

ASX Announcement ([ASX: AXE](#))

21 May 2021

Update on sale of mineral tenements

Highlights

- The sale of Archer's mineral tenements is progressing well, with both transactions expected to complete by the end of September 2021.
 - NextGen Materials Pty Ltd and iTech Minerals Pty Ltd ("iTech") expect to list on ASX by the end of September 2021.
 - Archer will receive 50 million iTech shares ("iTech Shares") at the completion of the sale and purchase. All iTech Shares will be distributed pro-rata with each Archer shareholder to receive approximately one new iTech share for every 4.6 Archer shares held at the record date[†].
 - Archer shareholders to retain exposure to any exploration success on the iTech tenements through their iTech shareholding.
 - The sale of the tenements will allow Archer to apply for a change of GICS code to "Semiconductors" and inclusion in the S&P/ASX All Technology Index (ASX:XTX).
 - Archer is the only ASX listed company giving investors exposure to the emerging multibillion-dollar quantum computing industry[‡].
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Archer Materials Limited ("Archer", the "Company", "[ASX:AXE](#)") is pleased to provide shareholders with an update on the status of the sale of the Company's mineral tenements.

The Company has previously announced the sale of its mineral tenements (the "Tenements") to companies that intend to undertake an initial public offering and list on the ASX. Archer has sold two Eyre Peninsula tenements to NextGen Materials Pty Ltd, formerly Baudin Minerals Pty Ltd, ("NextGen") (ASX ann. [22 Dec 2020](#)) and all of the Company's remaining tenements to iTech Minerals Pty Ltd ("iTech") (ASX ann. [12 Apr 2021](#)).

NextGen and iTech have informed Archer that they each expect to lodge a prospectus and list on ASX by the end of September 2021.

NextGen Materials transaction

The terms of the sale NextGen sale agreement were detailed in two ASX announcements (ASX ann. [22 Dec 2020](#) and [15 Mar 2021](#)). In summary, the purchase price payable by NextGen for the purchase of the two Eyre Peninsula tenements ("NextGen Tenements") is:

[†] The record date and exact distribution ratio will be subject to a number of factors set out in a notice of meeting to be sent to Archer shareholders. The distribution ratio of 1:4.6 is an approximation based on the number of Archer shares currently on issue and may change between now and the record date.

[‡] <https://www.nature.com/articles/s42254-020-00247-5>; also <https://www.ibm.com/quantum-computing/network/members/>

- payment of \$2.0 million. Archer has already received \$150,000 cash and, at completion, will receive the remaining \$1.85 million paid in cash or NextGen shares at the election of NextGen; plus
- bonus payment equal to 5% of the enterprise value of NextGen at the time of ASX listing, paid in cash or shares at the election of NextGen; plus
- a 2% Net Smelter Return royalty (“Royalty”) on the value of all minerals (excluding graphite) extracted from the NextGen Tenements.

Archer’s Campoona graphite project and other graphite Mineral Resources are located on the NextGen Tenements. These graphite projects and the right to explore for graphite on the NextGen Tenements were retained by Archer (the “Graphite Rights”).

The Company intends to use the proceeds from the sale of the NextGen Tenements to fund the building of the ¹²CQ quantum computing chip and Archer’s biochip.

iTech Minerals transaction

The iTech transaction was described in a previous ASX announcement (ASX ann. [12 Apr 2021](#)). Archer has agreed to sell the Graphite Rights and all of the Company’s remaining mineral tenements (excluding the NextGen tenements) to iTech Minerals Pty Ltd (together the “iTech Assets”). At the completion of the sale and purchase of the iTech Assets, Archer will receive 50 million ordinary shares in the capital of iTech. iTech intends to undertake an initial public offering at \$0.20 per new iTech share and list on ASX.

As previously announced, the Company intends to distribute all 50 million iTech shares to Archer shareholders on a pro-rata basis. This means that Company shareholders will receive approximately one new iTech share for every 4.6 Archer shares held at the record date. The exact ratio may vary and will be dependent on the number of Archer shares on issue at the record date and the effects of rounding partial entitlements.

The sale of the iTech Assets will be subject to Archer shareholder approval at a general meeting (“Meeting”). The record date for the entitlement to iTech shares will be a date set by the Archer board after the Meeting date. More information about the record date and the exact iTech share distribution ratio will be described in a notice of meeting to be distributed to Archer shareholders. At this stage, the Company intends to hold the Meeting in late July 2021.

Reason for the sale of the tenements

The sale of the tenements will allow Archer to be technology focussed. Archer is the only ASX listed company that gives investors exposure to the fast-growing world of quantum computing. The Company is developing a world-first quantum computing qubit processor chip, ¹²CQ, and is successfully validating the technology’s global competitive advantage that includes integration and end-use in mobile devices.

The sale of the Company’s mineral tenements will:

- partially fund building of the ¹²CQ quantum computing chip;

- allow the Company to dedicate additional funds and management to the development and commercialisation of the ¹²CQ quantum computing chip and Archer's biochip technologies; and
- enable the Company to apply for a change of GICS code to "Semiconductors" and seek admission to the [S&P/ASX All Technology Index](#) (ASX:XTX).

Archer will retain exposure to any exploration success on the NextGen Tenements through the Royalty, and possible NextGen shareholding should NextGen elect to pay the balance of the purchase price in NextGen shares rather than cash. Archer shareholders will retain exposure to exploration success by iTech through their iTech shareholding. Therefore, the transactions allow Archer and its shareholders to share in the benefit of any exploration success on the mineral tenements at no cost to Archer or its shareholders.

Completing the NextGen Tenements and iTech Assets sale and purchase will be subject to the satisfaction or waiver of certain conditions precedent (including ASX listing of each company and Archer shareholder approval) outlined in previous ASX announcements referred to above.

About the semiconductor industry

Semiconductor devices are commonly referred to as 'chips' and enable almost all technology applications. The global market for manufacturing chips is valued at US\$400+ billion and, by some estimates is forecast to reach US\$1 trillion by 2030. Chips currently address end markets valued at US\$4+ trillion, that include processor, sensor, and memory devices[§].

About Archer and the ¹²CQ quantum computing chip

Archer is a technology company that builds advanced semiconductor devices, including processor chips that are relevant to quantum computing. ¹²CQ is a world-first qubit processor technology that Archer is building to enable quantum computing powered devices for mobile and data-centric applications. For more information, please view Archer's [webinar](#) with IBM.

¹²CQ® is a registered trademark of Archer Materials Limited.

The Board of Archer authorised this announcement to be given to ASX.

General Enquiries

Mr Greg English
Executive Chairman

Dr Mohammad Choucair
Chief Executive Officer
Tel: +61 8 8272 3288

Media Enquiries

Mr James Galvin
Communications Officer
Email: hello@archerx.com.au

For more information about Archer's activities, please visit our:

Website:

<https://archerx.com.au/>

Twitter:

<https://twitter.com/archerxau>

YouTube:

<https://bit.ly/2UKBBmG>

Sign up to our Newsletter:

<http://eepurl.com/dKosXI>

[§] <https://www.chiefscientist.nsw.gov.au/independent-reports/australian-semiconductor-sector-study>