene project located on South Australia's upper Eyre Peninsula. It comprises numerous graphite deposits and a centralised graphite and graphene manufacturing facility to be built at Sugarloaf Hill. Campoona Shaft will be the first graphite deposit to be mined with a mining lease expected to be granted during the last Quarter of calendar 2017.

FY17 highlights for the project were:

- *Successful completion of a Scoping Study confirming that the EPGP is capable of generating a pre-tax NPV of \$126m over an initial 17-year mine life.¹*
- *Completion and lodgement of detailed Mining Lease Proposal for the mining of graphite at Campoona Shaft.*
- *Signing of an agreement with the ARC Graphene Hub for the development of a commercial graphene operation.*
- *Acquisition of the Cockabidnie tenement to the south of Sugarloaf Hill.*
- *Completion of all Sugarloaf agricultural carbon test work. This opportunity will no longer be pursued by the Company.*

Scoping Study¹

The Scoping Study is based on the mining and production of graphite from Campoona Shaft, Central Campoona and only 10% (by tonnes of contained graphite) of the total Wilclo South Mineral Resource. The Scoping Study proposes a progressive ramp up period of 1 - 3 years with full production rate achieved at the end of Year 3 and an estimated average annual process plant throughput after ramp up of 140,000 tonnes (range of 100,000 to 140,000 tonnes) to make 11,592 tpa of graphite product. The Sugarloaf process plant throughput is further increased to 210,000 tpa at the start of Year 8 to make approximately 16,600 – 18,600 tpa of ultra-pure graphite product.

The graphite will be processed at the centrally located Sugarloaf Processing Facility, located 22km by road from Campoona Shaft, 21km by road from Campoona Central and approximately 30km from Wilclo South. The graphite will be processed at Sugarloaf using standard flotation technology to produce a graphite concentrate that will then be upgraded on site to a +99% graphite product. The ultra-pure graphite will be bagged and trucked to Port Pirie or Port Adelaide for distribution to customers.

Process water requirements for the small-scale start-up phase are minimal (expected to be less than 10 megalitres (ML) of water each year) and will be sourced from an existing bore at Pindari Wellfield and trucked to site and stored in a process water pond. Full-scale production (Stage 1-3) process water requirements will be sourced from a combination of Pindari Wellfield, the recycling of decant water from the tailings storage facility and potable water from nearby Jamieson Tank.

Archer has been working closely with the local Cleve community to develop a framework for continued community engagement and participation. In 2013 the Company established the Cleve Community Consultative Committee, comprising a group of key community members, for the purpose of creating and implementing an effective community engagement strategy. The members of the Cleve Community Consultative Committee have worked extremely hard and diligently over the years and Archer could not have lodged the Mining Lease Proposal without their continued support.

When the EPGP commences production, it is the Company's aim to employ locally based personnel rather than hosting a fly-in-fly-out (FIFO) workforce. However, there may be a need for specialist contractors and engineers potentially employed on a FIFO basis as required, in particular during mine construction.

The proposed layout of the Campoona Project and Sugarloaf infrastructure is shown on the following page.



¹ This information is extracted from an ASX announcement entitled "Positive results from SA Graphite Project scoping study", lodged with ASX on 19 September 2016 and is available to view at www.archerexploration.com.au. Archer confirms that all material assumptions underpinning the production target and financial information set out in that announcement continue to apply and have not materially changed.

Mining Lease Proposal

After three years of community consultation, in November 2016 the Company lodged with the South Australian Government an application for a Mining Lease at Campoona Shaft and applications for Miscellaneous Purposes Licences for the Sugarloaf Graphite Processing Facility and the Pindari Borefield and Pipeline (together the Mining Lease Application). These applications were accompanied by very detailed environmental, social and technical reports.

The Mining Lease Application was made publicly available and is being assessed by the SA Government. A public

consultation phase was conducted in early calendar year 2017 during which time members of the public were invited to lodge submissions with the SA Government, regarding the Mining Lease Application. Earlier this year Archer submitted a formal response document to the SA Government responding to a request for additional information from Archer.

Archer is anticipating the grant of the Mining Lease and two Miscellaneous Purposes Licences in the last Quarter of calendar 2017. The granting of these mining tenements will be a major achievement for Archer and the represent the culmination of nearly four years of hard work.



Campoona Graphite Project infrastructure layout.

Sugarloaf Agricultural Carbon

The Sugarloaf deposit is located adjacent to the proposed Sugarloaf graphite and graphene manufacturing facility. Sugarloaf is not a typical crystalline graphite deposit as much of the carbon is non-graphite carbon that also contains silica and a range of trace minerals.

Initial preliminary test work showed that Sugarloaf carbon had the ability to improve soil wettability and water retention when added to soils in large quantities. Despite this early success, the Company has decided to focus its attention and finances on development of the Campoona Shaft graphite and graphene project and will not be developing the Sugarloaf Agricultural Carbon project further, at this time.

Whilst Archer will not be developing this project in the near term, during the year the Company acquired the Cockabidnie Project to enhance the future potential of the

project. The Cockabidnie tenement is located immediately south of Sugarloaf. An analysis of historic drill results from previous explorers over the area allowed Archer to significantly increase the Exploration Target for Sugarloaf from 40 – 70 million tonnes @ 10 – 12% TC to 60 – 90 million tonnes @ 10 – 12% TC.

Investors should be aware that the potential quantities and grades presented in the Exploration Target quoted above and elsewhere in this document 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.

Graphene development

Test work undertaken by the University of Adelaide has shown that high purity Campooona Shaft graphite is capable of making ultra-pure graphene. At Campooona, Archer can produce a form of graphite that can be manufactured into a range of high quality (+99.9% pure) graphene products. Exfoliation of high purity Campooona graphite concentrate produced high quality and high-purity graphene (>99.9 %) with thickness ranging from single to few layers. The Mining Lease Application includes a submission from Archer to make up to 100 tonnes per annum of graphene at Sugarloaf.

Previous work by The University of Adelaide has shown that graphene produced from concentrated Archer graphite has outstanding electrical properties that could be used in solar cells, photovoltaics, wearable/printable electronics, supercapacitors, batteries and sensors.

In 2016, it was announced that University of Adelaide would lead a new federally funded ARC Research Hub for Graphene Enabled Industry Transformation (Graphene Hub). Archer has consequentially entered into an agreement with the Graphene Hub for the development of scalable graphene production processes for the Company's numerous graphite deposits.

The Graphene Hub work will initially focus on the development of graphene oxide (also known as GO) products. GO is currently the largest segment of the graphene market. GO has presence of oxygen functionalities, which helps in easy dispersability in water and other organic solvents. Owing to its high electrical conductivity, GO is the preferred form of graphene for use in electronic devices, catalytic oxidation, biotechnology, and as a surfactant in industrial applications. In North America, GO is the leading segment, due to its low cost, easy production process, and availability of large manufacturing facilities as compared to other types of graphene.

The worldwide consumption of graphene is expected to grow exponentially as more uses are found and graphene products are developed. The energy application is the fastest-growing segment for graphene and this trend is projected to continue in the near future due to the increasing demand of lightweight, flexible, and renewable advanced materials with long life span. The increasing demand of efficient energy-storage capacity materials and recovery solutions by lithium ion (Li-ion) batteries producers, and evolution of ultra-efficient solar panels, are the key factors for the growth of the graphene-based energy segment.



THE EXPANDING NEW AGE ENERGY MARKET



The worldwide consumption of graphene is expected to grow exponentially as more uses are found and graphene products are developed.

Leigh Creek Magnesite Project

World's largest known deposit of cryptocrystalline Magnesite.

Toll processing opportunities utilising existing infrastructure.

Bulk sample work successfully completed, proving the ability to manufacture Caustic Calcined and Dead Burned Magnesia products.

The Leigh Creek Magnesite Project hosts the world's largest cryptocrystalline magnesite deposit. The project has a resource of 453Mt @ 41.4% MgO and is located near the township of Leigh Creek, approximately 570km north of the city of Adelaide.

The proposed Leigh Creek mining operations involve a relatively straightforward open cut mining operation followed by on-site crushing and screening beneficiation. The mining operation could use contract mining services to reduce upfront capital expenditure. Detailed geological data, mine reserves calculations, mine pit design, waste dump design, mining schedule plans, environmental baseline studies and risk analysis currently exist to support the start up of mining operations and could be quickly updated.

The project is strategically located and is within close proximity to existing industrial infrastructure. The town of Leigh Creek is connected to Port Augusta and Port Pirie by a standard gauge rail line and all-weather bitumen roads.

2017 highlights for the magnesite projects were:

- Successful completion of a bulk calcine trial at a commercial steel making operation.
- Manufacture of caustic calcined magnesite and dead burned magnesite products in commercial kiln.
- Completion of a Scoping Study confirming that the Leigh Creek Magnesite Project is a robust project.
- Advanced negotiations with third party operators regarding magnesite toll processing opportunities.

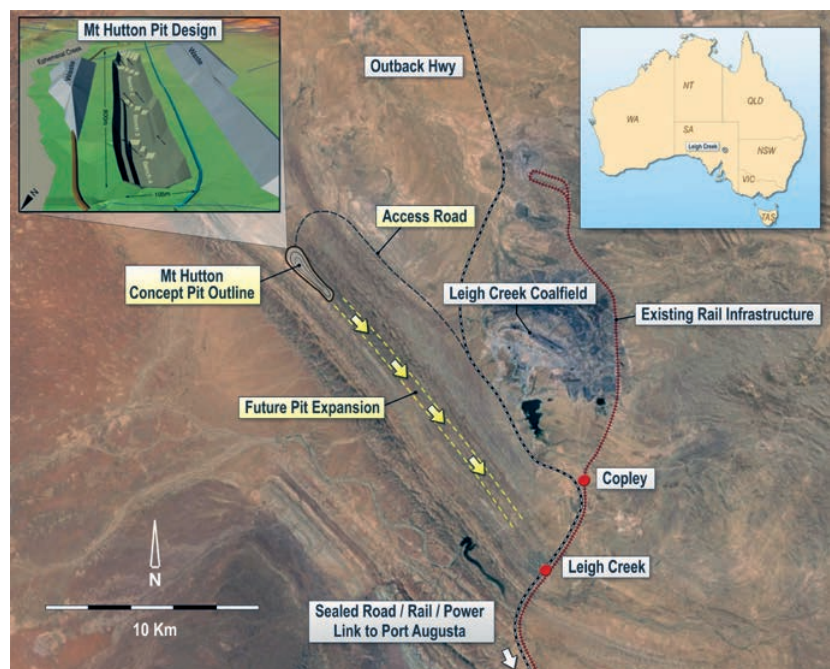
Low cost development opportunities

The Leigh Creek Magnesite Project is well known with several companies having completed historical studies to develop the project, with the most recent being SAMAG in early 2000's. These previous studies were based on the construction of a stand-alone processing facility to make magnesite products, or in the case of SAMAG for the manufacture of magnesium metal.

Archer's current development proposal is to use third party kilns and furnaces to make caustic Calcined magnesite (CCM) and dead burned magnesite (DBM) products. Archer is aware of underutilised infrastructure in the vicinity of the Project and elsewhere in South Australia and the Company is currently negotiating access to this infrastructure.

The Project is based on a simple processing scenario of contract mining at Mount Hutton and then hauling magnesite off-site to pre-existing plants for toll processing. The processing of magnesite is very simple – the magnesite is placed in a kiln or furnace and then heated to a range of temperatures to make different magnesite products. There is no grinding, flotation or other complicated mineral processing required for the Archer magnesite.

The use of toll processing and contract mining and haulage means that Archer can develop the Project for a low capital cost.



Leigh Creek Magnesite Project conceptual development layout.

Successful bulk trial

In November 2016, Archer undertook a bulk trial which involved the calcining of approximately 300 tonnes of magnesite in a rotary kiln. The rotary kiln was located at Whyalla and was part of a fully integrated commercial steel making processing plant.

The magnesite for the bulk trial was purchased by Archer from the Myrtle Springs magnesite mine which is surrounded by Archer's larger Leigh Creek Magnesite Project. The magnesite from Myrtle Springs is identical to the Archer magnesite deposits. The magnesite was transported to Whyalla where it was crushed to a size of + 6mm and - 20mm. The crushed magnesite was then transferred to the steel works for calcining.

The rotary kiln used for the bulk trial normally calcines dolomite, however the kiln was cleaned out prior to the magnesite trial. The crushed magnesite was continuously fed into the kiln over a 24-hour period with the magnesite calcined to make CCM and DBM magnesia products. The type of magnesia product manufactured was dependent on the temperature of the kiln at the time of calcination.



Removing Archer's dead burned magnesite from furnace.



Cooling of Archer's dead burned sample.

The kiln operator kept most of the DBM and CCM product and has used these products in the steel making process.

The bulk trial was very successful in showing that it is possible to make a quality CCM product at a temperature range of 750 – 900 Celsius and a quality DBM product at 1500 – 1650 Celsius.

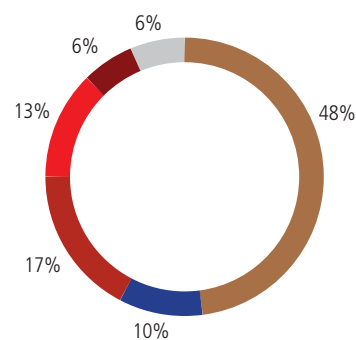
Archer is in discussions with other kiln operators regarding possible toll processing opportunities.

Target markets

Magnesia is used extensively in the steel making process. Magnesia bricks (electro fused magnesia) are used to line steelmaking furnaces, cement kilns, and other key pyrometallurgical processes. Unshaped DBM is applied to the walls of furnaces to protect the magnesia bricks from damage and decay. Whereas, CCM is used to control the pH levels of the molten steel.

Archer is targeting the refractory (steel making) industrial grade unshaped DBM market which is forecast to grow by 3.5% during the next 12 months. The use of DBM in unshaped applications (monolithics) has become increasingly popular over the last decade, especially in mature industrialised economies. Monolithics now account for an increasing proportion of overall refractory production in Europe, Japan and North America.

Archer will continue discussions with kiln operators during the next 12 months with the expectation of executing a binding agreement for either the sale of magnesite ore and/or the toll processing of Archer magnesite.



World cryptocrystalline magnesite resources

Country	Resources (Mt)
Archer's - Leigh Creek Magnesite Project	453
Australia - Other	97
Turkey	162
China	121
India	59
Other	59
sub total	951

Drilling and assays confirmed the presence of high grade cobalt & manganese at Ketchowla.

North Broken Hill tenements prospective for Thackaringa and Sister's style cobalt.

Cobalt tenements remain 100% owned by Archer.

As a part of furthering Archer's opportunities in the expanding new age metals market, a review of cobalt potential within Archer's tenement areas was undertaken as well as applications were made for new prospective tenements in the Broken Hill region. Current cobalt projects include: Ketchowla (cobalt/manganese), North Broken Hill (cobalt/pyrite and cobalt/copper) and Polinga (cobalt/manganese).

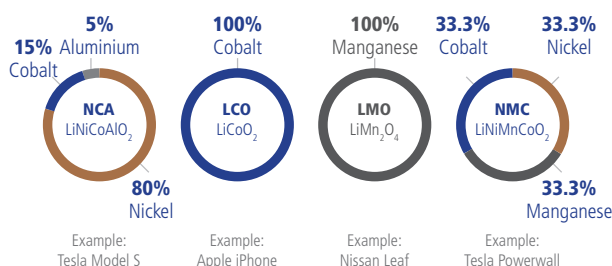
FY17 highlights for the cobalt projects were:

- Ketchowla RC drilling intercepts more cobalt and manganese along strike.
- Discovery of high grade cobalt at multiple prospects within the new North Broken Hill project area.
- Discovery of cobalt in historic drilling at Polinga and Cockabidnie.
- Cobalt targets at Whyte/Yarcowie and other tenements are yet to be tested.

Cobalt demand

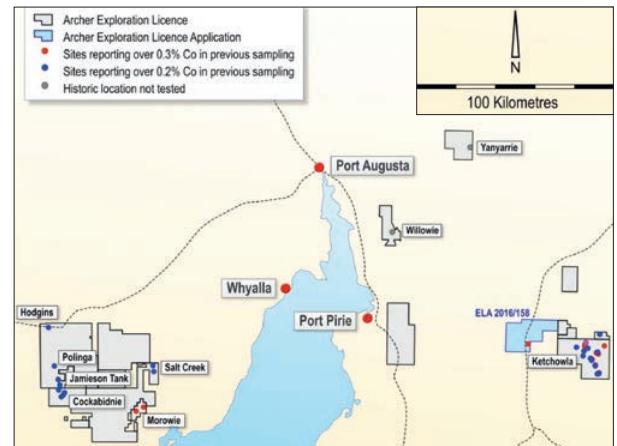
Tight supply and rising demand for the production of battery chemicals have seen LME prices for cobalt increase significantly year on year. Almost all the world's cobalt production is a by-product of copper/nickel mining. Mine supply dominated by the Democratic Republic of Congo (DRC) which was estimated to account for approx. 53% of global production in 2016. Many analysts are predicting medium term cobalt supply pressures to continue in response to relatively subdued outlooks for global copper and nickel production and the potential for political instability in the DRC.

Cobalt is used for a variety of industrial applications (mostly to improve the strength, toughness and fatigue properties of metals) as well as a cathode material in lithium ion batteries. Whilst the growth rate for cobalt minerals used in industrial is generally forecast to remain stable in the medium to long term, the use of cobalt minerals in lithium ion battery cathode production is forecast to grow significantly over the same term.

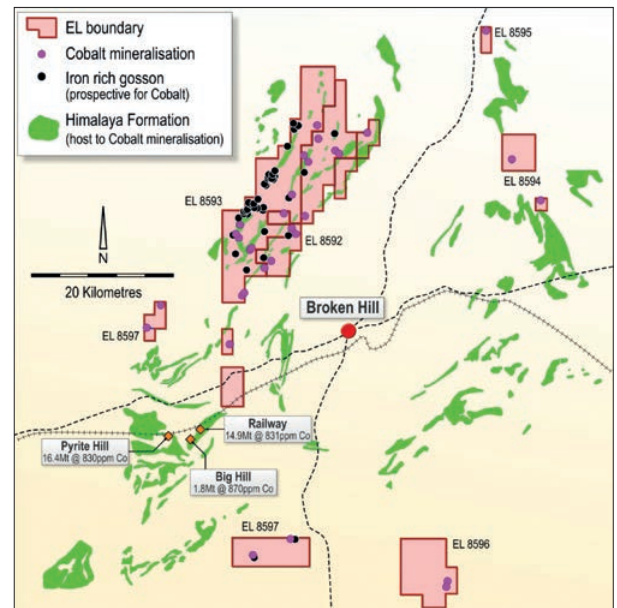


Source: VisualCapitalist.com

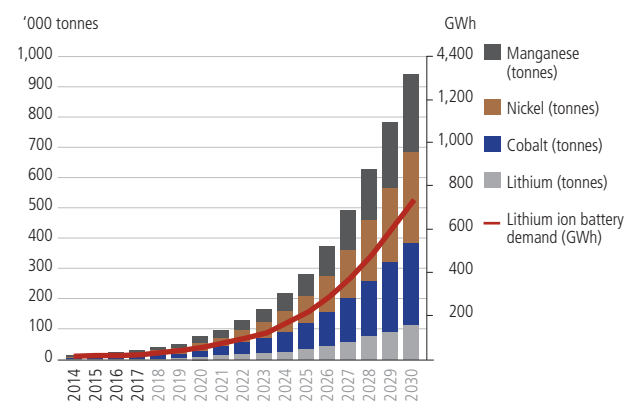
South Australian tenements



North Broken Hill tenements



Lithium-ion and materials demand from EV sales



Source: Bloomberg New Energy Finance

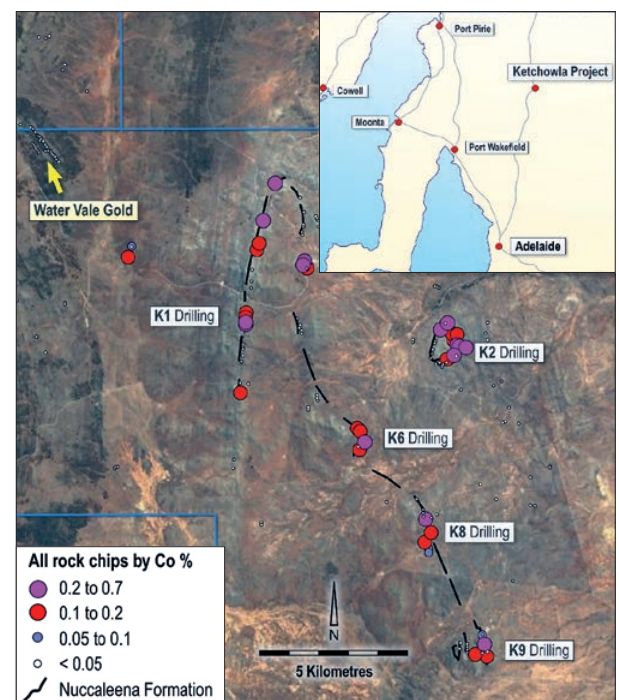
Ketchowla

The Ketchowla Project is located approximately 45km north of Burra and 200km north of Adelaide, South Australia. The main access route is via the Barrier Highway and the Collinsville Station access road (unsealed) and station tracks within Collinsville Station. The standard gauge east-west Trans Australian Railway line is located 35km north of the main project area. Established electricity and water infrastructure is also within close proximity. The main project area is made up of a granted exploration licence (EL 5433) that covers an area of approximately 445km².

The cobalt and 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 main manganese and cobalt bearing strata has been tightly folded along a +20km strike length, with the main K1 Prospect (centred around the historic small Ketchowla Mine) present on the eastern limb of the fold structure. Numerous other exploration targets and prospects are also present (K2 to K9 prospects).

Cobalt had been identified by Archer at Ketchowla in 2010, with significant cobalt occurring with the manganese. Drilling at that time confirmed the mineralisation at depth and that the mineralisation was open along strike and down dip. In the first half of 2017 Archer completed a reverse circulation drilling campaign designed to test the width and depth extent of outcropping manganese and cobalt mineralisation. The holes at K1 and K2 were drilled on a broad spacing to scope out the immediate strike and depth potential of the known cobalt and manganese surface mineralisation. The results from the drilling were positive and extended the zone of cobalt and manganese mineralisation at K1 and K2.

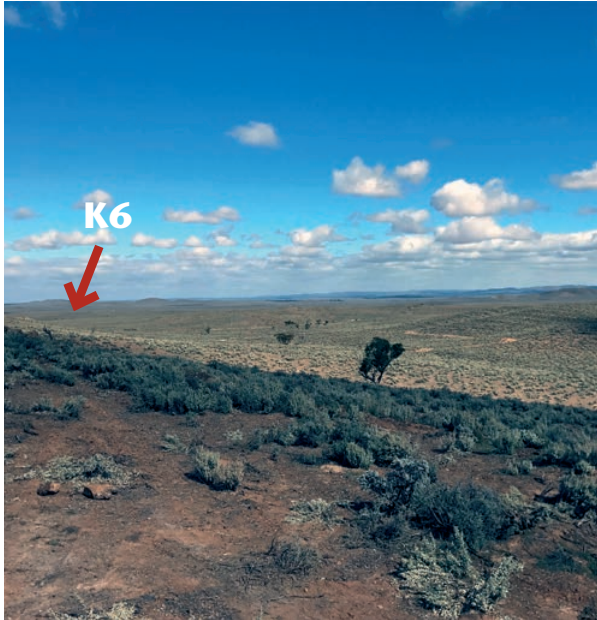
The 2017 drilling at K1 was shallow (maximum depth of 20 metres) and over a strike length of approximately 250 metres which represents less than 20% of K1 structure and less than 1% of the larger Ketchowla structure. Drilling intersected manganese, cobalt and copper mineralisation and showed that the mineralisation at K1 comprises a near vertical lens of manganese dominated wad containing cobalt and other metals and an adjacent footwall and hangingwall stockwork zone of chalcopryite (copper sulphate) veins and stringers.



Location of prospects at Ketchowla Project with recent significant Co rock chips samples.



Ketchowla cobalt & manganese Project: Standing at K2 looking southwest with the K6 prospect in the background.



North Broken Hill

In late 2016 / early 2017, Archer applied for several tenements in the vicinity of Broken Hill over ground the Company considers prospective for cobalt and base metal mineralisation. The seven tenements forming the North Broken Hill Project area were granted in June 2017 and are centred approximately 20km north of Broken Hill, NSW.

The North Broken Hill Project area is situated along strike from Cobalt Blue Ltd's (ASX:COB) Thackaringa Cobalt Project which includes the Pyrite Hill, Big Hill and Railway cobalt deposits where COB has announced a JORC compliant Mineral Resource of 54.9Mt @ 910ppm Co.

COB's Thackaringa Cobalt Project is associated with the Thackaringa Group geological formation. Archer's extensive research has identified northern extensions of the Thackaringa Group formation on Archer's tenements.

The Company's main project areas are along strike from Cobalt Blue's cobalt deposits and the presence of the same rocks that host these deposits and previously reported cobalt occurrences on Archer's ground suggest high potential for further cobalt mineralisation.

Exploration efforts around Broken Hill over the past century have focused almost exclusively on the discovery of Broken Hill style silver-lead-zinc deposits with very little cobalt or copper focused exploration in the area. There has been no recorded historic cobalt or copper focused exploration within the North Broken Hill Project area.

Early success from reconnaissance sampling has so far identified six distinct anomalies within the Project area. All of the six anomalies are new discoveries with no information available from historical datasets. The two

largest prospects discovered to date are the Yancowinna Prospect and the Golden King West Prospect.

The Yancowinna Prospect (including Acacia Tank and Yancowinna West prospects) is situated in the southern portion of EL 8594. Mineralisation has been mapped by Archer over a strike length of 2.5km and over an area 9km² with cobalt values above 0.05% cobalt (500ppm) regularly reported within the larger zone of mineralisation. The Yancowinna Cobalt Prospect, corresponds with previous NSW state government mapping, as occurring within a package of the Himalaya Formation which are the same rocks that host the Thackaringa Cobalt Project.

At Golden King West, cobalt and copper mineralisation has been identified by Archer, within a large structure (+300m) that cross cuts the local geology. Big Hill cobalt targets (same mineralisation as Cobalt Blue's Thackaringa Cobalt project) identified by the NSW government to the west of Golden King West have not yet been sampled but will be targeted in future exploration programs.

Archer has been buoyed by early success at North Broken Hill and intends to actively explore the tenements for cobalt with the aim of identifying targets for drill testing in 2018.

Polinga

The Polinga Project (including Cockabidnie) comprises a large north south trending structure that extends for over 20km and is open to north and south. Polinga is located approximately 20km north of Archer's proposed Sugarloaf Graphite Manufacturing Facility on the Eyre Peninsula, South Australia.

The Polinga Project was drilled by Monax Mining in 2008 whilst the southern end of Polinga (Cockabidnie) was drilled by Lincoln Minerals. Exploration efforts and drilling by Monax was primarily focused on the discovery of manganese whilst Lincoln's drilling was focused on the discovery of nickel, zinc and other base metals. Neither company assayed for cobalt.

Archer re-assayed the drill samples from the Lincoln and Monax drilling for cobalt. At Central Polinga (Monax drilling) 5 out of 6 six holes assayed contained cobalt grades greater than 0.1% (1,000ppm). Whilst historical rock chip samples at Hodgins (northern end of Polinga) have assays reporting up to 0.1% cobalt. At the southern end of Polinga (Cockabidnie), historic drilling by Lincoln Minerals intersected 6m @ 0.2% (2,000ppm) cobalt from 32 metres (hole CBAC034).

The indications from re-assaying work to date is, that the Polinga mineralised horizon (structure) extends some 20km north to south and is open along strike.

During the next 12 months, Archer will continue to identify and submit old drill samples for re-assay in the expectation of identifying additional cobalt mineralisation at Polinga.

Copper

New Copper-Gold discovery at Blue Hills.

Highly encouraging initial and follow up drilling results 23m of 0.3% copper from surface.

Rock chips up to 8.1 g/t gold.

Archer has several projects that are prospective for copper, including discoveries at Blue Hills (new discovery), North Broken Hill (new discovery), Spring Creek (old underground copper mine) and Emu Plain (copper anomaly on the Eyre Peninsula). All of the copper projects are at early stage exploration status.

In 2016/17, highlights for the copper projects were:

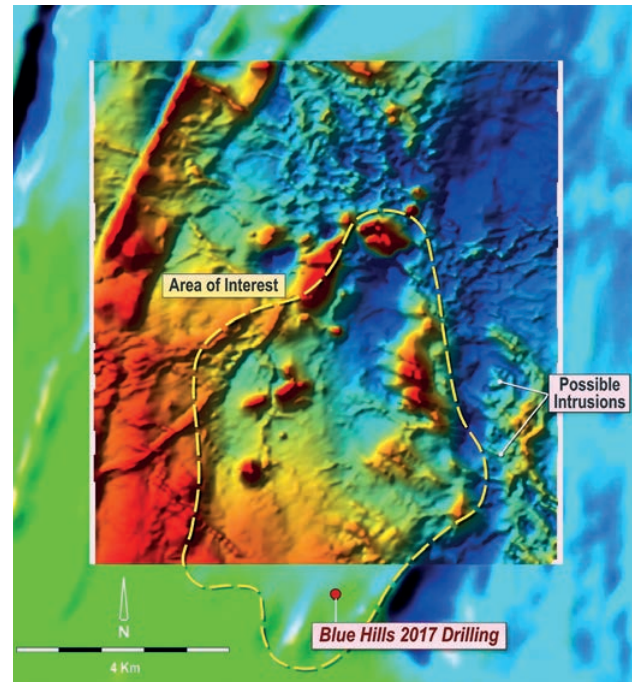
- Maiden drill program at Blue Hills intercepts significant low-grade copper and gold intercepts from surface.
- Large circular intrusive feature (covering an approximate area of 20km²) identified at Blue Hills.
- High grade copper discovered during rock chip sampling at North Broken Hill.

Blue Hills

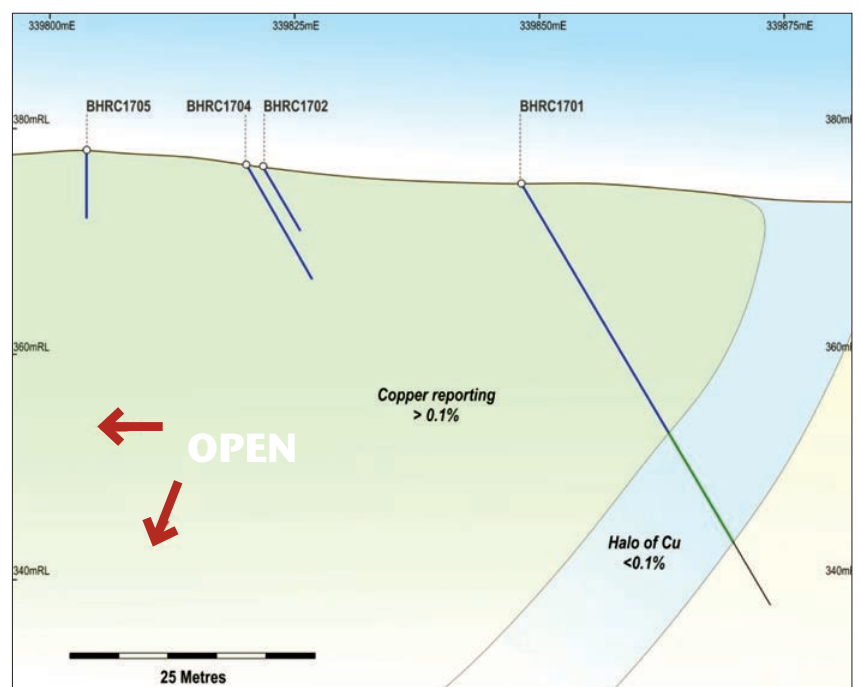
The Blue Hills project is located approximately 5km north of the Ketchowla project and 50km northeast of the township of Burra, SA. Blue Hills is an area of historic copper workings that had not been drill tested by historical explorers.

The Blue Hills mineralisation appears as a fracture infill along the contact of the unconformable contact between the Tapley Hill Formation and the overlying Wilyerpa Formation. Malachite can be clearly seen on the surface as fracture infill and pervasively staining the country rock, indicating a probable igneous source. Trace amounts of chalcopyrite were observed in drill chips adjacent to areas of bleaching of the host rocks.

In May 2017, Archer completed a small reconnaissance reverse circulation (RC) drilling program at Blue Hills. This drilling program was part of a larger scale regional drilling program designed to assess and prioritise areas within the larger North Burra project area, including the Ketchowla project. The Blue Hills drilling intercepted broad intervals of low grade copper from surface, including 23m @ 0.30% copper in hole BHRC1701. Subsequent assays for gold were successful with low grade gold found to be associated with the copper.



Blue Hills: Reprocessed magnetics with Stockdale data integrated with SA Government data - demagnetisation is clearly evident.



Cross-section showing copper mineralisation is open at depth and to the east.

As a result of the early success at Blue Hills, Archer undertook a step out exploration program which was successful in identifying high grade copper (up to 9.0%) and gold (up to 8.1 g/t) in rock chips over a strike length of approximately 1km.

In addition to the exploration program described above, Archer also re-processed existing magnetic data so as to better understand the regional structures controlling the mineralisation at Blue Hills. The higher resolution image from the re-processed data successfully identified an ovoid area of low magnetic rocks, indicating thermal destruction of magnetism typically associated with volcanic intrusions.

The co-location of the magnetic anomaly with the strong copper-gold geochemistry intercepted by shallow drilling and the rock chip sampling at Blue Hills, together confirm a sizeable potential intrusive related copper-gold target. The interpreted dimensions of the magnetic anomaly are significant, covering an area of approximately 20km².

The Company considers Blue Hills to be a large copper target that has the potential to host significant copper mineralisation. Whilst exploration is still in its infancy at Blue Hills, Archer intends to actively explore this project in the expectation of identifying future drill targets.

North Broken Hill

As discussed in the Cobalt section of this document, the North Broken Hill tenements were acquired for their cobalt, rather than copper, potential. However, early reconnaissance exploration by Archer has identified large areas of outcropping copper mineralisation at numerous locations within the larger North Broken Hill project area.

Previous exploration at Broken Hill has been focused on the discovery of Broken Hill style silver-lead-zinc mineralisation which means that many of the copper outcrops have not been sampled or drill tested. Whilst Archer remains focused on the discovery of cobalt at North Broken Hill, the Company will also further explore these prospective copper targets.

The North Broken Hill tenement area is large (covering an area > 400km²) and hosts numerous cobalt and copper targets. Archer intends to actively explore the tenements for cobalt and copper in 2018.

Spring Creek Mine

The historic Spring Creek copper mine is located 30km south of the township of Wilmington, South Australia. Copper mining ceased in 1918 when the mine de-watering pump failed and the mine flooded. Historic drilling (DDH 1/29), intersected copper carbonates some 60m below and parallel to the historical workings returning an assay of 1.8% Cu over a 21m interval). It is believed that the drillhole did not intersect the prospective Brighton Limestone contact which is highly prospective for high grade metasomatic skarn copper mineralisation.

Underground face sampling, completed by Archer in 2015, on the uppermost level of the mine confirmed the presence of significant copper mineralisation peripheral to the former production stopes. Sampling identified a ≈2% copper halo consisting of copper carbonate (malachite and azurite) outside of the main stopes including: 2m @ 1.8% Cu across drive 1 and 4m @ 3.0% Cu across drive 1A and 12m @ 1.9% Cu along drive 3A.

Blue Hills remains Archer's priority and the Company is not planning any further exploration at Spring Creek during the next 12 months.

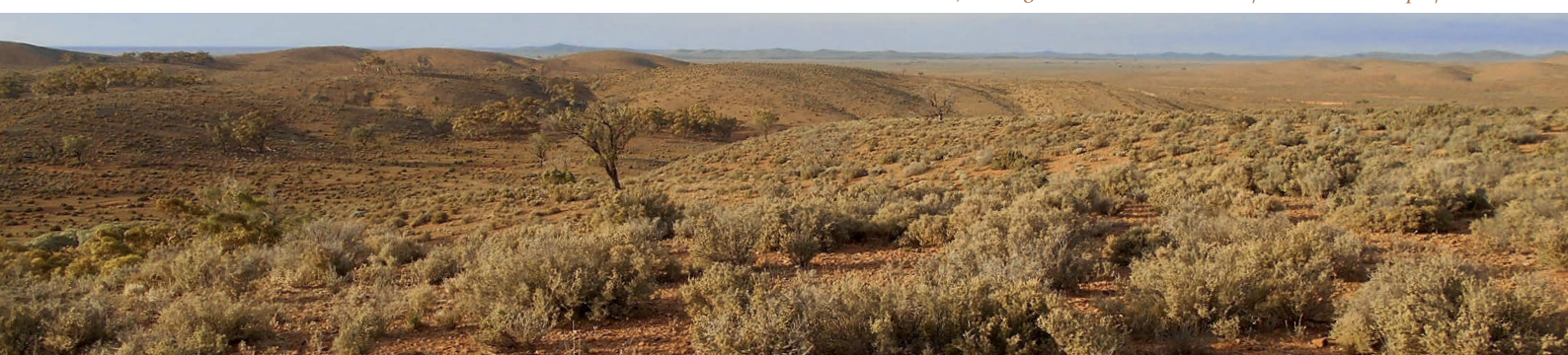
Emu Plain

Emu Plain is located near Cleve and is the site of 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.

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. Best results from drilling include: 37m @ 0.13% Cu and 4.2g/t Ag from 0 to 37m in EPRC11_001 (EOH) and 60m @ 0.11% Cu and 1.0g/t Ag from 0 to 60m in EPRC11_002.

No exploration activities are planned at Emu Plain during the next 12 months.

Blue Hills, looking north. 50km northeast from the township of Burra.



Exploration and Growth

Archer is continually developing a pipeline of potential growth opportunities. These growth projects are not focused on particular commodities but on projects that either complement existing projects or where Archer sees an opportunity to acquire a new project at minimal cost. The current growth opportunities include: SA barite projects, the Wonna / Watervale gold project and the WA Nickel project.

SA barite projects

The SA barite projects comprise the Mount James barite deposits (located 25km southwest of the township of Leigh Creek, SA) and the Yanyarrie project area (located approximately 40km east of the township of Quorn, SA).

At Mount James, primary barium sulphate (BaSO_4) mineralisation outcrops as a series of veins that strike in a rough north south orientation. Limited exploration has shown, through mapping and trenching, that exposed barite vein sets can occupy widths from 80m up to 150m wide. The strike of the veins is obscured by thin (<1m) Aeolian sands. Other rocks that host Mount James style barite deposits in the Flinders Ranges region include the Oraparinna Barite Mine, located 90km to the southeast of Mount James.

In 2015 Archer tested a bulk sample of Mount James barite with the results of the test work confirming that the barite is capable of producing API 13A (4.2 density) grade drilling barite.

The Yanyarrie barite deposit was originally discovered in 1971. Barite at Yanyarrie occurs as a replacement in a sedimentary unit adjacent to a major north-south trending fault. The exposed geology indicates a massive replacement of sediments with localised brecciation. The breccia has a barytes matrix and there are numerous, discrete veins of high grade barite.



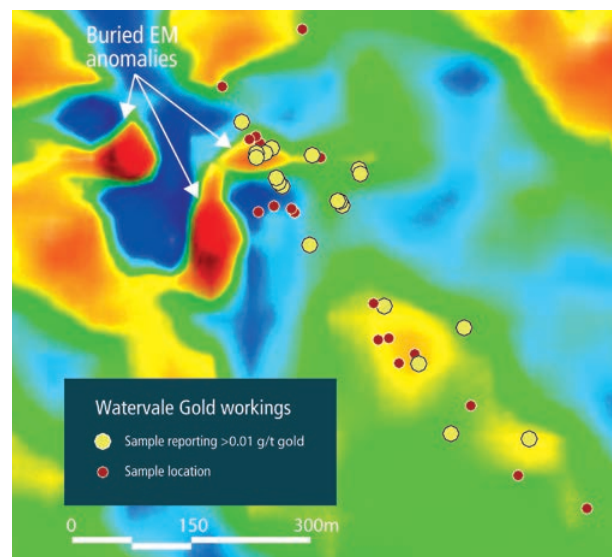
Mount James looking South, steep East dip width 1m.

Heavy liquid separation was undertaken on 2 samples with limited gravity tabling. One sample produced a concentrate with a specific gravity (SG) of 4.2 and the other bulk sample produced a concentrate with an SG of 4.1. In 2017, Archer collected 7 samples as a part of reconnaissance work which averaged 53% BaO.

Gold projects

Archer first sampled for gold in 2010 and over a couple of sampling programs identified two mineralised prospects, Wonna and Watervale. Within the North Burra tenement there are numerous historical gold and copper anomalies. The Wonna and Watervale Prospects appear to be the most promising gold targets.

Gold exploration by Archer in the area has been focused on rock chip sampling along strike from old workings at Wonna and Watervale. At Watervale the most significant results were from quartz veined sandstone samples located 50m apart on a NW trending ridge which returned 6.42 g/t and 3.84 g/t gold. Previous sampling by Archer of quartz veins at Wonna returned grades up to 8.88 g/t and 4.77 g/t.



EM signature below the Wonna gold mineralisation.

WA nickel

The WA nickel project is located approximately 20km north of BHP's Mount Keith Nickel Mine in Western Australia. The tenement is perceived as being prospective for nickel as it resides on the same host geology and has an apparent magnetic signature that is similar to Mount Keith. The tenement has not yet been granted. Archer expects the tenement to be granted sometime in early calendar 2018.

Tom Phillips AM resigned a non-executive director of the Company on 31 December 2016. Mr Phillips was the founding Chairman of Archer and served as a director for more than 10 years. Tom oversaw the initial ASX listing of Archer and brought extensive business experience to the Board and provided both the Board and management with valuable guidance and assistance.

The 450,000 Performance Rights issued to Mr Phillips at the 2016 Annual General Meeting were forfeited by Mr Phillips, as a result of his retirement as a director.

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.

Factors and risks affecting future performance

The following describes some of the external factors and business risks that could have a material impact on the Company's ability to deliver its strategy:

Access to funding

The Company's ability to continue to explore for minerals and to develop and evaluate its projects is contingent upon its ability to source timely access to additional funding as it required.

Government approvals

In November 2016, the Company lodged a mining lease application with the South Australian Government for the development of the Campoona graphite project. Whilst the Company has actively engaged with the local community and the South Australian Government regarding the mining lease application, there is no guarantee that the Company's application will be successful and that the mining lease will be granted.

There is also a risk that although the mining lease may be granted, it may be granted on such terms and with restrictions imposed that make the project unviable to pursue.

Offtake and customers

The success of both the magnesite and graphite projects is dependent on Archer securing long term offtake agreements with key customers. Unlike gold, copper and base metals, magnesite and graphite are industrial minerals and require contracts with customers as opposed to selling commodities on the spot market. Archer has not yet entered into any offtake agreements.

Commodity demand and risk

The Company is exposed to adverse global demand for commodities, in particular graphite and magnesite products, and/or adverse commodity price movements. This could affect the Company's ability to raise funds to advance its projects.

Access to infrastructure

The success of the Leigh Creek Magnesite Project is dependent on the Company gaining access to third party infrastructure such as rail, rotary kilns and port infrastructure.

Mineral Resources

Eyre Peninsula Graphite Project*JORC 2012 Compliant*

<i>Project</i>	<i>Category</i>	<i>Cut-off grade (% Cg)</i>	<i>Tonnes (Mt)</i>	<i>Graphitic Carbon %</i>	<i>Contained Graphite (t)</i>
Campoona Shaft	Measured	>5.0	0.32	12.7	40,600
	Indicated	>5.0	0.78	8.2	64,000
	Inferred	>5.0	0.55	8.5	46,800
Central Campoona	Indicated	>5.0	0.22	12.3	27,100
	Inferred	>5.0	0.30	10.3	30,900
Wilclo South	Inferred	>5.0	6.38	8.8	561,400
Total Resource			8.55	9.0	770,800

Leigh Creek Magnesite Project*JORC 2012 Mineral Resources*

<i>Project</i>	<i>Category</i>	<i>Tonnes (kt)</i>	<i>MgO (%)</i>
Mount Hutton Central	Measured	12,059	40.1
	Indicated	5,460	40.2
Total Resource		17,523	40.3

JORC 2004 Mineral Resources

<i>Project</i>	<i>Category</i>	<i>Tonnes (Mt)</i>	<i>MgO (%)</i>
Mount Hutton South	Indicated	72	42.9
	Inferred	53	42.9
Mount Playfair	Indicated	21	42.5
	Inferred	23	42.5
Pug Hill	Indicated	10	42.7
	Inferred	10	42.7
Termination Hill	Measured	4	42.8
	Indicated	5	42.8
	Inferred	20	42.8
Witchelina	Measured	23.7	40.0
	Indicated	94	40.0
	Inferred	99	40.0
Total Resource		434.7	41.4

Competent Person Statement

The Mineral Resources Statement as a whole has been approved by Wade Bollenhagen who consents to its inclusion in the Annual Report in the form and context in which it appears.

The exploration results and exploration targets reported herein, insofar as they relate to mineralisation, are based on information compiled by Mr Wade Bollenhagen, Exploration Manager and who is a full-time employee of Archer Exploration Limited. Mr Bollenhagen is a Member of the Australasian Institute of Mining and Metallurgy who has more than twenty years' experience in the field of activity being reported.

Mr Bollenhagen has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" relating to the reporting of Exploration Results. Mr Bollenhagen consents to the inclusion in the report of matters based on his information in the form and context in which it appears.

Eyre Peninsula Graphite Project

There has been no change in the Campoona Shaft, Central Campoona or Wilclo South Mineral Resource estimate stated as at 30 June 2016. Accordingly, no comparison is provided.

The information pertaining to the Campoona Shaft and Central Campoona Mineral Resource estimates were:

- Detailed in an announcement entitled "Archer Exploration announces Australia's largest JORC 2012 Graphite Resources", lodged with ASX on 6 August 2014.
- Prepared by Mr B Knell who is a Member of the AusIMM and peer reviewed by Dr C Gee who is also a Member of the AusIMM (CP). At the time of the report Mr Knell and Dr Gee were both time employees of Mining Plus Pty Ltd and both qualify as Competent Persons as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

Wilclo South Mineral Resource

The information pertaining to the Wilclo South Mineral Resource estimate was:

- Extracted from an announcement entitled "Maiden Wilclo South Graphite Resource", lodged by Monax Mining Limited with ASX on 26 August 2013.
- Prepared by Ms Sharon Sylvester who at the time of the report was a full time employee of AMC Consultants Pty Ltd and qualifies as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

Scoping Study

The Eyre Peninsula Graphite Project Scoping Study was first released as an ASX announcement entitled "Positive results from SA Graphite Project scoping study", lodged with ASX on 19 September 2016 and is available to view at www.archerexploration.com.au. Archer confirms that all material assumptions underpinning the production target and financial information set out in that announcement continue to apply and have not materially changed.

Leigh Creek Magnesite Project

There has been no change in the Leigh Creek Magnesite Project Mineral Resource estimate as at 30 June 2017. Accordingly, no comparison is provided.

Mt Hutton Central Mineral Resource

The information pertaining to the Mt Hutton Central Mineral Resource estimate was:

- Extracted from an announcement entitled 'Mount Hutton Central JORC 2012 Resource', lodged with ASX on 12 April 2016.
- Prepared by Mr Wade Bollenhagen who is a full time employee of Archer Exploration Ltd and qualifies as Competent Persons as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

Leigh Creek Magnesite Mineral Resources (excluding Mt Hutton Central)

The information relating to the Leigh Creek Magnesite Resource (excluding Mount Hutton Central) was first reported by Pima Mining NL on 3 September 1999 and was prepared in accordance with the JORC Code 1999.

Archer has since updated the Mount Hutton Central Resources to JORC 12 standard however, the remaining Leigh Creek Magnesite Project Mineral Resource (comprising Witchelina, Termination Hill, Pug Hill, Mt Playfair and Mount Hutton South) is a historic estimate prepared by Pima Mining NL. There has been no material change or re-estimation of those mineral resources since they were first reported or as a result of the introduction of the 2012 JORC Code.

Future estimations will be prepared in accordance with 2012 JORC Code. Archer's focus is on the development of Mount Hutton Central, which the Company believes, has the potential to support a mining operation. As such, no work was done during the year on updating and reporting the remaining Leigh Creek Magnesite Project Mineral Resource historic estimate in accordance with JORC Code 2012. Archer intends to upgrade the historic estimate to JORC 2012 standard in the near term.

Leigh Creek Magnesite Project Study

The Leigh Creek Magnesite Project Study was first released as an ASX announcement entitled "Leigh Creek Magnesite - Project Study", lodged with ASX on 21 March 2016 and is available to view at www.archerexploration.com.au.

Archer confirms that all material assumptions underpinning the production target and financial information set out in that announcement continue to apply and have not materially changed.

Governance

Archer maintains strong governance and internal controls in respect of its estimates of Mineral Resources and the estimation process. Archer ensures its sampling techniques, data collection, data veracity and the application of the collected data is at a high level of industry standard. Contract RC and diamond drilling with QA/QC controls approved by Archer are used routinely. All drill holes are logged by Archer geologists.

Archer employs QC procedures, including addition of standards, blanks and duplicates ahead of assaying which is undertaken using industry standards and fully accredited laboratories. Assay data is continually validated and stored.

Geological models and wireframes are built using careful geological documentation and interpretations. Resource estimation is undertaken using industry standard estimation techniques and include block modelling. Application of other parameters including cut off grades, top cuts and classification are all dependent on the style and nature of mineralization being assessed.

All mining tenements held by Archer and its related bodies corporate (Archer Group) as at 30 June 2017 are listed below. All tenements and tenement applications are held 100% by the Archer Group, except for EL 5804 where Samphire Uranium Ltd has the right to explore and develop uranium projects.

Exploration Licences

Project	Tenement	Commodity
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South Australia

Carapee Hill	EL 5920	Graphite
North Burra	EL 5433	Base Metals
North Cowell	EL 5434	Graphite
Wildhorse Plain	EL 5804	Graphite
Napoleons Hat	EL 5769	Gold
Beltana	EL 4869	Barite
Beltana ⁽²⁾	PELA 567	Petroleum
Witchelina	EL 4729	Magnesite
Termination Hill	EL 5730	Magnesite
Spring Creek	EL 5540	Copper

New South Wales

North Broken Hill ⁽¹⁾	EL 8592	Cobalt/Copper
North Broken Hill ⁽¹⁾	EL 8593	Cobalt/Copper
North Broken Hill ⁽¹⁾	EL 8594	Cobalt/Copper
North Broken Hill ⁽¹⁾	EL 8595	Cobalt/Copper

Western Australia

Mt Keith ⁽²⁾	23/1926	Nickel
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Other Licences

Eyre Peninsula Graphite	MC 4393	Campoona Shaft
Eyre Peninsula Graphite	Mine Lease Application	Campoona Shaft
Eyre Peninsula Graphite	MPLA 2016/001171 1 ⁽²⁾	Pindari bore
Eyre Peninsula Graphite	MPLA 2016/001170 1 ⁽²⁾	Pindari pipeline

Notes

⁽¹⁾ Tenements were granted during FY17.

⁽²⁾ Tenement applications.

⁽³⁾ EL 6000 (Pine Creek) was granted subsequent to 30 June 2017.

Project	Tenement	Commodity
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Mt Messenger	EL 5383	Graphite
Collaby Hill	EL 5553	Magnesite
Waddikee	EL 5815	Graphite
Cockabidnie	EL 5791	Graphite
Blue Hills	EL 5794	Copper/Gold
Pine Creek ⁽³⁾	ELA 107/2017	Copper/Gold
Altimeter ⁽²⁾	ELA 125/2017	Copper/Gold
Carpie Puntha	EL 5870	Graphite
Yanyarrie ⁽¹⁾	EL 5909	Barite
Whyte Yarcowie	EL 5935	Cobalt/Copper

North Broken Hill ⁽¹⁾	EL 8596	Cobalt/Copper
North Broken Hill ⁽¹⁾	EL 8597	Cobalt/Copper
North Broken Hill ⁽¹⁾	EL 8598	Cobalt/Copper

Information on continuing Directors

Your Directors present this report on Archer Exploration Limited and its consolidated entities ('Group' or 'Archer'), for the year ended 30 June 2017.

The Operating and Financial Review (which includes the Chairman's Review) of this Annual Report is incorporated by reference into, and forms part of, this Directors' Report.

Directors

The following Directors were in office at any time during or since the end of the financial year.

- Gregory David English
- Alice McCleary
- Paul Rix
- Thomas Robin Phillips AM
(resigned 31 December 2016)



Greg English

LLB, BE (Mining)
Executive Chairman

Greg English is an experienced mining engineer and lawyer and has spent 25 years working in the resources industry. Greg has a First Class Mine Manager's Ticket and has gained considerable experience in the development of new mining projects and the safe and efficient operation of open pit and underground mining operations.

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 projects and to identify new business development opportunities. Greg is also Chairman of Core Exploration Ltd (ASX:CXO) and West African Gold Ltd and a non-executive director of Leigh Creek Energy Limited (ASX:LCK).

Directorships of other ASX Listed entities in the last 3 years:

Core Exploration Limited, Leigh Creek Energy Limited

Interest in Shares and Performance

Rights: 9,076,644 ordinary shares and 300,000 performance rights.

Special Responsibilities:
Chairman and CEO



Alice McCleary

DUniv, BEc FCA FTIA FAICD
Director (Non-Executive)

Alice McCleary is a Chartered Accountant. She is Chairman of UraniumSA Limited (ASX listed). She is a member of the South Australian Government's Minerals and Energy Advisory Council, and a councillor of the South Australian Chamber of Mines and Energy (SACOME). She is a former Director of Adelaide Community Healthcare Alliance Inc (ACHA), Benefund Ltd and Forestry Corporation of South Australia, and a former member of the Corporations and Markets Advisory Committee (CAMAC).

Previous leadership roles include Vice-President of the South Australian Chamber of Mines and Energy (SACOME), Deputy Chancellor of the University of South Australia and National President of the Taxation Institute of Australia. Alice's professional interests include financial management and corporate governance.

Directorships of other ASX Listed entities in the last 3 years:

UraniumSA Limited

Interest in Shares and Performance

Rights: 2,298,627 ordinary shares and 300,000 performance rights.

Special Responsibilities: Chair, Audit & Risk Management Committee.

Directors' Report

Information on continuing Directors

Paul Rix
B.Com FAICD
Director (Non-Executive)

Paul Rix was appointed as a Director of the Company on 8 February 2016. Paul Rix is an experienced mining professional with more than 30 years' experience in the marketing of industrial minerals and products. From 2003 – 2013, Mr Rix worked for Queensland Magnesia Pty Ltd (QMAG) as General Manager Marketing where he was responsible for the development and implementation of QMAG's long term marketing strategy, focusing on diversification of magnesia products and markets whilst maintaining high plant utilisation. His magnesia marketing responsibilities stretched across six continents and more than 30 countries.

Directorships of other ASX Listed entities in the last 3 years: None

Interest in Shares, Unlisted Options and Performance Rights: Nil ordinary shares and 5,000,000 unlisted options and 300,000 performance rights.

Special Responsibilities: Member, Audit & Risk Management Committee



Damien Connor
CA GAICD AGIA B.Com
CFO / Company Secretary

Damien Connor was appointed Company Secretary on 1 August 2014. Damien performs the financial/accounting role in the Company as well as the secretarial duties. Damien has been a member of the Institute of Chartered Accountants since 2002 and is a Graduate of the Australian Institute of Company Directors and a Member of the Governance Institute of Australia. Damien has been employed in the resources sector since 2005. He also provides Company Secretary and Chief Financial Officer services to other ASX-listed and unlisted entities.

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.

Events arising since the end of the reporting period

- On 3 July 2017, 750,000 Performance Rights were forfeited. The criteria for vesting of these Performance Rights for the performance period 1 July 2016 to 30 June 2017 was not achieved.

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.

Corporate Governance

The Board has adopted the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations – 3rd Edition" (ASX Recommendations). The Board continually monitors and reviews its existing and required policies, charters and procedures with a view to ensuring its compliance with the ASX Recommendations to the extent deemed appropriate for the size of the Company and the status of its projects and activities. Good corporate governance practices are also supported by the ongoing activities of the Audit & Risk Management Committee.

The Company's Corporate Governance Statement for the financial year ending 30 June 2017 is dated as at 30 June 2017 and was approved by the Board on 20 September 2017.

The Corporate Governance Statement provides a summary of the Company's ongoing corporate governance practices in accordance with the ASX Recommendations. The Corporate Governance Statement is supported by a number of policies, procedures, code of conduct and formal charters, all of which are located in the Corporate Governance section of the Company's website: www.archerexploration.com.au

Remuneration Report (Audited)

The Directors of Archer Exploration Limited (the Group) present the Remuneration Report for Non-Executive Directors, Executive Directors and other Key Management Personnel, prepared in accordance with the *Corporations Act 2001* and the *Corporations Regulations 2001*.

The names and roles of the Company's key management personnel during the year are:

Mr Gregory English	Chairman - Executive
Ms Alice McCleary	Director - Non executive
Mr Paul Rix	Director - Non executive
Mr Thomas Phillips AM (resigned 31 Dec 2016)	Director - Non executive
Mr Damien Connor	CFO/Company Secretary

The Remuneration Report is set out under the following main headings:

- A. Principles used to determine the nature and amount of remuneration
- B. Details of remuneration
- C. Service agreements
- D. Share-based remuneration
- E. Bonuses included in Remuneration
- F. Other information

A. Principles used to determine the nature and amount of remuneration

The Board acts as the remuneration committee as a consequence of the size of the Board and the Group. 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 Group 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 of 9.50% per annum and do not receive any other retirement benefits. Some individuals, however, may choose 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 Group. The Group has established a Performance Rights Plan and a Share Option Plan for the benefit of Directors, officers, senior executives and consultants. Shares issued under the Share Option Plan 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. Performance Rights are valued using a Monte Carlo based model 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 Archer 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 Archer.

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.

Use of remuneration consultants

In July 2016, the Board of Archer Exploration Limited employed the services of Morton Philips Pty Ltd, an independent remuneration consultant, to review and to provide recommendations in respect of the amount and elements of Director remuneration, including short-term and long-term incentive plan design.

Under the terms of the engagement, Morton Philips Pty Ltd provided remuneration recommendations as defined in section 9B of the Corporations Act 2001 and was paid \$4,000 for these services.

Morton Philips Pty Ltd was engaged by, and reported directly to, the Board. The agreement for the provision of remuneration consulting services was executed by Non-Executive Director McCleary under delegated authority on behalf of the Board.

The report containing the remuneration recommendations was provided by Morton Philips Pty Ltd directly to Non-executive Director McCleary.

Each Director, subject of the respective remuneration recommendation from which they have a direct interest, did not have any input into the review process undertaken by Morton Phillips Pty Ltd, nor did they vote on the adoption of their own remuneration recommendation.

Therefore, the Board is satisfied that the recommendations were made free from undue influence from any members of the key management personnel.

Voting and comments made at the Company's last Annual General Meeting

The Company received 85% of 'yes' votes on its Remuneration Report for the financial year ending 30 June 2016. The Company received no specific feedback on its Remuneration Report at the Annual General Meeting.

Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the Board have regard to the following in respect of the current financial year and the previous four (4) financial years:

Item	2017	2016	2015	2014	2013
Share price (\$)	\$0.036	\$0.072	\$0.093	\$0.145	\$0.130

B. Details of Remuneration

Details of the nature and amount of each element of the remuneration of each key management personnel (KMP) of the Company are shown in the table below:

Director and other Key Management Personnel		Short-term Employee Benefits		Post-employment Benefits	Termination Benefits	Share Based Payments ³		Performance based remuneration %
Employee	Year	Cash salary & fees \$	Cash bonus \$	Superannuation \$	Termination Benefits \$	Unlisted Options & Performance Rights ³ \$	Total \$	
Executive Directors								
Greg English ¹	2017	301,370	25,000 ²	31,005	-	2,918	360,293	8.4%
Chairman and CEO	2016	265,000	-	25,175	-	9,167	299,342	3.1%
Non-Executive Directors								
Alice McCleary	2017	59,361	-	5,639	-	2,918	67,918	4.3%
Independent	2016	46,385	-	3,615	-	5,500	55,500	9.9%
Paul Rix	2017	59,361	-	5,639	-	55,293	120,293	46.0%
Independent	2016 ⁴	19,026	-	1,807	-	35,625 ⁵	56,458	63.1%
Thomas Phillips AM ⁶	2017	22,831	-	2,169	-	-	25,000	0.0%
Independent	2016	45,662	-	4,338	-	5,500	55,500	9.9%
Other Key Management Personnel								
Damien Connor	2017	136,650	-	-	-	2,918	139,568	2.1%
Company Secretary/CFO	2016	128,005	-	-	-	-	128,005	0.0%
2017 Total	2017	579,573	25,000	44,452	-	64,047	713,072	
2016 Total	2016	504,078	-	34,935	-	55,792	594,805	

¹ In addition, Piper Alderman Lawyers were paid \$3,297 (2016: \$8,391) during the year for services rendered to the Company. Mr English is a partner of Piper Alderman lawyers. The fees were at normal commercial rates.

² Short-term incentive bonus related to KPI achievement for the year ended 30 June 2017, pursuant to Mr English's employment contract.

³ In accordance with Accounting Standards, remuneration includes a portion of the notional value of the options and performance rights (Rights) granted during the year. The notional value of options and Rights are determined as at the issue date and is progressively allocated over the vesting period. The amount included as remuneration is not indicative of the benefit (if any) that the employee may ultimately realise should the option or Right vest. The notional value of the options and Rights as at the issue date has been determined in accordance with the accounting policy detailed at Note 20.

⁴ Paul Rix was appointed on 8 February 2016.

⁵ Options were agreed to be granted to Mr Rix by resolution of the Board on 1 February 2016, prior to his appointment as Non-Executive Director. The options were granted as consideration for the termination of a previous Services Agreement with the Company prior to his appointment as a Director. Shareholder approval to issue the options to Mr Rix was received at the General Meeting held on 5 August 2016. Under accounting rules, the options need to be expensed in the financial year using 1 February 2016 as the provisional grant date, even though shareholder approval to issue the options to Mr Rix was not received until after the year ended 30 June 2016.

⁶ Thomas Phillips AM resigned as a director on 31 December 2016.

Directors' Report

C. Service Agreements

Remuneration and other terms of employment for the Executive Directors and other key management personnel are formalised in Service Agreements. The major provisions of the agreements relating to remuneration are set out below:

Employee	Base Salary	Terms of agreement	Notice Period
Greg English <i>Executive Chairman</i>	\$330,000 per annum (inclusive of 9.50% Superannuation)	<p>Contract term: Permanent employee, no fixed term.</p> <p>Short-term incentive bonus: Discretionary up to 15% of salary each year, is determined with reference to KPIs as set by the Board annually.</p> <p>Long-term incentive bonus: Entitled to receive Options or Performance Rights equal to the maximum number of Options or Performance Rights granted to a director of the Company in the same financial year, subject to shareholder approval and KPIs including the Company's share Price compared with the ASX Small Ordinaries Resources Index.</p>	Calculated based on reasons for termination from 4 weeks plus leave entitlements up to 12 months' salary plus leave entitlements.
Damien Connor <i>Company Secretary & CFO</i>	Hourly rate	None	Either party may terminate by providing 3 months' notice.

D. Share-based Remuneration

Unlisted Options (Options)

All Options refer to options over ordinary shares of the Company, which are exercisable on a one-for-one basis under the terms of the agreements.

The Group has established a Share Option Plan for the benefit of Directors, officers, senior executives and consultants. Under the Share Option Plan, the Company, through the Board, may offer Options to eligible persons on such terms that the Board considers appropriate, including any performance or other vesting hurdles that may apply.

No Options have been issued as remuneration during the year ended 30 June 2017.

Performance Rights (Rights)

The Archer Exploration Performance Rights Plan (**Plan**) provides for the issue of Rights to Directors, senior executives and employees of the Company and its associated body corporates.

All Rights issued under the Plan refer to Rights over ordinary shares of the Company, which are exercisable on a one-for-one basis under the terms of the agreements and have a three year term.

Each person eligible to participate, can receive a maximum (subject to satisfaction of the relevant Performance Conditions detailed below) of 1/3rd of the Rights during each year of the three-year term.

The performance period for the Rights is 1 July to 30 June of each respective year during the term of the Rights.

Rights will vest subject to the achievement of the following Performance Conditions:

1) Service Condition

Must be employed by a member of Archer Exploration Group on the date of grant and must remain employed by a member of the Archer Exploration Group on the third anniversary of the date of the grant (or such other date as the Board determines at the time of grant).

2) Share price performance condition

Archer's share price performance as compared to the ASX Small Ordinaries Resources Index (ASXR). The Company share price performance for each of the three years commencing 1 July to 30 June each year will be compared to ASX Small Ordinaries Resources Index (ASXR) movement for the same 12 months over the three year period.

D. Share-based Remuneration continued

Archer ranking versus ASX Small Ordinaries Resources Index (ASXR)	% of Maximum Award
Below the 100th percentile	0% vest
Between the 100th and 125th percentile	50% vest
Between the 125th and 150th percentile	75% vest
At or above 150th percentile	100% vest

In addition to each level of performance set out in the above table, the share price performance condition will not be met if the Company's share price at 30 June in a particular year is below the Company's share price on 1 July of the preceding year.

No Rights will vest if the Company share price performance does not meet thresholds detailed above.

Details of unlisted Performance Rights that were granted as remuneration to each key management personnel are set out below.

Employee	Grant Date	Number Granted	Value at Grant date (\$)	Exercise Price	Expiry Date	Forfeited	Vested	Balance 30/06/17	First vesting and first exercise date	Last vesting and last exercise date
Greg English	28 Oct 2016	450,000	5,051	Nil	31 July 2019	-	-	450,000	1 July 2017	1 July 2019
Alice McCleary	28 Oct 2016	450,000	5,051	Nil	31 July 2019	-	-	450,000	1 July 2017	1 July 2019
Paul Rix	28 Oct 2016	450,000	5,051	Nil	31 July 2019	-	-	450,000	1 July 2017	1 July 2019
Tom Phillips AM	28 Oct 2016	450,000	5,051	Nil	31 July 2019	(450,000)	-	-	1 July 2017	1 July 2019
Damien Connor	28 Oct 2016	450,000	5,051	Nil	31 July 2019	-	-	450,000	1 July 2017	1 July 2019
Total		2,250,000	25,255			(450,000)	-	1,800,000		

The Rights were provided at no cost to the recipients. All Rights expire on the earlier of their expiry date or termination of the individual's employment (subject to Board discretion in line with its 'good leaver' policy).

On 3 July 2017, a further 600,000 Rights, being the 1st tranche of the above reported Rights, were forfeited as the vesting criteria for the performance period 1 July 2016 to 30 June 2017 was not achieved.

E. Bonuses included in Remuneration

Details of the short-term incentive cash bonuses awarded as remuneration to each key management personnel, the percentage of the available bonus that was paid in the financial year and the percentage that was forfeited because the person did not meet the performance criteria is set out below. No part of the bonus is payable in future years.

Employee	Included in remuneration (\$) during the year	Percentage vested during the year	Percentage forfeited
Greg English ¹ <i>Executive Chairman</i>	\$27,375 (inclusive of 9.50% Superannuation)	55%	45%

¹ Mr English's contract of employment provides for a discretionary cash bonus of up to 15% of his salary each year, determined with reference to KPIs as set by the Board annually.

No other key management personnel were awarded short-term incentive cash bonuses as remuneration during the year ended 30 June 2017.

Directors' Report

F. Other Information

Number of Unlisted Options held by Directors and Key Management Personnel

The number of options to acquire shares in the Company held during the 2017 reporting period by each of the key management personnel of the Group; including their related parties are set out below. No unlisted options are held by Directors, except for Paul Rix.

2017

Key Management Personnel	Balance on 01/07/16	Granted as Remuneration	Exercised	Other changes	Balance 30/06/17	Vested and exercisable	Vested and un-exercisable
Greg English	-	-	-	-	-	-	-
Alice McCleary ¹	-	-	-	-	-	-	-
Paul Rix	5,000,000	-	-	-	5,000,000	-	5,000,000
Tom Phillips AM ¹	-	-	-	-	-	-	-
Damien Connor	-	-	-	-	-	-	-
Total	5,000,000	-	-	-	5,000,000	-	5,000,000

¹ Alice McCleary and Tom Phillips applied for, and were each issued, 170,363 unlisted options (SPP Options) in the Company on 12 August 2016, pursuant to the prospectus dated 27 June 2016. SPP Options, which had an exercise price of \$0.12 each, expired on 30 June 2017.

During the year ended 30 June 2016, 5,000,000 Options were agreed to be granted to Non-Executive Director Paul Rix by resolution of the Board on 01 February 2016, prior to his appointment as a Director. Shareholder approval to issue the options to Mr Rix was received at the General Meeting held on 05 August 2016, and Mr Rix was subsequently issued the options on 12 August 2016.

These options were issued to Mr. Rix as compensation for the termination of a consultancy agreement between Archer and Mr. Rix which was in place prior to Mr. Rix becoming a director of Archer. The options were issued for nil consideration, are unlisted and have an exercise price of \$0.15 and expiry date of 31 January 2019 (**Rix Options**).

The Rix Options vest and become exercisable only if both of the following the Performance Hurdles are satisfied:

- Archer receives its first payment for magnesia product delivered by Archer to a customer under a legally binding magnesia product offtake sales agreement (**First Sales**); and
- At the time of the First Sales or at any time 12 months prior to the date of the First Sales, Mr Rix is or was a director or employee of Archer or of any Archer related body corporate (as that term is defined in the Corporations Act).

No unlisted options held by Directors or Key Management Personnel were issued, exercised, forfeited, expired or cancelled during the year ended 30 June 2017.

F. Other Information continued**Number of Unlisted Performance Rights held by Directors and Key Management Personnel**

2017

Key Management Personnel	Balance on 01/07/16	Granted as Compensation ¹	Vested	Forfeited ²	Balance 30/06/17 ³	Total Vested
Greg English	250,000	450,000	-	(250,000)	450,000	-
Alice McCleary	150,000	450,000	-	(150,000)	450,000	-
Paul Rix	-	450,000	-	-	450,000	-
Tom Phillips AM	150,000	450,000	-	(600,000)	-	-
Damien Connor	-	450,000	-	-	450,000	-
Total	550,000	2,250,000	-	(1,000,000)	1,800,000	-

¹ These Performance Rights (**Rights**) were granted on 28 October 2016 following shareholder approval at the Company's Annual General Meeting held on the same day. The Rights were granted in accordance with the long term equity incentive as outlined in the Archer Performance Rights Plan.

² On 6 July 2016 550,000 of the Rights previously granted in 2013, were forfeited. The criteria for vesting of these Rights during the performance period 1 July 2015 to 30 June 2016 was not achieved.

450,000 Rights granted to Tom Phillips AM in 2016, were forfeited on 31 December 2016 following his retirement.

³ On 3 July 2017 600,000 Rights granted to Directors and key management personnel in 2016, were forfeited. The criteria for vesting of these Performance Rights during the performance period 1 July 2016 to 30 June 2017 was not achieved.

Number of shares held by Directors and Key Management Personnel

2017

Key Management Personnel	Balance on 01/06/16	Granted as Compensation	Performance Rights Exercised	Net other change	Balance 30/06/17
Greg English	9,076,644	-	-	-	9,076,644
Alice McCleary	2,298,627	-	-	-	2,298,627
Paul Rix	-	-	-	-	-
Tom Phillips AM	1,355,709	-	-	-	1,355,709
Damien Connor	-	-	-	-	-
Total	12,730,980	-	-	-	12,730,980

End of Audited Remuneration Report.

Directors' Report

Meetings of Directors

The number of meetings of the Company's Board of Directors and each Board Committee held during the year ended 30 June 2017 and the numbers of meetings attended by each Director were as follows:

Director	Board Meetings		Audit & Risk Management Committee Meetings	
	A	B	A	B
Greg English*	11	11	2	2
Alice McCleary	11	11	2	2
Paul Rix	11	11	2	2
Thomas Phillips AM	6	6	1	1

Where:

- Column A is the number of meetings the Director was entitled to attend
- Column B is the number of meetings the Director attended

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.

* Greg English attended the Audit & Risk Management Committee Meetings by invitation.

Unissued Shares Under Option

The following table details unissued ordinary shares in the Company under option at the date of this report. See Note 13 for further details regarding unlisted options.

Grant Date	Type	Exercise Price	Expiry Date	Granted	Unvested	No. of shares subject to remaining unvested options
1 February 2016	Unlisted	\$0.15	31 Jan 2019	5,000,000	5,000,000	5,000,000

These options were issued to Mr Rix as compensation for the termination of a consultancy agreement between Archer and Mr Rix which was in place prior to Mr Rix becoming a director of Archer. The options were issued for nil consideration.

The options were agreed to be granted to Non-Executive Director Paul Rix by resolution of the Board on 1 February 2016, prior to his appointment as a Director. Shareholder approval to issue the options to Mr Rix was received at the General Meeting held on 5 August 2016, and Mr Rix was subsequently issued the options on 12 August 2016.

No shares have been issued during, or since the end of the financial year as a result of the exercise of options.

Performance Rights

The following table details performance rights that remain unvested as at the date of this report. See Note 13 for further details regarding performance rights.

Grant Date	Type	Exercise Price	Expiry	Granted	Vested	Forfeited	No. of shares subject to remaining unlisted performance rights
21 Nov 2013	Unlisted	Nil	31 July 2016	2,782,500	553,041	2,229,459	-
19 Dec 2013	Unlisted	Nil	31 July 2016	627,632	104,605	523,027	-
28 Oct 2016	Unlisted	Nil	31 July 2019	2,700,000	-	1,200,000	1,500,000

No shares have been issued during, or since the end of the financial year as a result of the vesting of performance rights.

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.

Indemnification and Insurance of Directors and Officers

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 and the amount paid is confidential. 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 2017.

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 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 2017:

Taxation Services	\$7,750
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Auditor's Independence Declaration

The lead auditor's independence for the year ended 30 June 2017 has been received and can be found on page 33 of the Financial Report.

Signed in accordance with a resolution of the Board of Directors.



Greg English
Chairman

Adelaide

Dated this 20th day of September 2017

Auditor's Independence Declaration



Grant Thornton

Grant Thornton House
Level 3
170 Frome Street
Adelaide, SA 5000
Correspondence to:
GPO Box 1270
Adelaide SA 5001

T 61 8 8372 6666
F 61 8 8372 6677
E info.sa@au.gt.com
W www.grantthornton.com.au

Auditor's Independence Declaration To the Directors of Archer Exploration Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Archer Exploration Limited for the year ended 30 June 2017, 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 AUDIT PTY LTD

B K Wundersitz
Partner – Audit & Assurance

Adelaide, 20 September 2017

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

		<i>Consolidated Group</i>	
	<i>Notes</i>	<i>2017</i>	<i>2016</i>
		<i>\$</i>	<i>\$</i>
Income			
Income	2	64,026	64,533
Expenses			
Depreciation and amortisation expense		(15,497)	(16,660)
Impairment of exploration assets	10	(4,577)	(476,114)
Exploration expenditure expensed		(30,618)	-
Employee benefits expense		(562,117)	(930,547)
Corporate Consultants/Public Relations		(65,287)	(132,746)
Occupancy expense		(39,535)	(39,253)
ASX listing and share registry expense		(86,183)	(99,596)
Other expenses		(189,914)	(212,001)
Loss before income tax expense		(929,702)	(1,842,384)
Income tax benefit – R&D tax concession	3	269,843	545,500
Loss for the period		(659,859)	(1,296,884)
Loss attributed to members of the parent entity		(659,859)	(1,296,884)
Other comprehensive income		-	-
Total comprehensive income attributable to Members of the parent entity		(659,859)	(1,296,884)
		<i>Cents</i>	<i>Cents</i>
Basic loss per share	14	(0.56)	(1.51)
Diluted loss per share		(0.56)	(1.51)

The accompanying notes form part of the financial statements.

STATEMENT of FINANCIAL POSITION
AS AT 30 JUNE 2017

		<i>Consolidated Group</i>	
	<i>Notes</i>	<i>2017</i> \$	<i>2016</i> \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	1,528,634	1,983,721
Trade and other receivables	7	214,635	35,261
TOTAL CURRENT ASSETS		1,743,269	2,018,982
NON-CURRENT ASSETS			
Property, plant and equipment	9	1,413,757	1,437,390
Exploration and evaluation expenditure	10	13,970,106	12,427,038
TOTAL NON-CURRENT ASSETS		15,383,863	13,864,428
TOTAL ASSETS		17,127,132	15,883,410
CURRENT LIABILITIES			
Trade and other payables	11	305,586	271,882
Employee entitlements	12	85,611	17,012
TOTAL CURRENT LIABILITIES		391,197	288,894
NON-CURRENT LIABILITIES			
Employee entitlements	12	5,302	43,735
TOTAL NON-CURRENT LIABILITIES		5,302	43,735
TOTAL LIABILITIES		396,499	332,629
NET ASSETS		16,730,633	15,550,781
EQUITY			
Issued capital	13	19,519,325	17,746,577
Reserves	15	102,589	197,100
Accumulated losses		(2,891,281)	(2,392,896)
TOTAL EQUITY		16,730,633	15,550,781

The accompanying notes form part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

	Issued Capital \$	Retained Earnings \$	Share Based Payments Reserve \$	Total \$
BALANCE AT 1 JULY 2015	15,730,908	(1,170,740)	285,815	14,845,983
Fair value of share based payments	-	-	60,713	60,713
Performance rights – forfeited ¹	-	-	(74,700)	(74,700)
Shares issued during the year (net of costs)	2,015,669	-	-	2,015,669
Transactions with owners	17,746,577	(1,170,740)	271,828	16,847,665
Transfer of share based payments reserve to retained earnings ²	-	74,728	(74,728)	-
Total loss for the year	-	(1,296,884)	-	(1,296,884)
Other comprehensive income	-	-	-	-
BALANCE AT 30 JUNE 2016	17,746,577	(2,392,896)	197,100	15,550,781

¹ Relates to performance rights that were forfeited during the period.

² Relates to the prior year(s) share-based payments expense associated with forfeited performance rights.

BALANCE AT 1 JULY 2016	17,746,577	(2,392,896)	197,100	15,550,781
Fair value of share based payments	-	-	66,963	66,963
Shares issued during the year (net of costs)	1,772,748	-	-	1,772,748
Transactions with owners	19,519,325	(2,392,896)	264,063	17,390,492
Transfer of share based payments reserve to retained earnings ¹	-	161,474	(161,474)	-
Total loss for the year	-	(659,859)	-	(659,859)
Other comprehensive income	-	-	-	-
BALANCE AT 30 JUNE 2017	19,519,325	(2,891,281)	102,589	16,730,633

¹ Relates to the prior year(s) share-based payments expense associated with forfeited performance rights.

The accompanying notes form part of the financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	<i>Notes</i>	<i>Consolidated Group</i>	
		<i>2017</i>	<i>2016</i>
		<i>\$</i>	<i>\$</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from rental activities		50,481	39,911
Payments to suppliers and employees		(989,479)	(1,453,223)
Interest received		16,225	24,622
Research and Development tax concession		112,297	545,500
NET CASH USED IN OPERATING ACTIVITIES	<i>19</i>	(810,476)	(843,190)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration expenditure		(1,417,359)	(838,413)
Payments for land and buildings		-	(13,448)
Payments for plant and equipment		-	(28,862)
Proceeds from sale of plant and equipment		-	33,000
NET CASH USED IN INVESTING ACTIVITIES		(1,417,359)	(847,723)
CASH FLOWS FROM FINANCING ACTIVITY			
Proceeds from the issue of shares		1,890,000	2,034,356
Share issue transaction costs		(117,252)	(40,687)
NET CASH PROVIDED BY FINANCING ACTIVITY		1,772,748	1,993,669
Net (decrease)/ increase in cash held		(455,087)	302,756
Cash at the beginning of the year		1,983,721	1,680,965
Cash at the end of the financial year	<i>6</i>	1,528,634	1,983,721

The accompanying notes form part of the financial statements.

Notes for the year ended 30 June 2017

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.

Archer Exploration Limited is a for profit entity for the purposes of preparing the financial statements. The financial report has been presented in Australian dollars.

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

The parent entity controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

A list of controlled entities is contained in Note 8 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 Combination

The Group applies the acquisition method in accounting for business combinations.

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 entity'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.

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.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

b) **Income Tax** *continued*

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.

Research and Development Tax Concession

To the extent that research and development costs are eligible activities under the "Research and development tax incentive" programme, a refundable tax offset is available for companies with annual turnover of less than \$20 million. The Group recognises refundable tax offsets received in the financial year as an income tax benefit, in profit or loss, resulting from the monetisation of available tax losses that otherwise would have been carried forward. These amounts are recognised at their fair value only to the extent that where there is reasonable assurance that the incentive will be received.

c) **Property, Plant and Equipment**

Property, plant and equipment is carried at cost less where applicable, any accumulated depreciation and impairment losses.

The carrying amount of property, 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 Profit or Loss 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>
Plant and Equipment	10 – 33%	Straight Line
Buildings	2%	Straight Line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting 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 Profit or Loss.

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.

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.

d) Exploration and Evaluation Expenditure *continued*

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.

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.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

g) Impairment of Non-Financial 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 Profit or Loss.

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 Arrangements

The Consolidated Group's share of assets, liabilities, revenue and expenses of the joint operations are included in the appropriate items of the Consolidated Financial Statements. Details of the Consolidated Group's interest is shown in Note 16.

i) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits that are expected to be settled wholly 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 high quality corporation bonds with terms to maturity that match the expected timing of cashflows.

Equity Settled Compensation

The Company provides benefits to employees (including directors) in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The Company currently provides benefits under an Employee Share Option Plan and a Performance Rights Plan.

The cost of these equity-settled transactions with employees and directors is measured by reference to the fair value at the date at which they are granted.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ('market conditions'). The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

- i) the extent to which the vesting period has expired; and
- ii) the number of awards that, in the opinion of the directors, will ultimately vest. This opinion is formed based on the best available information at reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options and rights is reflected as additional share dilution in the computation of earnings per share.

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).

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 profit or loss 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 exploration and evaluation assets for the year ended 30 June 2017 \$4,577 expensed (2016: \$476,114).

Impairment recognised for the year ended 30 June 2017 and 30 June 2016 related to relinquishment of the tenement(s) to which expenditure had been previously capitalised.

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 Profit or Loss.

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.

Accounting standards issued but not yet effective and not been adopted early by the Group

The Directors note the following Accounting Standards which have been issued but are not yet effective at 30 June 2017. These standards have not been adopted early by the group. The Director's assessment of the impact of these new standards and interpretations is set out below:

AASB 9 Financial Instruments

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

- Financial assets that are debt instruments will be classified based on
 - (1) the objective of the entity's business model for managing the financial assets; and
 - (2) the characteristics of the contractual cash flows.
- Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

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

- Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.
- Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows;
 - The change attributable to changes in credit risk are presented in other comprehensive income (OCI) and;
 - The remaining change is presented in profit or loss.

If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities.

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.

Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

The impairment requirements of AASB 9 may have impact on some of the investment classifications, which at this point in time management has yet to assess the full impact.

AASB 15 Revenue from Contracts with Customers (2014) AASB 15:

- replaces AASB 118 Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations.
- establishes a new revenue recognition model

- changes the basis for deciding whether revenue is to be recognised over time or at a point in time
- provides new and more detailed guidance on specific topics (e.g., multiple element arrangements, variable pricing, rights of return, warranties and licensing)
- expands and improves disclosures about revenue.

The entity is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2018.

Clarifications to IFRS 15 Revenue from Contracts with Customers

The amendments clarify the application of IFRS 15 in three (3) specific areas to reduce the extent of diversity in practice that might otherwise result from differing views on how to implement the requirements of the new standard. They will help companies:

- 1) Identify performance obligations (by clarifying how to apply the concept of 'distinct');
- 2) Determine whether a company is a principal or an agent in a transaction (by clarifying how to apply the control principle);
- 3) Determine whether a licence transfers to a customer at a point in time or over time (by clarifying when a company's activities significantly affect the intellectual property to which the customer has rights).

The amendments also create two (2) additional practical expedients available for use when implementing IFRS 15:

- 1) For contracts that have been modified before the beginning of the earliest period presented, the amendments allow companies to use hindsight when identifying the performance obligations, determining the transaction price, and allocating the transaction price to the satisfied and unsatisfied performance obligations.
- 2) Companies applying the full retrospective method are permitted to ignore contracts already complete at the beginning of the earliest period presented.

The AASB is expected to publish the equivalent Australian amendments in quarter 2 of 2016.

When these amendments are first adopted for the year ending 30 June 2019, there will be no material impact on the financial statements.

r) Going Concern basis of accounting

This financial report has been prepared on the basis of going concern. The cash flow projections of the Group indicate that it will require additional capital for continued operations. The Group incurred a net loss of \$659,859 (2016: loss of \$1,296,884) and operations were funded by a cash outlay from operating and investing activities of \$2,227,835 (2016: outlay of \$1,690,913).

The Group's ability to continue as a going concern is contingent on obtaining additional capital through either an equity capital raise, asset sale or a combination of both. If additional capital is not obtained, then going concern basis may not be appropriate, with the result that the Group may have to realise its assets and extinguish its liabilities, other than in the ordinary course of business and at amounts different from those stated in the financial report.

The financial report was authorised for issue on 20th September 2017 by the Board of Directors.

Consolidated Group

NOTE 2 – INCOME

- Rental income
- Interest received

Total Income

	2017 \$	2016 \$
	41,756	39,911
	22,270	24,622
	64,026	64,533
	269,843	545,500
	269,843	545,500
	(929,702)	(1,842,384)
	(278,911)	(552,715)
	(278,911)	(552,715)
	269,843	545,500
	278,911	552,715
	269,843	545,500
	4,205,363	3,572,315

NOTE 3 – INCOME TAX BENEFIT

- a) The components of income tax benefit comprise:

Current tax

- b) The prima facie tax on loss before income tax is reconciled to the income tax as follows 30% (2016: 30%):

Net Loss

Prima facie tax benefit before income tax at 30%

Research and development tax concession

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

Income Tax attributable to operating loss

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

NOTE 4 – KEY MANAGEMENT PERSONNEL REMUNERATION

- a) Names and positions held of consolidated entity key management personnel in office at any time during the financial year are:

Mr Greg English *Chairman – Executive*Ms Alice McCleary *Director – Non-executive*Mr Paul Rix *Director – Non-executive*Mr Tom Phillips AM *Director – Non-executive* (resigned 31 December 2016)Mr Damien Connor *Company Secretary*

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

- b) Key Management Personnel Compensation

Refer to the Remuneration Report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP).

The aggregate remuneration of KMP of the Group during the year are as follows:

Short term benefits	604,573	504,078
Post-employment benefit	44,452	34,935
Share - based payments	64,047	55,792
	713,072	594,805

NOTE 5 – AUDITOR REMUNERATION

Remuneration of the auditor for:

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

<i>Consolidated Group</i>	
<i>2017</i>	<i>2016</i>
<i>\$</i>	<i>\$</i>
28,000	27,500
7,750	7,250
35,750	34,750

NOTE 6 – CASH AND CASH EQUIVALENTS

Short term deposits

Cash at bank and on hand

1,120,000	50,000
408,634	1,933,721
1,528,634	1,983,721

The effective interest rate on short term bank deposits at 30 June 2017 is 2.47% (30 June 2016: 2.85%). These deposits have an average maturity term of 90 days (30 June 2016: 90 days). The Group's exposure to interest rate risk is summarised at Note 23.

NOTE 7 – TRADE AND OTHER RECEIVABLES

CURRENT

Prepayments

Other receivables ¹

10,228	10,831
204,407	24,430
214,635	35,261

¹ Includes an amount of \$157,546 relating to research and development tax concession for the year ended 30 June 2017.

At 30 June 2017 the consolidated entity did not have any receivables which were outside normal trading terms (past due but not impaired).

NOTE 8 – INVESTMENT IN CONTROLLED ENTITIES

		<i>Percentage owned</i>	
		<i>2017</i>	<i>2016</i>
		<i>%</i>	<i>%</i>
Parent Entity			
- Archer Exploration Limited	Australia	-	-
Subsidiaries of Archer Exploration Limited:			
- Pirie Resources Pty Ltd	Australia	100	100
- Archer Pastoral Company Pty Ltd	Australia	100	100
- Leigh Creek Magnesite Pty Ltd	Australia	100	100
- Archer Energy & Resources Pty Ltd	Australia	100	100
- SA Exploration Pty Ltd	Australia	100	100
- CH Magnesite Pty Ltd	Australia	100	100

NOTE 9 – PROPERTY, PLANT AND EQUIPMENT

Plant and Equipment at cost

Accumulated depreciation

a) Movements in carrying amounts:

Balance at the beginning of the year

Additions

Disposals

Depreciation

Balance at 30 June

Land at cost

b) Movements in carrying amounts:

Balance at the beginning of the year

Additions

Balance at 30 June

Buildings at cost

Accumulated depreciation

c) Movements in carrying amounts:

Balance at the beginning of the year

Depreciation

Balance at 30 June

Total property, plant and equipment*Consolidated Group*

	2017	2016
	\$	\$
Plant and Equipment at cost	217,680	217,680
Accumulated depreciation	(196,237)	(176,604)
	21,443	41,076
a) Movements in carrying amounts:		
Balance at the beginning of the year	41,076	68,800
Additions	-	2,885
Disposals	-	-
Depreciation	(19,633)	(30,609)
Balance at 30 June	21,443	41,076
Land at cost	1,208,981	1,208,981
b) Movements in carrying amounts:		
Balance at the beginning of the year	1,208,981	1,195,533
Additions	-	13,448
Balance at 30 June	1,208,981	1,208,981
Buildings at cost	200,000	200,000
Accumulated depreciation	(16,667)	(12,667)
	183,333	187,333
c) Movements in carrying amounts:		
Balance at the beginning of the year	187,333	191,333
Depreciation	(4,000)	(4,000)
Balance at 30 June	183,333	187,333
Total property, plant and equipment	1,413,757	1,437,390

NOTE 10 – EXPLORATION AND EVALUATION EXPENDITURE

Costs carried forward in respect of areas of interest in:

Exploration and evaluation at cost

Movements in carrying amounts:

Balance at the beginning of the year

Amounts capitalised during the year

Impairment expense during the year

Balance at 30 June

During the year \$8,137 (2016: \$17,949) of equipment depreciation was included in the amount capitalised as exploration and evaluation.

Impairment recognised for the year ended 30 June 2017 and 30 June 2016 related to relinquishment of the tenement(s) to which expenditure had been previously capitalised.

A summary by tenement is included at Note 16.

NOTE 11 – TRADE AND OTHER PAYABLES

Trade payables

Other creditors and accruals

NOTE 12 – EMPLOYEE ENTITLEMENTS

Current

Non-current

Consolidated Group

2016 \$	2015 \$
13,970,106	12,427,038
13,970,106	12,427,038
12,427,038	12,160,914
1,547,645	742,238
(4,577)	(476,114)
13,970,106	12,427,038

145,201	112,729
160,385	159,153
305,586	271,882

85,611	17,012
5,302	43,735

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Consolidated Group

NOTE 13 – ISSUED CAPITAL

137,194,306 (2016: 110,194,306) fully paid ordinary shares

2017	2016
\$	\$
19,519,325	17,746,577

a) Shares on issue:

30 June 2017

Issued and paid up capital

Fully paid ordinary shares

Movements in fully paid shares

Balance as at 1 July 2016

Shares issued - Placement (net of costs)

Balance as at 30 June 2017

Number	\$
137,194,306	19,519,325
110,194,306	17,746,577
27,000,000	1,772,748
137,194,306	19,519,325

30 June 2016

Issued and paid up capital

Fully paid ordinary shares

Movements in fully paid shares

Balance as at 1 July 2015

Shares issued - third party for services

Shares issued - Share Purchase Plan (net of costs)

Balance as at 30 June 2016

Number	\$
110,194,306	17,746,577
84,520,409	15,730,908
244,444	22,000
25,429,453	1,993,669
110,194,306	17,746,577

b) Options on issue

Details of the share options outstanding as at the end of the year are set out below:

Grant Date	Options	Expiry Date	Exercise Price	30 June 2017	30 June 2016
1 February 2016	Rix Options ¹	31 Jan 2019	\$0.15	5,000,000	5,000,000

¹ On 12 August 2016 5,000,000 unlisted options (Rix Options) were issued to Director Paul Rix following shareholder approval at the General Meeting held on 5 August 2016. Rix Options have an exercise price of \$0.15 each and expire on 31 January 2019.

These options were agreed to be granted to Non-Executive Director Paul Rix by resolution of the Board on 1 February 2016, prior to his appointment as a Director. Under accounting rules, the options are required to be expensed in the financial year using 1 February 2016 as the provisional grant date, even though shareholder approval to issue the options to Mr Rix was not received until after year end.

All Options are unlisted.

NOTE 13 – ISSUED CAPITAL continued**c) Performance Rights on issue**

Details of the performance rights outstanding as at the end of the year are set out below:

2017

Grant Date	Total Granted	Expiry Date	Exercise Price	Total Vested	Total Forfeited	Balance at 30 June 2017 ¹
28 Oct 2016	2,700,000	31 Jul 2019	Nil	-	450,000	2,250,000

¹ On 3 July 2017, 750,000 performance rights were forfeited as the criteria for vesting of the Performance Rights for the performance period 1 July 2016 to 30 June 2017 was not achieved.

During the year the Directors granted 2,700,000 Performance Rights (Rights) to Directors, the Company Secretary and employees. 1,800,000 of the Rights were granted following shareholder approval at the Company's Annual General Meeting held on 28 October 2016. The Rights were granted in accordance with the long term equity incentive as outlined in the Archer Performance Rights Plan.

Following director Tom Phillip's retirement on 31 December 2016, the 450,000 Rights that were issued to him were forfeited.

The total fair value for the remaining 2,250,000 Rights issued is \$25,253 and this amount is being expensed over 3 years commencing 1 July 2016.

No Rights were exercised into shares during the year. During the year, the remaining 684,211 Rights previously granted in 2013, were forfeited as the criteria for vesting of the Rights was not achieved (refer 2016 table below).

As at the date of this report 1,500,000 performance rights remain unvested.

2016

Grant Date	Total Granted	Expiry Date	Exercise Price	Total Vested	Total Forfeited	Balance at 30 June 2016
21 Nov 2013	2,782,500	31 Jul 2016	Nil	553,041	1,679,459	550,000
19 Dec 2013	627,632	31 Jul 2016	Nil	104,605	388,816	134,211
Total	3,410,132			657,646	2,068,275	684,211

d) Capital Management

The Group has no externally imposed capital requirements.

NOTE 14 – EARNINGS PER SHARE

Reconciliation of earnings to Statement of Profit or Loss and other Comprehensive Income

Loss for year used to calculate basic EPS	(659,859)	(1,296,884)
	<i>Number</i>	<i>Number</i>
a) Weighted average number of shares outstanding during the year used in calculation of basic EPS	118,553,210	85,875,550

Consolidated Group

NOTE 15 – RESERVES

Share based payment reserve

2017 \$	2016 \$
102,589	197,100

The share based payments reserve records items recognised as an expense on valuation of options or performance rights.

NOTE 16 – TENEMENT INTERESTS

The Company's interest in tenements are as follows:

Project	Tenement	Commodity	2017 Carrying value \$	2016 Carrying value \$
South Australia				
Carapsee Hill	EL 5920	Graphite	1,478,574	1,466,336
Wildhorse Plain	EL 5804	Graphite	8,289,526	7,667,972
Waddikee	EL 5815	Graphite	946,919	908,963
Mt Messenger	EL 5383	Graphite	15,789	14,097
Cockabidnie	EL 5791	Graphite	31,189	3,398
North Cowell	EL 5434	Graphite	379,693	376,179
Carpie Puntha	EL 5870	Graphite	7,534	1,596
Witchelina	EL 4729	Magnesite	137,238	136,388
Termination Hill	EL 5730	Magnesite	1,340,462	966,714
Collaby Hill	EL 5553	Magnesite	21,619	16,642
Spring Creek	EL 5540	Copper	102,070	99,367
Blue Hills	EL 5794	Copper/Gold	117,109	3,940
Pine Creek ⁴	ELA 107/2017	Copper/Gold	-	-
Altimeter ³	ELA 125/2017	Copper/Gold	-	-
Napoleons Hat	EL 5769	Gold	106,606	103,246
North Burra	EL 5433	Base Metals	829,645	560,343
Yanyarrie ¹	EL 5909	Barite	2,534	-
Whyte Yarcowie	EL 5935	Cobalt/Copper	-	-
Beltana	EL 4869	Barite	106,353	93,646
Beltana ³	PELA 567	Petroleum	3,634	3,634
Frome ²	ELA 2016/71	Lithium	-	1,596
Cleve West ²	EL 4893	Graphite	-	2,981
New South Wales				
North Broken Hill ¹	EL 8592	Cobalt/Copper	3,914	-
North Broken Hill ¹	EL 8593	Cobalt/Copper	37,588	-
North Broken Hill ¹	EL 8594	Cobalt/Copper	2,019	-
North Broken Hill ¹	EL 8595	Cobalt/Copper	2,019	-
North Broken Hill ¹	EL 8596	Cobalt/Copper	4,459	-
North Broken Hill ¹	EL 8597	Cobalt/Copper	2,019	-
North Broken Hill ¹	EL 8598	Cobalt/Copper	1,594	-
Western Australia				
Mt Keith ³	23/1926	Nickel	-	-
Total			13,970,106	12,427,038

Other Licences**Description**

Eyre Peninsula Graphite	MC 4393	Campoona Shaft
Eyre Peninsula Graphite	Mine Lease Application	Campoona Shaft
Eyre Peninsula Graphite	MPLA 2016/001171 ^{1 3}	Pindari bore
Eyre Peninsula Graphite	MPLA 2016/001170 ^{1 3}	Pindari pipeline

¹ Granted during the year. ² Relinquished during the year. ³ Tenement application.

⁴ EL 6000 (Pine Creek) was granted subsequent to 30 June 2017.

All tenements and tenement applications are held 100% by Archer and its related body corporates except for EL 5804 where Samphire Uranium Limited has the rights to explore and develop uranium.

NOTE 17 – CAPITAL AND OTHER EXPENDITURE COMMITMENTS**(a) 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 renegotiation, may be farmed out or may be relinquished and have not been provided for in the financial statements.

Exploration expenditure commitments

Expenditure commitment

2,695,000 2,395,500

Property commitments

Expenditure commitment

- Purchase of Campoona Land ¹

250,000 250,000

¹ Subject to terms of the Agreement between the vendor and Archer.

(b) Contingent Assets/Liabilities

The Group did not have any contingent assets or liabilities as at 30 June 2017.

The Group has minimum expenditure commitments on exploration licences as per the terms of the exploration licences. Unexpended commitment for a particular year can be deferred or rolled over to subsequent years of the licence term.

NOTE 18 – OPERATING SEGMENTS**Segment Information**

The Directors have considered the requirements of AASB 8 - Operating segments and the internal reports that are reviewed by the chief operating decision maker (the Board) in allocating resources have concluded at this time there are no separately identifiable segments.

NOTE 19 – CASH FLOW INFORMATION**a) Reconciliation of cash flows from operations with Loss after Income Tax**

	<i>Consolidated Group</i>	
	<i>2017</i>	<i>2016</i>
	<i>\$</i>	<i>\$</i>
Loss after income tax	(659,859)	(1,296,884)
Depreciation (net of capitalised depreciation)	15,497	16,660
Share based payment - to employees	66,963	(13,988)
Share based payment - to third party	-	22,000
Exploration expenditure expensed	30,618	-
Changes in assets and liabilities:		
- (Increase) / Decrease in receivables	(179,373)	15,122
- (Decrease) / Increase in accounts payable and accruals	(114,488)	54,885
- (Increase) / Decrease in provisions	30,166	(117,100)
Net cash used in operating activities	(810,476)	(843,190)

b) Non Cash Financing and Investing Activities**2017**

There were no non-cash financing and investing activities undertaken during the reporting period.

2016

On 6 July 2015, the Company issued 244,444 shares on to a third party consultant as payment for services to the Company. The fair value of the shares was \$22,000.

NOTE 20 – SHARE BASED PAYMENTS**a) Performance Rights**

	<i>Consolidated Group</i>	
	<i>2017 Number of Performance Rights</i>	<i>2016 Number of Performance Rights</i>
Balance at the beginning of the year	684,211	2,322,881
Performance rights granted during the year	2,700,000	-
Performance rights vested during the year	-	-
Performance rights forfeited /cancelled during the year	(1,134,211)	(1,638,670)
Balance at the end of the year	2,250,000 ¹	684,211

¹ On 3 July 2017, a further 750,000 performance rights were forfeited as the criteria for vesting of the Performance Rights for the performance period 1 July 2016 to 30 June 2017 was not achieved.

During the year ended 30 June 2017 the Directors granted 2,700,000 Performance Rights (**Rights**) to Directors, the Company Secretary and employees. 1,800,000 of the Rights were granted following shareholder approval at the Company's Annual General Meeting held on 28 October 2016. The Rights were granted in accordance with the long term equity incentive as outlined in the Archer Performance Rights Plan.

Following director Tom Phillip's retirement on 31 December 2016, the 450,000 Rights that were issued to him were forfeited.

No Rights were vested or exercised during the year ended 30 June 2017 as the vesting criteria for the performance period 1 July 2015 to 30 June 2016 was not achieved. Additionally, on 3 July 2017, a further 750,000 Rights were forfeited as the vesting criteria for the performance period 1 July 2016 to 30 June 2017 was not achieved either.

The share based payment expense for the remaining 2,250,000 Rights issued has been calculated pursuant to AASB 2: Share Based Payments using a Monte Carlo Simulation method to determine the fair value of the Rights. No Rights vest before 1 July 2017 when the vesting conditions for the first tranche for the year ending 30 June 2017 are known.

The total fair value for the remaining 2,250,000 Rights issued is \$25,253 and this amount expensed over 3 years commencing 1 July 2016.

An amount of \$14,588 has been included in the Statement of Profit or Loss and Other Comprehensive Income under Employee benefits expense for the year ended 30 June 2017 (30 June 2016: \$25,088).

During the year ended 30 June 2017, an amount of \$161,474, relating to the expense for previously issued Rights that have either been forfeited, expired or exercised, has been written-back to retained losses, from the share based payments reserve. Refer also to Statement of Changes in Equity.

NOTE 20 – SHARE BASED PAYMENTS *continued***b) Unlisted Options**

Balance at the beginning of the year
Unlisted options granted during the year
Unlisted options vested during the year
Unlisted options lapsed/cancelled during the year
Balance at the end of the year

<i>Consolidated Group</i>	
<i>2017</i>	<i>2016</i>
<i>Number of</i>	<i>Number of</i>
<i>Unlisted</i>	<i>Unlisted</i>
<i>Options</i>	<i>Options</i>
5,000,000	-
-	5,000,000
-	-
-	-
5,000,000	5,000,000

The options outstanding at 30 June 2017 had a weighted average exercisable price of \$0.15 and a weighted average remaining contractual life of 1.59 years.

The fair value of options issued during the year as remuneration were calculated by using a Black-Scholes option pricing model. The fair value of the options at the date of grant, being 1 February 2016, was \$88,000 and is being over the 12 month vesting period to 1 February 2017.

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 Profit or Loss and Other Comprehensive Income is \$52,375 (2016: 35,625).

NOTE 21 – EVENTS AFTER REPORTING DATE

- On 3 July 2017, 750,000 Performance Rights were forfeited. The criteria for vesting of these Performance Rights for the performance period 1 July 2016 to 30 June 2017 was not achieved.

Other than the matters noted above there have been no other subsequent events which require disclosure.

NOTE 22 – RELATED PARTY TRANSACTIONS**a) Subsidiaries**

Interests in subsidiaries are disclosed in Note 8.

b) Key Management Personnel

Disclosures relating to Key Management personnel are set out in Note 4 and the Remuneration Report contained within the Directors' Report.

c) Other transactions with related parties

Piper Alderman lawyers were paid a total of \$3,297 (2016: \$8,391) for legal services rendered to the Group. Greg English is a partner of Piper Alderman lawyers.

NOTE 23 – 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 and loans to and from subsidiaries.

i) Treasury Risk Management

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

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

ii) Financial Risk Exposure and Management

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

Interest Rate Risk

Interest rate risk is managed with a mixture of fixed and floating rate cash deposits. The group aims to keep surplus cash in high yielding deposits.

	<i>Weighted Average Effective Interest Rate</i>		<i>Interest Bearing</i>		<i>Non Interest Bearing</i>		<i>Total</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	%	%	\$	\$	\$	\$	\$	\$
Financial Assets								
Cash at bank	1.15%	1.42%	408,634	1,933,721	-	-	408,634	1,933,721
Deposits	2.53%	2.65%	1,120,000	50,000	-	-	1,120,000	50,000
Receivables			-	-	214,635	35,261	214,635	35,261
Total Financial Assets			1,528,634	1,983,721	214,635	35,261	1,743,269	2,018,982
Financial liabilities								
Payables			-	-	(305,586)	(271,882)	(305,586)	(271,882)
Total Financial Liabilities			-	-	(305,586)	(271,882)	(305,586)	(271,882)
Total Net Financial Assets/(Liabilities)			1,528,634	1,983,721	(90,951)	1,983,721	1,437,683	1,747,100

b) Sensitivity Analysis**Interest Rate and Price Risk**

The group has performed a sensitivity analysis relating to its exposure to interest rate risk and price risk at reporting 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 2017, 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>2017</i>	<i>2016</i>
	\$	\$
Change in loss		
- Increase in interest rates by 2%	22,400	1,000
- Decrease in interest rates by 2%	(22,400)	(1,000)
Change in equity		
- Increase in interest rates by 2%	22,400	1,000
- Decrease in interest rates by 2%	(22,400)	(1,000)

NOTE 23 – FINANCIAL INSTRUMENTS *continued***c) Net Fair Value of Financial Assets and Liabilities**

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

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

d) Credit Risk

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

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

NOTE 24 – ARCHER EXPLORATION LIMITED PARENT COMPANY INFORMATION

PARENT ENTITY

ASSETS

	Parent Entity	
	2017	2016
	\$	\$
Current Assets	1,526,031	1,961,227
Non-current assets		
Loans to subsidiaries	9,147,778	7,598,142
Investments in subsidiaries	26,624	26,624
Other non-current assets	21,442	41,076
TOTAL ASSETS	10,721,875	9,627,069
LIABILITIES		
Current Liabilities	179,027	233,601
Non-current Liabilities	5,301	43,735
TOTAL LIABILITIES	184,328	277,336
EQUITY		
Issued capital	19,519,325	17,746,577
Reserves	102,589	197,100
Accumulated losses	(9,084,367)	(8,593,944)
TOTAL EQUITY	10,537,547	9,349,733
FINANCIAL PERFORMANCE		
Loss for the year	(651,897)	(822,646)
Other comprehensive income	-	-
TOTAL EQUITY	(651,897)	(822,646)

Guarantees in 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, Archer Pastoral Company Pty Ltd, Leigh Creek Magnesite Pty Ltd, Archer Energy & Resources Pty Ltd, SA Exploration Pty Ltd and CH Magnesite Pty Ltd.

Contingent Liabilities

Archer Exploration Limited has no contingent liabilities as at 30 June 2017 (2016: nil)

Contractual Commitment

	2017	2016
Purchase of Campoona Land ¹	250,000	250,000

¹ Subject to the terms of the Agreement between the vendor and Archer.

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The Directors of the Company declare that:

1. the Financial Statements and Notes as set out on pages 35 to 59 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 2017 and of the performance for the year ended on that date of the Company and Consolidated Group;
2. the Executive Chairman 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 20th September 2017

Independent Audit Report



Grant Thornton House
Level 3
170 Frome Street
Adelaide, SA 5000
Correspondence to:
GPO Box 1270
Adelaide SA 5001

T 61 8 8372 6666
F 61 8 8372 6677
E info.sa@au.gt.com
W www.grantthornton.com.au

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

Report on the audit of the financial report

Opinion

We have audited the financial report of Archer Exploration Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- a Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
- b Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Material Uncertainty Related to Going Concern

We draw attention to Note 1(r) in the financial statements, which indicates that the Group incurred a net loss of \$659,859 during the year ended 30 June 2017, and operating cash outflow from operating and investing activities of \$2,227,835. As stated in Note 1(r), these events or conditions, along with other matters as set forth in Note 1(r), indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report

Key audit matter	How our audit addressed the key audit matter
Exploration and Evaluation Assets Note 1(d) and 10	
<p>At 30 June 2017 the carrying value of Exploration and Evaluation Assets was \$13,970,106. The company recognised an impairment of \$4,577 during the year on its Exploration and Evaluation Assets.</p> <p>In accordance with AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>, the company is required to assess at each reporting date if there are any triggers for impairment which may suggest the carrying value is in excess of the recoverable value.</p> <p>The process undertaken by management to assess whether there are any impairment triggers in each area of interest involves an element of management judgement.</p> <p>This area is a key audit matter due to the valuation of exploration and evaluation assets being a significant risk.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> obtaining management's reconciliation of capitalised exploration and evaluation expenditure and agreeing to the general ledger; reviewing management's area of interest considerations against AASB 6; conducting a detailed review of management's assessment of trigger events prepared in accordance with AASB 6 including: <ul style="list-style-type: none"> tracing projects to statutory registers and exploration licenses to determine whether a right of tenure existed; enquiry of management regarding their intentions to carry out exploration and evaluation activity in the relevant exploration area, including review of managements' forecasted expenditure; understanding whether any data exists to suggest that the carrying value of these exploration and evaluation assets are unlikely to be recovered through development or sale; assessing the accuracy of impairment recorded for the year as it pertained to exploration interests; evaluating the competence, capabilities and objectivity of the Managing Director as a management expert in the evaluation of potential impairment triggers; and reviewing the appropriateness of the related disclosures within the financial statements.



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Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors' for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Archer Exploration Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.



Grant Thornton

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Grant Thornton.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

B K Wundersitz
Partner - Audit & Assurance

Adelaide, 20 September 2017

Additional Information

Compiled as at 13 September 2017

Additional information required by the ASX Listing Rules and not disclosed elsewhere in this report is set out below.

Shareholder Information

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 and other notices given to the Company:

<i>Name</i>	<i>No. of Ordinary Shares</i>	<i>%</i>
Gregory David English	9,076,644	6.616

Distribution of equity securities

Number of security holders by size of holding:

<i>Range</i>	<i>Shares</i>	<i>Unlisted Options</i>	<i>Unlisted Performance Rights</i>
1 - 1,000	127	-	-
1,001 - 5,000	231	-	-
5,001 - 10,000	305	-	-
10,001 - 100,000	939	-	-
100,001 - 999,999,999	248	1	5
Total	1,850	1	5

<i>Unmarketable Parcels</i>	<i>Minimum parcel size</i>	<i>Holders</i>	<i>Units</i>
Minimum \$500.00 parcel at \$0.055 per unit	9,091	490	1,753,798

Voting Rights

At meeting of members or classes of members.

Ordinary shares

On a show of hands, every person present who is a member or proxy, attorney or representative of a member has one vote.

Unlisted options

No voting rights.

Unlisted Performance Rights

No voting rights.

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	5.49
2	J P Morgan Nominees Australia Limited	4,871,673	3.55
3	Arredo Pty Ltd	2,600,000	1.90
4	Mr Peter Irwin	2,370,363	1.73
5	Ms Alice McCleary + Mr Brian John McCleary	2,173,627	1.58
6	Deborah Annette Rossiter	1,883,679	1.37
7	Mr Vu Quang Minh Dang + Mrs Thi Kim Dau Nguyen	1,594,556	1.16
8	Mr Heung Ming Lam	1,557,775	1.14
9	Mr Basil Catsipordas	1,550,000	1.13
10	Gerard Anderson Super Pty Ltd	1,478,041	1.08
11	Mr John Vincent Wiggins	1,398,311	1.02
12	EAP Nominees Pty Ltd	1,355,709	0.99
13	Mr Hugh Robinson Beggs	1,340,363	0.98
14	Corporate Property Services Pty Ltd	1,261,285	0.92
15	Elliott Services Pty Ltd	1,200,000	0.87
16	HSBC Custody Nominees (Australia) Limited	1,150,309	0.84
17	Clockwell Pty Ltd	1,122,423	0.82
18	Mr Neville Robert Stevens	1,055,714	0.77
19	Caledonian Super Pty Limited	1,032,857	0.75
20	R J Muffet Pty Ltd	1,000,000	0.73
Total		39,531,483	28.81

Corporate Governance Statement
For the Year Ended 30 June 2017

The Corporate Governance Statement for the Group is located in the Corporate Governance section of the Company's website at: www.archerexploration.com.au

Notes

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

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Corporate Directory

Archer Exploration Limited

ABN 64 123 993 233

Directors

Greg English

Non-Executive Chairman

Alice McCleary

Non-Executive Director

Paul Rix

Non-Executive Director

Company Secretary

Damien Connor

Registered Office

Level 1, 28 Greenhill Road

Wayville SA 5034

Telephone +61 8 8272 3288

Facsimile +61 8 8272 3888

www.archerexploration.com.au

Email

info@archerexploration.com.au

Share Registry

Computershare Investor Services Pty Ltd

Level 5, 115 Grenfell Street

Adelaide SA 5000

Auditors

Grant Thornton Audit Pty Ltd

Level 3, 170 Frome Street

Adelaide SA 5000

Solicitor

Piper Alderman

Level 16, 70 Franklin Street

Adelaide SA 5000

Bankers

National Australia Bank

Level 1, 22 King William Street

Adelaide SA 5000

Australian Securities Exchange:

The Company is listed on the

Australian Securities Exchange

ASX code: AXE



Archer Exploration Limited

ABN 64 123 993 233

Level 1, 28 Greenhill Road

Wayville SA 5034

Telephone +61 8 8272 3288

Facsimile +61 8 8272 3888

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ASX code: AXE

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