

ASX Announcement (ASX:AXE)

2 July 2018

Sale of Leigh Creek Magnesia Project

Highlights

- Archer executes legally binding agreement for sale of subsidiaries that hold the Leigh Creek Magnesia Project tenements.
 - Agreed purchase consideration of \$2.0m plus a bonus share payment to be paid if buyer subsequently lists on a stock exchange or is purchased by a company that is listed on a stock exchange within 6 months of the transaction being completed.
 - Completion is to take place in 12 months and the share sale is conditional on buyer due diligence, approvals (if required) under relevant Archer material agreements and Archer shareholder approval.
 - Funds from share sale to be applied toward development of Archer's advanced and specialty materials business, with a focus on reliable energy, human health and quantum computing.
 - The sale of the Magnesia Project is part of the strategic review being undertaken by Archer.
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Archer Exploration Limited (ASX:AXE, 'Archer' or 'the Company') is pleased to advise that it has signed a legally binding share sale agreement (**Agreement**) for the sale of all of the shares in Leigh Creek Magnesite Pty Ltd (**LCM**) and CH Magnesite Pty Ltd (**CHM**). LCM and CHM are wholly owned subsidiaries of Archer which hold the Company's Leigh Creek Magnesia Project.

The Leigh Creek Magnesia Project is located near the township of Leigh Creek, South Australia and consists of two granted exploration licences – EL 5730 (held by LCM) and EL 6019 (held by CHM) (together the **Tenements**).

Completion of the sale of the shares under the Agreement will result in the buyer owning all of the shares of LCM and CHM and the buyer owning the Tenements they hold.

Archer is currently undertaking a strategic review of all its assets with the goal of focusing future investment and management attention towards areas that will deliver the best risk weighted returns for its investors. The sale of the Magnesia Project allows Archer to intensify its focus on its emerging advanced and speciality materials business with the associated development of the Campoona graphite mine.

Archer Executive Chairman, Greg English, said, "We believe this is a good deal for our shareholders. Whilst we still see the potential for the eventual development of the Magnesia Project, the funds from the sale announced today can be used more immediately to drive greater shareholder value through the development of our advanced and speciality materials business."

“We want to focus on our areas of strength, and we have excellent capability with Mohammad who is driving our graphite, graphene and advanced materials strategy, as highlighted by our recently announced collaboration agreements for the development of carbon based bio-sensors and quantum computing technologies” said Mr English.

“We also remain excited about our Blue Hills copper project and the prospectively of our extensive cobalt tenements. Given the depth of opportunities within the Archer portfolio, it is imperative for us to concentrate on the projects that we believe will create most shareholder value, and where we are less dependent upon third party decisions to drive projects forward” concluded Mr English



Fig. 1. A map showing the region of South Australia that indicates the location of the Leigh Creek Magnesite Project

About the Leigh Creek Magnesite Project

The Leigh Creek Magnesite Project is located approximately 20 kilometres northwest of Leigh Creek Township, South Australia (Figure 1) and is the world's largest cryptocrystalline magnesite deposit. The Magnesite Project is the world's largest deposit of its type and hosts 48% of world cryptocrystalline (small grained) magnesite resources.

Archer has undertaken test work and bulk trials to make different magnesite products and part of this work included the successful completion of a bulk trial at Whyalla (ASX announcement 5 December 2016).

Agreement Key Terms

The Agreement is between Archer and a private Australian company (**Buyer**) and deals with the sale by Archer of all the shares in LCM and CHM to the Buyer.

Completion of the sale and purchase of the shares (**Completion**) is conditional upon: Buyer conducting due diligence by 31 August 2018 and the results of those enquiries being to the satisfaction of the Buyer; Archer shareholder approval to the sale of the shares in LCM and CHM; and the consent (if required) of counterparties under agreements affecting the Tenements.

Completion will take place on 30 June 2019 or such other date agreed by Archer and the Buyer. The date for Completion may be extended by Buyer for three months at a time (up to 31 December 2019) by paying to Archer \$250,000 per extension (up to a total of \$500,000) (**Extension Payments**).

The purchase price payable to Archer is \$2.0 million (**Base Payment**) plus a Bonus. The Buyer must pay a \$50,000 non-refundable deposit (**Deposit**) by 16 July 2018 and a further non-refundable \$200,000 (**Additional Deposit**) if the Buyer elects to proceed after the end of the due diligence period (i.e. 31 August 2018). The Deposit, Additional Deposit and Extension Payments (if any) all form part of the Base Payment, the balance of which may be satisfied in cash or, if a listing has occurred, shares in the relevant listed entity (or a combination of both) at the election of the Buyer.

The Bonus is payable if the Buyer or a related entity of the Buyer lists on a regulated stock exchange either before or within 6 months of Completion. The Bonus amount is an additional payment calculated as 5.0% of an amount \$2 million below the IPO market capitalisation of the listed entity. For example, if the Buyer lists on a regulated stock exchange within 6 months of Completion (ASX, TSX, AIM etc.) and the market capitalisation of the Buyer at listing is A\$52 million, then the total purchase price payable to Archer is $\$2.0\text{m} + 5.0\% \times (\$52\text{m} - \$2\text{m}) = \$2.0\text{m} + \$2.5\text{m} = \4.5m .

Next steps

Buyer to pay \$50,000 non-refundable deposit by 16 July 2018 and commence its due diligence enquiries which it must complete by 31 August 2018.

If after conducting due diligence the Buyer wishes to proceed with the share purchase, then it must notify Archer in writing (**Notice to Proceed**) and pay the \$200,000 Additional payment by 31 August 2018. After receiving the Notice to Proceed, Archer will convene a meeting of shareholders to approve the sale of the shares in CHM and LCM.

For further information, please contact:

Contact Details

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Shareholders

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

Competent Person Statement

The information in this report that relates to Exploration Results and an Exploration Target is based on information compiled by Mr Wade Bollenhagen, a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy and is a full-time employee of Archer Exploration Limited.

Mr Bollenhagen has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken 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". Mr. Bollenhagen consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.