

Archer Materials Limited
(ABN 64 123 993 233)



Financial Report

Half-year ended
31 December 2019

Table of contents

	Page
Directors' Report	3
Auditor's Independence Declaration.....	7
Statement of Profit or Loss and Other Comprehensive Income	8
Statement of Financial Position	9
Statement of Changes in Equity	10
Statement of Cash Flows	11
Notes to the Financial Statements.....	12
Directors' Declaration.....	21
Independent Auditor's Review Report.....	22
Corporate directory	24

Important Notes

Competent Person Statement

The exploration results reported herein, insofar as they relate to mineralisation, are based on information compiled by Mr. Wade Bollenhagen, Exploration Manager and is a full-time employee of Archer Materials 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.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 (Rounding in Financial/Director's Reports). Amounts in the Financial Statements and Director's Reports have been rounded off in accordance that Instrument to the nearest dollar, unless otherwise stated.

Directors' Report

Your Directors present their report, together with the audited financial statements, on Archer Materials Limited and its consolidated entities ("Group") for the half-year ended 31 December 2019.

Directors

The names of each person who has been a Director during the whole of the financial half-year and to the date of this report are:

Gregory David English (Executive Chairman)

Alice McCleary (Non-Executive Director)

Paul Rix (Non-Executive Director)

Principal activities

Archer provides shareholders exposure to innovative technologies and the materials that underpin them. The Company has a focused strategy targeting globally relevant materials markets of human health, reliable energy, and quantum technology.

During the financial half year, the principal activities of the Group was:

- Advancing the commercial readiness of the Company's 12CQ room temperature quantum computing chip by positioning single qubit components with nanoscale precision and the subsequent assembly and patterning of a nano-size array of several individual qubit material components.
- The building of a first-phase prototype graphene-based biosensor device and the preparation of a Patent Cooperation Treaty application for Archer's biosensor intellectual property.
- Spherical graphite derived from Archer's wholly-owned Campoona Graphite Resource was successfully tested in lithium-ion (Li-ion) battery configurations. Results indicate that Archer can produce a spherical graphite product which could work in lithium-ion batteries.
- The continued development of the Group's mineral deposits with a focus on the grant of the PEPR for the Campoona Graphite Mine and exploration of the Franklyn and Eyre Peninsula halloysite-Kaolin Projects, Mt Keith Nickel Project and the Bartels Gold Project.

There was no significant change in the nature of this activity during the relevant financial period.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Consolidated results

During the half-year ended 31 December 2019 the Group incurred a loss of \$1,777,349 (2018: loss \$1,037,307).

The Group's loss from continuing operations during the half year ended 31 December 2019 increased primarily due to the booking of a non-cash expense of \$997,000 to record the fair value of unlisted options issued during the period, in accordance with Australian accounting standard requirements. This expense has been recorded as an 'employee benefits expense' in the statement of profit or loss and other comprehensive income.

The Group's income from continuing operations during the half-year ended 31 December 2019 increased to \$132,686 (2018: \$40,703) due primarily to the profit on the sale of the company's Sugarloaf land asset.

Review of Operations

Archer is a materials technology company developing materials in quantum computing, biotechnology, and lithium-ion batteries, and exploring for minerals in Australia. The Company has strong intellectual property, broad-scope mineral tenements, world-class in-house expertise, a diverse advanced materials inventory, and access to over \$300 million of R&D infrastructure.

Change of Company name

At the Archer AGM held on 30 October 2019, shareholders voted to change the Company name from Archer Exploration Limited to Archer Materials Limited. The change of name took effect from 30 October 2019. The Company's ASX code remained unchanged (ASX:AXE).

Quantum Technology

The ¹²CQ Project commenced in April 2019. The Archer team is now building ¹²CQ room-temperature qubit processor ("chip") prototypes. Archer has assembled the first qubit material component ("qubit") of the ¹²CQ chip with nanometre precision. During the half year, Archer commercially advanced the ¹²CQ Project by assembling and patterning a nanometre size array ("few-qubit array") of several individual qubits.

To assemble the few-qubit array of Archer's chip, three individual qubits were isolated on a silicon wafer with metallic control electrode components ("electrodes") aligned and deposited around the qubit array with nanoscale precision ("Process"). The electrodes will allow for the next stage of ¹²CQ chip development involving the *measurement* of quantum information stored on the individual qubits.

The achievement is definitive proof for addressing a global quantum computing industry key success driver for early-stage quantum computing technology development related to scalability. A useful chip will need to have a number of qubits arranged in various patterns in order to run a number of algorithms, for example to perform transactions, secure communication, or in errorcorrecting quantum information processing.

Successful development of Archer's ¹²CQ chip could potentially enable widespread ownership of quantum computing powered technology and catalyse a global multibillion-dollar industry.

Human Health

During the half year, the Company progressed its graphene-based biosensor technology development by building a first-phase prototype device ("prototype") to test the printing and performance of graphene inks produced from the inventory of Carbon Allotropes ("graphene inks"). Graphene inks were printed using aligned extrusion printing to create the sensors. This process could potentially be translated to automated screen-printing, for low-cost prototype manufacturing.

Archer has provisionally patented a potential solution to printable biosensors capable of complex detection of disease. Archer is the sole applicant of the provisional patent, maintaining 100% ownership of the biosensor technology IP.

This potentially disruptive solution to point of care diagnostics involves the use of graphene, the thinnest material known, which could act as an ultrasensitive biochemical interface. The uniqueness of such a biosensor is the use of digital manufacturing to print critical graphene components integrated into one sensor.

To mature the provisional patent and support the claims in the application, Archer is engaged in a collaboration agreement with the University of Adelaide ARC Graphene Hub and a material transfer agreement with a leading German Biotech.

Reliable Energy

The Company has been undertaking work with UNSW focused on addressing the trade-off between cost and battery performance using Archer's Campoona graphite at the anode of lithium-ion batteries and formulating, building, and testing full-cell batteries. Technical development with UNSW to test spherical graphite products in lithium-ion (Li-ion) batteries continued during the half year.

Significant progress has been made by Archer on the development of Campoona since the granting of a Mining Lease. On 6 April 2018, Archer announced that graphite from Campoona is structurally near-perfect down to the atomic scale and on 21 August 2018, it was announced that 99%+ and 95% natural Campoona flake graphite was used to produce commercially scalable full-cell configuration Li-ion batteries at UNSW. On 12 March 2019, Archer announced the successful conversion of 95% and 99%+ natural flake graphite from Campoona into high value spherical graphite using proprietary technology developed by Archer's Japanese Partner for integration into Li-ion batteries.

Mineral Exploration

In December 2019, Archer's wholly owned subsidiary Pirie Resources Pty. Ltd. submitted a Program for Environment Protection and Rehabilitation ("PEPR") to the South Australian Government to seek authorisation to conduct drilling and mining operations in relation to the Campoona Mineral Lease (ML 6470), the site of the proposed Campoona Shaft graphite mine, in South Australia.

During the half year, Archer announced a large kaolin Exploration Target at both its Franklyn Halloysite-Kaolin Project and Eyre Peninsula Halloysite-Kaolin Project. Both projects are 100% owned by the Group. Both Exploration targets were derived from historic exploration results reported by previous explorers.

In December 2019 Archer completed a 21 hole aircore drill program at the Franklyn halloysite-Kaolin with results confirming the presence of kaolin and halloysite mineralisation. A similar aircore drill program was completed at the Eyre peninsula halloysite-Kaolin Project in early February 2020 with results expected in late February 2020.

Sale of Sugarloaf Land

In November 2018 Archer announced the sale of its Sugarloaf farmland for \$1.35 million. The transaction settled on 1 July 2019 with Archer receiving the \$1.35 million sale proceeds in July 2019. The purchaser of the farm land has granted Archer an option to buy back approximately 30% of the Sugarloaf farm land, which may be required for the construction of the Sugarloaf Graphite Processing Facility ("Option"). The Option may be exercised by Archer any time during the next 20 years.

Significant changes to the state of affairs

Sale of Leigh Creek Magnesite Project

In July 2018, the Company announced that it had signed a legally binding share sale agreement for the sale of all of the shares in Leigh Creek Magnesite Pty Ltd (LCM) and CH Magnesite Pty Ltd (CHM) to Australian Consolidated Venture Capital Pty Ltd (ACN 611 739 210). Australian Consolidated Venture Capital Pty Ltd is an incorporated private Australian company, based in Brisbane.

On 30 December 2019, the Company announced that some of the key terms of the Leigh Creek Magnesite Project Sale and Purchase Agreement ("2018 Agreement") had been amended as follows:

- The purchase price has increased from \$2.0 million to \$2.25 million. Archer has already received \$250,000 meaning that the Company will receive \$2.0 million at Completion.
- The deadline for achievement of certain pre-conditions prior to Completion has been extended from 31 December 2019 to 30 June 2020 (the "Cut-Off Date").
- The 5% bonus payment ("Bonus") was originally payable if the buyer achieved a stock exchange listing within 6 months of Completion. The Bonus is now payable if the buyer is listed or sells the underlying tenements at any time in the future.

The Buyer informed Archer of its intention to list on a regulated stock exchange in early 2020, which is after Completion date specified in the 2018 Agreement. At the request of the Buyer to extend the date for Completion, Archer renegotiated an increase to the Purchase Price and an indefinite extension to the period for the payment of the 5% bonus payment.

Note 9 contains a more detailed summary of the terms of the new agreement and a comparison between the 2018 Agreement and the new agreement.

Changes in equity

The following changes in equity took place during the half-year period:

- 787,500 new shares were issued to employees of Archer as a result of the vesting of 75% of previously issued performance rights that met the performance conditions for the performance period 1 July 2018 to 30 June 2019. The remaining 262,500 Performance Rights (representing 25%) were forfeited.
- 17,500,000 unlisted options to acquire fully paid ordinary shares in the Company (Options) were issued to Directors and employees of Archer following shareholder approval at the Company's Annual General Meeting held on 30 October 2019. Options are exercisable at \$0.1929 each on or before 31 March 2023.
- 15,327,790 new shares were issued to eligible shareholders who participated in the Company's share purchase plan (SPP). Under the SPP, eligible shareholders were entitled to subscribe for up to \$30,000 of fully paid ordinary shares in the Company at an issue price of \$0.13 (13 cents) per new share. The SPP raised \$1,992,600 (before costs).

Events subsequent to the end of reporting date

- On 7 February 2020, the Company issued 2,000,000 unlisted options, for nil consideration, to a consultant who is assisting in the development of the Company's halloysite-kaolin projects, pursuant to the terms and conditions of a Services Agreement with the Company. The unlisted options are exercisable at \$0.245 each on or before 31 March 2023. The fair value of the unlisted options on the date of issue is \$263,400.
- On 14 February 2020, the Company filed a Patent Cooperation Treaty ("PCT") application for Archer's biosensor related IP. The PCT will allow Archer to decide which countries to have patent protection in and allow for international protection.

A PCT application will go through an examination process according to a set of standards accepted by all the 151 countries which are signatories to the treaty.

The Directors are not aware of any other matter or circumstance that has arisen since 31 December 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Auditor's Declaration

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 8 and forms part of the director's report for the financial half-year ended 31 December 2019.

This report is signed in accordance with a resolution of the Board of Directors.



Greg English
Executive Chairman

Adelaide

Dated this 21st day of February 2020

Auditor's Independence Declaration



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Auditor's Independence Declaration

To the Directors of Archer Materials Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Archer Materials Limited for the half-year ended 31 December 2019, 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 review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in blue ink that reads "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature in blue ink, appearing to be "B K Wundersitz".

B K Wundersitz
Partner – Audit & Assurance

Adelaide, 21 February 2020

Statement of Profit or Loss and Other Comprehensive Income

(For the half-year ended 31 December 2019)

	NOTES	CONSOLIDATED GROUP	
		31 December 2019 \$	31 December 2018 \$
INCOME			
Income	2	132,686	40,703
EXPENSES			
Depreciation and amortisation expense		(12,637)	(14,123)
Amortisation of intangibles		(4,037)	(52,403)
Employee benefits expense		(1,389,144)	(571,380)
Research and development expenditure expensed		(157,257)	-
ASX listing and share registry expense		(89,869)	(76,895)
Consulting/Public Relations/Legal expense		(86,829)	(168,382)
Occupancy expense		(40,725)	(41,381)
Impairment of exploration assets		-	(19,162)
Exploration expenditure expensed		(3,173)	(72)
Other expenses		(125,977)	(133,750)
LOSS BEFORE INCOME TAX EXPENSE		(1,776,962)	(1,036,845)
Income tax benefit		-	-
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(1,776,962)	(1,036,845)
DISCONTINUED OPERATIONS			
Loss after income tax for the period from discontinued operations.		(387)	(462)
LOSS ATTRIBUTED TO MEMBERS OF THE PARENT ENTITY		(1,777,349)	(1,037,307)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		(1,777,349)	(1,037,307)
EARNINGS PER SHARE		Cents	Cents
Basic and diluted loss per share		(0.89)	(0.55)
EARNINGS PER SHARE FOR CONTINUING OPERATIONS			
Basic and diluted loss per share		(0.89)	(0.55)

The accompanying notes form part of the financial statements.

Statement of Financial Position

(As at 31 December 2019)

		CONSOLIDATED GROUP	
	NOTES	31 December 2019 \$	30 June 2019 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		2,742,902	695,749
Trade and other receivables		138,832	282,721
Non-current assets classified as held for sale	4	-	1,217,170
Assets of disposal groups classified as held for sale	9	1,566,955	1,556,659
Total current assets		4,448,689	3,752,299
NON-CURRENT ASSETS			
Property, plant and equipment		50,197	59,179
Exploration and evaluation expenditure	3	14,868,967	14,500,289
Intangible assets		64,586	68,623
Total non-current assets		14,983,750	14,628,091
TOTAL ASSETS		19,432,439	18,380,390
CURRENT LIABILITIES			
Trade and other payables		113,469	233,385
Deposit received in advance for the sale of the Leigh Creek Magnesite Project		250,000	250,000
Employee entitlements		80,100	125,836
		443,569	609,221
Liabilities of disposal groups classified as held for sale		-	263
Total current liabilities		443,569	609,484
NON-CURRENT LIABILITIES			
Employee entitlements		28,188	22,475
Total non-current liabilities		28,188	22,475
TOTAL LIABILITIES		471,757	631,959
NET ASSETS		18,960,682	17,748,431
EQUITY			
Issued capital	5	25,865,693	23,873,093
Reserves		1,237,000	264,698
Retained losses		(8,142,011)	(6,389,360)
TOTAL EQUITY		18,960,682	17,748,431

The accompanying notes form part of the financial statements.

Statement of Changes in Equity

(For the half-year ended 31 December 2019)

	Issued Capital \$	Retained Earnings \$	Share Based Payments Reserve \$	Acquisition Reserve \$	Total \$
BALANCE AT 1 JULY 2018	23,249,187	(4,739,028)	263,632	240,000	19,013,791
Shares issued during the period (net of costs)	288,019	-	(240,000)	-	48,019
Fair value of performance rights issued in current and prior period(s)	-	-	86,087	-	86,087
Transactions with owners	23,537,206	(4,739,028)	109,719	240,000	19,147,897
Total comprehensive loss for the period	-	(1,037,307)	-	-	(1,037,307)
BALANCE AT 31 DECEMBER 2018	23,537,206	(5,776,335)	109,719	240,000	18,110,590
	Issued Capital \$	Retained Earnings \$	Share Based Payments Reserve \$	Acquisition Reserve \$	Total \$
BALANCE AT 1 JULY 2019	23,873,093	(6,389,360)	24,698	240,000	17,748,431
Shares issued during the period (net of costs)	1,992,600	-	-	-	1,992,600
Fair value of unlisted options issued during the period.	-	-	997,000	-	997,000
Transfer of forfeited options.	-	24,698	(24,698)	-	-
Transactions with owners	25,865,693	(6,364,662)	997,000	240,000	20,738,031
Total comprehensive loss for the period	-	(1,777,349)	-	-	(1,777,349)
BALANCE AT 31 DECEMBER 2019	25,865,693	(8,152,361)	997,000	240,000	18,960,682

The accompanying notes form part of the financial statements.

Statement of Cash Flows

(For the half-year ended 31 December 2019)

	CONSOLIDATED GROUP	
	31 December 2019	31 December 2018
CASH FLOW FROM OPERATING ACTIVITIES	\$	\$
Payments to suppliers and employees	(940,376)	(1,049,137)
Interest received	2,401	18,555
Research & development tax concession	102,421	58,642
Other income	-	1,033
NET CASH (USED IN) OPERATING ACTIVITIES	(835,554)	(970,907)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration expenditure	(456,238)	(480,221)
Payment for plant and equipment	(3,655)	-
Receipt from sale of land and buildings	1,350,000	-
Deposit received for sale of Leigh Creek Magnesite Project	-	250,000
NET CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES	890,107	(230,221)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	1,992,600	56,048
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,992,600	56,048
Net increase / (decrease) in cash held	2,047,153	(1,145,080)
Cash at beginning of period	695,749	2,749,586
CASH AT THE END OF THE PERIOD	2,742,902	1,604,506

The accompanying notes form part of the financial statements.

Notes to the Financial Statements

(For the half-year ended 31 December 2019)

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2019 have been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Archer Materials Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2019, together with any public announcements made during the half-year.

Significant Accounting Policies

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2019, except as described below. Note that the changes in accounting policies specified below only apply to the current period. The accounting policies included in the Group's last annual financial statements for the year ended 30 June 2019 are the relevant policies for the purposes of comparatives.

AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments (2014) became effective for periods beginning on or after 1 January 2018. Accordingly, the Group applied AASB 15, AASB 16 and AASB 9 for the first time to the interim period ended 31 December 2019. Changes to the Group's accounting policies arising from these standards are summarised below:

New standards adopted as at 1 July 2019

AASB 16 Leases

AASB 16 supersedes AASB 117 Leases and Interpretation 4 Determining whether an Arrangement contains a Lease and became effective for reporting periods beginning on or after 1 January 2019. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Accordingly, the Group applied AASB 16 for the first time for the period ended 31 December 2019.

AASB 16 Leases became effective for period beginning on or after 1 January 2019. Accordingly, the Group applied AASB 16 for the first time for the interim period 31 December 2019. Changes to the Group's accounting policies arising from these standards are summarised below.

Total operating lease commitments to 30 June 2019 was \$nil as the Group currently leases its office space on a month by month contractual basis. As a result, the leases held by the Group satisfied the relevant criteria of a short-term lease under AASB 16, therefore this standard has no impact on the Group.

NOTE 2 - INCOME	CONSOLIDATED GROUP	
	6 months to 31 December 2019	6 months to 31 December 2018
	\$	\$
Interest income	2,102	14,815
Gain on sale of Sugarloaf Land	130,584	-
Other income	-	25,888
TOTAL INCOME	132,686	40,703

NOTE 3 - EXPLORATION AND EVALUATION EXPENDITURE	CONSOLIDATED GROUP	
	31 December 2019	30 June 2019
	\$	\$
Balance at the beginning of the period	14,500,289	11,638,439
Amounts capitalised during the period	379,057	909,294
Impairment expense during the period	-	(82,159)
Transferred to assets held for sale	(10,379)	(34,471)
Reclassification of assets previously held for sale	-	2,069,186
Balance at the end of the period	14,868,967	14,500,289

NOTE 4 - NON-CURRENT ASSETS HELD FOR SALE

On 1 July 2019, the Company announced the completion of the sale of its Sugarloaf farmland located on the Eyre Peninsula. At completion Archer received \$1.35 million

The Sugarloaf farm land is contained within Archer tenement EL 5920 and hosts the Sugarloaf carbon deposit and the proposed site of the Sugarloaf Graphite Processing Facility, which will be used to process the graphite from the nearby Campoona mining lease.

Under the terms of the Sale Agreement, Archer has sold the entirety of the Sugarloaf farmland but maintains an option to buy back approximately 30% of the Land, which will be required for the construction of the processing facility, to process graphite from the nearby Campoona mining lease. The option to buy back part of the land can be exercised by Archer any time during the next 20 years. The Directors have estimated the fair value of this option to be \$nil at 31 December 2019 as the Directors cannot reliably determine if this option will be exercised.

	31 December 2019 \$	30 June 2019 \$
Land and Buildings	-	1,217,170

NOTE 5 – ISSUED CAPITAL

31 DECEMBER 2019	Number of shares	31 December 2019
		\$
(a) issued and paid up capital		
Fully paid ordinary shares	212,419,573	25,865,693
(a) Movements in fully paid shares		
Balance as at 1 July 2019	196,304,283	23,873,093
Shares issued - vested performance Rights (8 July 2019)	787,500	-
Shares issued - Share Purchase Plan (13 December 2019)	15,327,790	1,992,600
Balance as at 31 December 2019	212,419,573	25,865,693
30 JUNE 2019		
	Number of shares	30 June 2019
		\$
(a) issued and paid up capital		
Fully paid ordinary shares	196,304,283	23,873,093
(a) Movements in fully paid shares		
Balance as at 1 July 2018	186,925,829	23,249,187
Shares issued - vested performance Rights (6 July 2018)	750,000	-
Shares issued - Exercise of SPP Options (25 July 2018)	570,431	42,782
Shares issued - Exercise of SPP Options (18 August 2018)	55,854	4,189
Shares issued - Exercise of SPP Options (31 October 2018)	13,964	1,047
Shares issued - vested performance rights (31 October 2018)	3,000,000	240,000
Shares issued - Exercise of SPP Options (4 January 2019)	107,054	8,029
Shares issued - Exercise of SPP Options (21 February 2019)	169,364	12,702
Shares issued - Exercise of SPP Options (6 March 2019)	426,073	31,955
Shares issued - Placement (22 May 2019)	4,285,714	283,200
Balance as at 30 June 2019	196,304,283	23,873,093

NOTE 6 – SHARE BASED PAYMENTS

a) Performance Rights	31 December 2019	30 June 2019
	Number of Performance Rights	Number of Performance Rights
Balance at the beginning of the period	1,050,000	4,500,000
Granted during the period	-	450,000
Vested during the period	(787,500)	(3,750,000)
Forfeited/cancelled during the period	(262,500)	(150,000)
Balance at the end of the period	-	1,050,000

No Performance Rights (Rights) were granted during the period.

On 8 July 2019, 787,500 new shares were issued as a result of the vesting of 75% of previously issued Rights that met the performance conditions for the performance period 1 July 2018 to 30 June 2019. The remaining 262,500 Rights (representing 25%) were forfeited.

No expense has been included in the Statement of Profit or Loss and Other Comprehensive Income under employee benefits expense for the half year ended 31 December 2019 (31 December 2018: \$4,662).

Additionally, an amount of \$24,698, relating to previously recognised share based payments was transferred to retained losses. The transfer related to the fair value of prior period share based payments in respect of performance rights that have now either been exercised or forfeited.

b) Unlisted Options	31 December 2019	30 June 2019
	Number of Unlisted Options	Number of Unlisted Options
Balance at the beginning of the period	-	5,000,000
Granted during the period	17,500,000	-
Vested during the period	-	-
Forfeited/cancelled during the period	-	(5,000,000)
Balance at the end of the period	17,500,000	-

On 12 November 2019, 17,500,000 unlisted options to acquire fully paid ordinary shares in the Company (Options) were issued to Directors and employees of Archer following shareholder approval at the Company's Annual General Meeting held on 30 October 2019 (2019 AGM). Options were granted at no cost to the recipients and vest immediately upon issue.

Options were granted pursuant to the Company's Performance Rights and Share Option Plan, which was approved by shareholders at the 2019 AGM.

The details of the Options granted are as follows:

Recipient	Grant Date	Issue Date	No. of Options	Exercise Price	Expiry Date
Directors & CEO	30 Oct 19 ¹	12 Nov 19	11,500,000	\$0.1929	31 Mar 23
Other Employees	12 Nov 19	12 Nov 19	6,000,000	\$0.1929	31 Mar 23

¹ In accordance with Australian Accounting Standard AASB 2, the deemed grant date for the Options issued to Directors and CEO was the date the Company received shareholder approval, being 30 October 2019. All Options issued to other employees have a grant date equal to the issue date, being 12 November 2019.

NOTE 6 – SHARE BASED PAYMENTS....CONTINUED

The fair value of the Options issued was calculated by using a Black-Scholes option pricing model and was estimated on the date of the grant using the following assumptions:

	Directors and CEO Options	Other Employees Options
Share price at date of grant (\$)	0.135	0.125
Historic volatility (%)	77.2	75.7
Risk free interest rate (%)	0.78	0.84
Expected life of Options (days)	1235	1235

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.

As the options do not require the satisfaction of vesting conditions, these options vest immediately and an amount of \$997,000 has been included in the Statement of Profit or Loss and Other Comprehensive Income under employee benefits expense for the half-year ended 31 December 2019 (31 December 2018: Nil)

Options outstanding at 31 December 2019 have a weighted average exercisable price of \$0.1929 each and a weighted average remaining contractual life of 3.25 years.

NOTE 7 – OPERATING SEGMENTS

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 8 – CONTINGENT ASSETS, LIABILITIES & COMMITMENTS

The Company has no contingent assets, liabilities or commitments as at 31 December 2019 (31 December 2018: Nil).

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 9 – ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

On 9 October 2018, the Company announced the termination of the Share Sale Agreements with Ballista Resources Limited and subsequent cessation of non-graphite assets spin-out via IPO. The Share Sale Agreement involved the sale of Archer's wholly owned subsidiaries SA Exploration Pty Ltd and Archer Energy & Resources Pty Ltd to Ballista Resources Limited. Given the Share Agreement has been terminated all of the assets and liabilities previously classified as 'assets and disposal groups classified as held for sale and discontinued operations', for both SA Exploration Pty Ltd and Archer Energy & Resources Pty Ltd have been re-classified in the Statement of Financial Position to no longer be classified as held for sale.

SALE OF THE LEIGH CREEK MAGNESIA PROJECT

During the year ended 30 June 2018, the Company decided to sell its wholly owned subsidiaries, Leigh Creek Magnesite Pty Ltd (LCM) and CH Magnesite Pty Ltd (CHM), which together comprise the Company's Leigh Creek Magnesia Project.

The Leigh Creek Magnesia Project is located approximately 20 kilometres northwest of Leigh Creek Township, South Australia and consists of two granted exploration licences – EL 5730 (held by LCM) and EL 6019 (held by CHM).

This decision was taken in line with the group's strategy to intensify its focus on its advanced materials activities with the associated development of the Campoona graphite mine, which is consistent with the goal of the Review, to focus Archer's future investment and management attention towards areas that will deliver the best risk weighted returns for its investors.

Consequently, certain assets and liabilities allocable to Leigh Creek Magnesite Pty Ltd and CH Magnesite Pty Ltd are classified as a disposal group.

Revenue and expenses, gains and losses relating to the discontinuation of this subgroup have been eliminated from profit or loss from the groups continuing operations and are shown as a single line item on the face of the statement of profit or loss.

In July 2018, the Company announced that it had signed a legally binding share sale agreement for the sale of all of the shares in Leigh Creek Magnesite Pty Ltd (LCM) and CH Magnesite Pty Ltd (CHM) to Australian Consolidated Venture Capital Pty Ltd (ACN 611 739 210). Australian Consolidated Venture Capital Pty Ltd is an incorporated private Australian company, based in Brisbane.

On 30 December 2019, the Company announced that some of the key terms of the Leigh Creek Magnesite Project Sale and Purchase Agreement ("2018 Agreement") had been amended as follows:

- The purchase price has increased from \$2.0 million to \$2.25 million. Archer has already received \$250,000 meaning that the Company will receive \$2.0 million at Completion.
- The deadline for achievement of certain pre-conditions prior to Completion has been extended from 31 December 2019 to 30 June 2020 (the "Cut-Off Date").
- The 5% bonus payment ("Bonus") was originally payable if the buyer achieved a stock exchange listing within 6 months of Completion. The Bonus is now payable if the buyer is listed or sells the underlying tenements at any time in the future.

Details of the key terms of the new agreement

The key terms of the new agreement are:

1. If the Buyer has not listed on a regulated stock exchange by 30 June 2020, then at Completion (10 business days after 30 June 2020) the buyer must pay to Archer either \$2.0 million in cash and/or shares in another listed company to the same value.
2. If the Buyer has listed on a regulated stock exchange by 30 June 2020, then at Completion (10 business days after the Buyer lists on the regulated stock exchange) the Buyer must issue Archer \$2.0 million of shares in the listed company.
3. In addition to the payment of the \$2.0 million, Archer is also entitled to receive a bonus payment equal to 5% of the:
 - (a) market capitalisation of the listed company in the event that the Buyer lists on a stock exchange; or
 - (b) transaction value should the buyer sell the underlying tenements to another party.
4. Any shares issued to Archer in payment of the Purchase Price or Bonus may be subject to escrow, subject to the rules of the regulated stock exchange.

Differences between original and new agreement

The key differences between the original Agreement and the new Agreement are:

Key Term	Original Agreement	New Agreement
Purchase Price	\$2.0 million	\$2.25 million
Deposit amount (paid in 2018)	\$250,000	\$250,000
Cut-Off Date	31 December 2019	30 June 2020
Ability to extend the Cut-Off Date	Buyer could extend Cut-Off Date to 31 March 2020 by paying \$250,000 cash and to 30 June 2020 by paying an additional \$250,000 cash (total \$500,000) ("Extension Payments")	Cut-Off Date cannot be extended.
Amount payable at Completion	\$2.0 million less the Deposit and Extension Payments (if any)	\$2.25 million less the Deposit
Bonus payment amount	5% of market capitalisation of Buyer if Buyer lists on a regulated stock exchange within 6 months of Completion.	5% of value of a transaction if Buyer sells the tenements or 5% of the market capitalisation of Buyer if Buyer lists on a regulated stock exchange at any time (each a "Transaction"). There is no time limit on when a Transaction can be completed.

Shareholders approved the sale of the Company's wholly owned subsidiaries Leigh Creek Magnesite Pty Ltd and CH Magnesite Pty Ltd at the General Meeting of Shareholders held on 3 September 2018.

Operating profit of Leigh Creek Magnesite Pty Ltd and CH Magnesite Pty Ltd are shown below:

	31 December 2019	31 December 2018
	\$	\$
Other expenses	(387)	(462)
Loss for year from discontinued operations before tax	(387)	(462)

Assets and Liabilities of Leigh Creek Magnesite Pty Ltd and CH Magnesite Pty Ltd are shown below:

	31 December 2019	30 June 2019
	\$	\$
Statement of financial position		
Other current assets	53	136
Non-current exploration assets	1,566,902	1,556,523
Assets of the disposal group held for sale	1,566,955	1,556,659
Current trade payables	-	263
Liabilities included in disposal group held for sale	-	263

Cash flows generated by Leigh Creek Magnesite Pty Ltd and CH Magnesite Pty Ltd are shown below:

	31 December 2019	31 December 2018
	\$	\$
Operating activities	(387)	(462)
Net cash used in discontinued operations	(387)	(462)

NOTE 10 – CASH FLOW INFORMATION

a) Reconciliation of cash flows from operations with Loss after Income Tax	31 December 2019	31 December 2018
	\$	\$
Loss after income tax	(1,777,349)	(1,037,307)
Depreciation (net of capitalised depreciation)	12,637	14,123
Amortisation of intangibles	-	52,403
Gain on sale of Sugarloaf Land	(130,584)	-
Share based payment - to employees	977,000	86,087
Exploration expenditure expensed	3,173	72
Impairment of exploration assets	-	19,162
Changes in assets and liabilities:		
- Decrease in trade and other receivables	143,972	63,123
- Decrease in trade and other payables	(44,417)	(108,656)
- Decrease in employee entitlements	(40,023)	(59,914)
Net cash used in operating activities	(835,554)	(970,907)

NOTE 11 – GOING CONCERN

The half-year financial report has been prepared on the basis of going concern. The cashflow projections of the Group indicate that it will require additional capital for continued operations. The Group incurred a net loss for the period of \$1,777,349 (2018: loss of \$1,037,307) and operations were funded by a net cash inflows of \$54,554 from operating and investing activities (2018: cash outlay of \$1,201,128).

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 half-year financial report. No allowance for such circumstances has been made in the half-year financial report.

NOTE 12 – EVENTS SUBSEQUENT TO REPORTING DATE

- On 7 February 2020, the Company issued 2,000,000 unlisted options, for nil consideration, to a consultant who is assisting in the development of the Company’s halloysite-kaolin projects, pursuant to the terms and conditions of a Services Agreement with the Company. The unlisted options are exercisable at \$0.245 each on or before 31 March 2023. The fair value of the unlisted options on the date of issue is \$263,400.
- On 14 February 2020, the Company filed a Patent Cooperation Treaty (“PCT”) application for Archer’s biosensor related IP. The PCT will allow Archer to decide which countries to have patent protection in and allow for international protection. A PCT application will go through an examination process according to a set of standards accepted by all the 151 countries which are signatories to the treaty.

Directors' Declaration

The Directors of the Company declare that:

1. The Financial Statements and Notes, as set out on pages 8 to 20 are in accordance with the *Corporations Act 2001*, including:
 - a) complying with Accounting Standard AASB 134 Interim Financial Reporting, and
 - b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date.
2. In the Director's 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
Executive Chairman

Adelaide

Dated this 21st day of February 2020

Independent Auditor's Review Report



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Independent Auditor's Report

To the Members of Archer Materials Limited

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Archer Materials Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, and 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 half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Archer Materials Limited does not give a true and fair view of the financial position of the Group as at 31 December 2019, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Material uncertainty related to going concern

We draw attention to Note 11 in the financial report, which indicates that the Group incurred a net loss of \$1,777,349 during the half year ended 31 December 2019. As stated in Note 11, these events or conditions, along with other matters as set forth in Note 11, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half year financial report

The Directors of the Company are responsible for the preparation of the half year 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 half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Archer Materials Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature in blue ink, appearing to read "B K Wundersitz", written over a faint, larger version of the signature.

B K Wundersitz
Partner – Audit & Assurance

Adelaide, 21 February 2020

Corporate directory

DIRECTORS

Greg English – Executive Chairman
Alice McCleary – Non-Executive Director
Paul Rix – Non-Executive Director

CHIEF EXECUTIVE OFFICER

Dr. Mohammad Choucair

COMPANY SECRETARY

Damien Connor

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AUSTRALIAN SECURITIES EXCHANGE

The Company is listed on the Australian Securities Exchange

ASX CODE: AXE