

Archer Exploration Limited
(ABN 64 123 993 233)



Financial Report

Half-year ended
31 December 2017

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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 who is an 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.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations Instrument 2016191 (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 Exploration Limited and its consolidated entities ("Group") for the half-year ended 31 December 2017.

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

During the financial half year, the principal continuing activities of the Group consisted of:

- The ongoing exploration of the Group's tenements and in particular: reconnaissance exploration of the North Broken Hill (SA) and Yarcowie (SA) cobalt tenements; comprehensive soil and rock chip survey over the area of the Blue Hills (SA) copper project and metallurgical test work of the Ketchowla (SA) manganese / cobalt mineralisation.
- The continued development of the Eyre Peninsula Graphite Project including the grant of the Campoona mining lease, Sugarloaf miscellaneous purposes licence and Pindari miscellaneous purposes licence.

In October 2017, the Group acquired the company Carbon Allotropes Pty Ltd which operates an online graphene and graphite marketplace, a business founded and owned by Dr Mohammad Choucair. As a result of that transaction, Dr Choucair was appointed as Chief Executive Officer of Archer Exploration Limited. The acquisition of the Carbon Allotropes business and appointment of Dr Choucair is consistent with the Company's strategy of developing a sustainable graphite/graphene business.

Dividends

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

Review of Operations

During the half-year ended 31 December 2017 the Group incurred a loss of \$757,658 (2016: loss \$559,976).

The Group's income from continuing operations during the half-year ended 31 December 2017 decreased to \$31,850 (2016: \$38,516) due primarily to a decrease in bank interest received, which is reflective of a lower average bank balance during the six month period to 31 December 2017, than was the case for six month period to 31 December 2016.

Eyre Peninsula Graphite Project

The key focus for management was advancing the development of the Group's Eyre Peninsula Graphite Project in South Australia and early stage exploration of the Group's cobalt and copper projects.

On 8 December 2017, the South Australian Government announced that it had granted to Pirie Resources Pty Ltd (Pirie), a wholly owned subsidiary of Archer, the following mining tenements (together the "Mining Tenements"):

- Campoona Mining Lease, the site of the proposed Campoona Shaft graphite mine (ML 6470).
- Sugarloaf Graphite Processing Facility Miscellaneous Purposes Licence (MPL 150).
- The Pindari Borefield Miscellaneous Purposes Licence (MPL 151).

The Mining Tenements form part of the Group's 100% owned Eyre Peninsula Graphite Project (Project), located approximately 20km from Cleve, South Australia.

The Mining Lease (ML 6470) covers an area of approximately 68ha and includes the Campoona Shaft graphite deposit – one of several such advanced deposits within the Group's broader Eyre Peninsula Graphite Project.

The Mining Lease is accompanied by a miscellaneous purposes licence (MPL 150) for graphite and graphene processing infrastructure at nearby Sugarloaf (including treatment plant, site office, power station, workshop, water supply and tailings storage facility) and a second miscellaneous purposes licence (MPL 151) for the purpose of sourcing processing water from the nearby Pindari Borefield.

The Mining Tenements collectively allow for the mining and processing of approximately 10,000 tonnes per annum of ultra-high-quality graphite and up to 100 tpa of graphene. The ability to manufacture graphene at Sugarloaf allows the development of a vertically integrated graphene operation.

As part of the development of the Project, in July 2017 the Group entered into an agreement with the Australian Research Council Research Hub for Graphene Enabled Industry Transformation (ARC Graphene Research Hub). The aim of the ARC Graphene Research Hub is to provide leading knowledge, innovative research and development for commercialisation of graphene research to create future carbon based high-tech industries and technologies across broad sectors.

Under the agreement between Archer and the other ARC Graphene Research Hub participants, Archer will assess the suitability of a range of graphene based products and then participate in the development of those products selected by the Group and the ARC Graphene Research Hub.

The next stage in the development of the Eyre Peninsula Graphite Project is for the Group to complete a program for environment protection and rehabilitation (PEPR) and gain all other outstanding approvals before mining activities can commence. Under the South Australian Mining Act, the PEPR must be lodged with the SA Government within 12 months of the grant of the Mining Tenements.

Mineral exploration activities

In parallel with the permitting and development of the Eyre Peninsula Graphite Project, the exploration team has been actively exploring the Group's cobalt and copper tenements in South Australia and New South Wales.

In the first half of calendar year 2017, the Group made a copper discovery (Blue Hills Copper Prospect) north of the Group's Ketchowla manganese project. The Blue Hills Copper Prospect is a large copper anomaly covering an area of 25km², located approximately 40km north of Burra, South Australia.

During the half-year ended 31 December 2017, the Group completed an extensive soil sampling survey at Blue Hills as part of an ongoing program to assess the geometry, grade characteristics and extent of the copper mineralisation. The initial soil sampling was conducted on a 100m x 100m grid and covered most of the area of the known anomaly. A later infill sampling program over areas of interest reduced the soil sample point spacing to 50m x 50m. Over 4,700 samples were collected over a 40km² area during the soil sampling program

The interpretation of the results from the soil sampling led to the discovery of three large copper anomalies, namely Hood, Hawkeye and Katniss. The results from the infill survey confirm that these three anomalies are situated on two large, parallel copper mineralised corridors that cross cut the geographical area.

The higher-grade copper mineralisation appears to cross several geological formations, rather than being constrained to one formation. The Hood anomaly features in one corridor whereas the Katniss and Hawkeye anomalies are in the other. These NW – SE mineralised corridors represent a large target area for future copper exploration.

The North Broken Hill Project (is located approximately 20km north of Broken Hill with the tenements collectively covering a large area of approximately 450km². Exploration activities during the half-year ended 31 December 2017, focused on the mapping of previously identified cobalt outcrops and the subsequent discovery of new regional cobalt, copper and gold targets.

The North Broken Hill tenement area is divided into nine distinct areas, however the Group has only explored seven of these areas with the southern tenements EL 8596 and EL 8597 yet to be explored. Results from the seven areas explored to date have been positive with the discovery of four large targets areas at Purnamoota (copper/cobalt), Himalaya (cobalt), Yancowinna (copper/cobalt) and Golden King West (copper/cobalt).

Exploration around Broken Hill has traditionally focused on the discovery of silver lead zinc with historic explorers determined to find repetitions of the Broken Hill orebody. However, in recent years explorers, including the Group, have become aware of the potential for the area to host copper mineralisation.

During the half-year ended 31 December 2017, the Group undertook two separate reconnaissance rock chip surveys at the Yarcowie Project, located approximately 20km east of Jamestown, South Australia. The Yarcowie tenement area crosses the Barrier Highway and is within close proximity to existing rail, power, gas and other significant infrastructure.

The two rock chip surveys identified anomalous cobalt mineralisation over a large area. The vein sets that host the manganese and cobalt mineralisation were originally thought to be conformable to the geology (i.e. orientated in the same direction), however the discovery of cobalt over a larger area suggests that the mineralisation is in fact at right angles to the stratigraphy. This feature will require further exploration to better understand the structure, topographical features and geology that controls the cobalt mineralisation.

The area of interest at Yarcowie is covered by sediment and transported rock meaning that there is minimal rock outcrop to sample. The next step at Yarcowie is to identify the presence of any further cobalt mineralisation below this cover, using a combination of geophysical techniques (e.g. electromagnetics) and/or shallow drilling.

The Group has two manganese projects at Ketchowla and Jamieson Tank.

The Ketchowla Cobalt Manganese Project is located approximately 45km north of Burra, SA. Ketchowla is an outcropping fold structure that has been mapped over 20km and comprises the K1 to K9 prospects. Drilling by Archer in early calendar year 2017 at K1 intersected near surface copper, cobalt and manganese mineralisation.

Jamieson Tank is located adjacent to the proposed site of the Sugarloaf Graphite/Graphene Processing facility with part of the project area located within the property owned by Archer. Most of the Jamieson Tank Project is located within Archer's Waddikee tenement area and was originally drilled by Monax Mining Limited.

During the half-year ended 31 December 2017, manganese samples from each of Jamieson Tank and Ketchowla for metallurgical test work to determine the ability to be able to extract manganese, cobalt other minerals from the samples. This test work showed that the manganese, cobalt and other metals are soluble in a sulphuric acid solution.

The Group's Leigh Creek Magnesite Project is located in northern South Australia, near the township of Leigh Creek. The project hosts the world's largest known cryptocrystalline magnesite resource and test work has shown that the deposit is making caustic calcine magnesite (CCM) and dead burned magnesite (DBM). Management has been in discussions with two separate parties in South Australia regarding the possible sale of magnesite ore to these entities, these discussions are continuing.

No exploration of the Group's gold or barite projects was undertaken during the half-year ended 31 December 2017.

Significant changes to the state of affairs

Purchase of Carbon Allotropes

On 30 October 2017, the Group completed the purchase of 100% ownership of Carbon Allotropes Pty Limited, an online graphite and graphene market place that sells graphene and graphite products to international and domestic customers.

Carbon Allotropes is a natural extension to the Group's graphite/graphene strategy, providing a critical distribution capability to Archer's Eyre Peninsula Graphite Project.

Expected benefits from the combined group include:

- Enhanced service offering – Carbon Allotropes online graphite and graphene sales and consulting services are highly complementary to Archer, and will benefit from Archer's development of the Eyre Peninsula Graphite Project.
- Cross-sell and up-sell opportunities – to new and existing, global graphite and graphene customers.
- Strengthened competitive position by combining distribution, production and supply.
- Accelerated growth in the graphite and graphene space – increased synergies and opportunities for Archer and Carbon Allotropes in fast growing international and domestic markets.

The purchase price for Carbon Allotropes was the issue of 3,000,000 performance rights to Dr Mohammad Choucair, the founder of Carbon Allotropes Pty Limited. Other key terms of the transaction were:

- Performance rights will vest on 31 October 2018, if Dr Choucair is still an employee of Archer at that time or if Archer terminates Dr Choucair's employment for convenience before that date.
- Performance rights will lapse if Dr Choucair resigns from Archer or is dismissed for cause prior to 31 October 2018.
- Appointment of Dr Choucair as Chief Executive Officer.

Appointment of Dr Mohammad Choucair as CEO

Dr Choucair was the first person in the world to directly synthesise graphene. This work was a paradigm shift because until then, graphene could only be isolated from graphite. The result was a repeatable, simple, and an economical way to scale the production of graphene.

Dr Choucair was the 2011 winner of the coveted Cornforth Medal from the Royal Australian Chemical Institute and recognised by Virgin Australia as one of the Top Australian Stars of 2016. He is currently serving a 2-year mandate as Councillor on the World Economic Forum's Global Future Council for Advanced Materials. The Council is tasked with developing innovative ideas, frameworks, processes and recommendations for the effective, value based governance of emerging technologies.

The appointment of Dr Mohammad Choucair as CEO and the purchase of the Carbon Allotropes online graphite/graphene market place has provided Archer with the opportunity to expedite the development of a graphene and advanced materials business.

Changes in equity

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

- 40,000,974 new shares were issued to shareholders as a result of the successful Share Purchase Plan (SPP) that closed on 20 November 2017. Under the SPP eligible shareholders were offered the opportunity to apply for new shares at a price of 7.5 cents per new share.

Shareholders who were allotted shares under the SPP were also eligible to apply for free options (SPP Options) for every two shares allotted under the SPP. The SPP Options have an exercise price of \$0.075 and expiry date of 28 February 2019.

- 18,639,125 SPP Options were issued. The SPP Options were issued for nil consideration, are unlisted and have an exercise price of \$0.075 and expiry date of 28 February 2019.
- 3,000,000 Performance Rights issued to Mohammad Choucair as consideration for the acquisition of Carbon Allotropes Pty Limited. The vesting of the Performance Rights is subject to the satisfaction of certain conditions precedent. Refer to Note 8 for further details.
- 750,000 performance rights previously issued to directors, were forfeited on 3 July 2017, as the criteria for vesting of the Rights for the performance period 1 July 2016 to 30 June 2017 was not achieved.

Events subsequent to the end of reporting date

The Directors are not aware of any matter or circumstance that has arisen since 31 December 2017 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 9 and forms part of the director's report for the financial half-year ended 31 December 2017.

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

A handwritten signature in black ink, appearing to read 'Greg English', is positioned above the printed name and title.

Greg English
Executive Chairman

Adelaide

Dated this 14th day of February 2018

Auditor's Independence Declaration



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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 review of Archer Exploration Limited for the half-year ended 31 December 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 review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

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

B K Wundersitz
Partner – Audit & Assurance

Adelaide, 14 February 2018

Statement of Profit or Loss and Other Comprehensive Income

(For the half-year ended 31 December 2017)

		CONSOLIDATED GROUP	
		31 December	31 December
		2017	2016
		\$	\$
INCOME			
Income	2	31,828	31,850
EXPENSES			
Depreciation and amortisation expense		(9,635)	(7,837)
Employee benefits expense		(377,079)	(364,025)
ASX listing and share registry expense		(92,208)	(40,282)
Consulting expense		(22,500)	(10,775)
Impairment of exploration assets		(123,689)	(24,096)
Exploration expenditure expensed		(909)	-
Other expenses		(163,466)	(144,811)
LOSS BEFORE INCOME TAX EXPENSE		(757,658)	(559,976)
Income tax benefit		-	-
LOSS FOR THE PERIOD		(757,658)	(559,976)
LOSS ATTRIBUTED TO MEMBERS OF THE PARENT ENTITY		(757,658)	(559,976)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(757,658)	(559,976)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		(757,658)	(559,976)
		Cents	Cents
Basic and diluted loss per share		(0.45)	(0.51)

The accompanying notes form part of the financial statements.

Statement of Financial Position

(For the half-year ended 31 December 2017)

CONSOLIDATED GROUP			
	NOTES	31 December 2017	30 June 2017
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		3,331,207	1,528,634
Trade and other receivables		59,386	214,635
Inventory	8	169,135	-
Total current assets		3,559,728	1,743,269
NON-CURRENT ASSETS			
Property, plant and equipment		1,446,694	1,413,757
Intangible asset		67,891	
Exploration and evaluation expenditure	3	14,499,005	13,970,106
Total non-current assets		16,013,590	15,383,863
TOTAL ASSETS		19,573,318	17,127,132
CURRENT LIABILITIES			
Trade and other payables		239,382	305,586
Short-term provisions		70,873	85,611
Total current liabilities		310,255	391,197
NON-CURRENT LIABILITIES			
Long-term provisions		6,154	5,302
Total non-current liabilities		6,154	5,302
TOTAL LIABILITIES		316,409	396,499
NET ASSETS		19,256,909	16,730,633
EQUITY			
Issued capital	4	22,519,351	19,519,325
Reserves		379,724	102,589
Retained losses		(3,642,166)	(2,891,281)
TOTAL EQUITY		19,256,909	16,730,633

The accompanying notes form part of the financial statements.

Statement of changes in equity

(For the half-year ended 31 December 2017)

	Issued Capital \$	Retained Earnings \$	Share Based Payments Reserve \$	Acquisition Reserve \$	Total \$
BALANCE AT 1 JULY 2016	17,746,577	(2,392,896)	197,100	-	15,550,781
Fair value of unlisted options issued in prior periods	-	-	43,410	-	43,410
Fair value of performance rights issued during the period			7,294	-	7,294
Transactions with owners	17,746,577	(2,392,896)	247,804	-	15,601,485
Transfer of share based payments reserve to retained earnings ¹	-	161,474	(161,474)	-	-
Total comprehensive loss for the period	-	(559,976)	-	-	(559,976)
BALANCE AT 31 DECEMBER 2016	17,746,577	(2,791,398)	86,330	-	15,041,509
¹ – Relates to the prior year(s) share-based payments expense associated with forfeited performance rights.					
BALANCE AT 1 JULY 2017	19,519,325	(2,891,281)	102,589	-	16,730,633
Shares issued during the period (net of costs)	3,000,026			-	3,000,026
Fair value of performance rights issued in prior period(s)			43,908	-	43,908
Fair value of performance rights issued as consideration for acquisition of Carbon Allotropes Pty Ltd			-	240,000	240,000
Transactions with owners	22,519,351	(2,891,281)	146,497	240,000	20,014,567
Transfer of share based payments reserve to retained earnings ¹		6,773	(6,773)	-	-
Total comprehensive loss for the period	-	(757,658)	-	-	(757,658)
BALANCE AT 31 DECEMBER 2017	22,519,351	(3,642,166)	139,724	240,000	19,256,909

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 half-year ended 31 December 2017)

	CONSOLIDATED GROUP	
	31 December	31 December
	2017	2016
CASH FLOW FROM OPERATING ACTIVITIES	\$	\$
Payments to suppliers and employees	(610,962)	(679,121)
Interest received	11,862	11,390
Research & development tax concession	157,790	-
NET CASH (USED IN) OPERATING ACTIVITIES	(441,310)	(667,731)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration expenditure	(716,523)	(703,299)
Payment for plant and equipment	(39,620)	-
NET CASH (USED IN) INVESTING ACTIVITIES	(756,143)	(703,299)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	3,000,026	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	3,000,026	-
Net increase / (decrease) in cash held	1,802,573	(1,371,030)
Cash at beginning of period	1,528,634	1,983,721
CASH AT THE END OF THE PERIOD	3,331,207	612,691

The accompanying notes form part of the financial statements.

Notes to the Financial Statements

(For the half-year ended 31 December 2017)

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 2017 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 Exploration 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 2017, together with any public announcements made during the half-year.

Significant Accounting Policies

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2016, except for the application of the following standards as of 1 July 2017:

- AASB 2015, Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 materiality.
- AASB 2013-9, Amendments to Conceptual Framework, Materiality and Financial Instruments
- AASB 2014-1, Amendments to Australian Accounting Standards Part E
- AASB 2014-8, Amendments to Australian Accounting Standards arising from AASB 9.

These standards make changes to a number of existing Australian Accounting Standards and did not result in a material change to the manner in which the Group's financial result is determined or upon the extent of disclosures included in future financial reports.

NOTE 2 – INCOME

	CONSOLIDATED GROUP	
	6 months to 31 December 2017	6 months to 31 December 2016
	\$	\$
Interest income	6,123	11,391
Other income	25,705	20,459
TOTAL INCOME	31,828	31,850

**NOTE 3 – EXPLORATION AND EVALUATION
EXPENDITURE**

CONSOLIDATED GROUP

	31 December 2017	30 June 2017
	\$	\$
Balance at the beginning of the period	13,970,106	12,427,038
Amounts capitalised during the period	652,588	1,547,645
Impairment expense during the period	(123,689)	(4,577)
Balance at the end of the period	14,499,005	13,970,106

NOTE 4 – ISSUED CAPITAL

31 DECEMBER 2016

	Number of shares	31 December 2017
		\$
(a) issued and paid up capital		
Fully paid ordinary shares	177,194,682	22,519,351

(a) Movements in fully paid shares

Balance as at 1 July 2017	137,194,306	19,519,325
Shares issued - Share Purchase Plan (net of costs)	40,000,376	3,000,026
Balance as at 31 December 2017	177,194,682	22,519,351

30 JUNE 2017

	Number of shares	30 June 2017
		\$
(a) issued and paid up capital		
Fully paid ordinary shares	137,194,306	19,519,325

(a) Movements in fully paid shares

Balance as at 1 July 2016	110,194,306	17,746,577
Shares issued - Share Purchase Plan (net of costs)	27,000,000	1,772,748
Balance as at 30 June 2017	137,194,306	19,519,325

NOTE 5 – SHARE BASED PAYMENTS

a) Performance Rights	31 December 2017	30 June 2017
	Number of Performance Rights	Number of Performance Rights
Balance at the beginning of the period	2,250,000	684,211
Granted during the period	3,000,000 ¹	2,700,000
Vested during the period	-	-
Forfeited/cancelled during the period	(750,000)	(1,134,211)
Balance at the end of the period	4,500,000	2,250,000

¹ The share based payment expense for the 3,000,000 Rights issued to Dr Mohammad Choucair, the founder of Carbon Allotropes Pty Limited was calculated in accordance with AASB 2: Share Based Payments. The total fair value for the 3,000,000 Rights issued is \$240,000, with \$40,000 expensed to the Statement of Profit or Loss and Other Comprehensive Income under employee benefits expense for the half year ended 31 December 2017 to recognise the vesting criteria within the Share Purpose Agreement.

In October 2016, 2,700,000 Performance Rights (Rights) were granted to Directors, the Company Secretary and employees. 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 in December 2016, the 450,000 Rights that were granted to him lapsed.

The share based payment expense for the remaining 2,250,000 Rights issued was calculated in accordance with AASB 2: Share Based Payments, using a Monte Carlo Simulation method to determine the fair value of the Rights.

The total fair value for the 2,250,000 Rights issued to date is \$25,253 and this amount is being expensed over 3 years commencing 1 July 2016. \$3,908 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 2017 (31 December 2016: \$7,294).

On 3 July 2017, 750,000 performance rights previously issued to directors, were forfeited as the criteria for vesting of the Rights for the performance period 1 July 2016 to 30 June 2017 was not achieved. An amount of \$6,773 relating to the previously recorded expense for these forfeited right, was written back to retained losses, from the share based payments reserve. Refer also to Statement of Changes in Equity for further details.

No rights were exercised into shares during the six month period to 31 December 2017.

b) Unlisted Options	31 December 2017	30 June 2017
	Number of Unlisted Options	Number of Unlisted Options
Balance at the beginning of the period	5,000,000	5,000,000
Granted during the period	-	-
Vested during the period	-	-
Forfeited/cancelled during the period	-	-
Balance at the end of the period	5,000,000	5,000,000

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. Under accounting rules, the options need to be expensed in the financial year using 01 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.

No options have been exercised during the half-year ended 31 December 2017 (2016: Nil) The options outstanding at 31 December 2017 have a weighted average exercisable price of \$0.15 and a weighted average remaining contractual life of 1.09 years.

The fair value of the options issued as remuneration were calculated by using a Black-Scholes option pricing model.

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.

No amount 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 2017 (31 December 2016: \$43,410)

NOTE 6 – 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 7 – CONTINGENT LIABILITIES & COMMITMENTS

\$250,000 in respect of land acquisition at Campoona remains subject to the terms of the Agreement between the vendor and Archer.

The consolidated entities have minimum expenditure commitments on exploration licenses as per the terms of the exploration licences. If the minimum expenditure on each licence is not met, part of the licence area may be relinquished. There are on-going commitments in relation to the Campoona Graphite project but contracts entered into may be cancelled if circumstances change without the Company incurring financial penalties.

NOTE 8 – ACQUISITION OF CARBON ALLOTROPES PTY LIMITED

On 30 October 2017, the Group completed the purchase of 100% ownership of Carbon Allotropes Pty Limited, an online graphite and graphene market place that sells graphene and graphite products to international and domestic customers.

Carbon Allotropes is a natural extension to the Group's graphite/graphene strategy, providing a critical distribution capability to Archer's Eyre Peninsula Graphite Project.

Expected benefits from the combined group include:

- Enhanced service offering – Carbon Allotropes online graphite and graphene sales and consulting services are highly complementary to Archer, and will benefit from Archer's development of the Eyre Peninsula Graphite Project.
- Cross-sell and up-sell opportunities – to new and existing, global graphite and graphene customers.
- Strengthened competitive position by combining distribution, production and supply.
- Accelerated growth in the graphite and graphene space – increased synergies and opportunities for Archer and Carbon Allotropes in fast growing international and domestic markets.

The purchase price for Carbon Allotropes was calculated based on the fair value of 3,000,000 performance rights issued to Dr Mohammad Choucair, the founder of Carbon Allotropes Pty Limited.

Other Key terms of the Transaction were:

- Appointment of Dr Choucair as Chief Executive Officer.

Key Terms of Performance Rights

- Performance rights will vest on 31 October 2018, if Dr Choucair is still an employee of Archer at that time or if Archer terminates Dr Choucair's employment for convenience before that date.
- Performance rights will lapse if Dr Choucair resigns from Archer or is dismissed for cause prior to 31 October 2018.

Purchase Consideration - Valuation of Performance Rights

The purchase consideration was based on the fair value of the 3,000,000 performance rights issued, valued at a \$240,000.

Fair value of the assets acquired

The consideration for the acquisition has been apportioned against the fair value of the underlying assets acquired. Management made an assessment of the fair market value of the underlying assets of Carbon Allotropes Pty Limited. No liabilities were identified or recognised as part of the acquisition.

The \$240,000 consideration was allocated provisionally against the identifiable assets of Carbon Allotropes Pty Limited as follows:

Purchase Consideration Carbon Allotropes Pty Limited	\$
Fair value of 3,000,000 Performance Rights	240,000
Total consideration	240,000
 Fair value of identifiable assets acquired (provisional)	 \$
Cash	21
Plant & Equipment	2,953
Intellectual Property	67,891
Inventory	169,135
Total identifiable assets	240,000

Directors' declaration

The Directors of the Company declare that:

1. The Financial Statements and Notes, as set out on pages 10 to 19 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 2017 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 14th day of February 2018

Independent Auditor's Review Report



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Independent Auditor's Review Report to the Members of Archer Exploration Limited

Report on the Half Year Financial Report

Conclusion

We have reviewed the accompanying half year financial report of Archer Exploration Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2017, 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 Exploration Limited does not give a true and fair view of the financial position of the Company as at 31 December 2017, 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*.

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.

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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 Company's financial position as at 31 December 2017 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 Exploration Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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 AUDIT PTY LTD
Chartered Accountants

B K Wundersitz
Partner – Audit & Assurance

Adelaide, 14 February 2018

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

REGISTERED OFFICE

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SOLICITOR

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ADELAIDE SA 5000

BANKERS

National Australia Bank
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AUSTRALIAN SECURITIES EXCHANGE

The Company is listed on the Australian Securities Exchange

ASX CODE: AXE