

ASX Announcement (ASX:AXE)

24 April 2018

## Junior Minerals Exploration Incentive

### Highlights

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- Archer has been successful in its application for participation in the Federal Government's Junior Minerals Exploration Incentive Scheme (JMEI).
  - 2017/18 JMEI credits are only available to new Archer shares (Shares) issued after Monday, 23 April 2018 and before 30 June 2018 (Eligibility Period).
  - New Shares issued during the Eligibility Period on valid exercise of SPP Options are eligible to receive JMEI credits under the new tax legislation.
  - The JMEI credits will be applied by the ATO to income tax assessed for the year ended 30 June 2018.
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Archer Exploration Limited (ASX: AXE) has been advised by the Australian Taxation Office (**ATO**) that its application to participate in the Junior Minerals Exploration Incentive (**JMEI**) scheme has been accepted.

#### The JMEI Scheme

Last month, the Federal Parliament passed legislation (*Treasury Laws Amendment (Junior Minerals Exploration Incentive) Act 2018* (the **Act**)) introducing the JMEI scheme with effect from [date] to run for three years based on an annual application process. The ATO is the administrator of the scheme.

The JMEI scheme enables eligible exploration companies to create exploration credits to pass on to shareholders by forgoing a portion of the carried forward tax losses. The tax losses must have arisen from allowable expenditure on greenfield exploration.

The JMEI replaces the former Exploration Development Incentive scheme. The JMEI entitles Australian resident investors in small minerals exploration companies to a refundable tax offset if the company in which they have invested issued them an exploration credit.

The JMEI applies to Australian residents who acquire new shares in a greenfields minerals explorer before the end of an income year in which the Commissioner has made an exploration credits allocation but on or after the day on which the allocation is made. The shares must be equity interests for the purposes of the debt and equity tax rules.

Australian resident shareholders that are issued with exploration credits will generally be entitled to refundable tax offsets (for individual shareholders or superannuation funds) or franking credits (for companies). Non-residents receiving credits will not be able to use them.

The exploration credit that can be issued to an investor is limited to the amount paid by the investor to acquire the new shares multiplied by the corporate tax rate. Exploration credits must be issued in proportion to each eligible investor's investment so streaming of exploration credits to particular investors is not permitted.

### **Archer's participation in the scheme**

The ATO has confirmed that Archer has been successful in its application under JMEI and that one hundred percent of the exploration credits applied for by the Company of \$270,000 will be available. As per the Act, only those shareholders (**Eligible Shareholders**) who acquire new Archer shares after Monday, 23 April 2018 but before 30 June 2018 (**Eligibility Period**) are entitled to receive JMEI credits.

Assuming that only shares issued between the grant of JMEI credits and 30 June 2018, relate to the exercise of SPP Options, Shareholder's JMEI credit entitlement will range between approximately 1.75<sup>1</sup> cents per share and 2.25 cents per share.

Investors should be aware that Archer cannot guarantee that Eligible Shareholders will receive the maximum number of JMEI credits available as the actual number of JMEI credits received by each Eligible Shareholder for the 2017/18 income year will be dependent on a number of factors including:

- the total number of new Archer shares issued between now and 30 June 2018;
- the actual amount of allowable exploration incurred by Archer in the 2017/18 financial year;
- Archer's tax losses for the 2017/18 financial year, and
- each shareholder's individual financial circumstance.

### **Exercise of SPP Options**

Only new shares issued by Archer during the Eligibility Period are eligible to receive JMEI credits. Therefore, SPP option holders wishing to be eligible to receive JMEI credits upon the exercise of their SPP Options must ensure that the Company receives their completed Option Exercise Notice (attached to back of SPP Option certificate) and cheque by Friday, 22 June 2018 and that the funds from the cheque are cleared by close of business on Thursday, 28 June 2018.

The Company cannot guarantee the issue new Shares on the exercise of SPP Options before 30 June 2018 if the Option Exercise Notice is received by the Company after Friday, 22 June 2018 or if the funds from cheque lodged prior to Friday, 22 June 2018 with a valid application form have not cleared by close of business on 28 June 2018.

Archer directors Alice McCleary and Greg English each intend to exercise their SPP Options before 30 June 2018 so as to qualify for the JMEI credits.

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<sup>1</sup> Assumes all remaining 15,385,623 SPP Options are exercised during the Eligibility Period and a tax rate of between 27.5% and 30%.

The JMEI Scheme is new and has never before been implemented by Archer or ATO. Therefore, all Eligible Shareholders are encouraged to seek their own independent advice before making a decision on whether or to exercise their SPP Options.

Eligible Shareholders will be notified by the Company of their JMEI credit entitlement in the approved form once Archer has lodged its 2017/18 tax return, and these JMEI credits will apply to income tax assessed for the year ended 30 June 2018.

For further information about the JMEI refer to the ATO website (click [here](#)).

For further information, please contact:

**Contact Details**

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**Shareholders**

For more information visit our website  
<https://archerx.com.au/investors/>